



NATIONAL HEALTH REALTY, INC.

For Release July 25, 2005
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NHR reports second quarter 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 quarter ended June 30 of \$4,135,000 or 42 cents basic and 42 cents diluted compared to \$3,894,000 or 41 cents basic and 40 cents diluted, last year.

For the quarter ended June 30, net income was \$2,828,000 or 29 cents basic and 29 cents diluted, compared to \$2,570,000, or 27 cents basic and 26 cents diluted, last year. Revenues for the quarter totaled \$4,938,000 compared to \$4,886,000 in 2004.

For the six months ended June 30, net income was \$5,611,000 compared to \$5,674,000 for the same period last year. Net income per share was 57 cents basic and 57 cents diluted compared to 59 cents basic and 58 cents diluted last year. Funds from operations per share were 84 cents basic and 84 cents diluted compared to 87 cents basic and 85 cents diluted in 2004. Revenues for the six months totaled \$9,838,000 compared to \$10,296,000 in the prior year.

Revenues, net income and funds from operations reflect stable operations and were in line with the management expectations.

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 totaling \$13.4 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 share)*

	Three Months Ended June 30		Six Months Ended June 30	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:				
Rental income	\$ 4,338	\$ 4,305	\$ 8,645	\$ 8,645
Mortgage interest income	<u>600</u>	<u>581</u>	<u>1,193</u>	<u>1,651</u>
	<u>4,938</u>	<u>4,886</u>	<u>9,838</u>	<u>10,296</u>
Expenses:				
Interest	180	172	344	500
Depreciation of real estate	1,468	1,492	2,936	2,983
Amortization of loan and organization	---	---	---	8
General and administrative	<u>254</u>	<u>430</u>	<u>520</u>	<u>619</u>
	<u>1,902</u>	<u>2,094</u>	<u>3,800</u>	<u>4,110</u>
Income before minority interest in consolidated Subsidiaries and non-operating income	3,036	2,792	6,038	6,186
Non-operating Income (investment and interest income)	138	103	261	205
Minority interest in consolidated subsidiaries	<u>(346)</u>	<u>(325)</u>	<u>(688)</u>	<u>(717)</u>
Net Income	<u>\$ 2,828</u>	<u>\$ 2,570</u>	<u>\$ 5,611</u>	<u>\$ 5,674</u>
Net income per common share:				
Basic	\$.29	\$.27	\$.57	\$.59
Diluted	\$.29	\$.26	\$.57	\$.58
Funds from operations				
Basic	\$ 4,135	\$ 3,894	\$ 8,226	\$ 8,321
Diluted	\$ 4,135	\$ 3,894	\$ 8,226	\$ 8,321
Funds from operations per share				
Basic	\$.42	\$.41	\$.84	\$.87
Diluted	\$.42	\$.40	\$.84	\$.85
Weighted average common shares outstanding				
Basic	9,871,919	9,594,214	9,793,657	9,592,401
Diluted	9,908,976	9,793,784	9,843,104	9,803,939
Common dividends declared	\$.3325	\$.3325	\$.6650	\$.6650
Balance Sheet Data	June	December		
<i>(in thousands)</i>	<u>2005</u>	<u>2004</u>		
Real estate properties, net	\$ 117,990	\$ 120,926		
Mortgages receivable	13,419	13,553		
Long-term debt	15,300	16,150		
Stockholder's equity	\$ 114,334	\$ 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:

<i>(in thousands)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Net income applicable to common stockholder's	\$ 2,828	\$ 2,570	\$ 5,611	\$ 5,674
Adjustments:				
Real estate depreciation	1,468	1,492	2,936	2,983
Adjustment for minority interest-affiliates	(161)	(168)	(321)	(336)
Funds from operations applicable to common stockholders	\$ 4,135	\$ 3,894	\$ 8,226	\$ 8,321
Basic funds from operations per share	\$.42	\$.41	\$.84	\$.87
Diluted funds from operations per share	\$.42	\$.40	\$.84	\$.85
Weighted average shares:				
Basic	9,871,919	9,594,214	9,793,657	9,592,401
Diluted	9,908,976	9,793,784	9,843,104	9,803,939

⁽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.

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National Health Realty, Inc. Portfolio Summary June 30, 2005

Portfolio Statistics

	Properties	Investment	Investment Percentage
Equity Ownership	23	\$ 117,990,000	90%
Mortgage Loan Receivables	5	13,419,000	10%
Total Real Estate Portfolio	28	\$ 131,409,000	100%

Equity Ownership

	Properties	Beds	Investments
Nursing Homes	16	1,908	\$ 71,867,000
Assisted Living	6	488	31,691,000
Retirement Homes	1	58	14,432,000
	23	2,454	\$ 117,990,000

Mortgage Loan Receivables

	Properties	Beds	Investment
Nursing Homes	5	714	\$ 13,419,000

Summary of Facilities By Type:

	Properties	Percentage of Total Dollars	Total Dollars
Nursing Homes	21	64.90%	\$ 85,286,000
Assisted Living	6	24.12%	31,691,000
Retirement Homes	1	10.98%	14,432,000
	28	100.00%	\$ 131,409,000

Summary of Facilities By State:

	LTC	Asst. Living	Retire- Ment	Investment Amount	Percent Total Portfolio
1 Florida	8	3		58,585,000	44.58%
2 Tennessee	2	2	1	34,376,000	26.16%
3 South Carolina	7			28,574,000	21.74%
4 Indiana	3			3,874,000	2.95%
5 Alabama		1		3,568,000	2.72%
6 Missouri	1			2,432,000	1.85%
	21	6	1	131,409,000	100.00%