



NATIONAL HEALTH REALTY, INC.

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Contact: Gerald Coggin, Sr., VP Corporate Relations  
Phone: (615) 890-2020 ext. 1405

## NHR reports third 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 Sept. 30, 2005 of \$4,108,000 or 42 cents basic and 42 cents diluted compared to \$4,148,000 or 43 cents basic and 42 cents diluted, last year.

For the quarter ended Sept. 30, 2005, net income was \$2,805,000 or 28 cents basic and 28 cents diluted, compared to \$2,825,000 or 29 cents basic and 29 cents diluted, last year. Revenues for the quarter totaled \$4,948,000 compared to \$4,892,000 in 2004.

For the nine months ended Sept. 30, 2005, net income was \$8,416,000 compared to \$8,499,000 for the same period last year. Net income per share was 86 cents basic and 85 cents diluted compared to 89 cents basic and 87 cents diluted last year. Funds from operations per share were \$1.25 basic and \$1.25 diluted compared to \$1.30 basic and \$1.27 diluted in 2004. Revenues for the nine months totaled \$14,786,000 compared to \$15,188,000 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. 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 Sept. 30		Nine Months Ended Sept. 30	
	2005	2004	2005	2004
<b>Revenues:</b>				
Rental income	\$ 4,339	\$ 4,305	\$ 12,984	\$ 12,950
Mortgage interest income	609	587	1,802	2,238
	<u>4,948</u>	<u>4,892</u>	<u>14,786</u>	<u>15,188</u>
<b>Expenses:</b>				
Interest	195	131	539	631
Depreciation of real estate	1,468	1,491	4,404	4,474
Amortization of loan and organization	---	---	---	8
General and administrative	297	194	817	813
	<u>1,960</u>	<u>1,816</u>	<u>5,760</u>	<u>5,926</u>
Income before minority interest in Subsidiaries and non-operating	2,988	3,076	9,026	9,262
Non-operating Income (investment and interest income)	156	106	417	311
Minority interest in consolidated	(339)	(357)	(1,027)	(1,074)
<b>Net Income</b>	<u>\$ 2,805</u>	<u>\$ 2,825</u>	<u>\$ 8,416</u>	<u>\$ 8,499</u>
Net income per common share:				
Basic	\$ .28	\$ .29	\$ .86	\$ .89
Diluted	\$ .28	\$ .29	\$ .85	\$ .87
Funds from operations				
Basic	\$ 4,108	\$ 4,148	\$ 12,325	\$ 12,470
Diluted	\$ 4,108	\$ 4,148	\$ 12,325	\$ 12,470
Funds from operations per share				
Basic	\$ .42	\$ .43	\$ 1.25	\$ 1.30
Diluted	\$ .42	\$ .42	\$ 1.25	\$ 1.27
Weighted average common shares				
Basic	9,885,231	9,595,588	9,824,517	9,593,471
Diluted	9,892,227	9,817,726	9,859,813	9,808,542
Common dividends declared	\$ .3325	\$ .3325	\$ .9975	\$ .9975
<b>Balance Sheet Data</b>				
<i>(in thousands)</i>				
	Sept. 30	Dec. 31		
	2005	2004		
Real estate properties, net	\$ 116,522	\$ 120,926		
Mortgages receivable	13,336	13,553		
Long-term debt	14,875	16,150		
Stockholder's equity	\$ 114,199	\$ 113,998		

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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:

	Three Months Ended		Nine Months Ended	
	Sept. 30		Sept. 30	
(in thousands)	2005	2004	2005	2004
Net income applicable to common stockholder's	\$ 2,805	\$ 2,825	\$ 8,416	\$ 8,499
Adjustments:				
Real estate depreciation	1,468	1,491	4,404	4,474
Adjustment for minority interest-affiliates	(165)	(168)	(495)	(503)
Funds from operations applicable to common stockholders	\$ 4,108	\$ 4,148	\$ 12,325	\$ 12,470
Basic funds from operations per share	\$ .42	\$ .43	\$ 1.25	\$ 1.30
Diluted funds from operations per share	\$ .42	\$ .42	\$ 1.25	\$ 1.27
Weighted average shares:				
Basic	9,885,231	9,595,588	9,824,517	9,593,471
Diluted	9,892,227	9,817,726	9,859,813	9,808,542

<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.

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**National Health Realty, Inc.      Portfolio Summary      September 30, 2005**

<b>Portfolio Statistics</b>	<u>Properties</u>	<u>Investment</u>	<u>Investment Percentage</u>
Equity Ownership	23	\$ 116,522,000	90%
Mortgage Loan Receivables	5	13,336,000	10%
Total Real Estate Portfolio	28	\$ 129,858,000	100%

<b>Equity Ownership</b>	<u>Properties</u>	<u>Beds</u>	<u>Investments</u>
Nursing Homes	16	1,908	\$ 70,924,000
Assisted Living	6	488	31,262,000
Retirement Homes	1	58	14,336,000
	23	2,454	\$ 116,522,000

<b>Mortgage Loan Receivables</b>	<u>Properties</u>	<u>Beds</u>	<u>Investment</u>
Nursing Homes	5	714	\$ 13,336,000

**Summary of Facilities By Type:**

	<u>Properties</u>	<u>Percentage of Total Dollars</u>	<u>Total Dollars</u>
Nursing Homes	21	64.89%	\$ 84,260,000
Assisted Living	6	24.07%	31,262,000
Retirement Homes	1	11.04%	14,336,000
	28	100.00%	\$ 129,858,000

**SUMMARY OF FACILITIES BY STATE:**

	<u>LTC</u>	<u>Asst. Living</u>	<u>Retire- ment</u>	<u>Investment Amount</u>	<u>Percent Total Portfolio</u>
1 Florida	8	3		\$ 57,813,000	44.52%
2 Tennessee	2	2	1	34,067,000	26.23%
3 South Carolina	7			28,213,000	21.73%
4 Indiana	3			3,875,000	2.98%
5 Alabama		1		3,501,000	2.70%
6 Missouri	1			2,389,000	1.84%
	21	6	1	\$ 129,858,000	100.00%