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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, 2006 of \$17,478,000 or \$1.76 basic and diluted compared to \$16,509,000 or \$1.68 basic and \$1.67 diluted, last year. Dividends declared for 2006 totaled \$1.43 compared to \$1.43 for 2005 representing a dividend payout ratio of 81.3% and 85.1%, respectively.

For the year ended Dec. 31, net income was \$12,407,000 compared to \$11,277,000 for the same period last year. Net income per share was \$1.25 basic and \$1.25 diluted compared to \$1.14 basic and \$1.14 diluted last year. Revenues for the year totaled \$20,137,000 compared to \$19,772,000 in the prior year.

For the quarter ended Dec. 31, funds from operations were \$4,606,000 or 46 cents basic and 46 cents diluted compared to \$4,168,000 or 42 cents basic and 42 cents diluted, last year.

For the quarter ended Dec. 31, net income was \$3,338,000 or 34 cents basic and 34 cents diluted, compared to \$2,861,000, or 29 cents basic and 29 cents diluted, last year. Revenues for the quarter totaled \$4,995,000 compared to \$4,986,000 in 2005.

"Annual and quarterly operating results are in line with company expectations," said NHR President Robert Adams. "We are currently focusing our efforts on our proposed merger with National HealthCare Corporation that was announced on December 21, 2006."

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 \$12.5 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](http://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 share)*

	Three Months Ended Dec. 31		Year Ended Dec. 31	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Revenues:</b>				
Rental income	\$ 4,463	\$ 4,375	\$ 17,995	\$ 17,359
Mortgage interest income	<u>532</u>	<u>611</u>	<u>2,142</u>	<u>2,413</u>
	<u>4,995</u>	<u>4,986</u>	<u>20,137</u>	<u>19,772</u>
<b>Expenses:</b>				
Interest	148	182	604	721
Depreciation of real estate	1,423	1,467	5,691	5,872
General and administrative	<u>22</u>	<u>279</u>	<u>785</u>	<u>1,095</u>
	<u>1,593</u>	<u>1,928</u>	<u>7,080</u>	<u>7,688</u>
Income before minority interest in consolidated subsidiaries and non-operating income	3,402	3,058	13,057	12,084
Non-operating Income (investment and interest income)	343	152	862	569
Minority interest in consolidated subsidiaries	<u>(407)</u>	<u>(349)</u>	<u>(1,512)</u>	<u>(1,376)</u>
<b>Net Income</b>	<u>\$ 3,338</u>	<u>\$ 2,861</u>	<u>\$ 12,407</u>	<u>\$ 11,277</u>
Net income per common share:				
Basic	\$ .34	\$ .29	\$ 1.25	\$ 1.14
Diluted	\$ .34	\$ .29	\$ 1.25	\$ 1.14
Funds from operations				
Basic	\$ 4,606	\$ 4,168	\$ 16,821	\$ 16,509
Diluted	\$ 4,606	\$ 4,168	\$ 16,821	\$ 16,509
Funds from operations per share				
Basic	\$ .46	\$ .42	\$ 1.69	\$ 1.68
Diluted	\$ .46	\$ .42	\$ 1.69	\$ 1.67
Weighted average common shares				
Basic	9,949,724	9,939,463	9,942,803	9,853,490
Diluted	9,962,581	9,945,549	9,950,022	9,881,484
Common dividends declared per share	\$ .4325	\$ .4325	\$ 1.4300	\$ 1.4300
<b>Balance Sheet Data</b>	<b>Dec. 31</b>	<b>Dec. 31</b>		
<i>(in thousands)</i>	<u>2006</u>	<u>2005</u>		
Real estate properties, net	\$ 109,363	\$ 115,054		
Mortgages receivable	12,541	13,207		
Long-term debt	8,750	10,450		
Stockholder's equity	\$ 112,385	\$ 112,390		

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Reconciliation of Funds from Operations<sup>(1)</sup>

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 December 31		Twelve Months Ended December 31	
	2006	2005	2006	2005
Net income applicable to common stockholder's	\$ 3,338	\$ 2,861	\$ 12,407	\$ 11,277
Adjustments:				
Real estate depreciation	1,423	1,467	5,691	5,872
Adjustment for minority interest-affiliates	(155)	(160)	(620)	(640)
Funds from operations applicable to common stockholders	\$ <u>4,606</u>	\$ <u>4,168</u>	\$ <u>17,478</u>	\$ <u>16,509</u>
Basic funds from operations per share	\$ .46	\$ .42	\$ 1.76	\$ 1.68
Diluted funds from operations per share	\$ .46	\$ .42	\$ 1.76	\$ 1.67
Weighted average shares:				
Basic	9,949,724	9,939,463	9,942,803	9,853,490
Diluted	9,962,581	9,945,549	9,950,022	9,881,484

<sup>(1)</sup>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, 2006**

**Portfolio Statistics**

	Properties	Investment	Investment Percentage
Equity Ownership	23	\$ 109,362,000	90%
Mortgage Loan Receivables	5	12,541,000	10%
<b>Total Real Estate Portfolio</b>	<b>28</b>	<b>\$ 121,903,000</b>	<b>100%</b>

**Equity Ownership**

	Properties	Beds	Investments
Nursing Homes	16	1,973	\$ 66,317,000
Assisted Living	6	521	29,187,000
Independent Living	1	93	13,858,000
	<b>23</b>	<b>2,587</b>	<b>\$ 109,362,000</b>

**Mortgage Loan Receivables**

	Properties	Beds	Investment
Nursing Homes	5	698	\$ 12,541,000

**Summary of Facilities by Type**

	Properties	Percentage of Total Dollars	Total Dollars
Nursing Homes	16	60.64%	\$ 66,317,000
Assisted Living	6	26.69%	29,187,000
Independent Living	1	12.67%	13,858,000
	<b>23</b>	<b>100.00%</b>	<b>\$ 109,362,000</b>

**SUMMARY OF FACILITIES BY STATE:**

	LTC	Asst Living	Retire-ment	Investment Amount	Percent Total Portfolio
1 Florida	6	3		\$ 53,994,000	44.29%
2 Tennessee	2	2	1	32,521,000	26.68%
3 South Carolina	7			26,435,000	21.69%
4 Indiana	3			3,546,000	2.91%
5 Alabama		1		3,212,000	2.63%
6 Missouri	1			2,195,000	1.80%
	<b>21</b>	<b>6</b>	<b>1</b>	<b>\$121,903,000</b>	<b>100.00%</b>