

FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(MARK ONE)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES AND EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1999
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 For
the transition period from _____ to

Commission File No. 1-9321

UNIVERSAL HEALTH
REALTY INCOME TRUST
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

23-6858580
(I.R.S. Employer
Identification Number)

Universal Corporate Center
367 South Gulph Road
P.O. Box 61558
King of Prussia, Pennsylvania
(Address of principal executive offices)

19406-0958
(Zip Code)

Registrant's telephone number, including area code: (610) 265-0688

Securities registered pursuant to Section 12(b) of the Act:
Title of each Class Name of each exchange on which registered
Shares of beneficial interest, \$.01 par value New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports to be
filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during
the preceding 12 months (or for such shorter period that the registrant was
required to file such reports), and (2) has been subject to such filing
requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405
of Regulation S-K is not contained herein, and will not be contained, to the
best of Registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K. ☐

Aggregate market value of voting shares held by non-affiliates as of January 31,
2000: \$139,644,750.
Number of shares of beneficial interest outstanding of registrant as of January
31, 2000: 8,991,563.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2000 Annual
Meeting of Shareholders, which will be filed with the Securities and Exchange
Commission within 120 days after December 31, 1999 (incorporated by reference
under Part III).

PART I

Item 1. BUSINESS

General

The Trust commenced operations on December 24, 1986. As of December 31,
1999, the Trust had investments in thirty-six facilities located in
thirteen states consisting of the following:

Facility Name	Location	Type of Facility	Guarantor
Chalmette Medical Center	(A) Chalmette, LA	Acute Care	Universal Health Services, Inc.
Virtue Street Pavilion	(A) Chalmette, LA	Rehabilitation	Universal Health Services, Inc.
Inland Valley Regional Medical Ctr.	(A) Wildomar, CA	Acute Care	Universal Health Services, Inc.
McAllen Medical Center	(A) McAllen, TX	Acute Care	Universal Health Services, Inc.
Meridell Achievement Center	(A) Austin, TX	Behavioral Health	Universal Health Services, Inc.
The Bridgeway	(A) N.Little Rock, AR	Behavioral Health	Universal Health Services, Inc.
Wellington Regional Medical Center	(A) W.Palm Beach, FL	Acute Care	Universal Health Services, Inc.
Vencor Hospital - Chicago	(B) Chicago, IL	Sub-Acute Care	Vencor, Inc.
Tri-State Rehabilitation Hospital	(B) Evansville, IN	Rehabilitation	HEALTHSOUTH Corporation
Fresno Herndon Medical Plaza	(B) Fresno, CA	Medical Office Bldg. ("MOB")	---
Family Doctor's Medical Office Bldg.	(B) Shreveport, LA	MOB	Columbia/HCA Healthcare Corp.
Kelsey-Seybold Clinic at Kings Crossing	(B) Kingwood, TX	MOB	St. Lukes & Methodist Health Sys.
Professional Bldgs. at Kings Crossing	(B) Kingwood, TX	MOB	---
Chesterbrook Academy	(B) Audubon, PA	Preschool & Childcare	Nobel Education Dynamics & Subs.
Carefree Learning Center	(B) New Britain, PA	Preschool & Childcare	Nobel Education Dynamics & Subs.
Carefree Learning Center	(B) Newtown, PA	Preschool & Childcare	Nobel Education Dynamics & Subs.
Carefree Learning Center	(B) Uwchlan, PA	Preschool & Childcare	Nobel Education Dynamics & Subs.
Southern Crescent Center	(B) Riverdale, GA	MOB	---
Desert Samaritan Hospital MOB's	(C) Phoenix, AZ	MOB	---
Suburban Medical Center MOB's	(D) Louisville, KY	MOB	---
Maryvale Samaritan Hospital MOB's	(E) Phoenix, AZ	MOB	---

Desert Valley Medical Center MOB	(F)	Phoenix, AZ	MOB	---
Thunderbird Paseo Medical Plaza	(G)	Glendale, AZ	MOB	---
Cypresswood Professional Center	(H)	Houston, TX	MOB	---
Samaritan West Valley Medical Ctr.	(I)	Goodyear, AZ	MOB, Imaging Ctr.	---
Edwards Medical Plaza	(F)	Phoenix, AZ	MOB	---
Desert Springs Medical Plaza	(J)	Las Vegas, NV	MOB	Quorum Health Group, Inc.
Pacifica Palms Medical Plaza	(F)	Torrance, CA	MOB	---
St. Jude Heritage Health Complex	(K)	Fullerton, CA	MOB	---
Rio Rancho Medical Center	(L)	Rio Rancho, NM	MOB	---
Orthopaedic Specialists of Nevada Building	(M)	Las Vegas, NV	MOB	---
Santa Fe Professional Plaza	(F)	Scottsdale, AZ	MOB	---
East Mesa Medical Center	(G)	Mesa, AZ	MOB	---
Summerlin Hospital Medical Office Building	(N)	Las Vegas, NV	MOB	---
Sheffield Medical Building	(B)	Atlanta, GA	MOB	---
Southern Crescent Center, II	(O)	Riverdale, GA	MOB	---

- (A) Leased to subsidiaries of Universal Health Services, Inc. ("UHS")
- (B) Real estate assets owned by the Trust and leased to an unaffiliated third-party or parties.
- (C) The Trust has a 61% equity interest in a limited liability company ("LLC") which owns the real estate assets of this facility.
- (D) The Trust has a 33% equity interest in a LLC which owns the real estate assets of this facility. In connection with this property, the Trust posted a \$3.5 million standby letter of credit for the benefit of the third-party lending institution that provided financing which matures in August, 2000.
- (E) The Trust has a 60% interest in a LLC which owns the real estate assets of this facility.
- (F) The Trust has a 95% equity interest in a LLC which owns the real estate assets of this facility.
- (G) The Trust has a 75% equity interest in a LLC which owns the real estate assets of this facility.
- (H) The Trust has provided financing, which matures in August, 2002, to a limited partnership in which the Trust owns a 77% controlling interest. In connection with this investment, the Trust made a capital contribution of \$343,000 to the limited partnership.

- (I) The Trust has a 89% equity interest in a LLC which owns the real estate assets of this facility
- (J) The Trust has a 99% equity interest in a LLC which owns the real estate assets of this facility. Tenants of this medical office building include a subsidiary of UHS.
- (K) The Trust has a 48% equity interest in a LLC which owns the real estate assets of this facility.
- (L) The Trust has a 80% equity interest in a LLC which owns the real estate assets of this facility.
- (M) Land leased from Valley Health Systems, LLC (a UHS subsidiary).
- (N) The Trust has a 98% equity interest in a LLC which owns the real estate assets of this facility. The Tenants in this multi-tenant medical office building include a subsidiary of UHS.
- (O) The construction on this facility is scheduled to be completed during the second quarter of 2000.

In this Annual Report on Form 10-K, the term "revenues" does not include the revenues of the unconsolidated limited liability companies in which the Trust has various non-controlling equity interests ranging from 33% to 99%. The Trust accounts for its share of the income/loss from these investments by the equity method.

Included in the Trust's portfolio is ownership of nine hospital facilities (aggregate net investment of \$131 million) which contain an aggregate of 1,259 licensed beds. The leases with respect to such facilities comprised 80% of the Trust's 1999 revenues, have fixed terms with an average of 4.2 years remaining and provide for renewal options for up to six five-year terms. During 1998, wholly-owned subsidiaries of Universal Health Services, Inc. ("UHS") exercised five-year renewal options on four hospitals owned by the Trust which were scheduled to expire in 1999 through 2001. The leases on these facilities were renewed at the same lease rates and terms as the initial leases. Minimum rents are payable based on the initial acquisition costs of the facilities and, with respect to all facilities other than the one leased to Vencor Hospital - Chicago, additional rents are payable based upon a percentage of each facility's revenue in excess of base year amounts or CPI increases in excess of base year amounts. The lessees have rights of first refusal to purchase the facilities exercisable during and in most cases for 180 days after the expiration of the lease terms and also have purchase options exercisable upon three to six months notice at the end of each lease term at the facility's fair market value. During 1999, the lease on Tri-State Rehabilitation Hospital was amended and renewed for a five-year term commencing June 1, 1999 and ending May 31, 2004. Pursuant to the terms of the lease, as amended, the minimum rent has been increased and the additional rent provision has been eliminated.

For the hospital facilities owned by the Trust, the combined ratio of earnings before interest, taxes, depreciation, amortization and lease and rental expense (EBITDAR) to minimum rent plus additional rent payable to the Trust was approximately 5.0, 5.1 and 4.7 for the years ended December 31, 1999, 1998 and 1997, respectively. The coverage ratio for individual facilities varies (see "Relationship to Universal Health Services, Inc.").

Pursuant to the terms of the leases with subsidiaries of UHS, UHS is responsible for building operations, maintenance and renovations required at the seven hospital facilities leased from the Trust. For the Trust's multi-tenant medical office buildings, cash reserves have been established to fund required building maintenance and renovations. Lessees are required to maintain all risk, replacement cost and commercial property insurance policies on the leased properties. The Trust is one of the named insured and believes the leased properties are adequately insured.

Relationship to Universal Health Services, Inc.

Leases. As of December 31, 1999, subsidiaries of UHS leased seven of the nine hospital facilities owned by the Trust with terms expiring in 2000 through 2006. The leases to the subsidiaries of UHS

are guaranteed by UHS and are cross-defaulted with one another. Each of the leases contains renewal options of up to six five-year periods. These leases accounted for 73% of the total revenue of the Trust for the five years ended December 31, 1999 (70% for the year ended December 31, 1999). Including 100% of the revenues generated at the unconsolidated LLCs in which the Trust has various non-controlling equity interests ranging from 33% to 99%, the UHS leases accounted for 52% of the combined consolidated and unconsolidated revenue for the five years ended December 31, 1999 (39% for the year ended December 31, 1999).

For the year ended December 31, 1999, one UHS facility did not generate sufficient EBITDAR to cover the 1999 rent expense payable to the Trust. The lease on this facility, which matures in December, 2000, generated 5% of the Trust's 1999 rental revenue. During the third quarter of 1999, the Trust recorded a \$2.6 million provision for investment loss on this facility since management of the Trust concluded that the carrying-value of the facility had been permanently impaired. Management of the Trust cannot predict whether the lease on the facility will be renewed, or if not renewed, on what terms the facility could be leased to UHS or a non-related party (UHS is required to give notice of intent by June 30, 2000). All of the Trust's remaining hospital facilities, including the facilities operated by non-related parties, had a combined 1999 EBITDAR of 5.2 times (ranging from 1.1 times to 9.0 times) the 1999 rent expense payable to the Trust. Management of the Trust cannot predict whether the leases with subsidiaries of UHS, which have renewal options at existing lease rates, or any of the Trust's other leases, will be renewed at the end of their lease terms. If the leases are not renewed at their current rates, the Trust would be required to find other operators for those facilities and/or enter into leases on terms potentially less favorable to the Trust than the current leases.

In recent years, an increasing number of legislative initiatives have been introduced or proposed in Congress and in state legislatures that would effect major changes in the healthcare system, either nationally or at the state level (see "Regulation"). In addition, the healthcare industry has been characterized in recent years by increased competition and consolidation. Management of the Trust is unable to predict the effect, if any, these industry factors will have on the operating results of its lessees, including the facilities leased to subsidiaries of UHS, or on their ability to meet their obligations under the terms of their leases with the Trust.

Pursuant to the terms of the leases with UHS, the lessees have rights of first refusal to: (i) purchase the respective leased facilities during and for 180 days after the lease terms at the same price, terms and conditions of any third-party offer, or; (ii) renew the lease on the respective leased facility at the end of, and for 180 days after, the lease term at the same terms and conditions pursuant to any third-party offer. The leases also grant the lessees options, exercisable on at least six months notice, to purchase the respective leased facilities at the end of the lease term or any renewal term at the facility's then fair market value. The terms of the leases also provide that in the event UHS discontinues operations at the leased facility for more than one year, or elects to terminate its lease prior to the expiration of its term for prudent business reasons, UHS is obligated to offer a substitution property. If the Trust does not accept the substitution property offered, UHS is obligated to purchase the leased facility back from the Trust at a price equal to the greater of its then fair market value or the original purchase price paid by the Trust. As noted below, transactions with UHS must be approved by a majority of the Trustees who are unaffiliated with UHS (the "Independent Trustees"). The purchase options and rights of first refusal granted to the respective lessees to purchase or lease the respective leased facilities, after the expiration of the lease term, may adversely affect the Trust's ability to sell or lease a facility, and may present a potential conflict of interest between the Trust and UHS since the price and terms offered by a third-party are likely to be dependent, in part, upon the financial performance of the facility during the final years of the lease term.

Advisory Agreement. UHS of Delaware, Inc. (the "Advisor"), a wholly-owned subsidiary of UHS, serves as Advisor to the Trust under an Advisory Agreement dated December 24, 1986 between the Advisor and the Trust (the "Advisory Agreement"). Under the Advisory Agreement, the Advisor is obligated to present an investment program to the Trust, to use its best efforts to obtain investments suitable for such program (although it is not obligated to present any particular investment opportunity to the Trust), to provide administrative services to the Trust and to conduct the Trust's day-to-day affairs. In performing its services under the Advisory Agreement, the Advisor may utilize independent professional services, including accounting, legal and other services, for which the Advisor is reimbursed directly by the Trust. The Advisory Agreement expires on December 31 of each year; however, it is renewable by the Trust, subject to a determination by the Independent Trustees that the Advisor's performance has been satisfactory. The Advisory Agreement may be terminated for any reason upon sixty days written notice by the Trust or the Advisor. The Advisory Agreement has been renewed for 2000. All transactions with UHS must be approved by the Independent Trustees. The Advisory Agreement provides that the Advisor is entitled to receive an annual advisory fee equal to .60% of the average invested real estate assets of the Trust, as derived from its consolidated balance sheet from time to time. In addition, the Advisor is entitled to an annual incentive fee equal to 20% of the amount by which cash available for distribution to shareholders for each year, as defined in the Advisory Agreement, exceeds 15% of the Trust's equity as shown on its balance sheet, determined in accordance with generally accepted accounting principles without reduction for return of capital dividends. No incentive fees were paid during 1999, 1998 and 1997. The advisory fee is payable quarterly, subject to adjustment at year end based upon audited financial statements of the Trust.

Share Purchase Option. UHS has the option to purchase shares of beneficial interest in the Trust at fair market value to maintain a 5% interest in the Trust. As of December 31, 1999, UHS owned 8% of the outstanding shares of beneficial interest.

Competition

The Trust believes that it is one of thirteen publicly traded real estate investment trusts (REITs) currently investing primarily in income-producing real estate with an emphasis on healthcare related facilities. The REITs compete with one another in that each is continually seeking attractive investment opportunities in healthcare related facilities.

The Trust may also compete with banks and other companies, including UHS, in the acquisition, leasing and financing of healthcare related facilities. In most geographical areas in which the Trust's facilities operate, there are other facilities which provide services comparable to those offered by the Trust's facilities, some of which are owned by governmental agencies and supported by tax revenues, and others of which are owned by nonprofit corporations and may be supported to a large extent by endowments and charitable contributions. Such support is not available to the Trust's facilities. In addition, certain hospitals which are located in the areas served by the Trust's facilities are special service hospitals providing medical, surgical and behavioral health services that are not available at the Trust's hospitals or other general hospitals. The competitive position of a hospital is to a large degree dependent upon the number and quality of staff physicians. Although a physician may at any time terminate his or her affiliation with a hospital, the Trust's hospitals seek to retain doctors of varied specializations on its hospital staffs and to attract other qualified doctors by improving facilities and maintaining high ethical and professional standards.

The Trust's hospital facilities continue to experience a shift in payor mix resulting in an increase in revenues attributable to managed care payors and unfavorable general industry trends which include pressures to control healthcare costs. Providers participating in managed care programs

agree to provide services to patients for a discount from established rates which generally results in pricing concessions by the providers and lower margins. Additionally, managed care companies generally encourage alternatives to inpatient treatment settings and reduce utilization of inpatient services. In response to increased pressure on revenues, the operators of the Trust's hospital facilities continue to implement cost control programs including more efficient staffing standards and re-engineering of services. Pressure on operating margins is expected to continue due to, among other things, the changes in Medicare payments mandated by the Balanced Budget Act of 1997 ("BBA-97") which became effective October 1, 1997 and the industry-wide trend towards managed care which limits the ability of the Trust's hospital facilities to increase their prices.

Outpatient treatment and diagnostic facilities, outpatient surgical centers, and freestanding ambulatory surgical centers also impact the healthcare marketplace. Many of the Trust's facilities continue to experience an increase in outpatient revenues which is primarily the result of advances in medical technologies and pharmaceutical improvements, which allow more services to be provided on an outpatient basis, and increased pressure from Medicare, Medicaid, health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs"), and insurers to reduce hospital stays and provide services, where possible, on a less expensive outpatient basis. The hospital industry in the United States, as well as the Trust's hospital facilities, continue to have significant unused capacity which has created substantial competition for patients. Inpatient utilization continues to be negatively affected by payor-required, pre-admission authorization and by payor pressure to maximize outpatient and alternative healthcare delivery services for less acutely ill patients. The Trust expects its hospital facilities to continue to experience increased competition, admission constraints and payor pressures.

A large portion of the Trust's non-hospital properties consist of medical office buildings which are located either close to or on the campuses of hospital facilities. These properties are either directly or indirectly affected by the factors discussed above as well as general real estate factors such as the supply and demand of office space and market rental rates.

The Trust anticipates investing in additional healthcare related facilities and leasing the facilities to qualified operators, perhaps including UHS and subsidiaries of UHS.

Regulation

The Medicare program reimburses the operators of the Trust's hospitals primarily based on established rates by a diagnosis related group ("DRG") for acute care hospitals and by cost based formula for behavioral health facilities. Historically, rates paid under Medicare's prospective payment system ("PPS") for inpatient services have increased, however, these increases have been less than cost increases. Pursuant to the terms of BBA-97, there were no increases in the rates paid to hospitals for inpatient care through September 30, 1998 and reimbursement for bad debt expense and capital costs as well as other items have been reduced. Inpatient operating payment rates increased 0.5% for the period of October 1, 1998 through September 30, 1999, however, the modest rate increase was less than inflation and was more than offset by the negative impact of converting reimbursement on skilled nursing facility patients from a cost based reimbursement to a prospective payment system and from lower DRG payments on certain patient transfers mandated by BBA-97. Inpatient operating payment rates were increased 1.1% for the period of October 1, 1999 through September 30, 2000, however, the modest increase was less than inflation and is expected to be more than offset by the negative impact of increasing the qualification threshold for additional payments for treating costly inpatient cases (outliers). Payments for Medicare outpatient services historically have been paid based on costs, subject to certain adjustments and limits. BBA-97 requires that payment for those services be converted to PPS. The Health Care Financing

Administration's current plan is to implement PPS for outpatients by July 1, 2000, however, there is a possibility that outpatient PPS may be delayed until January, 2001. Since final provisions of the outpatient Medicare PPS are not yet available, the operators of the Trust's facilities can not completely estimate the resulting impact on their future results of operations. The Trust expects continuing pressure to limit expenditures by governmental healthcare programs. Further changes in the Medicare or Medicaid programs and other proposals to limit healthcare spending could have a material adverse impact on the operating results of the Trust's facilities and the healthcare industry.

In addition to the Medicare and Medicaid programs, other payors continue to actively negotiate the amounts they will pay for services performed. In general, the operators of the Trust's facilities expect to continue to experience an increase in business from managed care programs, including HMOs and PPOs. The consequent growth in managed care networks and the resulting impact of these networks on the operating results of the Trust's facilities vary among the markets in which the Trust's facilities operate.

Executive Officers of the Registrant

Name	Age	Position
Alan B. Miller	62	Chairman of the Board and Chief Executive Officer
Kirk E. Gorman	49	President, Chief Financial Officer, Secretary and Trustee
Charles F. Boyle	40	Vice President and Controller
Cheryl K. Ramagano	37	Vice President and Treasurer
Timothy J. Fowler	44	Vice President, Acquisition and Development
Alan C. Hale	32	Vice President, Acquisition and Development

Mr. Alan B. Miller has been Chairman of the Board and Chief Executive Officer of the Trust since its inception in 1986. He served as President of the Trust until March, 1990. Mr. Miller has been Chairman of the Board, President and Chief Executive Officer of UHS since its inception in 1978. Mr. Miller also serves as a director of CDI Corp. and Penn Mutual Life Insurance Company.

Mr. Kirk E. Gorman has been President and Chief Financial Officer of the Trust since March, 1990 and was elected to the Board of Trustees and Secretary in December, 1994. Mr. Gorman had previously served as Vice President and Chief Financial Officer of the Trust since April, 1987. Mr. Gorman was elected Senior Vice President, Treasurer and Chief Financial Officer of UHS in 1992 and served as its Senior Vice President and Treasurer since 1989.

Mr. Charles F. Boyle was elected Vice President and Controller of the Trust in June, 1991. Mr. Boyle was promoted to Assistant Vice President - Corporate Accounting of UHS in 1994 and served as its Director of Corporate Accounting since 1989.

Ms. Cheryl K. Ramagano was elected Vice President and Treasurer of the Trust in September, 1992. Ms. Ramagano was promoted to Assistant Treasurer of UHS in 1994 and served as its Director of Finance since 1990.

Mr. Timothy J. Fowler was elected Vice President, Acquisition and Development of the Trust upon the commencement of his employment with UHS in October, 1993. Prior thereto, he served as a Vice President of The Chase Manhattan Bank, N.A. since 1986.

Mr. Alan C. Hale was elected Vice President, Acquisition and Development, of the Trust in October, 1998. Mr. Hale had previously served as Vice President, Acquisition and Development, for UHS, Ambulatory Services Division, since the commencement of his employment with UHS in November, 1996. Prior thereto, he served as Vice President, Acquisition and Development for EquiMed, Inc. since 1994.

The Trust's officers are all employees of UHS and as of December 31, 1999, the Trust had no salaried employees. In both 1999 and 2000, the Trustees awarded a \$50,000 bonus to Mr. Kirk E. Gorman, President, Chief Financial Officer, Secretary and Trustee of the Trust. Also, in both 1999 and 2000, UHS agreed to a \$50,000 reduction in the advisory fee paid by the Trust.

Item 2. Properties

The following table shows the Trust's investments in hospital facilities leased to Universal Health Services, Inc. and other non-related parties. The table on the next page provides information related to various properties in which the Trust has significant investments, some of which are accounted for by the equity method. The capacity in terms of beds (for the hospital facilities) and the five-year occupancy levels are based on information provided by the lessees.

Hospital Facility Name and Location	Type of facility	Number of available beds @ 12/31/99	Average Occupancy (1)					Lease Term		
			1999	1998	1997	1996	1995	Minimum rent	End of initial or renewed term	Renewal term (years)
Chalmette Medical Centers Virtue Street Pavilion (3)	Rehabilitation	45	61%	63%	64%	61%	57%	\$1,261,000	2004	25
Chalmette Medical Center Chalmette, Louisiana (2)	Acute Care	118	65%	61%	64%	66%	67%	1,229,000	2003	15
Inland Valley Regional Medical Center Wildomar, California (3)	Acute Care	80	68%	60%	52%	49%	49%	1,857,000	2006	30
McAllen Medical Center McAllen, Texas (3)	Acute Care	472	69%	69%	76%	88%	87%	5,485,000	2001	30
Wellington Regional Medical Center West Palm Beach, Florida (3)	Acute Care	120	41%	37%	36%	36%	30%	2,495,000	2006	30
The BridgeWay North Little Rock, Arkansas (3)	Behavioral Health	70	78%	79%	68%	62%	65%	683,000	2004	25
Meridell Achievement Center Austin, Texas	Behavioral Health	114	49%	53%	47%	45%	65%	1,071,000	2000	20
Tri-State Regional Rehabilitation Hospital Evansville, Indiana (4)	Rehabilitation	80	74%	82%	74%	59%	59%	1,206,000	2004	20
Vencor Hospital Chicago, Illinois (5)	Sub-Acute Care	114	46%	42%	50%	45%	38%	1,179,000	2001	25

Item 2. Properties (continued)

Hospital Facility Name and Location	Type of facility	Average Occupancy (1)					Lease Term		
							Minimum rent	End of initial or renewed term	Renewal term (years)
		1999	1998	1997	1996	1995			
Fresno - Herndon Medical Plaza Fresno, California (6)	Medical Office Building	100%	100%	100%	100%	100%	\$688,000	2000 -2003	various
Kelsey-Seybold Clinic at King's Crossing Professional Center at King's Crossing Kingwood, Texas (7)	Medical Office Buildings	100%	100%	100%	100%	100%	264,000	2005	10
		100%	100%	100%	93%	100%	295,000	2000 -2005	various
The Southern Crescent Center I Riverdale, Georgia (8)	Medical Office Building	100%	100%	100%	89%	-	628,000	2000 -2006	various
The Cypresswood Professional Center Spring, Texas (9)	Medical Office Building	100%	100%	96%	-	-	545,000	2002 -2007	various
Desert Springs Medical Plaza Las Vegas, Nevada (10)	Medical Office Building	99%	100%	-	-	-	1,655,000	2000-2006	various
Orthopaedic Specialists of Nevada Las Vegas, Nevada (11)	Medical Office Building	100%	-	-	-	-	183,000 20,000	Bldg. 2009 Ground 2049	20 non-renewable
Sheffield Medical Office Building Atlanta, Georgia (12)	Medical Office Building	90%	-	-	-	-	1,371,000	2000-2012	various
The Southern Crescent Center II Atlanta, Georgia (13)	Medical Office Building	N/A	-	-	-	-	415,000	2010	10

(1) Average occupancy rate for the hospital facilities is based on the average number of available beds occupied during the five years ended December 31, 1999. Average occupancy rate for the multi-tenant medical office buildings is based on the occupied square footage of each building. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for effects of various occupancy levels at the Trust's hospital facilities. Average available beds is the number of beds which are actually in service at any given time for immediate patient use with the necessary equipment and staff available for patient care. A hospital may have appropriate licenses for more beds than are in service for a number of reasons, including lack of demand, incomplete construction, and anticipation of future needs.

(2) The operations of The Virtue Street Pavilion and Chalmette Medical Center, two facilities which are separated by approximately one mile, were combined at the end of 1989. Each facility is leased pursuant to a separate lease. The Chalmette Medical Center facility is a 122-bed medical/surgical facility. The Virtue Street Pavilion is a 73 licensed-bed facility made up of a physical rehabilitation unit, skilled nursing and inpatient behavioral health services. In December of 1994, the operator of the Virtue Street Pavilion entered into a three year sub-lease agreement with Lifecare Hospitals of New Orleans, LLC ("Lifecare"), for a portion of the facility. Annual rental is \$1.1 million under the provisions of this agreement. The sub-lease, which expires in December, 2000, contains one three year extension at the lessee's option. Management of the Trust can not predict whether the sub-lease agreement with Lifecare will be renewed at the end of the initial term. No assurance can be given as to the effect, if any, the consolidation of the two facilities as mentioned above, had on the underlying value of the Virtue Street Pavilion and Chalmette Medical Center. Rental commitments and the guarantee by UHS under the existing leases continue for the remainder of the respective terms of the leases. In October, 1999, the Trust purchased \$3.2 million of newly constructed acute care capacity at Chalmette Medical Center including a new operating room and stat lab, 16 beds and administrative space. Under the existing lease terms, base rent on this facility was increased by \$308,000 per year as a result of this additional purchase.

(3) During 1998, wholly-owned subsidiaries of UHS exercised five-year renewal options on four hospitals owned by the Trust which were scheduled to expire in 1999 through 2001 (Virtue Street Pavilion, The Bridgeway, Inland Valley Regional Medical Center and Wellington Medical Center). The leases on these facilities were renewed at the same lease rates and terms as the initial leases. As part of the renewal agreement, the Trust also agreed to grant additional fixed rate renewal options to a wholly-owned subsidiary of UHS commencing in 2022 on the real property of McAllen Medical Center.

(4) Tri-State Regional Rehabilitation Hospital was purchased by the Trust in 1989 at which time the Trust entered into an agreement with the operator, an unaffiliated third-party, to lease the facility for an initial fixed term of 10 years, with the operator having the option to extend the lease for five five-year renewal terms. During 1999, the lease on this facility was amended and renewed for a five-year term commencing on June 1, 1999 and ending on May 31, 2004. Pursuant to the terms of the lease as amended, the minimum rent has been increased and the additional rent provision has been eliminated.

(5) During December of 1993, UHS, the former lessee and operator of Belmont Community Hospital, sold the operations of the facility to THC-Chicago, Inc., an indirect wholly-owned subsidiary of Community Psychiatric Centers ("CPC"). Concurrently, the Trust purchased certain related real property from UHS for \$1 million in cash and a note payable with a carrying value of \$1.3 million (including accrued interest) at December 31, 1999. The note payable has a face value of \$1 million and is due on December 31, 2001. The amount of interest payable on this

note is contingent upon the financial performance of this leased facility and its estimated fair value at the end of the initial lease term. The Trust has estimated the total amount payable under the terms of this note and has discounted the payments to their net present value using a 6% rate. Included in the Trust's 1999 financial results is approximately \$76,000 of interest expense related to this note. In connection with this transaction, UHS's lease with the Trust was terminated and the Trust entered into an eight year lease agreement with THC-Chicago. In 1997, CPC was acquired by Vencor, Inc. who assumed their obligations under the lease and renamed the facility Vencor Hospital-Chicago. The lease is guaranteed by Vencor, Inc. During 1999, Vencor, Inc. filed for bankruptcy and as a result, the Trust did not receive or record approximately one-half of a month of rental revenue. Management of Vencor, Inc. has informed the Trust that pursuant to its petition for debt reorganization, it intends on paying all rent due to the Trust pursuant to the terms of the lease. Vencor, Inc. was granted a Motion for an Order Pursuant to Section 365(d)(4) of the Bankruptcy Code Further Extending the Time Within Which Debtors Must Assume or Reject Unexpired Leases of Non-residential Property, extending the date to June 13, 2000. Rental payments on this facility have been received through March, 2000.

(6) Fresno-Herndon Medical Plaza, a multi-tenant medical office building, was purchased by the Trust in 1994 for approximately \$6.3 million. The building is leased to several tenants, including an outpatient surgery center operated by Columbia/HCA Healthcare Corporation, under the terms of leases with expiration dates ranging from February, 2000 to March, 2003. The Trust has granted the seller the option to repurchase the property in November, 2001 for \$7,250,000.

(7) During 1994 and 1995, the Trust financed construction and in 1995 purchased the single tenant and two multi-tenant medical office buildings for the total construction cost of \$4.3 million. The single tenant building consists of 20,000 net square feet and is leased to Kelsey-Seybold for an initial term of 10 years. This lease is guaranteed 50% by St. Luke's Episcopal Health System and 50% by Methodist Health Care System. The two multi-tenant buildings total 27,535 net square feet and are occupied by tenants consisting primarily of medical professionals.

(8) During 1996, the Trust purchased The Southern Crescent Center I, for approximately \$6 million. The Southern Crescent Center I, is a 41,400 square foot, multi-tenant medical office building located adjacent to the Southern Regional Medical Center in Riverdale, Georgia.

(9) Construction on the Cypresswood Professional Center, located in Houston, Texas, was completed during 1997 for a total cost of \$4.4 million. In connection with this investment, the Trust provided five-year financing (which matures in August, 2002) to a limited partnership which owns the real estate assets of this facility. The Trust owns a 77% controlling interest in the partnership.

(10) During 1998, the Trust invested a total of \$10.1 million to acquire a 99% non-controlling interest in a limited liability company that owns the Desert Springs Medical Plaza located in Las Vegas, Nevada. The 89,000 square foot medical office building, which is located on the campus of Desert Springs Hospital, is master leased and guaranteed by Quorum Health Group, Inc. In connection with this investment the limited liability company obtained non-recourse, third-party financing, which has an outstanding balance at December 31, 1999 of \$5.9 million.

(11) During 1999, the Trust purchased the Orthopaedic Specialists of Nevada Building in Las Vegas, Nevada for \$1.6 million. The lease extends for a period of ten years, with two ten-year renewal options. The land on which this building is located is leased from Valley Health Systems, LLC, a subsidiary of UHS.

(12) On November 15, 1999, the Trust purchased the Sheffield Medical Office Building in Atlanta, Georgia for \$11.5 million. The leases on this multi-tenant building have expiration dates ranging from April, 2000 to December, 2012.

(13) As of December 31, 1999, the Trust has invested \$2.1 million in a \$7.3 million development project to construct a 60,000 square foot medical office building to be called The Southern Crescent Center II, adjacent to the Southern Crescent Center I in Atlanta, GA. The project is scheduled for completion in the spring of 2000. The building is master leased to Southern Regional Medical Center under the terms of a ten year lease agreement, with two five year renewal terms.

Item 3. LEGAL PROCEEDINGS

Not applicable.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable. No matter was submitted during the fourth quarter of the year ended December 31, 1999 to a vote of security holders.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Trust's shares of beneficial interest are listed on the New York Stock Exchange. The high and low closing sales prices for the Trust shares of beneficial interest for each quarter in the two years ended December 31, 1999 and 1998 are summarized below:

	1999		1998	
	High Price	Low Price	High Price	Low Price
First Quarter	\$20 1/2	\$19 1/4	\$22 1/2	\$21
Second Quarter	\$20 5/16	\$19 5/16	\$21 3/8	\$18 13/16
Third Quarter	\$19 13/16	\$17 1/16	\$20 1/4	\$18 1/16
Fourth Quarter	\$17 7/8	\$14 5/8	\$20 1/4	\$18 3/8

As of January 31, 2000, there were approximately 885 shareholders of record of the Trust's shares of beneficial interest. It is the Trust's intention to declare quarterly dividends to the holders of its shares of beneficial interest so as to comply with applicable sections of the Internal Revenue Code governing real estate investment trusts. Covenants relating to the revolving credit facility limit the Trust's ability to increase dividends in excess of 95% of cash available for distribution unless additional distributions are required to be made so as to comply with applicable sections of the Internal Revenue Code and related regulations governing real estate investment trusts. In each of the past five years, dividends per share were declared as follows:

	1999	1998	1997	1996	1995
First Quarter	\$.450	\$.435	\$.425	\$.420	\$.42
Second Quarter	.450	.435	.425	.425	.42
Third Quarter	.455	.440	.425	.425	.42
Fourth Quarter	.455	.445	.430	.425	.42
	-----	-----	-----	-----	-----
	\$ 1.810	\$ 1.755	\$ 1.705	\$ 1.695	\$ 1.68
	=====	=====	=====	=====	=====

Item 6. SELECTED FINANCIAL DATA

Financial highlights for the Trust for the five years ended December 31, 1999 were as follows:

	(000s except per share amounts)				
	1999 (1)	1998 (1)	1997 (1)	1996	1995
Revenues	\$23,865	\$23,234	\$22,764	\$21,923	\$20,417
Net Income	\$13,972	\$14,337	\$13,967	\$14,158	\$13,584
Funds from Operations (2)	\$21,772	\$19,857	\$18,809	\$18,174	\$17,024
Per Share Data:					
Net income-Basic	\$1.56	\$1.60	\$1.56	\$1.58	\$1.52
Net income-Diluted	\$1.56	\$1.60	\$1.56	\$1.58	\$1.52
Dividends	\$1.810	\$1.755	\$1.705	\$1.695	\$1.680

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(2) Funds from operations ("FFO") may not be calculated in the same manner for all companies, and accordingly, FFO as presented above may not be comparable to similarly titled measures by other companies. FFO does not represent cash flows from operations as defined by generally accepted accounting principles and should not be considered as an alternative to net income as an indicator of the Trust's operating performance or to cash flows as a measure of liquidity. FFO shown above is calculated as follows:

	(000s)				
	1999	1998	1997	1996	1995
Net income	\$13,972	\$14,337	\$13,967	\$14,158	\$13,584
Depreciation expense:					
Consolidated investments	3,833	3,809	3,740	3,554	3,315
Unconsolidated affiliates	2,322	1,587	978	337	--
Amortization of interest rate cap	62	124	124	125	125
Provision for investment loss, net	1,583	--	--	--	--
Total	\$21,772	\$19,857	\$18,809	\$18,174	\$17,024
	=====	=====	=====	=====	=====

At End of Period	1999	1998	1997	1996	1995
Total Assets	\$178,821	\$169,406	\$146,755	\$148,566	\$132,770
Debt	\$ 76,889	\$ 66,016	\$ 42,347	\$ 43,082	\$ 26,396

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

The matters discussed in this report, as well as the news releases issued from time to time by the Trust, include certain statements containing the words "believes", "anticipates", "intends", "expects", and words of similar import, which constitute "forward-looking statements" within the meaning of Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Trust's or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following: a substantial portion of the Trust's revenues are dependent on one operator, Universal Health Services, Inc., ("UHS"); a substantial portion of the Trust's leases are involved in the healthcare industry which is undergoing substantial changes and is subject to possible changes in the levels and terms of reimbursement from third-party payors and government reimbursement programs, including Medicare and Medicaid; the Trust's ability to finance its growth on favorable terms; liability and other claims asserted against the Trust or operators of the Trust's facilities, and other factors referenced herein. Additionally, the operators of the Trust's facilities, including UHS, are confronted with other issues such as: industry capacity; demographic changes; existing laws and government regulations and changes in or failure to comply with laws and governmental regulations; the ability to enter into managed care provider agreements on acceptable terms; competition; the loss of significant customers; technological and pharmaceutical improvements that increase the cost of providing, or reduce the demand for healthcare; and the ability to attract and retain qualified personnel, including physicians. Management of the Trust is unable to predict the effect, if any, these factors will have on the operating results of its lessees, including the facilities leased to subsidiaries of UHS. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Trust disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Liquidity and Capital Resources

General

The Trust commenced operations on December 24, 1986. As of December 31, 1999, the Trust had investments in thirty-six facilities located in thirteen states.

It is the Trust's intention to declare quarterly dividends to the holders of its shares of beneficial interest so as to comply with applicable sections of the Internal Revenue Code governing real estate investment trusts. Covenants relating to the revolving credit facility limit the Trust's ability to increase dividends in excess of 95% of cash available for distribution unless additional distributions are required to be made to comply with applicable sections of the Internal Revenue Code and related regulations governing real estate investment trusts. During 1999, dividends of \$1.81 per share, or \$16.2 million in the aggregate, were declared and paid.

Net cash generated by operating activities was \$19.6 million in 1999, \$18.7 million in 1998 and \$17.7 million in 1997. The \$900,000 net increase in 1999 as compared to 1998 was due primarily to: (i) a \$1.1 million increase in net income plus the addback of the non-cash charges (depreciation, amortization, amortization of interest rate cap expense and provisions for investment losses); (ii) a

\$113,000 unfavorable change in rent receivable, and; (iii) a \$96,000 unfavorable change in other net working capital accounts. The \$1 million net increase in 1998 as compared to 1997 was due primarily to: (i) a \$500,000 increase in net income plus the addback of the non-cash charges (as defined above); (ii) a \$100,000 favorable change in rent receivable, and; (iii) a \$400,000 favorable change in tenant escrows, deposits and prepaid rents.

During 1999, the \$19.6 million of cash flows generated from operating activities, the \$10 million of cash received for the repayments of three short-term loans advanced to separate LLCs during 1998, the \$1.2 million of cash distributions received in excess of income from the Trust's investments in LLCs, the \$10.8 million of additional borrowings and the \$998,000 proceeds recorded from the sale of Lakeshore Hospital were used primarily to: (i) purchase a 95% equity interest in a limited liability company that owns the Santa Fe Professional Plaza located in Scottsdale, Arizona (\$1.2 million); (ii) purchase a 98% equity interest in a limited liability company that owns the Summerlin Hospital Medical Office Building located in Las Vegas, Nevada (\$5.0 million); (iii) purchase a 75% equity interest in a limited liability company that owns the East Mesa Medical Center located in Mesa, Arizona (\$1.6 million); (iv) invest additional capital in existing LLCs (\$1.0 million); (v) acquire a medical office building in Las Vegas, Nevada (\$1.6 million); (vi) acquire the Sheffield Medical Building (\$11.5 million); (vii) finance capital expenditures (\$4.4 million); (viii) purchase land (\$307,000), and; (ix) pay dividends (\$16.2 million).

During 1998, the \$18.7 million of cash flows generated from operations, the \$23.6 million of additional borrowings, the \$900,000 of cash distributions received in excess of income from the Trust's investments in LLCs and the \$600,000 reduction in cash were used primarily to: (i) pay dividends (\$15.7 million); (ii) investments in and advances to five limited liability companies (\$27.9 million, see Note 3), and; (iii) purchase real property and additions to land and buildings (\$200,000). Included in the \$27.9 million invested in/advanced to limited liability companies was \$10.0 million of short-term loans advanced to three separate LLCs in which the Trust has ownership interests ranging from 48% to 95%. These loans, which earned interest at variable rates depending upon the length of time the loan was outstanding, earned interest at an annual average rate of 9% for 1998. The loans were fully repaid to the Trust during 1999 when the LLCs secured long-term, third-party financing.

During 1997, the \$17.7 million of cash flows generated from operations, the \$6.8 million of cash received for repayments under a mortgage and a construction note receivable (net of \$3.4 million of advances in 1997) and the \$600,000 of cash distributions received in excess of income from the Trust's investments in LLCs were used primarily to: (i) pay dividends (\$15.3 million); (ii) purchase real property and additions to land and buildings (\$4.2 million); (iii) purchase equity interests in two limited liability companies (\$3.7 million, see Note 3), and; (iv) repay debt (\$800,000). As of December 31, 1997, the Trust had a \$1 million short-term cash investment which was used to repay debt in the beginning of January, 1998.

During 1999, the Trust amended its unsecured, non-amortizing revolving credit agreement (the "Agreement"), which expires on June 24, 2003, to increase its borrowing capacity to \$100 million from \$80 million. The Agreement provides for interest at the Trust's option, at the certificate of deposit rate plus 5/8% to 1 1/8%, Eurodollar rate plus 1/2% to 1 1/8% or the prime rate. A fee of .175% to .375% is required on the unused portion of this commitment. The margins over the certificate of deposit rate, Eurodollar rate and the commitment fee are based upon the Trust's debt to total capital ratio as defined by the Agreement. At December 31, 1999 the applicable margin over the certificate of deposit and Eurodollar rates were 7/8% and 5/8%, respectively, and the commitment fee was .20%. There are no compensating balance requirements. The Agreement contains a provision

whereby the commitments will be reduced by 50% of the proceeds generated from any new equity offering. At December 31, 1999, the Trust had approximately \$21 million of available borrowing capacity.

Covenants relating to the revolving credit facility require the maintenance of a minimum tangible net worth and specified financial ratios, limit the Trust's ability to incur additional debt, limit the aggregate amount of mortgage receivables and limit the Trust's ability to increase dividends in excess of 95% of cash available for distribution, unless additional distributions are required to comply with the applicable section of the Internal Revenue Code and related regulations governing real estate investment trusts.

The Trust has entered into interest rate swap agreements and an interest rate cap agreement which are designed to reduce the impact of changes in interest rates on its floating rate revolving credit notes. At December 31, 1999, the Trust had five outstanding swap agreements for notional principal amounts of \$35,580,000 which mature from May, 2001 through November, 2006. These swap agreements effectively fix the interest rate on \$35,580,000 of variable rate debt at 6.64% including the revolver spread of .625%. The Trust had one interest rate cap, for which the Trust paid \$622,750, which matured in June, 1999 and fixed the maximum rate on \$15 million of variable rate revolving credit notes at 7.625% including the revolver spread of .625%. The interest rate swap and cap agreements were entered into in anticipation of certain borrowing transactions made by the Trust. The effective rate on the Trust's revolving credit notes including commitment fees and interest rate swap expense was 6.2%, 6.7% and 6.9% during 1999, 1998 and 1997, respectively. Additional interest expense recorded as a result of the Trust's hedging activity, which is included in the effective interest rates shown above, was \$135,000, \$136,000 and \$118,000 in 1999, 1998 and 1997, respectively. The Trust is exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swap agreements. These counterparties are major financial institutions and the Trust does not anticipate nonperformance by the counterparties which are rated A or better by Moody's Investors Service. Termination of the interest rate swaps at December 31, 1999 would have resulted in payments from the counterparties to the Trust of approximately \$862,000. The fair value of the interest rate swap agreements at December 31, 1999 reflects the estimated amounts that the Trust would pay or receive to terminate the contracts and are based on quotes from the counterparties.

Results of Operations

Total revenues increased 3% or \$631,000 to \$23.9 million in 1999 as compared to 1998 and 2% or \$470,000 to \$23.2 million in 1998 as compared to \$22.8 million in 1997. The \$631,000 increase during 1999 over 1998 was due primarily to a \$451,000 increase in base rentals from non-related parties and a \$170,000 increase in interest income. The \$451,000 increase in base rentals from non-related parties resulted primarily from: (i) revenues generated from the Sheffield Medical Building and the Orthopaedic Specialists of Nevada Building, both of which were acquired during the fourth quarter of 1999 (\$275,000), and; (ii) a \$134,000 increase in the base rentals of Tri-State Rehabilitation Hospital resulting from the June 1, 1999 lease amendment which increased the minimum rent and eliminated the additional rent provision. The \$170,000 increase in interest income is primarily due to the interest earned on short-term loans advanced to three separate LLCs (in which the Trust has ownership interests), all of which were repaid to the Trust by June 30, 1999. The \$470,000 increase during 1998 over 1997 was due primarily to a \$788,000 increase in base rentals from non-related parties (due primarily to the completion of The Cypresswood Professional Center during the third quarter of 1997), and a \$122,000 increase in bonus rental income from UHS facilities. These favorable changes were partially offset by a \$473,000 decrease in interest income due to a mortgage loan receivable which was fully repaid in June, 1997 and a construction loan receivable which was repaid in December, 1997.

The average occupancy rate of a hospital is affected by a number of factors, including the number of physicians using the hospital, changes in the number of beds, the composition and size of the population of the community in which the hospital is located, general and local economic conditions, variations in local medical and surgical practices and the degree of outpatient use of the hospital services. Current industry trends in utilization and occupancy have been significantly affected by changes in reimbursement policies of third-party payors. A continuation of such industry trends could have a material adverse impact upon the future operating performance of the Trust's hospital facilities. The Trust's hospital facilities have experienced growth in outpatient utilization over the past several years. The increase in outpatient services is primarily the result of advances in medical technologies and pharmaceutical improvements, which allow more services to be provided on an outpatient basis, and increased pressure from Medicare, Medicaid, managed care companies and other insurers to reduce hospital stays and provide services where possible, on a less expensive outpatient basis. The hospital industry in the United States as well as the Trust's hospital facilities continue to have significant unused capacity which has created substantial competition for patients. Inpatient utilization continues to be negatively affected by payor-required, pre-admission authorization and by payor pressure to maximize outpatient and alternative healthcare delivery services for less acutely ill patients. The Trust expects the increased competition, admission constraints and payor pressures to continue. The ability of the Trust's hospital facilities to maintain or grow their net revenues and operating margins is dependent upon their ability to successfully respond to these trends as well as reductions in spending on governmental healthcare programs.

The Medicare program reimburses the operators of the Trust's hospitals primarily based on established rates by a diagnosis related group ("DRG") for acute care hospitals and by cost based formula for behavioral health facilities. Historically, rates paid under Medicare's prospective payment system ("PPS") for inpatient services have increased, however, these increases have been less than cost increases. Pursuant to the terms of The Balanced Budget Act of 1997 ("BBA-97"), there were no increases in the rates paid to hospitals for inpatient care through September 30, 1998 and reimbursement for bad debt expense and capital costs as well as other items have been reduced. Inpatient operating payment rates increased 0.5% for the period of October 1, 1998 through September 30, 1999, however, the modest rate increase was less than inflation and was more than offset by the negative impact of converting reimbursement on skilled nursing facility patients from a cost based reimbursement to a prospective payment system and from lower DRG payments on certain patient transfers mandated by BBA-97. Inpatient operating payment rates were increased 1.1% for the period of October 1, 1999 through September 30, 2000, however, the modest increase was less than inflation and is expected to be more than offset by the negative impact of increasing the qualification threshold for additional payments for treating costly inpatient cases (outliers). Payments for Medicare outpatient services historically have been paid based on costs, subject to certain adjustments and limits. BBA-97 requires that payment for those services be converted to prospective payment systems (PPS). The Health Care Financing Administration's current plan is to implement PPS for outpatients by July 1, 2000, however, there is a possibility that outpatient PPS may be delayed until January, 2001. Since final provisions of the outpatient Medicare PPS are not yet available, the operators of the Trust's facilities can not completely estimate the resulting impact on their future results of operations. The Trust expects continuing pressure to limit expenditures by governmental healthcare programs. Further changes in the Medicare or Medicaid programs and other proposals to limit healthcare spending could have a material adverse impact on the operating results of the Trust's facilities and the healthcare industry.

In addition to the Medicare and Medicaid programs, other payors continue to actively negotiate the amounts they will pay for services performed. In general, the operators of the Trust's facilities expect to continue to experience an increase in business from managed care programs, including HMOs and

PPOs. The consequent growth in managed care networks and the resulting impact of these networks on the operating results of the Trust's facilities vary among the markets in which the Trust's facilities operate.

Interest expense increased \$514,000 or 15% in 1999 as compared to 1998 and \$547,000 or 19% in 1998 as compared to 1997 due primarily to the additional borrowings used to finance the 1999, 1998 and 1997 investments described in Note 3 of the financial statements.

Depreciation and amortization expense decreased slightly in 1999 as compared to 1998 and increased \$104,000 or 3% in 1998 as compared to 1997. The increase in 1998 as compared to 1997 was due primarily to the depreciation expense related to the 1997 acquisitions described in Note 3.

Other operating expenses decreased \$115,000 or 6% in 1999 as compared to 1998 primarily due to a favorable expense reserve adjustment recorded in the third quarter of 1999, relating to Lakeshore Hospital, which was sold during the third quarter of 1999 for net cash proceeds of \$998,000. Other operating expenses increased \$479,000 or 34% in 1998 as compared to 1997 due to the operating expenses on the Cypresswood Professional Center on which construction was completed during the third quarter of 1997 and an increase in various other operating expenses. Included in the Trusts' other operating expenses were the expenses related to the medical office buildings, in which the Trust has a controlling ownership interest which totaled \$1.0 million in 1999, \$1.0 million in 1998 and \$770,000 in 1997. The majority of these expenses are passed on directly to the tenants and are included as revenues in the Trust's statements of income.

During 1999, the operating performance declined significantly at one of the Trust's behavioral health services facilities operated by, and leased to, a wholly-owned subsidiary of UHS. Changes in CHAMPUS utilization and the increasing influence of managed care have led to shorter lengths of stay for patients at this facility which is operated as an adolescent residential treatment center. During the twelve months ended December 31, 1999 patient days and average length of stay at this facility decreased 7% and 20%, respectively, as compared to the comparable prior year period. In the twelve month period ended December 31, 1999, this facility had earnings before interest, taxes, depreciation, amortization and base rental expense (EBITDAR) of 0.8 times the annual rent payable to the Trust. The lease on this facility expires in December, 2000 and represented 5% of the Trust's rental revenue for the twelve month period ended December 31, 1999. Although management of the Trust is actively negotiating the sale/lease of the property with UHS as well as non-related parties, management of the Trust has concluded that, based on an analysis of future cash flows, there has been a permanent impairment in the carrying value of this facility. As a result, the Trust recorded a \$2.6 million provision for investment loss during 1999.

Also during 1999, the Trust sold the real estate assets of Lakeshore Hospital for net proceeds of \$998,000. Since the book value of this facility had previously been reduced to zero, this amount was recorded as a gain and netted against the provision for investment loss during 1999.

Included in the Trust's financial results was \$2.6 million in 1999, \$1.5 million in 1998 and \$400,000 in 1997, of income generated from the Trust's ownership in limited liability companies which own medical office buildings in Arizona, California, Kentucky, New Mexico and Nevada (Note 8 of the financial statements).

Net income for 1999 was \$14.0 million or \$1.56 per basic and diluted share compared to \$14.3 million or \$1.60 per basic and diluted share in 1998 and \$14.0 million or \$1.56 per basic and diluted share in 1997.

Funds from operations ("FFO"), which is the sum of net income plus depreciation expense for consolidated investments and unconsolidated investments and amortization of interest rate cap expense, totaled \$21.8 million in 1999, \$19.9 million in 1998 and \$18.8 million in 1997. FFO may not be calculated in the same manner for all companies, and accordingly, may not be comparable to similarly titled measures by other companies. FFO does not represent cash flows from operations as defined by generally accepted accounting principles and should not be considered as an alternative to net income as an indicator of the Trust's operating performance or to cash flows as a measure of liquidity.

General

During 1999, the lease on Tri-State Rehabilitation Hospital was amended and renewed for a five-year term commencing on June 1, 1999 and ending on May 31, 2004. Pursuant to the terms of the lease as amended, the minimum rent has been increased and the additional rent provision has been eliminated.

During the third quarter of 1998, wholly-owned subsidiaries of UHS exercised five-year renewal options on four hospitals owned by the Trust which were scheduled to expire in 1999 through 2001 (Virtue Street Pavilion, The Bridgeway, Inland Valley Regional Medical Center and Wellington Regional Medical Center). The leases on these facilities were renewed at the same lease rates and terms as the initial leases. As part of the renewal agreement, the Trust also agreed to grant additional fixed rate renewal options to a wholly-owned subsidiary of UHS commencing in 2022 on the real property of McAllen Medical Center. Management of the Trust can not predict whether the leases with subsidiaries of UHS, which have renewal options at existing lease rates, or any of the Trust's other leases, will be renewed at the end of their initial term or first five-year renewal term.

The Trust did not experience any significant Year 2000 computer related issues as a result of the turn of the century.

Market Risks Associated with Financial Instruments

The Trust's interest expense is sensitive to changes in the general level of domestic interest rates. To mitigate the impact of fluctuations in domestic interest rates, a portion of the Trust's debt is fixed rate accomplished by entering into interest rate swap agreements. The interest rate swap agreements are contracts that require the Trust to pay a fixed and receive a floating interest rate over the life of the agreements. The floating-rates are based on LIBOR and the fixed-rates are determined upon consummation of the swap agreements. The interest rate swap agreements do not constitute positions independent of the underlying exposures. The Trust does not hold or issue derivative instruments for trading purposes and is not a party to any instruments with leverage features. The Trust is exposed to credit losses in the event of non-performance by the counterparties to its financial instruments. The counterparties are creditworthy financial institutions, rated A or better by Moody's Investor Services and the Trust anticipates that the counterparties will be able to fully satisfy their obligations under the contracts. For the years ended December 31, 1999, 1998 and 1997, the Trust received a weighted average rate of 6.09%, 5.24% and 5.79%, respectively, and paid a weighted average rate on its interest rate swap agreements of 6.02%, 6.94% and 6.94%, respectively.

The table below presents information about the Trust's derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, including interest rate swaps as of December 31, 1999. For debt obligations, the table presents principal cash flows and related weighted-average interest rates by contractual maturity dates. For interest rate swap agreements, the table presents notional amounts by expected maturity date and weighted average interest rates based on rates in effect at December 31, 1999.

(Dollars in thousands)	Maturity Date, Fiscal Year Ending December 31					There- after	Total
	2000	2001	2002	2003	2004		
Long-term debt:							
Fixed rate		\$1,289					\$1,289
Average interest rates		6.0%					
Variable rate long-term debt				\$75,600			\$75,600
Interest rate swaps:							
Pay fixed/receive							
variable notional amounts		\$1,580	\$4,000		\$10,000	\$20,000	\$35,580
Average pay rate		6.80%	6.6025%		6.10375%	6.02%	
Average receive rate		3 month	6 month		3 month	3 month	
		LIBOR	LIBOR		LIBOR	LIBOR	

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Trust's Balance Sheets and its Statements of Income, Changes in Shareholders' Equity and Cash Flows, together with the report of Arthur Andersen LLP, independent public accountants, are included elsewhere herein. Reference is made to the "Index to Financial Statements and Schedules."

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

There is hereby incorporated by reference the information to appear under the caption "Election of Trustees" in the Trust's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after December 31, 1999. See also "Executive Officers of the Registrant" appearing in Part I hereof.

Item 11. EXECUTIVE COMPENSATION

There is hereby incorporated by reference the information under the caption "Executive Compensation" and "Compensation Pursuant to Plans" in the Trust's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after December 31, 1999.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS
AND MANAGEMENT

There is hereby incorporated by reference the information under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Trust's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after December 31, 1999.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There is hereby incorporated by reference the information under the caption "Transactions With Management and Others" in the Trust's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after December 31, 1999.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Financial Statements and Financial Statement Schedules:

- 1) Report of Independent Public Accountants
- 2) Financial Statements

Consolidated Balance Sheets - December 31, 1999 and December 31, 1998 Consolidated Statements of Income - Years Ended December 31, 1999, 1998 and 1997 Consolidated Statements of Shareholders' Equity - Years Ended December 31, 1999, 1998 and 1997 Consolidated Statements of Cash Flows - Years Ended December 31, 1999, 1998 and 1997 Notes to Consolidated Financial Statements - December 31, 1999

(3) Schedules

Schedule II - Valuation and Qualifying Accounts - Years Ended December 31, 1999, 1998 and 1997
Schedule III - Real Estate and Accumulated Depreciation - December 31, 1999
Notes to Schedule III - December 31, 1999

(b) Reports on Form 8-K:

No reports on Form 8-K were filed during the last quarter of the year ended December 31, 1999

(c) Exhibits:

3.1 Declaration of Trust, dated as of August 1986, previously filed as Exhibit 3.1 Amendment No. 3 of the Registration Statement on Form S-11 and Form S-2 of Universal Health Services, Inc. and the Trust (Registration No. 33-7872), is incorporated herein by reference.

3.2 Amendment to Declaration of Trust, dated as of June 23, 1993, previously filed as Exhibit 3.2 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated herein by reference.

3.3 Amended and restated bylaws, filed as Exhibit 10.1 to the Trust's Form 10-Q for the quarter ended March 31, 1998, is incorporated herein by reference.

10.1 Advisory Agreement, dated as of December 24, 1986, between UHS of Delaware, Inc. and The Trust, previously filed as Exhibit 10.2 to the Trust's Current Report on Form 8-K dated December 24, 1986, is incorporated herein by reference.

10.2 Agreement effective January 1, 2000, to renew Advisory Agreement dated as of December 24, 1986 between Universal Health Realty Income Trust and UHS of Delaware, Inc.

10.3 Contract of Acquisition, dated as of August 1986, between the Trust and certain subsidiaries of Universal Health Services, Inc., previously filed as Exhibit 10.2 to Amendment No. 3 of the Registration Statement on Form S-11 and S-2 of Universal Health Services, Inc. and the Trust (Registration No. 33-7872), is incorporated herein by reference.

10.4 Form of Leases, including Form of Master Lease Document Leases, between certain subsidiaries of Universal Health Services, Inc. and the Trust, previously filed as Exhibit 10.3 to Amendment No. 3 of the Registration Statement on Form S-11 and Form S-2 of Universal Health Services, Inc. and the Trust (Registration No. 33-7872), is incorporated herein by reference.

10.5 Share Option Agreement, dated as of December 24, 1986, between the Trust and Universal Health Services, Inc., previously filed as Exhibit 10.4 to the Trust's Current Report on Form 8-K dated December 24, 1986, is incorporated herein by reference.

10.6 Corporate Guaranty of Obligations of Subsidiaries Pursuant to Leases and Contract of Acquisition, dated December 1986, issued by Universal Health Services, Inc. in favor of the Trust, previously filed as Exhibit 10.5 to the Trust's Current Report on Form 8-K dated December 24, 1986, is incorporated herein by reference.

10.7 Contract of Acquisition dated August 31, 1988 between the Trust, Rehab Systems Company, Inc. and Tri-State Regional Rehabilitation Hospital, Inc., previously filed as Exhibit 10.2 to the Trust's September 30, 1988 Form 10-Q, is incorporated herein by reference.

10.8 Key Employees' Restricted Share Purchase Plan approved by the Trustees on December 1, 1988 which authorized the issuance of up to 50,000 common shares, previously filed as Exhibit 10.11 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1988, is incorporated herein by reference.

10.9 Share Compensation Plan for Outside Trustees, previously filed as Exhibit 10.12 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1991, is incorporated herein by reference.

10.10 1988 Non-Statutory Stock Option Plan, as amended, previously filed as Exhibit 10.13 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1991, is incorporated herein by reference.

10.11 Lease dated December 22, 1993, between Universal Health Realty Income Trust and THC-Chicago, Inc. as lessee, previously filed as Exhibit 10.14 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated herein by reference.

10.12 Mortgage Modification, Consolidation and Extension Agreement and Consolidated Note dated December 28, 1993 in the amount of \$6,500,000 from Crouse Irving Memorial Properties, Inc. to Universal Health Realty Income Trust, previously filed as Exhibit 10.15 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated herein by reference.

10.13 Agreement for Purchase and Sale and Repurchase Agreement dated as of November 4, 1994 between Fresno-Herndon Partners, Limited and Universal Health Realty Income Trust, previously filed as Exhibit 10.16 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated herein by reference.

10.14 Agreement of Purchase and Sale, and Construction Loan Agreement dated as of December 20, 1994 between Turner Adreac, L.C. and Universal Health Realty Income Trust, previously filed as Exhibit 10.17 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated herein by reference.

10.15 Sale Agreement, dated as of September 1, 1995, by and among Universal Health Realty Income Trust and Desert Commercial Properties Limited Partnership, previously filed as Exhibit 10.18 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1996, is incorporated herein by reference.

10.16 Operating Agreement of DSMB Properties, L.L.C., dated as of September 1, 1995, by and among Universal Health Realty Income Trust and Desert Commercial Properties Limited Partnership, previously filed as Exhibit 10.19 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1996, is incorporated herein by reference.

10.17 Agreement and Escrow Instructions, dated as of August 15, 1995, by and between Phase III Desert Samaritan Medical Building Partners and Desert Commercial Properties Limited Partnership, previously filed as Exhibit 10.20 to the Trust's Annual Report on 10-K for the year ended December 31, 1996, is incorporated herein by reference.

10.18 Universal Health Realty Income Trust 1997 Incentive Plan, previously filed as Exhibit 10.1 to the Trust's Form 10-Q for the quarter ended September 30, 1997, is incorporated herein by reference.

10.19 Amendment No. 1 to Lease, made as of July 31, 1998, between Universal Health Realty Income Trust, a Maryland real estate investment trust ("Lessor"), and Inland Valley Regional Medical Center, Inc., a California Corporation ("Lessee"), previously filed as Exhibit 10.1 to the Trust's Form 10-Q for the quarter ended September 30, 1998, is incorporated herein by reference.

10.20 Amendment No. 1 to Lease, made as of July 31, 1998, between Universal Health Realty Income Trust, a Maryland real estate investment trust ("Lessor"), and McAllen Medical Center, L.P. (f/k/a Universal Health Services of McAllen, Inc.), a Texas Limited Partnership ("Lessee"), amends the lease, made as of December 24, 1986, between Lessor and Lessee, previously filed as Exhibit 10.2 to the Trust's Form 10-Q for the quarter ended September 30, 1998, is incorporated herein by reference.

10.21 Amendment to REVOLVING CREDIT AGREEMENT as of April 30, 1999 among (i) UNIVERSAL HEALTH REALTY INCOME TRUST, a real estate investment trust organized under the laws of the State of Maryland and having its principal place of business at 367 South Gulph Road, King of Prussia, Pennsylvania 19406, (ii) VARIOUS FINANCIAL INSTITUTIONS and (iii) FIRST UNION NATIONAL BANK, as administrative agent for the Banks, previously filed as exhibit 10.1 to the Trusts' Form 10-Q for the quarter ended March 31, 1999, is incorporated herein by reference.

10.22 Dividend Reinvestment and Share Purchase Plan is hereby incorporated by reference from Registration Statement Form S-3, Registration No. 333-81763, as filed on June 28, 1999.

10.23 Sale agreement, dated October 26, 1999, by and among FB Sheffield Partners, LLC, a Georgia limited liability company having an office at 1827 Powers Ferry Road, Building 13, Atlanta, Georgia 30339, Health America Realty Group, LLC, a Georgia limited liability company and Universal Health Realty Income Trust, having an office at 367 South Gulph Road, King of Prussia, Pennsylvania 19406.

27 Financial Data Schedule

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 21, 2000

UNIVERSAL HEALTH REALTY INCOME TRUST
(Registrant)

By: /s/ Alan B. Miller

Alan B. Miller, Chairman of the Board
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date	Signature and Title
	/s/ Alan B. Miller -----
March 21, 2000	Alan B. Miller, Chairman of the Board and Chief Executive Officer
	/s/ Kirk E. Gorman -----
March 24, 2000	Kirk E. Gorman, President, Chief Financial Officer, Secretary and Trustee
	/s/ James E. Dalton, Jr -----
March 24, 2000	James E. Dalton, Jr., Trustee
	/s/ Myles H. Tanenbaum -----
March 23, 2000	Myles H. Tanenbaum, Trustee
	/s/ Daniel M. Cain -----
March 21, 2000	Daniel M. Cain, Trustee
	/s/ Miles L. Berger -----
March 21, 2000	Miles L. Berger, Trustee
	/s/ Elliot J. Sussman -----
March 21, 2000	Elliot J. Sussman, M.D., M.B.A., Trustee

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Report of Independent Public Accountants

To The Shareholders and Board of Trustees of
Universal Health Realty Income Trust:

We have audited the accompanying consolidated balance sheets of Universal Health Realty Income Trust and Subsidiaries (a Maryland real estate investment trust) as of December 31, 1999 and 1998 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These consolidated financial statements and the schedules referred to below are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements and schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Universal Health Realty Income Trust and Subsidiaries, as of December 31, 1999 and 1998 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles in the United States.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Schedules on Page F-1 are presented for the purpose of complying with the Securities and Exchange Commission's rules and are not a required part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

Philadelphia, Pennsylvania
January 19, 2000

Arthur Andersen LLP

Universal Health Realty Income Trust
Consolidated Balance Sheets
(amounts in thousands)

Assets:	December 31, 1999	December 31, 1998
	-----	-----
Real Estate Investments:		
Buildings & improvements	\$ 154,792	\$ 142,871
Accumulated depreciation	(37,800)	(34,006)
	-----	-----
	116,992	108,865
Land	23,128	21,061
Construction in progress	1,247	28
Reserve for investment losses	--	(116)
	-----	-----
Net Real Estate Investments	141,367	129,838
	-----	-----
Investments in and advances to limited liability companies	35,748	38,165
Other Assets:		
Cash	852	572
Bonus rent receivable from UHS	723	681
Rent receivable from non-related parties	67	24
Deferred charges and other assets, net	64	126
	-----	-----
	\$ 178,821	\$ 169,406
	=====	=====
Liabilities and Shareholders' Equity:		
Liabilities:		
Bank borrowings	\$ 75,600	\$ 64,800
Note payable to UHS	1,289	1,216
Accrued interest	411	281
Accrued expenses & other liabilities	1,367	1,300
Tenant reserves, escrows, deposits and prepaid rents	404	374
Minority interest	75	87
Shareholders' Equity:		
Preferred shares of beneficial interest, \$.01 par value; 5,000,000 shares authorized; none outstanding	--	--
Common shares, \$.01 par value; 95,000,000 shares authorized; issued and outstanding: 1999 - 8,990,825 1998 - 8,955,465	90	90
Capital in excess of par value	129,255	128,685
Cumulative net income	140,430	126,458
Cumulative dividends	(170,100)	(153,885)
	-----	-----
Total Shareholders' Equity	99,675	101,348
	-----	-----
	\$ 178,821	\$ 169,406
	=====	=====

The accompanying notes are an integral part of these financial statements.

Universal Health Realty Income Trust
Consolidated Statements of Income

(amounts in thousands, except per share amounts)

	Year ended December 31,		
	1999	1998	1997
Revenues (Note 2):			
Base rental - UHS facilities	\$13,828	\$13,764	\$13,731
Base rental - Non-related parties	6,844	6,393	5,605
Bonus rental	2,912	2,966	2,844
Interest	281	111	584
	-----	-----	-----
	23,865	23,234	22,764
	-----	-----	-----
Expenses:			
Depreciation & amortization	3,857	3,879	3,775
Interest expense	4,004	3,490	2,943
Advisory fees to UHS (Note 2)	1,214	1,161	1,099
Other operating expenses	1,789	1,904	1,425
Provision for investment loss, net	1,583	0	0
	-----	-----	-----
	12,447	10,434	9,242
	-----	-----	-----
Income before equity in limited liability companies	11,418	12,800	13,522
Equity in income of limited liability companies	2,554	1,537	445
	-----	-----	-----
Net Income	\$13,972	\$14,337	\$13,967
	=====	=====	=====
Net Income Per Share - Basic	\$1.56	\$1.60	\$1.56
	=====	=====	=====
Net Income Per Share - Diluted	\$1.56	\$1.60	\$1.56
	=====	=====	=====
Weighted average number of shares outstanding - Basic	8,956	8,952	8,952
Weighted average number of share equivalents	21	22	15
	-----	-----	-----
Weighted average number of shares and equivalents outstanding - Diluted	8,977	8,974	8,967
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

Universal Health Realty Income Trust
Consolidated Statements of Shareholders' Equity
For the Years Ended December 31, 1999, 1998 and 1997
(amounts in thousands, except per share amounts)

	Common Shares		Capital in excess of par value	Cumulative net income	Cumulative dividends
	Number of Shares	Amount			
January 1, 1997	8,952	\$90	\$128,643	\$98,154	(\$122,905)
Net Income	--	--	--	13,967	--
Issuance of shares of beneficial interest	3	--	7	--	--
Dividends (\$1.705/share)	--	--	--	--	(15,264)

January 1, 1998	8,955	90	128,650	112,121	(138,169)
Net Income	--	--	--	14,337	--
Issuance of shares of beneficial interest	1	--	35	--	--
Dividends (\$1.755/share)	--	--	--	--	(15,716)

January 1, 1999	8,956	90	128,685	126,458	(153,885)
Net Income	--	--	--	13,972	--
Issuance of shares of beneficial interest	35	--	570	--	--
Dividends (\$1.810/share)	--	--	--	--	(16,215)

December 31, 1999	8,991	\$90	\$129,255	\$140,430	(\$170,100)
=====					

The accompanying notes are an integral part of these financial statements.

Universal Health Realty Income Trust
Consolidated Statements of Cash Flows
(amounts in thousands)

	Year ended December 31,		
	1999	1998	1997
Cash flows from operating activities:			
Net income	\$13,972	\$14,337	\$13,967
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation & amortization	3,857	3,879	3,775
Amortization of interest rate cap	62	124	124
Provision for investment loss, net	1,583	--	--
Changes in assets and liabilities:			
Rent receivable	(85)	28	(67)
Accrued expenses & other liabilities	150	170	197
Tenant escrows, deposits & deferred rents	30	106	(247)
Accrued interest	130	64	(17)
Deferred charges & other	(120)	(53)	(26)
Net cash provided by operating activities	19,579	18,655	17,706
Cash flows from investing activities:			
Investments in LLCs	(8,713)	(17,912)	(3,741)
Advances received from (made to) LLCs	9,980	(9,980)	--
Acquisitions and additions to land, buildings and CIP	(17,852)	(158)	(4,246)
Payments made for CIP	--	(28)	--
Proceeds received from sale of assets	998	--	--
Cash distributions in excess of income from LLCs	1,150	863	598
Advances under construction notes receivable	--	--	(3,414)
Repayments under mortgage and construction notes receivable	--	--	10,262
Net cash used in investing activities	(14,437)	(27,215)	(541)
Cash flows from financing activities:			
Additional borrowings	10,800	23,600	--
Repayments of long-term debt	--	--	(800)
Dividends paid	(16,215)	(15,716)	(15,264)
Issuance of shares of beneficial interest	553	10	--
Net cash (used in) provided by financing activities	(4,862)	7,894	(16,064)
Increase (decrease) in cash	280	(666)	1,101
Cash, beginning of period	572	1,238	137
Cash, end of period	\$852	\$572	\$1,238
	=====	=====	=====
Supplemental disclosures of cash flow information:			
Interest paid	\$3,739	\$3,232	\$2,770
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

Universal Health Realty Income Trust
Notes to the Consolidated Financial Statements
December 31, 1999

(1) Summary of Significant Accounting Policies

Nature of Operations

Universal Health Realty Income Trust and Subsidiaries (the "Trust") is organized as a Maryland real estate investment trust. As of December 31, 1999 the Trust had investments in thirty-six facilities located in thirteen states consisting of investments in healthcare and human service related facilities including acute care hospitals, behavioral healthcare facilities, rehabilitation hospitals, sub-acute care facilities, surgery centers, childcare centers and medical office buildings. Seven of the Trust's hospital facilities and two medical office buildings are leased to subsidiaries of Universal Health Services, Inc., ("UHS").

Federal Income Taxes

No provision has been made for federal income tax purposes since the Trust qualifies as a real estate investment trust under Sections 856 to 860 of the Internal Revenue Code of 1986, and intends to continue to remain so qualified. As such, it is required to distribute at least 95% of its real estate investment taxable income to its shareholders.

The Trust is subject to a federal excise tax computed on a calendar year basis. The excise tax equals 4% of the excess, if any, of 85% of the Trust's ordinary income plus 95% of any capital gain income for the calendar year over cash distributions during the calendar year, as defined. No provision for excise tax has been reflected in the financial statements as no tax was due.

Earnings and profits, which will determine the taxability of dividends to shareholders, will differ from net income reported for financial reporting purposes due to the differences for federal tax purposes in the cost basis of assets and in the estimated useful lives used to compute depreciation and the recording of provision for investment losses.

Real Estate Properties

The Trust records acquired real estate at cost and uses the straight-line method of depreciation for buildings and improvements over estimated useful lives of 25 to 45 years.

It is the Trust's policy to review the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Measurement of the impairment loss is based on the fair value of the asset. Generally, fair value will be determined using valuation techniques such as the present value of expected future cash flows.

The Trust invests primarily in healthcare-related facilities and, therefore, is subject to certain industry risk factors, which directly impact the operating results of its lessees. In recent years, an increasing number of legislative initiatives have been introduced or proposed in Congress and in state legislatures that would effect major changes in the healthcare system, either nationally or at the state level. In addition, the healthcare industry has been characterized in recent years by increased competition and consolidation.

In assessing the carrying value of the Trust's real estate investments for possible impairment, management reviews estimates of future cash flows expected from each of its facilities and evaluates the creditworthiness of its lessees based on their current operating performance and on current industry conditions.

During 1999, the operating performance declined significantly at one of the Trust's behavioral health services facilities operated by, and leased to, a wholly-owned subsidiary of UHS. Changes in CHAMPUS utilization and the increasing influence of managed care have led to shorter lengths of stay for patients at this facility which is operated as an adolescent residential treatment center. During the twelve months ended December 31, 1999 patient days and average length of stay at this facility decreased 7% and 20%, respectively, as compared to the comparable prior year period. In the twelve month period ended December 31, 1999, this facility had earnings before interest, taxes, depreciation, amortization and base rental expense (EBITDAR) of 0.8 times the annual rent payable to the Trust. The lease on this facility expires in December, 2000 and represented 5% of the Trust's rental revenue for the twelve month period ended December 31, 1999. Although management of the Trust is actively negotiating the sale/lease of the property with UHS as well as non-related parties, management of the Trust has concluded that, based on an analysis of future cash flows, there has been a permanent impairment in the carrying value of this facility. As a result, the Trust recorded a \$2.6 million provision for investment loss during 1999.

Also during 1999, the Trust sold the real estate assets of Lakeshore Hospital for net proceeds of \$998,000. Since the book value of this facility was reduced to zero in a prior year, this amount was recorded as a gain and netted against the provision for investment loss during 1999.

Management of the Trust is unable to predict the effect, if any, that the industry factors discussed above will have on the operating results of its lessees or on their ability to meet their obligations under the terms of their leases with the Trust. In addition, management of the Trust cannot predict whether any of the leases will be renewed on their current terms or at all. As a result, management's estimate of future cash flows from its leased properties could be materially affected in the near term, if certain of the leases are not renewed at the end of their lease terms.

Investments in Limited Liability Companies

The consolidated financial statements of the Trust include the accounts of its controlled investments. In accordance with the American Institute of Certified Public Accountants' Statement of Position 78-9 "Accounting for Investments in Real Estate Ventures" and Emerging Issues Task Force Issue 96-16, "Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights", the Trust accounts for its investment in limited liability companies which it does not control using the equity method of accounting. These investments, which represent 33% to 99% non-controlling ownership interests, are recorded initially at the Trust's cost and subsequently adjusted for the Trust's net equity in income and cash contributions and distributions.

Earnings Per Share

Basic earnings per share are based on the weighted average number of common shares outstanding during the year. Diluted earnings per share are based on the weighted average number of common shares during the year adjusted to give effect to common stock equivalents.

Stock-Based Compensation

Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" encourages a fair value based method of accounting for employee stock options and similar equity instruments, which generally would result in the recording of additional compensation expense in the Trust's financial statements. The Statement also allows the Trust to continue to account for stock-based employee compensation using the intrinsic value-based method of accounting as prescribed by Accounting Principals Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." The Trust has adopted the disclosure-only provisions of SFAS No. 123. Accordingly, no compensation cost has been recognized for the stock option plans in the accompanying financial statements.

Statements of Cash Flows

For purposes of the Consolidated Statements of Cash Flows, the Trust considers all highly liquid investment instruments with original maturities of three months or less to be cash equivalents.

Interest Rate Protection Agreements

In managing interest rate exposure, the Trust at times enters into interest rate swap agreements and interest rate cap agreements. When interest rates change, the differential to be paid or received under the Trust's interest rate swap agreements is accrued as interest expense. Premiums paid for purchased interest rate cap agreements are amortized to interest expense over the terms of the caps. Unamortized premiums are included in deferred charges in the accompanying balance sheet. Amounts receivable under the cap agreements are accrued as a reduction of interest expense.

Fair Value of Financial Instruments

The fair value of the Trust's interest rate swap agreements and investments are based on quoted market prices. The carrying amounts reported in the balance sheet for cash, accrued liabilities, and short-term borrowings approximate their fair values due to the short-term nature of these instruments. Accordingly, these items have been excluded from the fair value disclosures included elsewhere in these notes to consolidated financial statements.

Comprehensive Income

Net income as reported by the Trust reflects total comprehensive income for the years ended December 31, 1999, 1998 and 1997.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncement Not Yet Adopted

In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS No. 133", which deferred the effective date of SFAS No. 133 for one year. The Statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

The Trust will be required to adopt SFAS No. 133 effective as of January 1, 2001 and has not yet quantified the impact of adopting this statement on its financial statements. Further, the Trust has not determined the method of adoption of SFAS No. 133. However, SFAS No. 133 could increase the volatility in earnings and other comprehensive income.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year financial statement presentation.

(2) Related Party Transactions

UHS of Delaware, Inc. (the "Advisor"), a wholly-owned subsidiary of UHS, serves as Advisor to the Trust under an Advisory Agreement dated December 24, 1986 between the Advisor and the Trust (the "Advisory Agreement"). Under the Advisory Agreement, the Advisor is obligated to present an investment program to the Trust, to use its best efforts to obtain investments suitable for such program (although it is not obligated to present any particular investment opportunity to the Trust), to provide administrative services to the Trust and to conduct the Trust's day-to-day affairs. In performing its services under the Advisory Agreement, the Advisor may utilize independent professional services, including accounting, legal and other services, for which the Advisor is reimbursed directly by the Trust. The Advisory Agreement expires on December 31st of each year; however, it is renewable by the Trust, subject to a determination by the Independent Trustees that the Advisor's performance has been satisfactory. The Advisory Agreement may be terminated for any reason upon sixty days written notice by the Trust or the Advisor. The Advisory Agreement has been renewed for 2000. All transactions with UHS must be approved by the Independent Trustees.

The Advisory Agreement provides that the Advisor is entitled to receive an annual advisory fee equal to .60% of the average invested real estate assets of the Trust, as derived from its consolidated balance sheet from time to time. In addition, the Advisor is entitled to an annual incentive fee equal to 20% of the amount by which cash available for distribution to shareholders, as defined in the Advisory Agreement, for each year exceeds 15% of the Trust's equity as shown on its balance sheet, determined in accordance with generally accepted accounting principles without reduction for return of capital dividends. No incentive fees were paid during 1999, 1998 and 1997. The advisory fee is payable quarterly, subject to adjustment at year end based upon audited financial statements of the Trust.

For the years ended December 31, 1999, 1998 and 1997, 70%, 71% and 72%, respectively, of the Trust's revenues were earned under the terms of the leases with wholly-owned subsidiaries of UHS. Including 100% of the revenues generated at the unconsolidated LLCs in which the Trust has various non-controlling equity interests ranging from 33% to 99%, the UHS leases accounted for 39% in 1999, 46% in 1998 and 53% in 1997 of the combined consolidated and unconsolidated revenues. The leases to subsidiaries of UHS are guaranteed by UHS and cross-defaulted with one another.

During the third quarter of 1998, wholly-owned subsidiaries of UHS exercised five-year renewal options on four hospitals owned by the Trust which were scheduled to expire in 1999 through 2001 (Virtue Street Pavilion, The Bridgeway, Inland Valley Regional Medical Center and Wellington Regional Medical Center). The leases on these facilities were renewed at the same lease rates and terms as the initial leases. As part of the renewal agreement, the Trust also agreed to grant additional fixed rate renewal options to a wholly-owned subsidiary of UHS commencing in 2022 on the real property of McAllen Medical Center. Management of the Trust can not predict whether the leases with subsidiaries of UHS, which have renewal options at existing lease rates, or any of the Trust's other leases, will be renewed at the end of their initial term or first five-year renewal term.

In recent years, an increasing number of legislative initiatives have been introduced or proposed in Congress and in state legislatures that would effect major changes in the healthcare system, either nationally or at the state level. In addition, the healthcare industry had been characterized in recent years by increased competition and consolidation. Management of the Trust is unable to predict the effect, if any, these industry factors will have on the operating results of its lessees, including the facilities leased to subsidiaries of UHS, or on their ability to meet their obligations under the terms of their leases with the Trust.

Revenues received from UHS and from other non-related parties were as follows:

	(000s)		
	Year Ended December 31,		
	1999	1998	1997
Base rental - UHS facilities	\$13,828	\$13,764	\$13,731
Base rental - Non-related parties	6,844	6,393	5,605
Total base rental	20,672	20,157	19,336
Bonus rental - UHS facilities	2,817	2,737	2,615
Bonus rental - Non-related parties	95	229	229
Total bonus rental	2,912	2,966	2,844
Interest - Non-related parties	281	111	584
Total revenues	\$23,865	\$23,234	\$22,764
	=====	=====	=====

At December 31, 1999, approximately 8% of the Trust's outstanding shares of beneficial interest were held by UHS. The Trust has granted UHS the option to purchase Trust shares in the future at fair market value to enable UHS to maintain a 5% interest in the Trust.

During December of 1993, UHS, the former lessee and operator of Belmont Community Hospital, sold the operations of the facility to THC-Chicago, Inc., an indirect wholly-owned subsidiary of Community Psychiatric Centers ("CPC"). Concurrently, the Trust purchased certain related real

property from UHS for \$1 million in cash and a note payable with a carrying value of \$1.3 million (including accrued interest) at December 31, 1999. The note payable has a face value of \$1 million and is due on December 31, 2001. The amount of interest payable on this note is contingent upon the financial performance of this leased facility and its estimated fair value at the end of the initial lease term. The Trust has estimated the total amount payable under the terms of this note and has discounted the payments to their net present value using a 6% rate.

During 1999, the Trust paid \$5.0 million to acquire a 98% interest in a limited liability company that owns the Summerlin Hospital Medical Office Building, which was constructed in 1997 and is connected to the Summerlin Hospital Medical Center in Las Vegas, Nevada. Summerlin Hospital Medical Center is owned by a limited liability company in which UHS holds a 72% ownership interest. Summerlin Hospital Medical Office Building was owned by this same limited liability company prior to the sale to the limited liability company in which the Trust holds a 98% ownership interest.

Also during 1999, the Trust acquired the Orthopaedic Specialists of Nevada Building in Las Vegas, Nevada for \$1.6 million. The ground lease on this medical office building is based upon an agreement between Valley Health Systems, LLC (a UHS subsidiary) and the Trust.

The Trust's officers are all employees of UHS and as of December 31, 1999, the Trust had no salaried employees. In both 1999 and 2000, the Trustees awarded a \$50,000 bonus to Mr. Kirk E. Gorman, President, Chief Financial Officer, Secretary and Trustee of the Trust. Also, in both 1999 and 2000, UHS agreed to a \$50,000 reduction in the annual advisory fee paid by the Trust.

(3) Acquisitions and Dispositions

2000 - Subsequent to the year ended December 31, 1999, the Trust invested \$6.4 million, including a \$4.5 million non-recourse mortgage, in a medical office building in Danbury, Connecticut. Additionally, during the first quarter of 2000, UHT purchased a 95% equity interest for \$1.8 million in a LLC that owns and operates the Skypark Professional Medical Building on the campus of the Torrance Memorial Medical Center in Torrance, California.

1999 - During 1999, the Trust added five new investments to its portfolio consisting of the following: (i) the purchase of a 95% equity interest in a limited liability company ("LLC") that owns the Santa Fe Professional Plaza located in Scottsdale, Arizona (\$1.2 million); (ii) the purchase of a 98% equity interest in a LLC that owns the Summerlin Hospital Medical Office Building located in Las Vegas, Nevada (\$5.0 million); (iii) the purchase of a 75% equity interest in a LLC that owns the East Mesa Medical Center located in Mesa, Arizona (\$1.6 million); (iv) the purchase of the single-tenant the Orthopaedic Specialists of Nevada Building, and; (v) a multi-tenant medical office building located in Atlanta, Georgia (\$11.5 million).

1998 - During 1998, the Trust added five new investments to its portfolio consisting of the following: (i) the purchase of a 99% equity interest in a LLC, that owns Desert Springs Medical Plaza located in Las Vegas, Nevada (\$10.1 million); (ii) the purchase of a 95% equity interest in a LLC that owns the Edwards Medical Plaza located in Phoenix, Arizona (\$3.8 million); (iii) the purchase of a 95% equity interest in a LLC that owns the Pacifica Palms Medical Plaza located in Torrance, California (\$1.7 million); (iv) the purchase of a 48% equity interest in a LLC that owns the St. Jude Heritage Health Complex located in Fullerton, California (\$1.4 million), and; (v) the purchase of an 80% equity interest in a LLC that owns the Rio Rancho Medical Center, a medical

office building located in Rio Rancho, New Mexico (\$900,000). In connection with the purchase of equity interest in LLCs that own the Pacifica Palms Medical Plaza, the St. Jude Heritage Health Complex and the Rio Rancho Medical Center, the Trust advanced a total of \$10.0 million of short term loans to three separate LLCs. The loans, which earned interest at a combined average annual rate of 9% during 1998, were fully repaid to the Trust during 1999.

1997 - During 1997, the Trust added new investments to its portfolio consisting of the following: (i) the purchase of a capital addition to one of its medical office buildings and two additional properties located in Louisiana and Georgia (\$1.4 million); (ii) the purchase of a 75% equity interest in a LLC that purchased the Thunderbird Paseo Medical Plaza (\$1.9 million); (iii) the completion of construction of The Cypresswood Professional Center, located in Houston, Texas in which the Trust has a 77% controlling equity interest (\$4.4 million including \$1.2 million of construction in progress capitalized during 1996), and; (iv) the completion of construction of Samaritan West Valley Medical Center located in Goodyear, Arizona in which the Trust owns a 89% equity interest in a LLC which owns the real estate assets of the facility (\$1.8 million).

(4) Leases

All of the Trust's leases are classified as operating leases with initial terms ranging from 5 to 15 years with up to six five-year renewal options. Under the terms of the leases, the Trust earns fixed monthly base rents and may earn periodic additional rents (see Note 2). The additional rent payments are generally computed as a percentage of the facility's net patient revenue or CPI increase in excess of a base amount. The base year amount is typically net patient revenue for the first full year of the lease. The Trust records these additional rents on a pro rata basis over the annual lease period if the achievement of the specific net patient revenue target amounts is probable.

Minimum future base rents on non-cancelable leases are as follows (000s):

2000	\$ 21,644
2001	20,793
2002	13,810
2003	12,899
2004	11,429
Later Years	24,888

Total Minimum Base Rents	\$ 105,463
	=====

Under the terms of the hospital leases, the lessees are required to pay all operating costs of the properties including property insurance and real estate taxes. Tenants of the medical office buildings generally are required to pay their pro-rata share of the property's operating costs above a stipulated amount.

(5) Debt

During 1999, the Trust amended its unsecured, non-amortizing revolving credit agreement (the "Agreement"), which expires on June 24, 2003, to increase its borrowing capacity to \$100 million from \$80 million. The Agreement provides for interest at the Trust's option, at the certificate of deposit rate plus 5/8% to 1 1/8%, Eurodollar rate plus 1/2% to 1 1/8% or the prime rate. A fee of .175% to .375% is required on the unused portion of this commitment. The margins over the certificate of deposit rate, Eurodollar rate and the commitment fee are based upon the Trust's debt to total capital ratio as defined by the Agreement. At December 31, 1999 the applicable margin over the certificate of deposit and Eurodollar rates were 7/8% and 5/8%, respectively, and the commitment fee was .20%. There are no compensating balance requirements. The Agreement contains a provision whereby the commitments will be reduced by 50% of the proceeds generated from any new equity offering. At December 31, 1999, the Trust had approximately \$21 million of available borrowing capacity.

The average amounts outstanding under the revolving credit agreement during 1999, 1998 and 1997 were \$62,042,000, \$49,195,000 and \$40,774,000, respectively, with corresponding effective interest rates, including commitment fees but not including the effect of interest rate swaps of 5.9%, 6.3% and 6.4%. The maximum amounts outstanding at any month end were \$75,600,000, \$64,800,000 and \$44,300,00 during 1999, 1998 and 1997, respectively.

Covenants relating to the revolving credit facility require the maintenance of a minimum tangible net worth and specified financial ratios, limit the Trust's ability to incur additional debt, limit the aggregate amount of mortgage receivables and limit the Trust's ability to increase dividends in excess of 95% of cash available for distribution, unless additional distributions are required to comply with the applicable section of the Internal Revenue Code and related regulations governing real estate investment trusts.

The Trust has entered into interest rate swap agreements and an interest rate cap agreement which are designed to reduce the impact of changes in interest rates on its floating rate revolving credit notes. At December 31, 1999, the Trust had five outstanding swap agreements for notional principal amounts of \$35,580,000 which mature from May, 2001 through November, 2006. These swap agreements effectively fix the interest rate on \$35,580,000 of variable rate debt at 6.64% including the revolver spread of .625%. The Trust had one interest rate cap, for which the Trust paid \$622,750, which matured in June, 1999 and fixed the maximum rate on \$15 million of variable rate revolving credit notes at 7.625% including the revolver spread of .625%. The interest rate swap and cap agreements were entered into in anticipation of certain borrowing transactions made by the Trust. The effective rate on the Trust's revolving credit notes including commitment fees and interest rate swap expense was 6.2%, 6.7% and 6.9% during 1999, 1998 and 1997, respectively. Additional interest expense recorded as a result of the Trust's hedging activity, which is included in the effective interest rates shown above, was \$135,000, \$136,000 and \$118,000 in 1999, 1998 and 1997, respectively. The Trust is exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swap agreements. These counterparties are major financial institutions and the Trust does not anticipate nonperformance by the counterparties which are rated A or better by Moody's Investors Service. Termination of the interest rate swaps at December 31, 1999 would have resulted in payments from the counterparties to the Trust of approximately \$862,000. The fair value of the interest rate swap agreements at December 31, 1999 reflects the estimated amounts that the Trust would pay or receive to terminate the contracts and are based on quotes from the counterparties.

(6) Dividends

Dividends of \$1.81 per share were declared and paid in 1999, of which \$1.4664 per share was ordinary income and \$.3436 per share was a return of capital distribution. Dividends of \$1.755 per share were declared and paid in 1998, of which \$1.682 per share was ordinary income and \$.073 per share was a return of capital distribution. Dividends of \$1.705 per share were declared and paid in 1997, of which \$1.624 per share was ordinary income and \$.081 per share was a return of capital distribution

(7) Incentive Plans

In 1991, the Trustees adopted a share compensation plan for Trustees who are neither employees nor officers of the Trust ("Outside Trustees"). Pursuant to the plan, each Outside Trustee may elect to receive, in lieu of all or a portion of the quarterly cash compensation for services as a Trustee, shares of the Trust based on the closing price of the shares on the date of issuance. As of December 31, 1999 no shares have been issued under the terms of this plan.

During 1992 and 1993, the Trust granted options pursuant to the 1988 Non-Statutory Stock Option Plan. Pursuant to the terms of this plan, which expired in December of 1998, the granted options vested ratably 25% per year beginning one year after the date of grant and expired ten years from the grant date. As of December 31, 1999, 58,024 options were outstanding and exercisable at an aggregate purchase price of \$973,137 or \$16.77 per share.

During 1997, the Trust's Board of Trustees approved the Universal Health Realty Income Trust 1997 Incentive Plan ("The Plan"), which is a newly created stock option and dividend equivalents rights plan for employees of the Trust, including officers and directors. There are 400,000 shares reserved for issuance under The Plan. All stock options were granted with an exercise price equal to the fair market value on the date of the grant. The options granted vest ratably at 25% per year beginning one year after the date of grant, and expire in ten years. Dividend equivalent rights reduce the exercise price of the 1997 Incentive Plan options by an amount equal to the cash or stock dividends distributed subsequent to the date of grant. Since inception through December 31, 1999, there have been 80,000 stock options with dividend equivalent rights granted to officers and trustees of the Trust. Subsequent to December 31, 1999, an additional 25,000 stock options with dividend equivalent rights were granted at an original exercise price of \$14.75. The Trust recorded expenses relating to the dividend equivalent rights of \$132,000 in 1999, \$123,000 in 1998 and \$60,000 in 1997. As of December 31, 1999, there were 35,000 options exercisable under The Plan with an average exercise price, adjusted to give effect to the dividend equivalent rights, of \$14.40 per share.

SFAS No. 123 requires the Trust to disclose pro-forma net income and pro-forma earnings per share as if compensation expense were recognized for options granted beginning in 1995. Because the SFAS No. 123 method of accounting has not been applied to options granted prior to January 1, 1995 and since there were no stock options granted by the Trust during 1995 or 1996, no pro forma disclosures are required. Using this approach, the Trust's net earnings and earnings per share would have been the pro forma amounts indicated below:

	(000s except per share amounts)		
Year Ended December 31,	1999	1998	1997
Net Income:			
As Reported	\$13,972	\$14,337	\$13,967
Pro Forma	\$13,833	\$14,201	\$13,898
Earnings Per Share:			
As Reported:			
Basic	\$ 1.56	\$ 1.60	\$ 1.56
Diluted	\$ 1.56	\$ 1.60	\$ 1.56
Pro Forma:			
Basic	\$ 1.54	\$ 1.59	\$ 1.55
Diluted	\$ 1.54	\$ 1.58	\$ 1.55

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following range of assumptions used for the four option grants that occurred during 1998 and 1997. No options were granted during 1999, therefore the following table is not applicable ("N/A") for the year ended December 31, 1999:

Year Ended December 31	1999	1998	1997
Volatility	N/A	15%	15%
Interest rate	N/A	5% - 6%	6 % - 7%
Expected life (years)	N/A	7.9	7.9
Forfeiture rate	N/A	2%	2%

Stock-based compensation costs on a pro forma basis would have reduced net income by \$139,000 in 1999, \$136,000 in 1998 and \$69,000 in 1997. Because the SFAS No. 123 method of accounting has not been applied to options granted prior to January 1, 1995, the resulting pro forma disclosures may not be representative of that to be expected in future years.

Stock options to purchase shares of beneficial interest have been granted to officers and directors of the Trust under various plans. Information with respect to these options is summarized as follows:

Outstanding Options	Number of Shares	Average Option Price	Range (High-Low)
Balance, January 1, 1997	58,024	\$16.77	\$16.875/\$16.125
Granted	70,000	\$18.625	\$18.625
Exercised	0	N/A	N/A
Cancelled	0	N/A	N/A
Balance, January 1, 1998	128,024	\$17.79	\$18.625/\$16.125
Granted	10,000	\$19.45	\$21.4375/\$18.375
Exercised	(625)	\$18.625	\$18.625
Cancelled	(4,375)	\$18.625	\$18.625
Balance, January 1, 1999	133,024	\$17.88	\$21.4375/\$16.125
Granted	0	N/A	N/A
Exercised	0	N/A	N/A
Cancelled	0	N/A	N/A
Balance, December 31, 1999	133,024	\$17.88	\$21.4375/\$16.125

(8) Summarized Financial Information of Equity Affiliates

The following table represents summarized unaudited financial information of the limited liability companies ("LLCs") accounted for by the equity method. Amounts presented include investments in the following LLCs as of December 31, 1999:

Name of LLC	Property Owned by LLC
DSMB Properties	Desert Samaritan Hospital MOBs
DVMC Properties	Desert Valley Medical Center MOBs
Parkvale Properties	Maryvale Samaritan Hospital MOBs
Suburban Properties	Suburban Medical Center MOBs
Litchvan Investments	Samaritan West Valley Medical Center
Paseo Medical Properties II	Thunderbird Paseo Medical Plaza
Willetta Medical Properties	Edwards Medical Plaza
DesMed	Desert Springs Medical Plaza
PacPal Investments	Pacifica Palms Medical Plaza
RioMed Investments	Rio Rancho Medical Center
West Highland Holdings	St. Jude Heritage Health Complex
Santa Fe Scottsdale	Santa Fe Professional Plaza
Bayway Properties	East Mesa Medical Center
653 Town Center Drive	Summerlin Hospital Medical Office Building

December 31,

	1999	1998
(amounts in thousands)		
Net property	\$116,599	\$95,732
Other assets	6,701	5,430
Liabilities and third-party debt	82,456	58,118
Loans payable to the Trust	-----	9,980
Equity	40,844	33,063
UHT's share of equity	35,748	28,185

For the Year Ended December 31,

	1999	1998	1997
(amounts in thousands)			
Revenues	\$18,387	\$12,942	\$8,135
Operating expenses	6,772	4,677	2,727
Depreciation & amortization	3,385	2,450	1,846
Interest, net	5,436	4,133	3,093
Net income	2,794	1,682	469
UHT's share of net income	2,554	1,537	445

As of December 31, 1999, these LLCs had \$79.3 million of non-recourse debt payable to third-party lending institutions. Aggregate maturities of non-recourse debt payable to third-parties is as follows (000s):

2000	\$2,080
2001	5,860
2002	2,140
2003	2,234
2004	1,814
Later	65,126

Total	\$79,254
	=====

(9) Quarterly Results (unaudited - amounts in thousands, except per share amounts)

1999					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	\$6,056	\$5,885	\$5,782	\$6,142	\$23,865
Net Income	\$3,928	\$3,811	\$2,266	\$3,967	\$13,972
Earnings Per Share-Basic	\$0.44	\$0.43	\$0.25	\$0.44	\$1.56
Earnings Per Share-Diluted	\$0.44	\$0.42	\$0.25	\$0.44	\$1.56

During the third quarter of 1999, the Trust recorded a net provision for investment loss of \$1.6 million or \$.18 per share, (basic and diluted). Included in the provision for investment loss was a non-cash asset impairment charge of \$2.6 million to reduce the carrying-value of a behavioral health services facility which has a lease expiration date of December, 2000. The provision for investment loss was partially offset by a \$1.0 million cash gain realized on the sale of Lakeshore Hospital.

1998					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	\$5,857	\$5,793	\$5,694	\$5,890	\$23,234
Net Income	\$3,569	\$3,528	\$3,471	\$3,769	\$14,337
Earnings Per Share-Basic	\$0.40	\$0.39	\$0.39	\$0.42	\$1.60
Earnings Per Share-Diluted	\$0.40	\$0.39	\$0.39	\$0.42	\$1.60

Universal Health Realty Income Trust
Schedule II - Valuation and Qualifying Accounts

(amounts in thousands)

Description	Balance at beginning of period	Charged to costs and expenses	Other	Balance at end of period
Reserve for Investment Losses:				
Year ended December 31, 1999	\$116 =====	\$1,583(b) =====	(\$1,699)(a) =====	- =====
Year ended December 31, 1998	\$89 =====	\$300 =====	(\$273)(a) =====	\$116 =====
Year ended December 31, 1997	\$151 =====	\$227 =====	(\$289) =====	\$89 =====

(a) Amounts charged against the reserve.

(b) Consists of the following:

Provision for investment loss recorded on Behavioral Health Services facility	\$2,581
Cash proceeds generated from sale of Lake Shore Hospital	(998)

	\$1,583
	=====

Schedule III
Universal Health Realty Income Trust
Real Estate and Accumulated Depreciation - December 31, 1999
(amounts in thousands)

Description	Initial Cost to Universal Health Realty Income Trust		Cost capitalized subsequent to acquisition		Gross amount at which carried at close of period		Accumulated Depreciation as of	Date of construction or most recent significant expansion or renovation	Date Acquired	Average Deprec- iable Life
	Land	Building & Improv.	Land & Improv.	Land	Building & Improv.	Total				
Virtue Street Pavilion	\$1,825	\$9,445	-	\$1,770	\$9,445	\$11,215	\$3,513	1975		35 Years
Chalmette Medical Center Chalmette, Louisiana	2,000	7,473	\$3,148	2,000	10,621	12,621	2,607	1999	1988	34 Years
Inland Valley Regional Medical Center Wildomar, California	2,050	10,701	2,868	2,050	13,569	15,619	3,465	1986	1986	43 Years
McAllen Medical Center McAllen, Texas	4,720	31,442	10,188	6,281	40,069	46,350	10,207	1994	1986	42 Years
Wellington Regional Medical Center West Palm Beach, Florida	1,190	14,652	4,822	1,663	19,001	20,664	4,799	1986	1986	42 Years
The Bridgeway North Little Rock, Arkansas	150	5,395	499	150	5,894	6,044	2,173	1983	1986	35 Years
Meridell Achievement Center Austin, Texas	1,350	3,782	1,558	1,350	5,340	6,690	2,996	1991	1986	28 Years
Tri-State Rehabilitation Hospital Evansville, Indiana	500	6,945	1,062	500	8,007	8,507	2,023	1993	1989	40 Years
Vencor Hospital-Chicago Chicago, Illinois	158	6,404	1,837	158	8,241	8,399	3,869	1993	1986	25 Years
Fresno-Herndon Medical Plaza Fresno, California	1,073	5,266	24	1,073	5,290	6,363	598	1992	1994	45 Years
Family Doctor's Medical Office Building Shreveport, Louisiana	54	1,526	494	54	2,020	2,074	188	1991	1995	45 Years
Kelsey-Seybold Clinic at King's Crossing	439	1,618	6	439	1,624	2,063	153	1995	1995	45 Years
Professional Center at King's Crossing Kingwood, Texas	439	1,837	43	439	1,880	2,319	170	1995	1995	45 Years
Chesterbrook Academy Audubon, Pennsylvania	307	996	-	307	996	1,303	81	1996	1996	45 Years
Carefree Learning Center New Britain, Pennsylvania	250	744	-	250	744	994	61	1991	1996	45 Years
Carefree Learning Center Uwchlan, Pennsylvania	180	815	-	180	815	995	66	1992	1996	45 Years
Carefree Learning Center Newtown, Pennsylvania	195	749	-	195	749	944	61	1992	1996	45 Years
The Southern Crescent Center	1,130	5,092	21	1,130	5,113	6,243	400	1994	1996	45 Years
The Southern Crescent Center II Riverdale, Georgia	-	-	806	806	-	806	-	1998	1998	35 Years
The Cypresswood Professional Center Spring, Texas	573	3,842	187	573	4,029	4,602	288	1997	1997	35 Years
Orthopaedic Specialists of Nevada Building Las Vegas, Nevada	-	1,579	-	-	1,579	1,579	16	1999	1999	25 Years
Sheffield Medical Building Atlanta, Georgia	1,760	9,766	-	1,760	9,766	11,526	66	1999	1999	25 Years
TOTALS	\$20,343 =====	\$130,069 =====	\$27,563 =====	\$23,128 =====	\$154,792 =====	\$177,920 =====	\$37,800 =====			

Universal Health Realty Income Trust
Notes to Schedule III
December 31, 1999

(amount in thousands)

(1) Reconciliation of Real Estate Properties

The following table reconciles the Real Estate Properties from January 1, 1997 to December 31, 1999:

	1999	1998	1997
	-----	-----	-----
Balance at January 1	\$163,932	\$163,855	\$158,083
Additions and acquisitions	16,639	158	4,526
SFAS 121 asset write-down	(2,581)	--	--
Reclasses from construction in progress	--	--	1,246
Dispositions	(70)	(81)	--
	-----	-----	-----
Balance at December 31	\$177,920	\$163,932	\$163,855
	=====	=====	=====

(2) Reconciliation of Accumulated Depreciation

The following table reconciles the Accumulated Depreciation from January 1, 1997 to December 31, 1999:

	1999	1998	1997
	-----	-----	-----
Balance at January 1	\$34,006	\$30,280	\$26,540
Current year depreciation expense	3,832	3,807	3,740
Dispositions	(39)	(81)	--
	-----	-----	-----
Balance at December 31	\$37,799	\$34,006	\$30,280
	=====	=====	=====

The aggregate cost basis and net book value of the properties for Federal income tax purposes at December 31, 1999 are approximately \$172,000,000 and \$133,000,000, respectively.

January 7, 2000

Mr. Alan B. Miller
President
UHS of Delaware, Inc.
367 South Gulph Road
King of Prussia, PA 19406

Dear Alan:

The Board of Trustees of Universal Health Realty Income Trust at their December 1, 1999, meeting authorized the renewal of the current Advisory Agreement between the Trust and UHS of Delaware, Inc. ("Agreement") upon the same terms and conditions.

This letter constitutes the Trust's offer to renew the Agreement until December 31, 2000, upon the same terms and conditions. Please acknowledge UHS of Delaware, Inc.'s acceptance of this offer by signing in the space provided below and returning one copy of this letter to me.

Sincerely yours,

/s/ Kirk E. Gorman
Kirk E. Gorman
President and Secretary

cc: Warren J. Nimetz, Esq.
Charles Boyle

Agreed to and Accepted:

UHS OF DELAWARE, INC.

By: /s/ Alan B. Miller
Alan B. Miller, President

AGREEMENT FOR PURCHASE AND SALE
among
FB SHEFFIELD PARTNERS, LLC
HEALTHAMERICA REALTY GROUP, LLC
and
UNIVERSAL HEALTH REALTY INCOME TRUST
October 26, 1999

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AGREEMENT FOR PURCHASE AND SALE

THIS AGREEMENT (this "Agreement"), made as of the 26th day of October, 1999 by and among FB SHEFFIELD PARTNERS, LLC, a Georgia limited liability company having an office at 1827 Powers Ferry Road, Building 13, Atlanta, Georgia 30339 ("Seller"), HEALTHAMERICA REALTY GROUP, LLC, a Georgia limited liability company ("HRG"), and UNIVERSAL HEALTH REALTY INCOME TRUST, having an office at 367 South Gulph Road, King of Prussia, Pennsylvania 19406 ("Purchaser");

W I T N E S S E T H:

ARTICLE 1
AGREEMENT FOR PURCHASE AND SALE

Seller agrees to sell and cause to be conveyed to Purchaser, and Purchaser agrees to purchase, the following property (collectively, the "Project"):

(a) The real property located in the City of Atlanta, State of Georgia, and more particularly described on Exhibit A annexed hereto (the "Land"), together with all existing improvements thereon, consisting of an eight story medical office building containing 71.903 rentable square feet, an attached three and one-half story, 194 car parking space, parking garage and an adjoining 76 car parking space, .73 acre surface area parking lot, known collectively as the "Sheffield Medical Building", and located at 1938 Peachtree Street, N.W., Atlanta, Georgia (collectively, together with the Land, called the "Property");

(b) All of Seller's right, title and interest in and to all Tenant Leases (as hereinafter defined) affecting the Property;

(c) All of Seller's right, title and interest in and to all tangible and intangible personal property now or hereafter owned or held by Seller in connection with its ownership of the Project, including but not limited to any leases, contracts, leasing materials and forms, keys, records and correspondence relating to tenants, security deposits, prepaid rentals, telephone exchange numbers and the use of the name "Sheffield Medical Building";

(d) All of Seller's right, title and interest in and to all easements, licenses, appurtenances, rights, privileges and hereditaments belonging or appertaining to the Project; and

(e) All fixtures and articles of personal property attached or appurtenant to or used in connection with the Project which are owned by Seller and located at, in or on the Property, including, without limiting the generality of the foregoing, any and all equipment, machinery, computer hardware and software, plumbing, heating and lighting fixtures,

mail boxes, surveillance and security systems, watering systems, tools, and maintenance equipment and supplies owned by Seller and located at, in or on the Property.

ARTICLE 2
PURCHASE PRICE

The purchase price for the Project shall be ELEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$11,500,000) (the "Purchase Price"), plus or minus the adjustments provided for in this Agreement (the "Closing Payment"), to be paid to Seller in immediately available federal funds in such manner, place and account as Seller may reasonably request, at or prior to the Closing (as hereinafter defined).

ARTICLE 3
PHYSICAL CONDITION OF PROJECT

Purchaser agrees to purchase the Project in its "AS IS" condition on the Closing Date, subject to, and in reliance upon, Seller's representations and warranties as set forth in this Agreement. Purchaser has not relied upon, and Seller is not liable or bound in any manner by, any verbal or written statements, representations, real estate brokers' "set-ups" or other information pertaining to the Project furnished by either Seller or HRG or by any real estate broker, agent, employee, servant or other persons unless and except to the extent that any of the same are expressly set forth in this Agreement.

ARTICLE 4
TITLE TO PROPERTY

4.1 At the Closing, Seller shall deliver to Purchaser good, marketable and indefeasible fee simple title to the Property, subject only to the Permitted Encumbrances (as hereinafter defined).

4.2 Purchaser agrees to accept good, marketable and indefeasible fee simple title to the Property, subject to the following matters (collectively, the "Permitted Encumbrances"):

(a) The leases and tenancies affecting the Property on the date hereof, as set forth and described in Exhibit B annexed hereto (the "Tenant Leases");

(b) Liens securing payment of all ad valorem, intangible and other real and personal property taxes, school taxes, and water and sewer charges against the Property or the personal property covered by this Agreement for the tax year in which the Closing Date occurs;

(c) Such other exceptions to title as shall have been approved in writing by Purchaser on or prior to the Closing Date, including those (if any) set forth and described on Exhibit C annexed hereto; provided, however, that, except as provided in clause (d) below, if there is any lien or encumbrance on the Property other than as identified in clauses (a) and (b) above, Purchaser's sole remedy shall be to accept title to the Property subject thereto (thereby

making such encumbrance a Permitted Encumbrance), or to terminate this Agreement and require the Seller to return the Security Deposit, whereupon the obligations of the parties under this Agreement shall end.

(d) Any lien or deed to secure debt on the Property which was incurred or caused by Seller and which can be discharged by the payment of money shall either be paid by Seller at or before closing, or Purchaser may pay a portion of the Purchase Price due Seller to pay off and discharge said lien or deed to secure debt.

4.3 Property taxes for the year of closing shall be prorated between Seller and Purchaser at closing based on their relative periods of ownership of the Property during the year. If the Property is subject to any retroactive reassessment or if there is any change in property taxes for the year of closing, then upon the request of either such party, the property taxes for the year of closing shall be re-prorated based on new or final tax bills, and the party who paid or was debited with less than its share based on final proration shall promptly pay the other any difference due. Any increase in property taxes for 1998 or prior years shall be solely the responsibility of Seller. The terms and provisions of this Section 4.3 shall survive the Closing

ARTICLE 5 TITLE INSURANCE

5.1 By the Closing Date, Purchaser shall have obtained a commitment (the "Title Commitment") from Chicago Title Insurance Company or any other nationally recognized title insurance company selected by, or acceptable to, Purchaser (the "Title Company") to issue an owner's policy of title insurance on the Property in favor of Purchaser in standard ALTA form (the "Title Policy"), free and clear of any objections, except for Permitted Encumbrances.

5.2 Notwithstanding the foregoing, the existence of liens or encumbrances other than the Permitted Encumbrances or those which are permitted by this Agreement shall be deemed to be Permitted Encumbrances if the Title Company will insure Purchaser's title free and clear of the matter or will insure against the enforcement of such matter out of the Property, on the condition that Purchaser's counsel shall agree to accept title with such insurance. Any unpaid liens for real estate and personal property taxes for years prior to the fiscal year in which the Closing Date occurs and any other matter which Seller is obligated to pay and discharge at the Closing shall not be deemed objections to title, but the amount thereof chargeable to Seller, plus interest and penalties thereon, if any, shall be shown as chargeable to Seller in Purchaser's and Seller's settlement statement on the Closing Date and paid to the Title Company for the payment of such matters.

5.3 Purchaser shall pay any costs for obtaining the Title Commitment and the title insurance premium for obtaining standard insurance coverage under the Title Policy in a minimum amount equal to the Purchase Price. Purchaser shall also pay the cost of a current, as-built boundary survey of the Land prepared by a reputable and established surveyor in the Atlanta area, to be obtained by Purchaser by the Closing Date (the "Survey"), which Survey shall disclose no encumbrances on title to, or ownership of, the Property, except for Permitted

Encumbrances. Seller shall pay the Georgia Real Property Transfer tax on the deed. Purchaser shall pay all recording fees.

5.4 If and to the extent that such materials are in the possession or control of Seller, Seller shall deliver or cause to be delivered to Purchaser on the Closing Date the following additional documents:

(a) all architectural drawings and plans and specifications for the Improvements, including an "as built" set of plans, if available;

(b) a copy of the paid real estate tax bill for the most recent period for which real estate taxes have been due and payable;

(c) true and correct copies of all equipment leases, service, maintenance, union and management contracts, as well as all other documents or agreements relating to or affecting the Project;

(d) true and complete copies of any engineering and asbestos reports with respect to the Property;

(e) true and correct copies of operating statements for the Property for the period commencing with the date of Seller's occupancy through September 30, 1999 as well as escalation statements for operations, taxes, electric, utilities and other expenses relating to the Property during the same period;

(f) true and complete copies of any real estate tax information available to the Seller relating to the Property for the year of Closing and the previous year as well as a schedule of any tax reduction proceedings relating to the Property;

(g) a copy of the present 1999 operating budget of the Property as well as a copy of any projections for future operating budgets relating to the Property;

(h) true and complete copies of any certificate of occupancy for the Property as well as a true and complete copy of any other permits relating to the Project; provided, however, that nothing contained herein shall require Seller to deliver certificates or permits obtained or required to be obtained by any tenants of the Property.

ARTICLE 6 CLOSING

6.1 The consummation of the transactions described in this Agreement (the "Closing") shall occur on November 16, 1999, or such earlier or later date as to which Seller and Purchaser may mutually agree (the "Closing Date") at 11:00 a.m. at the offices of King & Spalding, Atlanta, Georgia, legal counsel to the Purchaser, or in such other manner or at such other place as the parties may agree upon.

6.2 Upon Purchaser's receipt or delivery of all required documents and instruments and its payment of the balance of the Purchase Price and other amounts required herein, Purchaser and Seller shall prepare and sign a closing statement reflecting the adjustments and payments made and agreements in connection therewith (the "Closing Statement").

6.3 Notwithstanding anything contained in this Agreement to the contrary, Purchaser and Seller acknowledge that the requirements for the Closing set forth in this Agreement may be supplemented by a written settlement statement executed by both Seller and Purchaser.

ARTICLE 7
DOCUMENTS REQUIRED AT CLOSING

7.1 At the Closing, Seller shall execute and deliver the following to Purchaser:

(a) a Limited Warranty Deed to the Property, based on the legal description thereof set forth on Exhibit A attached hereto, to be substantially in the form annexed hereto as Exhibit D (the "Limited Warranty Deed"), and a Quitclaim Deed with respect to (i) the sewer easement created by that certain Easement from Piedmont Hospital, Inc., a Georgia corporation, to Rockfield, Inc., a Georgia corporation, dated January 18, 1957, filed for record January 22, 1957, and recorded in Deed Book 3188, page 407 et seq. in the records of Fulton County, Georgia, and (ii) the property description derived from the Survey, to be substantially in the form of Exhibit O attached hereto (the "Quitclaim Deed"; the Limited Warranty Deed and the Quitclaim Deed hereinafter collectively called the "Deed"), pursuant to which Seller shall convey the Property to Purchaser;

(b) a Bill of Sale, to be substantially in the form annexed hereto as Exhibit E, pursuant to which Seller shall assign and convey to Purchaser all personal property covered by this Agreement, with any applicable sales tax to be paid by Seller;

(c) an Assignment and Assumption of the Tenant Leases, to be substantially in the form annexed hereto as Exhibit F, pursuant to which Seller shall assign to Purchaser its interest in (i) all Tenant Leases and (ii) all guaranties relating thereto;

(d) an Assignment and Assumption of Warranties and Service Contracts, to be substantially in the form annexed hereto as Exhibit G, pursuant to which Seller shall assign to Purchaser its interest in (i) all service contracts relating to the Property and (ii) all transferable guaranties and warranties relating to the Property;

(e) a written notice of the acquisition of the Property by Purchaser, originally executed by Seller and Purchaser, which Purchaser or HRG may transmit, but upon their failure to do so, Seller may transmit, to all tenants and to other parties affected by the sale and purchase of the Property (the "Tenant Notices"). Such Tenant Notices shall be prepared by HRG in substantially the form annexed hereto as Exhibit I, and shall inform the addressees of the sale and transfer of the Property to Purchaser and contain appropriate instructions relating to the payment of future rentals, the giving of future notices, the naming of Purchaser as an additional

insured on each tenant's insurance policies and other matters reasonably required by Purchaser. The Tenant Notices shall specify that unapplied security deposit under the tenant leases have been delivered to Purchaser;

(f) a non-foreign status affidavit for Seller complying with the requirements of Internal Revenue Code Section 1445(f)(3) and the regulations promulgated thereunder in substantially the form annexed hereto as Exhibit J;

(g) all costs and fees required to be paid by Seller pursuant to Articles 4 or 8 hereof;

(h) a mechanics' lien and general title affidavit, verifying it to be the fact that, as of the Closing Date, there are no unpaid bills for work, labor, service or materials furnished to the real property upon the request or order of Seller which may be made the basis of a lien, and that Seller is in possession of the Project, subject only to the rights of tenants in possession under the Tenant Leases, to be substantially in the form annexed hereto as Exhibit N and otherwise acceptable to the Title Company;

(i) estoppel certificates from all tenants under the Tenant Leases, as provided in Article 14 hereof; provided, however, that if less than all tenants execute estoppel certificates, Purchaser's sole remedy shall be to close and accept the Property without the estoppels (in which event, however, Seller shall certify under oath, as to Seller's best knowledge, of the status of each affected Tenant Lease) or terminate this Agreement, whereupon Seller shall return the Security Deposit and neither party shall have any further obligations under this Agreement.

(j) such other documents and instruments as may be reasonably required by the Title Company in order to issue the Title Policy or as Purchaser or its legal counsel may reasonably request from Seller in order to consummate the transactions described in this Agreement in accordance with the terms hereof; provided, however, that such other documents and instruments do not impose any material expense or risk on Seller.

7.2 At the Closing, Purchaser shall execute, where appropriate, and deliver the following to Seller:

- (a) the Closing Payment;
- (b) the Assignment and Assumption of Tenant Leases;
- (c) the Assignment and Assumption of Warranties and Service

Agreements;

(d) such other documents and instruments as Seller or its legal counsel may reasonably request in order to consummate the transactions described in this Agreement in accordance with the terms hereof; provided, however, that such other documents and instruments do not impose any material expense or risk on Purchaser.

7.3 If at any time after the Closing it becomes apparent to either party hereto that any necessary closing documents were either not delivered or improperly executed or that any closing adjustments were improperly calculated, the parties shall act in good faith and take all such steps including the execution or re-execution of documents and the payment of monies as may be reasonably necessary to rectify such errors or miscalculations. The provisions of this Section 7.3 shall survive the Closing for a period of one (1) year.

ARTICLE 8
APPORTIONMENTS AND ADJUSTMENTS

8.1 Except as provided in Section 8.5 below, Seller shall be responsible for and shall pay all accrued expenses with respect to the Project accruing up to 11:59 p.m. on the Closing Date and shall be entitled to receive and retain all revenue from the Project accruing up to the Closing Date.

8.2 On the Closing Date, the following adjustments and apportionments shall be made in cash as follows:

(a) Rents for the month in which the Closing Date occurs (the "Closing Month") as and when collected. If past due rents are owing by tenants for any period prior to the Closing Month (the "Rent Arrearages"), then after request made by Seller subsequent to the Closing Date, Purchaser shall bill all tenants for such sums, provided, however, that Purchaser shall have no liability or responsibility for the collection of any such Rent Arrearages. Seller shall be entitled to those funds received by Purchaser from tenants having Rent Arrearages after the Closing Date, only where such funds are in payment of such Rent Arrearages and are excess of amounts then owing or otherwise required to be paid to Purchaser from such tenants. Notwithstanding the foregoing, for any "pass-through" expenses which are collected from tenants on the basis of Seller's estimates of such expenses, promptly following the end of the fiscal period for which such estimated expenses are allocable, Seller and Purchaser shall determine the actual expenses allocable to such period and shall adjust for any difference between the estimated expenses and the actual expenses and the responsible party promptly shall pay the other the amount of any such difference.

(b) Real estate taxes, ad valorem taxes, school taxes, annual assessments and personal property, intangible and use taxes, if any;

(c) Charges under service contracts affecting the Project which Purchaser has agreed in writing to assume on the Closing Date; and

(d) Water and sewer charges on the basis of the period for which assessed; provided that if a final bill is not available at Closing, a reasonable estimate will be made based on prior bills and an amount reasonably estimated to be adequate to pay such charges through the Closing Date shall be escrowed with the Purchaser pending receipt of final bills.

8.3 At the Closing, Purchaser will receive a further credit against the Purchase Price in an amount equal to all existing tenant and/or common area improvement allowances for any work that is in process in an aggregate amount equal to the total sums which Seller has contracted to pay the affected tenants under existing Tenant Leases. The foregoing shall not apply, however, to tenant improvements scheduled to be made to (or any leasing commission owing in respect of) Suite 303 (1,344 RSF), for Northwest Nephrology Clinic, and as to such suite, Purchaser shall assume and pay such costs.

8.4 At the Closing, Purchaser will receive a further credit against the Purchase Price in an amount equal to all unapplied security deposits (and interest, if any) payable to tenants under Tenant Leases in effect on the Closing Date. Upon making such credit, Purchaser will be deemed to have received all such security deposits and shall be fully responsible for the same as if a cash amount equal to such security deposits were actually delivered to Purchaser. During the period prior to the Closing, Seller agrees to obtain Purchaser's prior written consent, such consent not to be unreasonably withheld, before applying any security deposit(s), or portions thereof, against any tenant default pursuant to the terms of the defaulting tenant's lease.

8.5 If the Purchase Price is transmitted by wire transfer pursuant to Seller's order by 12:00 Noon (EST or EDT as applicable) on the day of closing, then in making the prorations and adjustments at closing, Purchaser will receive the benefit of the Rents and the burden of Property expenses for the day of closing. If transmitted thereafter, Seller will receive the benefit of the Rents and the burden of Property expenses for the day of closing.

8.6 At the Closing, Purchaser will receive a further credit against the Purchase Price in the amount of any prepaid rents in respect of the Tenant Leases.

8.7 At the Closing, a further credit to the Purchase Price shall be made to fund the "Parking Revenue Escrow Account" described in Section 15.1.

8.8 The provisions of this Article 8 shall survive the closing of title and the delivery of the Deed.

ARTICLE 9 REMEDIES

9.1 If Purchaser defaults in its obligation to purchase the Project pursuant to this Agreement, then Seller shall have the right, in addition to any other remedies available to it at law or in equity, to terminate this Agreement by giving Purchaser written notice thereof and, upon receipt of such notice, this Agreement shall wholly cease and terminate, no party to this Agreement shall have any further claim, agreement, or obligation to any other party to this Agreement (except for Seller's right to retain the Security Deposit), and any lien of Purchaser against the Project shall automatically cease, terminate and be released.

9.2 If the sale contemplated by this Agreement is not consummated because of Seller's failure to perform its obligations hereunder, Purchaser shall be entitled, as its exclusive remedies, to elect either (a) to terminate this Agreement or (b) to enforce specific performance of Seller's obligations under this Agreement; provided, however, that Seller shall not be required to

expend any money other than the amounts provided in Article 8, or take any action other than delivery of the items provided in Article 7, in connection with such specific performance.

ARTICLE 10
BROKERS

10.1 Purchaser and Seller mutually represent and warrant to each other that neither they nor any entity related to them have dealt with any broker, finder or other person or entity who would be entitled to a commission or other brokerage fee in connection with the transactions described in this Agreement other than HRG, which entity Seller has agreed to pay the sum of \$230,000 at Closing pursuant to separate agreement, and which Seller shall pay at the Closing (and provide evidence thereof to Purchaser). HRG only represents Seller in this transaction and is presently Seller's property manager of the Property. No commission is due if the sale under this Agreement fails to close for any reason, including without limitation default of either party, termination as provided under this Agreement or mutual termination or rescission by Seller and Purchaser. Purchaser and Seller each agree to indemnify, defend and hold the other harmless of and from and against any loss, costs, damage or expense (including reasonable attorneys' fees and court costs) arising out of (i) any inaccuracy in the representation and warranty contained in the immediately preceding sentence or (ii) the claims of any broker or finder (or anyone claiming to be a broker or finder) regarding any services claimed to have been rendered to the indemnifying party in connection with the transactions contemplated by this Agreement.

10.2 The provisions of this Article shall survive the closing of title and the delivery of the Deed and any prior termination of this Agreement for any reason whatsoever.

ARTICLE 11
NOTICES

Any notice given or required to be given pursuant to any provision of this Agreement shall be in writing and shall either be personally delivered, sent by facsimile or sent by a reputable commercial courier service guaranteeing overnight delivery, and shall be deemed to have been given upon receipt. The address of the parties for the giving of notices is as follows:

PURCHASER: Universal Health Realty Income Trust
 367 South Gulph Road
 King of Prussia, PA 19406
 Attn: Mr. Kirk E. Gorman
 President

with a copy to: Universal Health Realty Income Trust
3525 Piedmont Road, N.E.
7 Piedmont Center; Suite 202
Atlanta, Georgia 30305
Attn: Mr. Timothy J. Fowler
Vice President

and a copy to: King & Spalding
191 Peachtree Street
Atlanta, Georgia 30303-1763
Attn: Gerald T. Woods, Esq.

SELLER: FB Sheffield Partners, LLC
c/o Fletcher Bright Company - Atlanta
1827 Powers Ferry Road - Building 13
Atlanta, GA 30339
Attn: Crawford M. Sites, Jr.
Vice President

with a copy to: Schreeder, Wheeler & Flint
1600 Candler Building
127 Peachtree Street, N.E.
Atlanta, GA 30303
Attn: Warren Wheeler, Esq.

HRG: HealthAmerica Realty Group, L.L.C.
15 Piedmont Center
Suite 600
Atlanta, Georgia 30305
Attn: Thomas Tift

Either party may, by giving notice to the other in the manner set forth above, change the address to which notices shall be sent to it, provided that any such change of address shall be effective when received. The attorney for each party to this Agreement may give notices on behalf of its client with the same force and effect as if such notice was given directly by such party.

ARTICLE 12
ASSIGNMENT

Purchaser may assign its interest under this Agreement to any affiliate of Purchaser without Seller's consent. Seller may not assign its interest under this Agreement.

ARTICLE 13
REPRESENTATIONS

Seller and Purchaser hereby make the following mutual representations and warranties to each other, which representations and warranties are materially true and accurate in every respect as of the date hereof and shall be materially true and accurate as of the Closing Date and shall survive the delivery of the Deed and the Closing for one (1) year thereafter:

13.1 Of Seller:

(a) Authority. Seller has the full and unrestricted power and capacity to enter into and carry out the terms of this Agreement and all other agreements referred to herein. This Agreement constitutes, and all other agreements, documents and instruments to be executed by Seller pursuant hereto, when executed and delivered by Seller, will each constitute a valid and binding obligation of Seller enforceable in accordance with its terms;

(b) No Defaults. Neither the execution, delivery or performance of this Agreement or any other agreement contemplated hereby, the fulfillment of and compliance with the respective terms and provisions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, will: (i) conflict with, or result in a breach of, any of the terms, conditions or provisions of, or constitute any default under, any agreement or instrument to which Seller is a party or is subject; (ii) violate any restriction to which Seller is a party or is subject; (iii) constitute a violation of any applicable law, statute, regulation, ordinance, rule, judgment, decree, writ or order; or (iv) conflict with, or contradict, any right of first refusal or similar right in respect of the sale of the Property.

(c) No Litigation. There are no actions, suits, claims, arbitrations, proceedings, orders, judgments or investigations pending or, to the knowledge of Seller, threatened against or affecting Seller or the Project or any of the Tenant Leases or which question the validity of this Agreement or any action taken or to be taken under any of the provisions of this Agreement, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality.

(d) Equipment. Except as otherwise stated in this Section 13.1, Seller has not received any notification in writing from any governmental agency or authority that the use and operation of the equipment of Seller constituting part of the Project is not in compliance with applicable laws, regulations and guidelines, except for prior notifications which have been corrected.

(e) Assessments. Seller has received no notice and has no knowledge of any pending improvements, liens or special assessments to be made against the Project by any governmental authority;

(f) Condemnation. There is no exercise of eminent domain or condemnation pending, or to Seller's knowledge threatened, against or affecting the Project (or

any part thereof), nor does Seller know or have reasonable grounds to know of any basis for any of same;

(g) Leases. To the best of Seller's knowledge: Seller is not in default under any Tenant Lease, nor is there in existence any condition or fact which with notice or lapse of time, or both, would constitute a default thereunder; Seller (or its management company) is in possession of all tenant security deposits in the amounts set forth in the Tenant Leases; no such tenants shall be entitled to any rebates, revenue participations, rent concessions, rent limitations or free rent or renewal options, except as provided in the Tenant Leases; no express written commitments have been made to any tenant for repairs or improvements, by Seller, as landlord, which remain to be completed or paid for in full (except as provided in Section 7.3 as to Suite 303); the Tenant Leases constitute the entire agreement between the landlord and tenant thereunder, and there are no side letters or other agreements between the Landlord and each of the tenants; all Tenant Leases are the result of bona fide arm's-length negotiations with persons who are not affiliates of Seller; no rents due under any of said Tenant Leases have been assigned, hypothecated or encumbered (excepting therefrom any such hypothecations or encumbrances being removed at Closing); no rents under any Tenant Leases have been prepaid in advance of the then current month which are not the subject of a credit under Section 8.5; and there are no fees or commissions payable to any third person or entity in regard to the subject property or any of said Tenant Leases (including any commissions payable upon the exercise of any renewal option under the Tenant Leases); no tenant under any Tenant Lease has received any financing, or commitment to extend financing, from Seller in respect of any tenant improvements or for any other purposes (except as provided in Section 7.3 as to Suite 303); and Seller will not, hereafter and prior to the Closing Date, modify any Tenant Lease, accept any termination or surrender of any Tenant Lease or enter into any agreement extending the term of any Tenant Lease, without the prior written consent of Purchaser;

(h) Zoning. [INTENTIONALLY OMITTED];

(i) Permits. Except as otherwise disclosed in this Section 13.1, Seller has not received any notification in writing from any governmental authority that the Property is lacking any permits or licenses necessary for the operation and occupancy of the Property. No notice, notification, demand, request for information, citation, summons or order has been received by Seller and Seller has no knowledge that any complaint has been filed, penalty has been assessed or investigation or review is pending or threatened by any governmental authority with respect to any alleged failure by Seller to have any permit, license or authorization required in connection with the use, maintenance and operation of the Property, or with respect to any generation, treatment, storage, recycling, transportation, release or disposal of any "hazardous substances" (as hereinafter defined);

(j) Certificate of Occupancy. Seller has no knowledge that certificates of occupancy have not been issued for the Property, including all medical offices; however, Seller has not been able to locate or obtain copies of all certificates of occupancy for all suites in the Project; Seller has no knowledge that any certificate of occupancy for a current tenant has been revoked or canceled;

(k) Access. To the best of Seller's knowledge, no fact or condition exists which would result or could result in the termination or reduction of the current access from the Property to existing roads or to sewer or other utility services presently serving the Property;

(l) Utilities. Water, sewer, electricity and telephone facilities have been available to the Property during Seller's ownership in adequate capacity for the purpose of using the Project for its intended purpose;

(m) No Option to Purchase. No third party has an option to purchase the Project;

(n) No Bankruptcy. There are no attachments, executions, assignments for the benefit of creditors or voluntary or involuntary proceedings in bankruptcy pending, contemplated or, to the knowledge of Seller, threatened against Seller

(o) Service, Maintenance Agreements, etc. As of the Closing Date, there shall be no employees employed by Seller or contractors retained by Seller in the operation of the Project; and no contracts, oral or written, with any employees nor any service contract, maintenance contract, nor any union or other contract or agreement with respect to the Project; in each case, except as listed in Exhibit K. All such agreements (if any) listed on said Exhibit K are in full force and effect without default. Seller will not enter into any new such agreement or modify any such agreement prior to the Closing;

(p) No Lease of Space. Seller will not, hereafter and prior to the Closing Date, lease any space which is now or may become vacant without the prior written approval of Purchaser, not to be unreasonably withheld or delayed;

(q) Seller to Maintain Premises. Seller will maintain the physical condition of the Property in substantially the same condition as of the date hereof through the Closing Date, reasonable wear and tear and loss by fire or other casualty excepted, and will make any ordinary repairs and continue maintenance of the Property from the date hereof until Closing, as it would do in the normal course of operations, provided that in the event that any part of the Project is damaged by fire or other casualty prior to Closing and the cost to repair same exceeds \$20,000, then Purchaser may at its option either (i) terminate this Agreement (whereupon the Security Deposit shall be returned and neither party shall be obligated to buy or sell under this Agreement), or (ii) proceed to close and accept from Seller an assignment of any insurance proceeds receivable due to such casualty loss plus a payment from Seller of the amount of the deductible on Seller's casualty insurance policy, but provided further that if the casualty loss is less than \$20,000 the Purchaser shall proceed under option (ii);

(r) Insurance Requirements. To the best of Seller's knowledge, there are no outstanding requirements by the holder of any existing note and mortgage on the Property, or any insurance company, insurance rating board, fire underwriting board or governmental agency requiring or recommending any repairs or work to be done at the Property or any equipment to be installed thereon with which Seller has not fully complied;

(s) Income and Operating Expenses. Seller believes that the schedule annexed hereto as Exhibit L and made a part hereof accurately sets forth the income and expenses of the Project on an annual basis for the period ended December 31, 1998, and for the current year through September 30, 1999. However, such statements were prepared by HRG (which itself is making no representation or warranty to Purchaser in respect thereof), are unaudited and have not been independently verified by Seller. To the best of Seller's knowledge, there was no tax abatement or exemption in effect for the Property during said period. To the best of Seller's knowledge, there has been no material adverse change in the operation or income of the Property since September 30, 1999;

(t) Employees. There are no employees employed directly by Seller and stationed on site in the operation and maintenance of the Property;

(u) No Defective Condition. Except as otherwise may be described herein and in that certain Property Condition Assessment dated January 17, 1997 prepared for Fletcher Fright Company - Atlanta, by Asset Advisory Services, Inc. and the Building and Site Assessment, dated May 17, 1999, prepared for HRG by CDH Partners, Inc. relative to the Property (the terms of which are hereby incorporated by reference into this Agreement), Seller has not been advised and is not aware that (considering the age of the Project): (I) there is any substantial defective condition, structural or otherwise, in the buildings or other improvements on the Property; or (II) that all heating, electrical, plumbing, air conditioning, and other mechanical and electrical systems are not in reasonably good condition and working order, or (III) that there are any substantial roof leaks. Nevertheless, Seller believes that the Property does not comply with the Americans With Disabilities Act, and Seller further discloses that it is possible that the buildings and improvements and the plumbing, electrical and mechanical systems of the Project do not fully comply with current codes and ordinances. During its ownership of the Property, Seller has been required to upgrade some of such systems when preparing suites for tenant occupancy;

(v) Hazardous Substances. When it was purchased by Seller, the Project contained asbestos containing materials, and Seller undertook to remove same, but Seller gives no assurance that all such materials have been removed. In addition the parties are aware that the physicians and other tenants of the Project normally procure, store, use and dispose of hazardous materials in the course of business and medical practice, and Seller makes no representations about the use or disposal of hazardous materials by tenants. Otherwise, to the best of Seller's knowledge, except as otherwise may be described in that certain Phase I Environmental Site Assessment and Limited Asbestos Survey dated February 27, 1997, prepared for Fletcher Bright Company-Atlanta by United Consulting Group, Ltd. relative to the Property, as supplemented by that certain Phase II Environmental Site Assessment, dated March 13, 1997, likewise prepared for Fletcher Bright Company-Atlanta, by United Consulting Group, Ltd.; or the Phase I Environmental Site Assessment dated May 16, 1999, prepared for HRG by Ahlberg Engineering, Inc. ("Ahlberg") relative to the Property, as supplemented by that certain Phase II Environmental Site Assessment, dated September 17, 1999, likewise prepared for HRG by Ahlberg relative to Property (the terms of each which reports are hereby incorporated by reference into this Agreement), and except for substances normally used in medical building

operations and maintenance (such as for example but without limitation cleaning fluids), the Property contains no hazardous substance, as such term is defined in the Comprehensive Environmental Response and Liability Act, 42 U.S.C. ss. 9601 et seq., as amended, or under any other state or local environmental statutes or regulations issued pursuant thereto;

(w) Violations. To the best of Seller's knowledge, there are no outstanding notes or notices of violations of law or governmental ordinances, orders or requirement issued by any governmental department, agency, bureau or instrumentality affecting the Property or any part thereof (collectively, "Property Violations"); and all Property Violations affecting the Property discovered by Purchaser to exist as of the Closing Date shall be complied with and removed of record by Seller, at its expense, at Closing, or Purchaser may (as its sole remedy) terminate this Agreement, receive a return of the Security Deposit and neither party shall be obligated to buy or sell hereunder;

(x) Vendors. All vendors, suppliers and other contractors or persons supplying goods or services to the Property at the instance of Seller or its property manager, have been paid in full to date or will be paid on the Closing Date;

(y) No Landmark. [INTENTIONALLY OMITTED]; and

(z) No Unpaid Bills. As of the Closing Date, there are no unpaid bills for work, labor, service or materials furnished to the Project upon the request or order of Seller, which may be made the basis of a lien or, if there are any such bills, Seller will pay them by Closing.

All of the representations or warranties of the Seller in this Article 13 or otherwise in this Agreement, except for Article 13.1(a), are made and expressly limited to the actual, present knowledge of the Seller's Managers, without imputation of knowledge or notice which may be attributed to them as a matter of law or by virtue of the knowledge of non-executive employees of Seller or officers or employees of the Seller's property management company (including HRG). It is agreed that any statement made to "Seller's knowledge" or "to the best of Seller's knowledge" or similar statements is limited as provided in the preceding sentence.

13.2 Of Purchaser:

(a) Authority. Purchaser has the full and unrestricted power and capacity to enter into and carry out the terms of this Agreement and all other agreements referred to herein. This Agreement constitutes, and all other agreements, documents and instruments to be executed by Purchaser pursuant hereto, when executed and delivered by Purchaser, will each constitute a valid and binding obligation of Purchaser as the case may be, enforceable in accordance with its terms;

(b) No Defaults. Neither the execution, delivery or performance of this Agreement or any other agreement contemplated hereby, the fulfillment of and compliance with the respective terms and provisions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, will: (i) conflict with, or result in a breach of, any

of the terms, conditions or provisions of, or constitute any default under, any agreement or instrument to which Purchaser is a party or is subject; (ii) violate any restriction to which Purchaser is a party or is subject; or (iii) constitute a violation of any applicable law, statute, regulation, ordinance, rule, judgment, decree, writ or order; and

(c) No Litigation. There are no actions, suits, claims, arbitrations, proceedings, orders, judgments or investigations pending or, to the knowledge of Purchaser, threatened against or affecting or which question the validity of this Agreement or any action taken or to be taken under any of the provisions of this Agreement, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality.

ARTICLE 14 CONDITIONS PRECEDENT TO CLOSING

14.1 The obligation of Purchaser to purchase the Project pursuant to the provisions of this Agreement shall be subject to the following conditions (all or any of which may be waived in writing, in whole or in part, by Purchaser):

(a) The representations and warranties of Seller in this Agreement shall be true and correct and the covenants and agreements of Seller contained herein shall have been complied with as of the date of Closing;

(b) Seller shall deliver the documents described in Articles 5 and 7 of this Agreement;

(c) There shall have been no material changes in the zoning laws and regulations applicable to the Project;

(d) Subject to the terms of Section 7.1(j), Seller shall have obtained an estoppel certificate from tenants each of occupying the Property's leased space under the Tenant Leases, to be substantially in the form annexed hereto as Exhibit M, setting forth that (i) there are no defaults thereunder by landlord or tenant, (ii) their respective leases are valid, unmodified and in full force and effect, (iii) that all rent and additional rent has been paid through the month of Closing and (iv) such other matters as are set forth in Exhibit M annexed hereto;

(e) Seller shall deliver title to the Property as provided in Article 5, and Purchaser shall have obtained a Title Policy and Survey corresponding thereto and confirming same.

14.2 If any of the conditions precedent to closing set forth herein or any other covenant or closing obligation of Seller shall not have been complied with as of the Closing Date, then, in such event, Purchaser shall have the right, in addition to any other rights or remedies available to Purchaser under this Agreement or in equity or at law, to rescind this transaction in which event

the parties shall be relieved and released from any further obligations to each other or Purchaser may close the transaction in accordance with its terms.

ARTICLE 15
POST-CLOSING OBLIGATIONS

15.1 At the Closing, Seller shall deposit in escrow the sum of \$125,000 with HRG, as Escrow Agent, which sum shall constitute an escrow account for the purposes herein stated (to be effected by adjustment to the Purchase Price), which sum shall be established on its books as an escrow account. This escrow account, which shall hereinafter be referred to as the "Parking Revenue Escrow Account," will be used to cover any shortfall in the Property's parking revenue that may occur on a monthly basis. Under the terms of this escrow arrangement, but subject to Section 15.2, the Purchaser will be able to draw from HRG funds on deposit in the Parking Revenue Escrow Account on a monthly basis if the revenue associated with the Property's parking facilities does not meet or exceed \$16,667 per month. The remaining funds in the Parking Revenue Escrow Account will be released by HRG to the Seller once the Property's parking facilities meet or exceed \$16,667 per month of revenue for three (3) consecutive months (or, at any earlier time at which the Purchaser elects, at its option, to terminate this escrow agreement). If, during any calendar month ending subsequent to the Closing Date, parking revenues exceed \$16,667, the excess thereof shall be credited against any deficiency in parking revenue (below \$16,667) in the preceding or succeeding calendar month (but only in one or the other of such months, and not in any earlier or later calendar months); and any surplusage in monthly parking revenues in excess of \$16,667 remaining after any such application shall be added to the Parking Revenue Escrow Account (even if, by doing so, the amount of funds in deposit therein exceeds \$125,000). Seller's obligations hereunder are strictly limited to the funds on deposit from time to time in the Parking Revenue Escrow Account.

15.2 Purchaser's right to draw upon the Parking Reserve Escrow Account is expressly conditioned upon Purchaser making reasonable, diligent and continuous efforts (provided that in doing so Purchaser does not incur any material expense or risk) to operate the Property's parking facilities in a manner which will provide the maximum reasonably available revenue from parking; it being understood and agreed by Seller, however, that so long as the Purchase operates the Property's parking facilities in substantially the same manner as operated by Seller immediately prior to the Closing Date, then, such operation shall be deemed operated in such manner as to provide "the maximum reasonably available revenue from parking"; that is, and without limitation of the foregoing, in order to comply herewith, Purchaser shall be under no obligation to increase (or reduce) parking fees, add parking spaces, change hours of operation or permit usage not permitted on the Closing Date. Without limiting the foregoing, Purchaser agrees to instruct its Property management to comply with this Section. Further, Purchaser is not authorized to give any tenant free parking (unless that tenant is receiving free parking on the Closing Date) and must charge all tenants and others a reasonable parking fee for use of the parking facilities on the Property (with the "reasonableness" of any charge or free to be determined in the manner provided hereinabove). If Purchaser fails to comply with the provisions of this Section 15.2, Purchaser's right to draw on the Parking Revenue Escrow Deposit shall terminate. Purchaser agrees to promptly refund to Seller any parking revenue which was withdrawn from the Escrow while Purchaser was in violation of this Section. Purchaser shall provide to Seller no later than the fifteenth (15th) day of each month, a parking

revenue report for the prior month giving in reasonable detail the amount and sources of parking revenue and any funds withdrawn from the Escrow. Seller and its agents are authorized to directly contact the Purchaser's property manager and building and parking lot personnel to make inquiries and request documents regarding the parking revenue and efforts to obtain the maximum parking revenue, provided that (i) such requests are made only not more frequently than monthly, and (ii) any direct costs incurred by such persons in responding to such inquiries are reimbursed to such persons by Seller.

15.3 The provisions of this Article 15 shall survive the Closing.

ARTICLE 16
MISCELLANEOUS

16.1 This Agreement is binding upon and shall inure to the benefit of, the parties hereto, and their respective heirs, successors, legal representatives and permitted assigns.

16.2 Wherever under the terms and provisions of this Agreement the time for performance falls upon a Saturday, Sunday or legal holiday, such time for performance shall be extended to the second business day thereafter.

16.3 This Agreement may be executed in one or more counterparts, all of which when taken together shall constitute one and the same agreement, and shall become effective when one or more counterparts have been executed by each of the parties hereto and delivered to each of the other parties hereto.

16.4 The captions at the beginning of the several paragraphs, Sections and Articles are for convenience in locating the context, but are not part of the context. Unless otherwise specifically set forth in this Agreement to the contrary, all references to Exhibits contained in this Agreement refer to the Exhibits which are attached to this Agreement all of which Exhibits are incorporated in, and made a part of, this Agreement by reference. Unless otherwise specifically set forth in this Agreement to the contrary, all references to Articles, Sections, paragraphs and clauses refer to portions of this Agreement.

16.5 If any term or provision of this Agreement shall be held to be illegal, invalid, unenforceable or inoperative as a matter of law, the remaining terms and provisions of this Agreement shall not be affected thereby, but each such remaining term and provision shall be valid and shall remain in full force and effect.

16.6 This Agreement and the other writings referred to in, or delivered pursuant to, this Agreement, embody the entire understanding and contract between the parties hereto with respect to the Project and supersede any and all prior agreements and understandings between the parties hereto, whether written or oral, formal or informal, with respect to the subject matter of this Agreement. This Agreement has been entered into after full investigation by each party and its professional advisors, and neither party is relying upon any statement, representation or warranty made by or on behalf of the other which is not expressly set forth in this Agreement.

16.7 No extensions, changes, waivers, modifications or amendments to or of this Agreement, of any kind whatsoever, shall be made or claimed by Seller, HRG or Purchaser, and no notices of any extension, change, waiver, modification or amendment made or claimed by Seller, HRG or Purchaser shall have any force or effect whatsoever, unless the same is contained in a writing and is fully executed by the party against whom such matter is asserted.

16.8 This Agreement shall be governed and interpreted in accordance with the laws of the State of Georgia.

16.9 Each party hereto shall pay all charges specified to be paid by them pursuant to the provisions of this Agreement and their own attorney's fees in connection with the negotiation, drafting and closing of this Agreement.

16.10 Time is of the essence in this Agreement.

16.11 Seller agrees to keep confidential all information concerning the Property, the Project and the Tenant Leases which it may retain in its files subsequent to the Closing Date.

16.12 THE DECLARATION OF TRUST ESTABLISHING UNIVERSAL HEALTH REALTY INCOME TRUST, FILED AUGUST 6, 1986, A COPY OF WHICH, TOGETHER WITH ALL AMENDMENTS THERETO ("DECLARATION"), IS DULY FILED IN THE OFFICE OF THE DEPARTMENT OF ASSESSMENTS AND TAXATION OF THE STATE OF MARYLAND, PROVIDES THAT THE NAME "UNIVERSAL HEALTH REALTY INCOME TRUST," REFERS TO THE TRUSTEES UNDER THE DECLARATION COLLECTIVELY AS TRUSTEES, BUT NOT INDIVIDUALLY OR PERSONALLY AND THAT NO TRUSTEE, OFFICER, SHAREHOLDER, EMPLOYEE OR AGENT OF THE TRUST SHALL BE HELD TO ANY PERSONAL LIABILITY, JOINTLY OR SEVERALLY, FOR ANY OBLIGATION OF, OR CLAIM AGAINST, THE TRUST. ALL PERSONS DEALING WITH THE TRUST, IN ANY WAY, WHETHER UNDER THIS AGREEMENT OR IN ANY AGREEMENT REFERENCED HEREIN OR EXECUTED IN CONNECTION HERewith, SHALL LOOK ONLY TO THE ASSETS OF THE TRUST FOR THE PAYMENT OF ANY SUM OR THE PERFORMANCE OF ANY OBLIGATION.

ARTICLE 17
SECURITY DEPOSIT

Effective upon its execution and delivery of this Agreement, Purchaser shall deposit in escrow with HRG the sum of \$100,000 as earnest money (the "Earnest Money Deposit"). At the Closing, the Earnest Money Deposit shall be credited to the Purchase Price. If, by the Closing Date, Purchaser has not purchased the Property other than because of (i) Seller's noncompliance with any terms or conditions hereof concerning such purchase or (ii) the exercise by Purchaser of any right of termination extended to it hereunder pursuant to Section 4.2(c), Section 9.2, Section 13.1(q) or Section 13.1(w); then, HRG shall pay over to Seller the Earnest Money Deposit as full liquidated damages and Seller's exclusive remedy for Purchaser's default (it being understood and agreed by the parties that any actual damages suffered by Seller as a result of such default by Purchaser would be impracticable to ascertain and that retention of the Earnest Money Deposit is a reasonable estimate of Seller's damages). If however, by the Closing Date, Purchaser has not purchased the Property because of (i) Seller's noncompliance with any terms and conditions hereof concerning such purchase or (ii) the exercise by Purchaser of any right of termination extended to it hereunder pursuant to Section 4.2(c), Section 9.2, Section 13.1(q) or Section 13.1(w); then, HRG shall return the Earnest Money Deposit to Purchaser.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their names by their respective duly authorized representatives under seal on the day and year first above written.

"SELLER"

FB SHEFFIELD PARTNERS, LLC, a (SEAL) Georgia limited liability company

By: _____
its Manager

"PURCHASER"

UNIVERSAL HEALTH REALTY
INCOME TRUST

(SEAL)

By: _____
Timothy J. Fowler
Vice President

"HRG"

HEALTHAMERICA REALTY GROUP, LLC

By: _____
Its Manager

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Trust's previously filed Registration Statements on Forms S-8 and S-3: 1988 Non-Statutory Stock Option Plan, Share Compensation Plan for Outside Trustees, 1997 Incentive Plan (File No. 333-57815) and Dividend Reinvestment Plan for Shareholders (File No. 333-81763).

ARTHUR ANDERSEN LLP

Philadelphia, PA
March 29, 2000

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0000798783
UNIVERSAL HEALTH REALTY INCOME TRUST
1,000
U.S. DOLLARS

YEAR	
DEC-31-1999	
Jan-01-1999	
Dec-31-1999	
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790	
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0	179,167
37,800	
178,821	
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	90
	99,585
178,821	
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26,419	
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	3,003
	3,857
	1,583
	4,004
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13,972	
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