



NATIONAL HEALTH REALTY, INC.

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NHR reports second quarter results

MURFREESBORO, Tenn. -- National Health Realty, Inc., (AMEX: NHR) a long-term health care real estate investment trust, announced net income for the quarter ended June 30, 2006 of \$2,933,000 compared to \$2,828,000 last year, an increase of 3.7%.

For the three months ended June 30, net income per share was 29 cents basic and diluted compared to 29 cents basic and diluted, for the same period last year. Basic and diluted funds from operations were 42 cents per share compared to 42 cents basic and diluted, last year. Revenues for the quarter totaled \$4,980,000 compared to \$4,938,000 last year.

For the six months ended June 30, net income was \$6,036,000 compared to \$5,611,000 for the same six months last year. Net income per share was 61 cents basic and diluted compared to 57 cents basic and diluted last year. Funds from operations per share were 86 cents basic and diluted compared to 84 cents basic and diluted in 2005. Revenues for the six months totaled \$10,143,000 compared to \$9,838,000 for the same period of the prior year.

NHR owns the real property of 16 skilled nursing facilities, six assisted living centers and one retirement center. NHR also owns first and second mortgage notes having a carrying value of \$12.8 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 & per share amounts)*

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Revenues:				
Rental income	\$ 4,444	\$ 4,338	\$ 9,072	\$ 8,645
Mortgage interest income	536	600	1,071	1,193
	<u>4,980</u>	<u>4,938</u>	<u>10,143</u>	<u>9,838</u>
Expenses:				
Interest	152	180	301	344
Depreciation of real estate	1,423	1,468	2,846	2,936
General and administrative	304	254	539	520
	<u>1,879</u>	<u>1,902</u>	<u>3,686</u>	<u>3,800</u>
Income before minority interest in subsidiaries and non-operating	3,101	3,036	6,457	6,038
Non-operating Income (investment and interest income)	190	138	315	261
Minority interest in consolidated subsidiaries	(358)	(346)	(736)	(688)
Net Income	<u>\$ 2,933</u>	<u>\$ 2,828</u>	<u>\$ 6,036</u>	<u>\$ 5,611</u>
Net income per common share:				
Basic	\$.29	\$.29	\$.61	\$.57
Diluted	\$.29	\$.29	\$.61	\$.57
Funds from operations				
Basic	\$ 4,201	\$ 4,135	\$ 8,572	\$ 8,226
Diluted	\$ 4,201	\$ 4,135	\$ 8,572	\$ 8,226
Funds from operations per share				
Basic	\$.42	\$.42	\$.86	\$.84
Diluted	\$.42	\$.42	\$.86	\$.84
Weighted average common shares				
Basic	9,943,199	9,871,919	9,941,341	9,793,657
Diluted	9,946,835	9,908,976	9,946,697	9,843,104
Common dividends declared per share	\$.3325	\$.3325	\$.6650	\$.6650
Balance Sheet Data	June	December		
<i>(in thousands)</i>	2006	2005		
Real estate properties, net	\$ 112,208	\$ 115,054		
Mortgages and other notes receivable	12,848	13,207		
Debt	9,600	10,450		
Stockholders' equity	112,126	112,390		

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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:

<i>(in thousands)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Net income applicable to common stockholder's	\$ 2,933	\$ 2,828	\$ 6,036	\$ 5,611
Adjustments:				
Real estate depreciation	1,423	1,468	2,846	2,936
Minority interest in NHR/OP, L.P. share of add back for real estate related depreciation	(155)	(161)	(310)	(321)
Funds from operations applicable to common stockholders	\$ 4,201	\$ 4,135	\$ 8,572	\$ 8,226
Basic funds from operations per share	\$.42	\$.42	\$.86	\$.84
Diluted funds from operations per share	\$.42	\$.42	\$.86	\$.84
Weighted average shares:				
Basic	9,943,199	9,871,919	9,941,341	9,793,657
Diluted	9,946,835	9,908,976	9,946,697	9,843,104

⁽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, for example, 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.

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National Health Realty, Inc. Portfolio Summary June 30, 2006

Portfolio Statistics

	Properties	Investment	Investment Percentage
Equity Ownership	23	\$112,208,000	90%
Mortgage Loan Receivables	5	12,848,000	10%
Total Real Estate Portfolio	28	\$125,056,000	100%

Equity Ownership

	Properties	Beds	Investments
Nursing Homes	16	1,908	\$ 68,149,000
Assisted Living	6	488	30,010,000
Retirement Homes	1	58	14,049,000
	23	2,454	\$112,208,000

Mortgage Loan Receivables

	Properties	Beds	Investment
Nursing Homes	5	714	\$12,848,000

Summary of Facilities By Type:

	Properties	Percentage of Total Dollars	Total Dollars
Nursing Homes	21	64.77%	\$80,997,000
Assisted Living	6	24.00%	30,010,000
Retirement Homes	1	11.23%	14,049,000
	28	100.00%	\$125,056,000

Summary of Facilities By State:

	LTC	Asst. Living	Retire- ment	Investment Amount	Percent Total Portfolio
1 Florida	8	3	---	\$ 55,461,000	44.35%
2 Tennessee	2	2	1	33,140,000	26.50%
3 South Carolina	7	---	---	27,144,000	21.71%
4 Indiana	3	---	---	3,718,000	2.97%
5 Alabama	---	1	---	3,323,000	2.66%
6 Missouri	1	---	---	2,270,000	1.82%
	21	6	1	\$125,056,000	100.00%