



NATIONAL HEALTH REALTY, INC.

For Release: January 24, 2006
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NHR reports year end results

MURFREESBORO, Tenn. -- National Health Realty, Inc., (AMEX: NHR) a real estate investment trust specializing in long-term health care investments, announced funds from operations for the year ended Dec. 31, 2005 of \$16,509,000 or \$1.68 basic and \$1.67 diluted compared to \$16,643,000 or \$1.73 basic and \$1.69 diluted, last year. Dividends declared for 2005 totaled \$1.43 compared to \$1.41 for 2004 representing a dividend payout ratio of 85.1% and 81.5%, respectively.

For the year ended Dec. 31, net income was \$11,277,000 compared to \$11,435,000 for the same period last year. Net income per share was \$1.14 basic and \$1.14 diluted compared to \$1.19 basic and \$1.16 diluted last year. Revenues for the year totaled \$19,772,000 compared to \$20,191,000 in the prior year.

For the quarter ended Dec. 31, funds from operations were \$4,168,000 or 42 cents basic and 42 cents diluted compared to \$4,168,000 or 43 cents basic and 42 cents diluted, last year.

For the quarter ended Dec. 31, net income was \$2,861,000 or 29 cents basic and 29 cents diluted, compared to \$2,936,000, or 31 cents basic and 30 cents diluted, last year. Revenues for the quarter totaled \$4,986,000 compared to \$5,003,000 in 2004.

The decrease in mortgage interest income is primarily the result of prepayments received on mortgages receivable totaling \$30,304,000 in February 2004. We prepaid \$4,000,000 of long-term debt from cash flows during the fourth quarter of 2005.

NHR owns the real property of 16 skilled nursing facilities, six assisted living centers and one independent living center. NHR also owns first and second mortgage notes totaling \$13.2 million. These notes are secured by operating skilled nursing facilities and other health care properties. Additional information including NHR's most recent press releases may be obtained on NHR's web site at www.nationalhealthrealty.com. The company trades on the American Stock Exchange with the symbol NHR.

Statements in this press release that are not historical facts are forward looking statements. NHR cautions investors that any forward-looking statements made involve risks and uncertainties and are not guarantees of future performance. All forward-looking statements represent NHR's best judgment as of the date of this release.

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Condensed Statements of Income
(in thousands except share and per

	Three Months Ended Dec. 31		Year Ended Dec. 31	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:				
Rental income	\$ 4,375	\$ 4,305	\$ 17,359	\$ 17,255
Mortgage interest income	611	593	2,413	2,831
Gain on sale of real estate	---	105	---	105
	<u>4,986</u>	<u>5,003</u>	<u>19,772</u>	<u>20,191</u>
Expenses:				
Interest	182	150	721	781
Depreciation of real estate	1,467	1,492	5,872	5,966
Amortization of loan costs	---	---	---	8
General and administrative	279	214	1,095	1,027
	<u>1,928</u>	<u>1,856</u>	<u>7,688</u>	<u>7,782</u>
Income before minority interest in consolidated subsidiaries and non-operating income	3,058	3,147	12,084	12,409
Non-operating Income (investment and interest income)	152	145	569	456
Minority interest in consolidated	(349)	(356)	(1,376)	(1,430)
Net Income	<u>\$ 2,861</u>	<u>\$ 2,936</u>	<u>\$ 11,277</u>	<u>\$ 11,435</u>
Net income per common share:				
Basic	\$.29	\$.31	\$ 1.14	\$ 1.19
Diluted	\$.29	\$.30	\$ 1.14	\$ 1.16
Funds from operations				
Basic	\$ 4,168	\$ 4,168	\$ 16,509	\$ 16,643
Diluted	\$ 4,168	\$ 4,168	\$ 16,509	\$ 16,643
Funds from operations per share				
Basic	\$.42	\$.43	\$ 1.68	\$ 1.73
Diluted	\$.42	\$.42	\$ 1.67	\$ 1.69
Weighted average common shares				
Basic	9,939,463	9,598,964	9,853,490	9,594,852
Diluted	9,945,549	9,865,635	9,881,484	9,822,823
Common dividends declared per share	\$.4325	\$.4125	\$ 1.4300	\$ 1.4100
Balance Sheet Data	Dec. 31	Dec. 31		
<i>(in thousands)</i>	<u>2005</u>	<u>2004</u>		
Real estate properties, net	\$ 115,054	\$ 120,926		
Mortgages receivable	13,207	13,553		
Long-term debt	10,450	16,150		
Stockholder's equity	\$ 112,390	\$ 113,998		

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Reconciliation of Funds from Operations⁽¹⁾

The following table reconciles net income applicable to common stockholders to funds from operations applicable to common stockholders:

(in thousands)	Three Months Ended December 31		Twelve Months Ended December 31	
	2005	2004	2005	2004
Net income applicable to common stockholder's	\$ 2,861	\$ 2,936	\$ 11,277	\$ 11,435
Adjustments:				
Real estate depreciation	1,467	1,492	5,872	5,966
Gain on sale of real estate	---	(105)	---	(105)
Adjustment for minority interest-affiliates	(160)	(155)	(640)	(653)
Funds from operations applicable to common stockholders	\$ <u>4,168</u>	\$ <u>4,168</u>	\$ <u>16,509</u>	\$ <u>16,643</u>
Basic funds from operations per share	\$.42	\$.43	\$ 1.68	\$ 1.73
Diluted funds from operations per share	\$.42	\$.42	\$ 1.67	\$ 1.69
Weighted average shares:				
Basic	9,939,463	9,598,964	9,853,490	9,594,852
Diluted	9,945,549	9,865,635	9,881,484	9,822,823

⁽¹⁾We believe that funds from operations is an important supplemental measure of operating performance. We, therefore, disclose funds from operations, although it is a measurement that is not defined by accounting principles generally accepted in the United States. We generally use the National Association of Real Estate Investment Trusts (NAREIT) measure of funds from operations. We define funds from operations as income before extraordinary items adjusted for certain non-cash items, primarily real estate depreciation, less gains/losses on sales of facilities. Our measure may not be comparable to similarly titled measures used by other REITs. Consequently, our funds from operations may not provide a meaningful measure of our performance as compared to that of other REITs. Funds from operations does not represent cash generated from operating activities as defined by accounting principles generally accepted in the United States (funds from operations does not include changes in operating assets and liabilities) and, therefore, should not be considered as an alternative to net income as the primary indicator of operating performance or to cash flow as a measure of liquidity.

National Health Realty, Inc.

Portfolio Summary

December 31, 2005

Portfolio Statistics

	Properties	Investment	Investment Percentage
Equity Ownership	23	\$ 115,054,000	90%
Mortgage Loan Receivables	5	13,207,000	10%
Total Real Estate Portfolio	28	\$ 128,261,000	100%

Equity Ownership

	Properties	Beds	Investments
Nursing Homes	16	1,908	\$ 69,980,000
Assisted Living	6	488	30,833,000
Independent Living	1	58	14,241,000
	23	2,454	\$ 115,054,000

Mortgage Loan Receivables

	Properties	Beds	Investment
Nursing Homes	5	714	\$ 13,207,000

Summary of Facilities by Type

	Properties	Percentage of Total Dollars	Total Dollars
Nursing Homes	21	64.86%	\$ 83,187,000
Assisted Living	6	24.04%	30,833,000
Independent Living	1	11.10%	14,241,000
	28	100.00%	\$ 128,261,000

SUMMARY OF FACILITIES BY STATE:

	LTC	Asst Living	Retire-ment	Investment Amount	Percent Total Portfolio
1 Florida	8	3		\$ 56,994,000	44.44%
2 Tennessee	2	2	1	33,758,000	26.32%
3 South Carolina	7			27,853,000	21.71%
4 Indiana	3			3,875,000	3.02%
5 Alabama		1		3,434,000	2.68%
6 Missouri	1			2,347,000	1.83%
	21	6	1	\$128,261,000	100.00%