

Physicians Realty Trust
Form 10-Q
August 13, 2014
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 001-36007

PHYSICIANS REALTY TRUST

(Exact Name of Registrant as Specified in its Charter)

Maryland

46-2519850

(State of Organization)

(IRS Employer Identification No.)

735 N. Water Street

Suite 1000

Milwaukee, Wisconsin

53202

(Address of Principal Executive Offices)

(Zip Code)

(414) 978-6494

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company)

Smaller reporting company

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Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of the Registrant's common shares outstanding as of August 8, 2014 was 34,322,589.

Table of Contents

PHYSICIANS REALTY TRUST

**Quarterly Report on Form 10-Q
for the Quarter Ended June 30, 2014**

Table of Contents

	Page Number
<u>Part I</u>	
	<u>Financial Information</u>
<u>Item 1</u>	
	<u>Financial Statements (Unaudited)</u>
	<u>Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013</u>
	3
	<u>Consolidated and Combined Statements of Operations for the Three and Six Months Ended June 30, 2014 and 2013</u>
	4
	<u>Consolidated and Combined Statements of Equity for the Six Months Ended June 30, 2014</u>
	5
	<u>Consolidated and Combined Statements of Cash Flow for the Six Months Ended June 30, 2014 and 2013</u>
	6
	<u>Notes to Unaudited Consolidated and Combined Financial Statements</u>
	7
<u>Item 2</u>	
	<u>Management's Discussion and Analysis of Financial Condition and Results of Operation</u>
	21
<u>Item 3</u>	
	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	33
<u>Item 4</u>	
	<u>Controls and Procedures</u>
	35
<u>Part II</u>	
	<u>Other Information</u>
<u>Item 1</u>	
	<u>Legal Proceedings</u>
	35
<u>Item 1A</u>	
	<u>Risk Factors</u>
	35
<u>Item 6</u>	
	<u>Exhibits</u>
	36
<u>SIGNATURES</u>	38

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts may be forward-looking statements. In particular, statements pertaining to our capital resources, property performance and results of operations contain forward-looking statements. Likewise, all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, should, seeks, approximately, intends, plans, pro forma, estimates or anticipates or the negative phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- general economic conditions;
- adverse economic or real estate developments, either nationally or in the markets in which our properties are located;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- fluctuations in interest rates and increased operating costs;
- the availability, terms and deployment of debt and equity capital, including our senior secured revolving credit facility;
- our ability to make distributions on our shares of beneficial interest;
- general volatility of the market price of our common shares;

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- our limited operating history;
- our increased vulnerability economically due to the concentration of our investments in healthcare properties;
- a substantial portion of our revenue is derived from our five largest tenants and thus, the bankruptcy, insolvency or weakened financial position of any one of them could seriously harm our operating results and financial condition;
- our geographic concentrations in Texas and the greater Atlanta, Georgia metropolitan area causes us to be particularly exposed to downturns in these local economies or other changes in local real estate market conditions;
- changes in our business or strategy;
- our dependence upon key personnel whose continued service is not guaranteed;
- our ability to identify, hire and retain highly qualified personnel in the future;
- the degree and nature of our competition;
- changes in governmental regulations, tax rates and similar matters;
- defaults on or non-renewal of leases by tenants;
- decreased rental rates or increased vacancy rates;
- difficulties in identifying healthcare properties to acquire and complete acquisitions;
- competition for investment opportunities;

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Table of Contents

- our failure to successfully develop, integrate and operate acquired properties and operations;
- the impact of our investment in joint ventures;
- the financial condition and liquidity of, or disputes with, joint venture and development partners;
- our ability to operate as a public company;
- changes in accounting principles generally accepted in the United States (or GAAP);
- lack of or insufficient amounts of insurance;
- other factors affecting the real estate industry generally;
- our failure to qualify and maintain our qualification as a real estate investment trust (or REIT) for U.S. federal income tax purposes;
- limitations imposed on our business and our ability to satisfy complex rules in order for us to qualify as a REIT for U.S. federal income tax purposes; and
- changes in governmental regulations or interpretations thereof, such as real estate and zoning laws and increases in real property tax rates and taxation of REITs.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. You should not place undue reliance on any forward-looking statements, which speak only as of the date of this report. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes after the date of this prospectus, except as required by applicable law. For a further discussion of these and other factors that could impact our future results, performance or transactions, see Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and Part II, Item 1A (Risk Factors) of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014.

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In this report, the terms we, us, our, our company, the Trust, the Company, and Physicians Realty refer to Physicians Realty Trust, a M real estate investment trust, together with its consolidated subsidiaries, including Physicians Realty L.P., a Delaware limited partnership, which we refer to in this report as our Operating Partnership, and the historical business and operations of four healthcare real estate funds that we have classified for accounting purposes as our Predecessor and which we sometimes refer to as the Ziegler Funds.

Table of Contents**PART I. Financial Information****Item 1. Financial Statements****Physicians Realty Trust****Consolidated Balance Sheets***(Unaudited)**(In thousands, except share and per share data)*

	June 30, 2014	December 31, 2013
<u>ASSETS</u>		
Investment properties:		
Land and improvements	\$ 51,694	\$ 26,088
Building and improvements	372,097	193,184
Tenant improvements	5,505	5,458
Acquired lease intangibles	47,239	31,236
	476,535	255,966
Accumulated depreciation	(34,636)	(28,427)
Net real estate property	441,899	227,539
Real estate loan receivable	6,881	
Investment in unconsolidated entity	1,298	
Net real estate investments	450,078	227,539
Cash and cash equivalents	6,697	56,478
Tenant receivables, net	836	837
Deferred costs, net	3,025	2,105
Other assets	8,516	5,901
Total assets	\$ 469,152	\$ 292,860
<u>LIABILITIES AND EQUITY</u>		
Liabilities:		
Credit facility	\$	\$
Mortgage debt	78,963	42,821
Accounts payable	697	836
Dividend payable	8,728	5,681
Accrued expenses and other liabilities	4,241	2,288
Acquired lease intangible, net	133	
Derivative liability	325	397
Total liabilities	93,087	52,023
Equity:		
Common shares, \$0.01 par value, 500,000,000 shares authorized, 34,288,126 and 21,548,597 shares issued and outstanding as of June 30, 2014 and December 31, 2013, respectively.	343	215
Additional paid-in capital	360,908	213,359
Accumulated deficit	(24,919)	(8,670)
Total shareholders' equity	336,332	204,904
Noncontrolling interests:		

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Operating partnership	39,059	35,310
Partially owned properties	674	623
Total noncontrolling interest	39,733	35,933
Total equity	376,065	240,837
Total liabilities and equity	\$ 469,152	\$ 292,860

The accompanying notes are an integral part of these consolidated and combined financial statements.

Table of Contents**Physicians Realty Trust and Predecessor****Consolidated and Combined Statements of Operations***(Unaudited)**(In thousands, except share and per share data)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	Predecessor 2013	2014	Predecessor 2013
Revenues:				
Rental revenues	\$ 10,241	\$ 2,535	\$ 17,049	\$ 5,032
Expense recoveries	1,020	786	2,090	1,601
Interest income on real estate loans and other	186	116	340	196
Total revenues	11,447	3,437	19,479	6,829
Expenses:				
Interest expense, net	1,657	1,102	2,938	2,171
General and administrative	2,408	102	4,422	222
Operating expenses	2,227	1,260	3,836	2,524
Depreciation and amortization	3,736	1,018	6,152	2,021
Acquisition expenses	2,045		6,332	
Management fees		238		475
Total expenses	12,073	3,720	23,680	7,413
Loss before equity in income of unconsolidated entity and noncontrolling interests:				
	(626)	(283)	(4,201)	(584)
Equity in income of unconsolidated entity	26		43	
Net loss	(600)	\$ (283)	(4,158)	\$ (584)
Less: Net loss attributable to noncontrolling interests operating partnership	123		654	
Less: Net income attributable to noncontrolling interests partially owned properties	(84)		(150)	
Net loss attributable to common shareholders	\$ (561)		\$ (3,654)	
Net loss per share:				
Basic and diluted	\$ (0.02)		\$ (0.15)	
Weighted average common shares:				
Basic and diluted	26,163,982		23,744,730	
Dividends and distributions declared per common share and unit	\$ 0.225		\$ 0.45	

The accompanying notes are an integral part of these consolidated and combined financial statements.

Table of Contents**Physicians Realty Trust and Predecessor****Consolidated and Combined Statement of Equity***(In thousands, except shares)**(Unaudited)*

	Number of Common Shares	Par Value	Additional Paid in Capital	Accumulated Deficit	Predecessor Equity	Total Shareholders and Predecessor Equity	Operating Partnership Noncontrolling interest	Partially Owned Properties Noncontrolling Interests	Total Non- controlling Interests	Total Equity
Predecessor Balance										
January 1, 2013		\$	\$	\$	\$ 19,068	\$ 19,068	\$	\$ 29	\$ 29	\$ 19,097
Net (loss)/income					(712)	(712)		136	136	(576)
Transfer					36	36		(36)	(36)	
Distributions					(211)	(211)		(209)	(209)	(420)
Balance July 24, 2013					18,181	18,181		(80)	(80)	18,101
Physicians Realty Trust										
Net proceeds from sale of common Shares	21,298,597	213	225,707			225,920				225,920
Formation Transactions			35		(18,181)	(18,146)	18,181	(389)	17,792	(354)
Restricted share award grants	250,000	2	431			433				433
Dividends declared				(7,009)		(7,009)	(1,326)		(1,326)	(8,335)
Adjustment for Noncontrolling Interests ownership in Operating Partnership			(7,391)			(7,391)	7,391		7,391	
Contributions			(5,423)			(5,423)	11,534	1,276	12,810	7,387
Distributions								(255)	(255)	(255)
Net (loss) income				(1,661)		(1,661)	(470)	71	(399)	(2,060)
Balance December 31, 2013	21,548,597	215	213,359	(8,670)		204,904	35,310	623	35,933	240,837
Net proceeds from sale of common stock	12,650,000	127	149,790			149,917				149,917
Restricted share award grants	89,529	1	859			860				860
Dividends/distributions declared				(12,595)		(12,595)	(1,832)		(1,832)	(14,427)
Adjustment for Noncontrolling Interests ownership in Operating Partnership			(3,100)			(3,100)	3,100		3,100	
Issuance of Operating Partnership Units in connection with acquisitions							3,135		3,135	3,135
Distributions								(99)	(99)	(99)
Net (loss) income				(3,654)		(3,654)	(654)	150	(504)	(4,158)
Balance June 30, 2014	34,288,126	\$ 343	\$ 360,908	\$ (24,919)	\$	\$ 336,332	\$ 39,059	\$ 674	\$ 39,733	\$ 376,065

The accompanying notes are an integral part of these consolidated and combined financial statements.

Table of Contents**Physicians Realty Trust and Predecessor****Consolidated and Combined Statements of Cash Flows***(In thousands) (Unaudited)*

	Six Months Ended June 30,	
	2014	Predecessor 2013
Cash Flows from Operating Activities:		
Net loss	\$ (4,158)	\$ (584)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	6,152	2,021
Amortization of deferred financing costs	352	42
Amortization of lease inducements and above/below market lease intangibles	186	35
Straight-line rental revenue	(1,585)	(1)
Equity in income of unconsolidated entity	(43)	
Distribution from unconsolidated entity	45	
Change in fair value of derivative	(72)	(190)
Provision for bad debts	6	30
Non-cash share compensation	860	
Change in operating assets and liabilities:		
Tenant receivables	(50)	97
Other assets	402	(737)
Accounts payable to related parties		384
Accounts payable	(138)	(270)
Accrued expenses and other liabilities	1,954	239
Net cash provided by operating activities	3,911	1,066
Cash Flows from Investing Activities:		
Acquisition of investment properties, net	(208,118)	
Capital expenditures on investment properties	(87)	(268)
Real estate loan receivable	(6,836)	
Leasing commissions	(5)	(39)
Lease inducement	(1,500)	
Cash used in investing activities	(216,546)	(307)
Cash Flows from Financing Activities:		
Net proceeds from sale of common shares	149,917	
Proceeds from credit facility borrowings	113,200	
Payment on credit facility borrowings	(113,200)	
Proceeds from issuance of mortgage debt	26,550	163
Payments on mortgage debt	(803)	(857)
Debt issuance costs	(1,331)	
Dividends paid - shareholders	(9,716)	
Distributions to noncontrolling interest operating partnership	(1,664)	(173)
Distributions to members and partners		(140)
Distributions to noncontrolling interest partially owned properties	(99)	
Net cash provided by (used in) financing activities	162,854	(1,007)
Net decrease in cash and cash equivalents	(49,781)	(248)
Cash and cash equivalents, beginning of period	56,478	2,614
Cash and cash equivalents, end of period	\$ 6,697	\$ 2,366
Supplemental disclosure of cash flow information interest paid during the period	\$ 2,607	\$ 2,131
Supplemental disclosure of noncash activity assumed debt	\$ 10,395	\$
	\$ 3,135	\$

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Supplemental disclosure of noncash activity issuance of Operating Partnership units in connection with acquisitions

The accompanying notes are an integral part of these consolidated and combined financial statements.

Table of Contents

Physicians Realty Trust and Predecessor

Notes to Consolidated and Combined Financial Statements

Note 1 Organization and Business

Physicians Realty Trust (the Trust) was organized in the state of Maryland on April 9, 2013. As of June 30, 2014, the Trust was authorized to issue up to 500,000,000 common shares of beneficial interest, par value \$0.01 per share. The Trust filed a Registration Statement on Form S-11 with the Securities and Exchange Commission (the Commission) with respect to a proposed underwritten initial public offering (the IPO) and completed the IPO of its common shares and commenced operations on July 24, 2013.

The Trust contributed the net proceeds from the IPO to Physicians Realty L.P. (the Operating Partnership), a Delaware limited partnership, and is the sole general partner of the Operating Partnership. The Trust's operations are conducted through the Operating Partnership and wholly-owned and majority-owned subsidiaries of the Operating Partnership. The Trust, as the general partner of the Operating Partnership, controls the Operating Partnership and consolidates the assets, liabilities and results of operations of the Operating Partnership.

The Trust is a self-managed real estate investment trust (REIT) formed primarily to acquire, selectively develop, own and manage healthcare properties that are leased to physicians, hospitals and healthcare delivery systems.

Initial Public Offering and Formation Transactions and Follow-On Public Offerings

Pursuant to the IPO, the Trust issued an aggregate of 11,753,597 common shares, including common shares issued upon exercise of the underwriters' overallotment option, and received approximately \$123.8 million of net proceeds. The Trust contributed the net proceeds of the IPO to the Operating Partnership in exchange for 11,753,597 common units of partnership interest (OP Units). Concurrently with the completion of the IPO, the Trust acquired, through a series of contribution transactions, the entities that own the 19 properties that comprised the Trust's initial properties from four healthcare real estate funds (the Ziegler Funds), as well as certain operating assets and liabilities, including the assumption of approximately \$84.3 million of debt related to such properties. The Trust determined that the Ziegler Funds constitute the Trust's accounting predecessor (the Predecessor). The Predecessor, which is not a legal entity, is comprised of the four Ziegler Funds that owned directly or indirectly interests in entities that owned the initial 19 properties in the Trust's portfolio. The combined historical data for the Predecessor is not necessarily indicative of the Trust's future financial position or results of operations. In addition, at the completion of the IPO, the Trust entered into a shared services agreement with B.C. Ziegler & Company (Ziegler) pursuant to which Ziegler provides office space, IT support, accounting support and other services to the Trust in exchange for an annual fee.

To acquire the ownership interests in the entities that own the 19 properties included in the Trust's initial properties, and certain other operating assets and liabilities, from the Ziegler Funds, the Operating Partnership issued to the Ziegler Funds an aggregate of 2,744,000 OP Units, having an aggregate value of approximately \$31.6 million based on the price to the public per share in the IPO. These formation transactions were effected concurrently with the completion of the IPO.

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The net proceeds from the IPO, inclusive of shares issued pursuant to the exercise of the underwriters' overallotment option, were approximately \$123.8 million (after deducting the underwriting discount and expenses of the IPO and the formation transactions payable by the Trust). The Trust contributed the net proceeds of the IPO to the Operating Partnership in exchange for 11,753,597 OP Units on July 24, 2013, and upon closing of the IPO, the Trust owned a 79.6% interest in the Operating Partnership. The Operating Partnership used a portion of the IPO proceeds received from the Trust to purchase the 50% interest in the Arrowhead Commons property not owned by the Ziegler Funds for approximately \$850,000, after which the Operating Partnership became the 100% owner of the property, and to pay certain expenses related to debt assumptions and the Trust's senior secured revolving credit facility. The balance of the net proceeds was subsequently invested in healthcare properties.

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Table of Contents

On December 11, 2013, the Trust completed a public offering of 9,545,000 common shares of beneficial interest, including 1,245,000 shares issued upon exercise of the underwriters' over-allotment option, resulting in net proceeds to the Trust of approximately \$103.1 million. The Trust contributed the net proceeds of this offering to the Operating Partnership in exchange for 9,545,000 OP Units, and the Operating Partnership used the net proceeds of the public offering to repay borrowings under the Trust's senior secured revolving credit facility and for general corporate and working capital purposes, funding future acquisitions, including any pending acquisitions, and development activities.

On May 27, 2014, the Trust completed a public offering of 12,650,000 common shares of beneficial interest, including 1,650,000 shares issued upon exercise of the underwriters' over-allotment option, resulting in net proceeds to the Trust of approximately \$149.9 million. The Trust contributed the net proceeds of this offering to the Operating Partnership in exchange for OP Units, and the Operating Partnership used the net proceeds of the public offering to repay borrowings under the Trust's senior secured revolving credit facility and for general corporate and working capital purposes, funding future acquisitions, including any pending acquisitions, and development activities.

Because the IPO and the formation transactions were completed on July 24, 2013, the Trust had no operations prior to that date. References in these notes to the consolidated and combined financial statements of Physicians Realty Trust signify the Trust for the period from July 24, 2013, the date of completion of the IPO and the formation transactions, and of the Predecessor for all prior periods.

Note 2 Summary of Significant Accounting Policies

The accompanying unaudited consolidated and combined financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the periods ended June 30, 2014 and 2013 pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been condensed or omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the audited financial statements included in the Trust's Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on March 21, 2014.

Principles of Consolidation

Property holding entities and other subsidiaries of which the Trust owns 100% of the equity or has a controlling financial interest evidenced by ownership of a majority voting interest are consolidated. All inter-company balances and transactions are eliminated. For entities in which the Trust owns less than 100% of the equity interest, the Trust consolidates the property if it has the direct or indirect ability to control the entities' activities based upon the terms of the respective entities' ownership agreements. For these entities, the Trust records a non-controlling interest representing equity held by non-controlling interests.

The Trust continually evaluates all of its transactions and investments to determine if they represent variable interests in a variable interest entity (VIE). If the Trust determines that it has a variable interest in a VIE, the Trust then evaluates if it is the primary beneficiary of the VIE. The evaluation is a qualitative assessment as to whether the Trust has the ability to direct the activities of a VIE that most significantly impact the entity's economic performance. The Trust consolidates each VIE in which it, by virtue of or transactions with the Trust's investments in the entity, is considered to be the primary beneficiary.

Table of Contents

Noncontrolling Interests

Operating Partnership: Net income or loss is allocated to noncontrolling interests based on their respective ownership percentage of the Operating Partnership. The ownership percentage is calculated by dividing the number of OP Units held by the noncontrolling interests by the total OP Units held by the noncontrolling interests and the Trust. Issuance of additional Common Shares and OP Units changes the ownership interests of both the noncontrolling interests and the Trust. Such transactions and the related proceeds are treated as capital transactions.

In connection with the closing of the IPO, the Trust and the Operating Partnership completed related formation transactions pursuant to which the Operating Partnership acquired from the Ziegler Funds, the Ziegler Funds' ownership interests in 19 medical office buildings located in ten states in exchange for an aggregate of 2,744,000 OP Units.

In connection with the acquisition of a surgical center hospital in the New Orleans, Louisiana metropolitan area for approximately \$37.5 million, on September 30, 2013, the Operating Partnership partially funded the purchase price by issuing 954,877 OP Units valued at approximately \$11.5 million on the date of issuance.

In the second quarter of 2014, the Operating Partnership has partially funded 2 additional acquisitions by issuing 243,758 OP Units valued at approximately \$3.1 million on the date of issuance. The 2 acquisitions had a total purchase price of \$21.4 million.

Noncontrolling interests in the Trust represent OP Units held by the Predecessor's prior investors and other investors. As of June 30, 2014, the Trust held an 89.6% interest in the Operating Partnership. As the sole general partner and the majority interest holder, the Trust consolidates the financial position and results of operation of the Operating Partnership.

Holders of OP Units may not transfer their units without the Trust's prior written consent, as general partner of the Operating Partnership. Beginning on the first anniversary of the issuance of OP Units, OP Unit holders may tender their units for redemption by the Operating Partnership in exchange for cash equal to the market price of the Trust's common shares at the time of redemption or, for common shares on a one-for-one basis. Such election to pay cash or issue shares to satisfy an OP Unit holder's redemption request is solely within the control of the Trust. Accordingly, the Trust presents the OP Units of the Operating Partnership held by the Predecessor's prior investors and other investors as noncontrolling interests within equity in the consolidated balance sheet.

Partially Owned Properties: The Trust reflects noncontrolling interests in partially owned properties on the balance sheet for the portion of properties consolidated by the Trust that are not wholly owned by the Trust. The earnings or losses from those properties attributable to the noncontrolling interests are reflected as noncontrolling interests in partially owned properties in the consolidated and combined statement of operations.

Investment Properties

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A property acquired not subject to an existing lease is treated as an asset acquisition and recorded at its purchase price, inclusive of acquisition costs, allocated between land and building based upon their relative fair values at the date of acquisition. A property acquired with an existing lease is accounted for as a business combination pursuant to the acquisition method in accordance with ASC Topic 805, *Business Combinations*, and assets acquired and liabilities assumed, including lease intangibles, are recorded at fair value.

Investments in Unconsolidated Entities

The Trust reports investments in unconsolidated entities over whose operating and financial policies it has the ability to exercise significant influence under the equity method of accounting. Under this method of accounting, the Trust's share of the investee's earnings or losses is included in its consolidated and combined statement of operations. The initial carrying value of investments in unconsolidated entities is based on the amount paid to purchase the entity interest.

Table of Contents

Real Estate Loans Receivable

Real estate loans receivable consists of a mezzanine loan which is collateralized by an equity interest in a medical office building development. Interest income on the loan is recognized as earned based on the terms of the loan subject to evaluation of collectability risks and is included in the Trust's consolidated and combined statement of operations.

Dividends and Distributions

On June 30, 2014, the Trust's Board of Trustees declared a cash dividend of \$0.225 per share for the quarterly period ended June 30, 2014. The dividend was paid on August 1, 2014 to common shareholders and common OP Unit holders of record on July 18, 2014.

Impairment of Real Estate Property

The Trust evaluates the recoverability of the recorded amount of real estate property whenever events or changes in circumstances indicate that the recorded amount of an asset may not be fully recoverable. Impairment is assessed when the undiscounted expected future cash flows derived from an asset are less than its carrying amount. If the Trust determines that an asset is impaired, the impairment to be recognized is measured as the amount by which the recorded amount of the asset exceeds its fair value. Assets to be disposed of are reported at the lower of the recorded amount or fair value less cost to sell. Fair value is determined using a discounted future cash flow analysis.

The Trust did not recognize any impairment for the three and six months ended June 30, 2014, nor did the Predecessor in the comparative periods presented.

Rental Revenue

Rental revenue is recognized on a straight-line basis over the terms of the related leases when collectability is reasonably assured. Recognizing rental revenue on a straight-line basis for leases may result in recognizing revenue for amounts more or less than amounts currently due from tenants. Amounts recognized in excess of amounts currently due from tenants are included in other assets and were \$3.6 million and \$2.0 million as of June 30, 2014 and December 31, 2013, respectively. If the Trust determines that collectability of straight-line rents is not reasonably assured, the Trust limits future recognition to amounts contractually owed and, where appropriate, establishes an allowance for estimated losses. Rental revenue is reduced by amortization of lease inducements and above market lease intangibles and increased by amortization of below market lease intangibles on certain leases. Lease inducements, above market lease intangibles and below market lease intangibles are amortized over the average remaining life of the lease.

Expense Recoveries

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Expense recoveries relate to tenant reimbursement of real estate taxes, insurance and other operating expenses that are recognized as expense recovery revenue in the period the applicable expenses are incurred. The reimbursements are recorded at gross amounts, as the Trust is generally the primary obligor with respect to real estate taxes and purchasing goods and services from third-party suppliers and has discretion in selecting the supplier and bears the credit risk of tenant reimbursement.

The Trust has certain tenants with absolute net leases. Under these lease agreements, the tenant is responsible for operating and building expenses. For absolute net leases, the Trust does not recognize the operating expenses or expense recoveries.

Table of Contents

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated and combined financial statements and the amounts of revenue and expenses reported in the period. Significant estimates are made for the valuation of investment property, valuation of financial instruments, impairment assessments and fair value assessments with respect to purchase price allocations. Actual results could differ from these estimates.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current financial statement presentation, with no effect on the consolidated financial position or results of operations.

New Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board issued Accounting Standards Updated, or ASU, 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360) which changes the requirements for reporting discontinued operations. ASU 2014-08 changes the threshold for disclosing discontinued operations and the related disclosure requirements. Pursuant to ASU 2014-08, only disposals representing a strategic shift, such as a major line of business, a major geographical area or majority equity investment, should be presented as a discontinued operation. If the disposal does qualify as a discontinued operation under ASU 2014-08, the entity will be required to provide expanded disclosures. The guidance will be applied prospectively to new disposals and new classifications of disposal groups held for sale after the effective date. ASU 2014-08 is effective for annual periods beginning on or after December 14, 2014 with early adoption permitted. The Trust early adopted the provisions of the guidance in the first quarter of 2104. Such adoption has had no impact on the Trust's financial statements as no dispositions have occurred during the six months ended June 30, 2014.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which creates a new Topic Accounting Standards Codification (Topic 606). The standard is principle-based and provides a five-step model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard is effective for interim or annual periods beginning after December 15, 2016 and allows for either full retrospective or modified retrospective adoption. Early adoption of this standard is not allowed. The Trust is currently evaluating the impact the adoption of Topic 606 will have on its financial statements.

Note 3 Acquisitions and Investments

During the six months ended June 30, 2014, the Trust completed acquisitions of 22 operating healthcare properties located in eight states for an aggregate purchase price of approximately \$221.0 million as summarized below (in thousands):

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Table of Contents

Property(1)	Location	Acquisition Date	Purchase Price
Foundations San Antonio Surgical Hospital(2)	San Antonio, TX	February 19, 2014	\$ 25,556
Eagles Landing Family Practice 4 MOB(2)	Atlanta, GA	February 19, 2014	\$ 20,800
21st Century Oncology 4 MOB(3)	Sarasota, FL	February 26, 2014	\$ 17,486
Foundations San Antonio MOB(3)	San Antonio, TX	February 28, 2014	\$ 6,800
Peachtree Dunwoody MOB(3)	Atlanta, GA	February 28, 2014	\$ 36,726
LifeCare LTACH(2)	Fort Worth, TX	March 28, 2014	\$ 27,160
LifeCare LTACH(2)	Pittsburgh, PA	March 28, 2014	\$ 12,840
Pinnacle Health Cardiology Portfolio 2 MOB(3)	Carlisle & Wormleyburg, PA	April 22, 2014	\$ 9,208
South Bend Orthopedic MOB (3)	South Bend, IN	April 30, 2014	\$ 14,900
Grenada Medical Complex MOB (3)	Grenada, MS	April 30, 2014	\$ 7,100
Mississippi Sports Medicine and Orthopaedics Center MOB (2)(4)	Jackson, MS	May 23, 2014	\$ 16,700
Carmel Medical Pavilion MOB (3)(4)	Carmel, IN	May 28, 2014	\$ 4,664
Summit Urology MOB (2)	Bloomington, IN	June 30, 2014	\$ 4,783
Renaissance Center (3)	Oshkosh, WI	June 30, 2014	\$ 8,500
Presbyterian Medical Plaza MOB (3)	Monroe, NC	June 30, 2014	\$ 7,750

(1) MOB means medical office building and LTACH means long-term acute care hospital

(2) The Trust accounted for these acquisitions as asset acquisitions and capitalized \$0.8 million of total acquisition costs to the basis of the properties

(3) The Trust accounted for these acquisitions as business combinations pursuant to the acquisition method and expensed total acquisition costs of \$6.3 million.

(4) The Operating Partnership partially funded the purchase price of these acquisitions by issuing a total of 243,758 OP Units valued at approximately \$3.1 million on the date of issuance.

During the three months ended June 30, 2014, the Trust recorded revenues and net income of \$4.9 million and \$1.7 million, respectively, from its 2014 acquisitions. During the six months ended June 30, 2014, the Trust recorded revenues and net income of \$6.0 million and \$1.8 million, respectively, from its 2014 acquisitions.

The following table summarizes the acquisition date fair values of the assets acquired and the liabilities assumed, which we determined using level two and level three inputs (in thousands):

	1ST Quarter	2nd Quarter	Total
Land	\$ 18,331	\$ 7,275	\$ 25,606
Building and improvements	121,472	57,401	178,873
In-place lease intangible	7,585	7,061	14,646
Above market in-place lease intangible	891	465	1,356
Below market in-place lease intangible		(133)	(133)
Investment in unconsolidated entity	1,300		1,300
Issuance of OP units		(3,135)	(3,135)
Mortgage debt assumed	(10,800)	405	(10,395)

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Lease inducement				1,500		1,500
Net assets acquired	\$	138,779	\$	70,839	\$	209,618

These preliminary allocations are subject to revision within the measurement period, not to exceed one year from the date of the acquisitions.

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Table of Contents

Unaudited Pro Forma Financial Information

The following table illustrates the pro forma combined revenue, net income, and earnings per share basic and diluted as if the Trust had acquired the above acquisitions as of January 1, 2013 (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	Predecessor 2013	2014	Predecessor 2013
Revenue	\$ 12,439	\$ 9,280	\$ 24,978	\$ 18,323
Net income	1,868	1,822	3,864	2,872
Net income available to common shareholders	1,868		4,192	
Earnings per share - basic and diluted	\$ 0.07	\$	\$ 0.18	\$
Weighted average common shares - basic and diluted	26,163,982		23,744,730	

Note 4 Intangibles

The following is a summary of the carrying amount of acquired lease intangibles as of June 30, 2014 and December 31, 2013 (in thousands):

	June 30, 2014			December 31, 2013		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Assets						
In-place leases	\$ 43,702	\$ (9,741)	\$ 33,961	\$ 29,056	\$ (8,080)	\$ 20,976
Above market leases	3,537	(167)	3,370	2,180	(48)	2,132
Total	\$ 47,239	\$ (9,908)	\$ 37,331	\$ 31,236	\$ (8,128)	\$ 23,108
Liability						
Below market lease	\$ 134	\$ (1)	\$ 133			

The following is a summary of the acquired lease intangible amortization for the three and six months ended June 30, 2014 and 2013 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Amortization expense related to in-place leases	\$ 1,013	\$ 312	\$ 1,724	\$ 512
Amortization recorded against rental income related to above market leases	73		119	
Amortization recorded to rental income related to below market leases	1		1	

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Table of Contents

Future aggregate amortization of the acquired lease intangibles as of June 30, 2014, is as follows (in thousands):

	Assets	Liability
2014	\$ 2,412	\$ 7
2015	4,824	13
2016	4,812	13
2017	4,635	13
2018	4,280	13
Thereafter	16,368	74
Total	\$ 37,331	\$ 133

The weighted average amortization period for asset lease intangibles and liability lease intangible is 10 years.

Note 5 Debt

The following is a summary of debt as of June 30, 2014 and December 31, 2013 (in thousands):

	June 30, 2014	December 31, 2013
\$ 200 million senior secured revolving credit facility bearing interest at floating rates, due August 2016, collateralized by twenty properties with a net book value of \$274,112.	\$	\$
Mortgage notes, bearing fixed interest from 4.82% to 6.58%, with a weighted average interest rate of 5.27%, and due in 2016, 2017, 2018, 2019, 2021 and 2022 collateralized by nine properties with a net book value of \$51,230.	74,497	38,288
Mortgage note, bearing variable interest of LIBOR plus 2.65% and due in 2017, collateralized by one property with a net book value of \$2,444	4,466	4,533
Total debt	\$ 78,963	\$ 42,821

Senior Secured Credit Facility:

On August 29, 2013, the Trust and the Operating Partnership entered into a Credit Agreement with Regions Bank, as Administrative Agent, Regions Capital Markets, as Sole Lead Arranger and Sole Book Runner, and various other lenders in connection with a \$75 million senior secured revolving credit facility (the "Credit Agreement"). On November 8, 2013, the Trust agreed with the lenders to increase the total amount available under the credit agreement from \$75 million to \$90 million. On February 21, 2014, the Trust agreed with the lenders to increase the total amount available under the Trust's senior secured revolving credit facility from \$90 million to \$140 million. On June 20, 2014, the Trust agreed with the lenders to increase the total amount available under the Trust's senior secured revolving credit facility from \$140 million to \$200 million. Subject to satisfaction of certain conditions, including additional lender commitments, we have the option to increase the borrowing capacity under the revolving credit facility to up to \$250 million. The amount available to the Trust under the Credit Agreement is subject to certain limitations including, but not limited to, the appraised value of the pledged properties that comprise the borrowing base of the credit facility.

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The Credit Agreement has a three-year term with an initial maturity date of August 29, 2016. Subject to the terms of the Credit Agreement, the Operating Partnership has the option to extend the term of the Credit Agreement to August 29, 2017.

The obligations of the Operating Partnership under the Credit Agreement are guaranteed by the Trust and certain of its subsidiaries. In addition, the Credit Agreement provides for security in the form of, among other things, mortgage liens on certain properties owned by the Operating Partnership that comprise the borrowing base.

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Table of Contents

The Credit Agreement provides for revolving credit loans to the Operating Partnership. Base Rate Loans, Adjusted LIBOR Rate Loans and Letters of Credit (each, as defined in the Credit Agreement) will be subject to interest rates, based upon the consolidated leverage ratio of the Trust, the Operating Partnership and its subsidiaries as follows:

Consolidated Leverage Ratio	Adjusted LIBOR Rate Loans and Letter of Credit Fee	Base Rate Loans
≤35%	LIBOR + 2.65%	Base Rate + 1.65%
>35% and ≤45%	LIBOR + 2.85%	Base Rate + 1.85%
>45% and ≤50%	LIBOR + 2.95%	Base Rate + 1.95%
>50%	LIBOR + 3.40%	Base Rate + 2.40%

The Operating Partnership may, at any time, voluntarily prepay any loan under the Credit Agreement in whole or in part without premium or penalty.

The Credit Agreement contains financial covenants that, among other things, require compliance with loan-to-value, leverage and coverage ratios and maintenance of minimum tangible net worth, as well as covenants that may limit the Trust's and the Operating Partnership's ability to incur additional debt or make distributions. The Credit Agreement also contains customary events of default. Any event of default, if not cured or waived, could result in the acceleration of any outstanding indebtedness under the Credit Agreement. As of June 30, 2014, the Trust was in compliance with all financial covenants.

As of June 30, 2014, there were no outstanding borrowings under the Trust's Credit Agreement and \$171.0 million was available to borrow without adding additional properties to the borrowing base securing the Credit Agreement.

Scheduled principal payments due on debt as of June 30, 2014, are as follows (in thousands):

2014	\$	903
2015		1,869
2016		9,425
2017		28,697
2018		1,100
Thereafter		36,969
Total	\$	78,963

Note 6 Stock-based Compensation

The Trust follows ASC 718 in accounting for its share-based payments. This guidance requires measurement of the cost of employee services received in exchange for stock compensation based on the grant-date fair value of the employee stock awards. This cost is recognized as compensation expense ratably over the employee's requisite service period. Incremental compensation costs arising from subsequent modifications of awards after the grant date must be recognized when incurred. Share-based payments classified as liability awards are marked to fair value at each reporting period.

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Certain of the Trust's employee stock awards vest only upon the achievement of performance targets. ASC 718 requires recognition of compensation cost only when achievement of performance conditions is considered probable. Consequently, the Trust's determination of the amount of stock compensation expense requires a significant level of judgment in estimating the probability of achievement of these performance targets. Additionally, the Trust must make estimates regarding employee forfeitures in determining compensation expense. Subsequent changes in actual experience are monitored and estimates are updated as information is available.

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Table of Contents

In connection with the IPO, the Trust adopted the 2013 Equity Incentive Plan which made available 600,000 restricted shares to be administered by the Compensation and Nominating Governance Committee of the Board of Trustees. The committee has broad discretion in administering the terms of the plan. Restricted shares granted under the plan are eligible for dividends as well as the right to vote. The Trust granted to management and the Board of Trustees 250,000 restricted common shares upon completion of the IPO under the Trust's 2013 Equity Incentive Plan at a value per share of \$11.50 and total value of \$2.9 million with a vesting period of three years. In March 2014 an additional 84,266 restricted common shares were granted to management and the Board of Trustees. In June 2014, an additional 5,263 restricted common shares were granted to certain Trust employees.

	Shares	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2013	250,000	\$ 11.50
Granted	89,529	13.52
Vested		
Forfeited		
Non-vested at June 30, 2014	339,529	\$ 12.03

For all service awards, we record compensation expense for the entire award on a straight-line basis (or, if applicable, on the accelerated method) over the requisite service period. For the three and six months ended June 30, 2014, the Trust recognized non-cash share compensation of \$0.5 million and \$0.9 million. Unrecognized compensation expense at June 30, 2014 was \$2.8 million. The Trust's compensation expense recorded in connection with grants of restricted stock reflects an initial estimated cumulative forfeiture rate of 0% over the requisite service period of the awards. That estimate will be revised if subsequent information indicates that the actual number of awards expected to vest is likely to differ from previous estimates.

Restricted Share Units:

In March 2014, under the Trust's 2013 Equity Incentive Plan, the Trust granted 55,680 restricted share units at target level to management, which are subject to various criteria and a three year service period. Based on the criteria the restricted share units are accounted for as a liability award. Also, each restricted share unit contains one dividend equivalent. The recipient will accrue dividend equivalents on awarded share units equal to the cash dividend that would have been paid on the awarded share unit had the awarded share unit been an issued and outstanding common share on the record date for the dividend. The Trust recognized \$0.02 million and \$0.08 million of non-cash share unit compensation expense for the three and six month periods ended June 30, 2014. Unrecognized compensation expense at June 30, 2014 was \$0.7 million.

Note 7 Fair Value Measurements

Accounting standards require certain assets and liabilities be reported and/or disclosed at fair value in the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the valuation techniques and inputs used to measure fair value.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access. Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs

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include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

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Table of Contents

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability. In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The derivative instrument (Note 9) consists solely of an interest rate swap that is not traded on an exchange and is recorded at fair value based on a variety of observable inputs including contractual terms, interest rate curves, yield curves, measure of volatility, and correlations of such inputs.

The Trust measures its interest rate swap at fair value on a recurring basis. The fair value is based on primarily Level 2 inputs described above.

The Trust also has assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. This generally includes assets subject to impairments. There were no such assets measured at fair value as of June 30, 2014.

The carrying amounts of cash and cash equivalents, tenant receivables, payables, and accrued interest are reasonable estimates of fair value because of the short term maturities of these instruments. Fair values for real estate loan receivable and mortgage notes are estimated based on rates currently prevailing for similar instruments of similar maturities and are based primarily on level 2 inputs

The following table presents the fair value of other financial instruments (in thousands). The swap is measured at fair value on a recurring basis.

	June 30, 2014 (unaudited)		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 6,697	\$ 6,697	\$ 56,478	\$ 56,478
Real estate loan receivable	\$ 6,881	\$ 6,881	\$	\$
Mortgage notes	\$ 78,963	\$ 79,045	\$ 42,821	\$ 44,130
Derivative liability	\$ 325	\$ 325	\$ 397	\$ 397

Note 8 Derivative Financial Instruments

The Trust is exposed to certain risks in the normal course of its business operations. One risk relating to the variability of interest on variable rate debt is managed through the use of derivatives. All derivative financial instruments are reported in the balance sheet at fair value. The Trust has elected not to apply hedge accounting to its derivative financial instrument.

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Generally, the Trust enters into swap relationships such that changes in the fair value or cash flows of items and transactions being hedged are expected to be offset by corresponding changes in the values of the derivatives.

Table of Contents

The Trust and the Predecessor held a swap to pay fixed/receive variable interest rates with a total notional amount of \$7.8 million and \$7.9 million as of June 30, 2014 and December 31, 2013, respectively. Gains recognized on the interest rate swap of \$0.03 million and \$0.1 million were included in interest income on real estate loans and other in the consolidated and combined statements of operations for the three and six months ended June 30, 2014, respectively. Gains recognized on the interest rate swap of \$0.1 million and \$0.2 million were included in interest income on real estate loans and other in the consolidated and combined statements of operations for the three and six months ended June 30, 2013, respectively.

Note 9 Tenant Operating Leases

The Trust is lessor of medical office buildings and other healthcare facilities. Leases have expirations from 2014 through 2028. As of June 30, 2014, the future minimum rental payments on non-cancelable leases, exclusive of expense recoveries, were as follows (in thousands):

2014	\$	32,426
2015		40,815
2016		40,550
2017		40,452
2018		38,430
Thereafter		301,701
Total	\$	494,374

Note 10 Rent Expense

The Trust leases the rights to a parking structure at one of its properties and the land upon which three of its properties are located from third party land owners pursuant to separate ground and parking leases. The parking and ground leases require fixed annual rental payments and may also include escalation clauses and renewal options. These leases have terms up to 68 years remaining, excluding extension options. As of June 30, 2014, the future minimum lease obligations under non-cancelable parking and ground leases were as follows (in thousands):

2014	\$	597
2015		1,226
2016		1,264
2017		1,304
2018		1,345
Thereafter		18,542
Total	\$	24,278

Rent expense for the parking and ground leases are reported in operating expenses in the Consolidated and Combined Statement of Operations.

Table of Contents**Note 11 Earnings Per Share**

The following table shows the amounts used in computing the Trust's basic and diluted earnings per share. As the three and six months ended June 30, 2014 resulted in a net loss, there is no dilution to earnings per share (in thousands, except share and per share data):

	Three Months Ended June30, 2014	Six Months Ended June 30, 2014
Numerator for earnings per share - basic and diluted:		
Net loss	\$ (600)	\$ (4,158)
Less: Net loss attributable to noncontrolling interests - operating partnership	123	654
Less: Net income attributable to noncontrolling interests - partially owned properties	(84)	(150)
Numerator for earnings per share - basic and diluted	\$ (561)	\$ (3,654)
Denominator for earnings per share - basic and diluted shares:	26,163,982	23,744,730
Basic and diluted earnings per share	\$ (0.02)	\$ (0.15)

There were 182,961 potentially dilutive shares outstanding related to the 2013 Equity Incentive Plan during the three and six months ended June 30, 2014. However, the shares were excluded from the computation of diluted shares as their impact would have been anti-dilutive. As a result, the number of outstanding shares was the same for basic and diluted earnings per share.

Note 12 Related Party Transactions

The Trust has entered into a shared services agreement with Ziegler pursuant to which Ziegler provides office space, IT support, accounting support and other services to the Trust in exchange for an annual fee. The shared service fee was \$0.2 million and \$0.3 million for the three and six months ended June 30, 2014, respectively, and is recorded in general and administrative expense in the consolidated statement of operations.

Ziegler charged the Predecessor an annual management fee equal to 2 percent of the total capital commitments. Total management fees charged to the Predecessor were \$0.2 million and \$0.5 million for the three and six months ended June 30, 2013, respectively. The Trust did not incur a management fee for the three and six months ended June 30, 2014.

Note 13 Subsequent Events

On May 13, 2014, the Trust hired Jeffrey Theiler, 40, as Executive Vice President and Chief Financial Officer, effective July 7, 2014. John Lucey, the Trust's Senior Vice President - Principal Accounting and Reporting Officer, remains the Trust's principal accounting officer. On July 7, 2014, the Trust granted an award of 56,617 restricted common shares to Mr. Theiler. Additional information regarding the hiring of Mr. Theiler, his employment agreement and the grant of restricted common shares to Mr. Theiler can be found in the Trust's Current Report on Form 8-K filed with the Commission on May 14, 2014.

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On July 31, 2014, the Trust and its Operating Partnership entered into the First Amendment to Shared Services Agreement to the existing Shared Services Agreement dated July 24, 2013 with Ziegler. The amendment reduces the shared services provided by Ziegler, the initial term of the agreement, and the monthly fee paid by the Trust for the remainder of the term of the agreement. The amendment also clarifies that the monthly fee includes the rent payable by the Trust to Ziegler under its sublease for office

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Table of Contents

space with Ziegler. In consideration of the reductions in shared services, the initial term and the monthly fee, the Trust will make a one-time payment to Ziegler in the amount of \$1,800,000, which may be paid in cash or in unrestricted shares of the Trust's common shares as determined by the Trust in its sole discretion.

On August 4, 2014, the Trust filed a universal shelf registration statement on Form S-3 with the Commission, allowing the Trust to offer up to \$900 million of an indeterminate amount of common shares, preferred shares, convertible preferred shares, debt securities, convertible debt securities or other types of securities, from time to time.

On August 7, 2014, at the Annual Meeting of Shareholders of the Trust, the Trust's shareholders approved an amendment to the Physicians Realty Trust 2013 Equity Incentive Plan to increase the number of common shares authorized for issuance under the plan by 1,850,000 common shares.

The Trust, through subsidiaries of its operating partnership, closed on the below acquisitions:

Property(1)	Location	Acquisition Date	Purchase Price (in thousands)
Premier Healthcare Portfolio 3 MOBs	Bloomington, IN	July 1, 2014	\$ 23,837
Carlisle MOB II	Carlisle, PA	July 25, 2014	\$ 4,500
Surgical Institute of Monroe	Monroe, MI	July 28, 2014	\$ 6,000
The Oaks MOB	Lady Lake, FL	July 31, 2014	\$ 10,600

(1) MOB means medical office building.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our unaudited consolidated financial statements, including the notes to those statements, included in Part I, Item 1 of this report, and the Section entitled "Cautionary Statement Regarding Forward-Looking Statements" in this report. As discussed in more detail in the Section entitled "Cautionary Statement Regarding Forward-Looking Statements," this discussion contains forward-looking statements, which involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause those differences include those discussed in Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and Part II, Item 1A (Risk Factors) of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014.

Overview

We are a self-managed healthcare real estate company organized in April 2013 to acquire, selectively develop, own and manage healthcare properties that are leased to physicians, hospitals and healthcare delivery systems. We invest in real estate that is integral to providing high quality healthcare services. Our properties are typically located on a campus with a hospital or other healthcare facilities or strategically located and affiliated with a hospital or other healthcare facilities. We believe the impact of government programs and continuing trends in the healthcare industry create attractive opportunities for us to invest in healthcare related real estate. Our management team has significant public healthcare REIT experience and has long established relationships with physicians, hospitals and healthcare delivery system decision makers that we believe will provide quality investment and growth opportunities. Our principal investments include medical office buildings, outpatient treatment facilities, acute and post-acute care hospitals, as well as other real estate integral to health care providers. We seek to generate attractive risk-adjusted returns for our shareholders through a combination of stable and increasing dividends and potential long-term appreciation in the value of our properties and our common shares. We will elect to be taxed as a REIT for U.S. federal income tax purposes beginning with our short taxable year ending December 31, 2013, upon the filing of our federal income tax return for such year.

We completed our IPO in July 2013, pursuant to which we issued an aggregate of 11,753,597 common shares, including shares issued upon exercise of the underwriters' overallotment option, and received approximately \$123.8 million of net proceeds. We contributed the net proceeds of the IPO to our Operating Partnership in exchange for 11,753,597 OP Units. Simultaneously with the closing of our IPO, we completed a series of related formation transactions pursuant to which we acquired 19 medical office buildings located in ten states with approximately 524,048 net leasable square feet in exchange for 2,744,000 OP Units, and the assumption of approximately \$84.3 million of debt related to such properties. We used the net proceeds of the IPO to repay approximately \$36.9 million of such debt, to purchase the 50% interest in the Arrowhead Common property not owned by the Ziegler Funds for approximately \$850,000, after which we became the 100% owner of that property, and to pay certain expenses related to the assumption of debt and our senior secured revolving credit facility. In addition, at the completion of the IPO, we entered into a shared services agreement with Ziegler pursuant to which Ziegler provides office space, IT support, accounting support and other services to us in exchange for an annual fee.

We have entered into a \$75 million senior secured revolving credit facility and intend to use borrowings under the facility to finance future acquisitions and developments, fund tenant improvements, leasing commissions to third parties, capital expenditures, provide for working capital and for other general corporate purposes. Subject to the satisfaction of certain conditions, including additional lender commitments, we have the option to increase the borrowing capacity under the senior secured revolving credit facility up to \$250 million. On November 8, 2013, we agreed with the lenders to increase the total amount available under our senior secured revolving credit facility from \$75 million to \$90 million. On February 21, 2014, we agreed with the lenders to increase the total amount available under our senior secured revolving credit facility from \$90 million to \$140 million. On June 20, 2014, we agreed with the lenders to increase the total amount available under our senior secured revolving credit facility from \$140 million to \$200 million. As of June 30, 2014, we had approximately \$79.0 million of mortgage indebtedness.

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Table of Contents

outstanding secured by first mortgages on certain of our properties and had no outstanding borrowings under our senior secured revolving credit facility.

Following completion of our IPO and related formation transactions through December 31, 2013, we completed the acquisitions of eight healthcare properties located in six states containing an aggregate of 377,295 net leasable square feet for an aggregate of approximately \$136.4 million using proceeds from the IPO, borrowings under our senior secured revolving credit facility and issuance of OP units. One of the eight healthcare property acquisitions was the Crescent City Surgical Centre in New Orleans, Louisiana, which was acquired in September 2013 for approximately \$37.5 million. As partial payment of the purchase price for the property, we issued an aggregate of 954,877 OP Units to the sellers of that property valued at approximately \$11.5 million (based on the average three-day closing price of our common shares on the NYSE prior to closing). Also, during 2013, we acquired approximately 40% and 35% of the joint venture interests we did not own with respect to two of our existing properties, which resulted in our 100% ownership of those properties.

On December 11, 2013, we completed a public offering of 9,545,000 common shares of beneficial interest, including 1,245,000 shares issued upon exercise of the underwriters' over-allotment option, resulting in net proceeds to us of approximately \$103.1 million. We contributed the net proceeds of this offering to our operating partnership in exchange for OP Units, and our operating partnership used the net proceeds of the public offering to repay borrowings under our senior secured revolving credit facility and for general corporate and working capital purposes, funding possible future acquisitions, including any pending acquisitions, and development activities.

On April 4, 2014, the Audit Committee of the Board of Trustees completed a Response for Proposal process to determine whom to engage to perform our independent public audit for the fiscal year ended December 31, 2014. As a result of that process, which included Plante & Moran, PLLC, the independent registered public accounting firm that performed audit and other assurance services for our Predecessor and for us for the fiscal year ended December 31, 2013, the Audit Committee determined that it was in our best interest to appoint Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ended December 31, 2014. Additional information regarding the change in our independent registered public accounting firm can be found in our Current Report on Form 8-K filed with the Commission on April 7, 2014.

On May 13, 2014, we hired Jeffrey Theiler, 40, as Executive Vice President and Chief Financial Officer, effective July 7, 2014. John Lucey, Senior Vice President - Principal Accounting and Reporting Officer, remains our principal accounting officer. On July 7, 2014, we granted an award of 56,617 restricted common shares to Mr. Theiler. Additional information regarding the hiring of Mr. Theiler, his employment agreement and the grant of restricted common shares to Mr. Theiler can be found in our Current Report on Form 8-K filed with the Commission on May 14, 2014.

On May 27, 2014, we completed a public offering of 12,650,000 common shares of beneficial interest, including 1,650,000 shares issued upon exercise of the underwriters' over-allotment option, resulting in net proceeds to us of approximately \$149.9 million. We contributed the net proceeds of this offering to our operating partnership in exchange for OP Units, and our operating partnership used the net proceeds of the public offering to repay borrowings under our senior secured revolving credit facility and for general corporate and working capital purposes, funding possible future acquisitions, including any pending acquisitions, and development activities.

During the quarterly period ended March 31, 2014, we completed seven acquisitions of 13 healthcare properties located in five states containing an aggregate of 550,670 net leasable square feet for an aggregate of approximately \$147.4 million using proceeds from our December 2013 public offering, borrowings under our senior secured revolving credit facility and mortgage financing on existing properties. Also, we completed the acquisition of a 40% ownership interest in the entity that owns the land under Crescent City Surgical Centre for \$1.3 million on February 21, 2014. Such Land is leased to us pursuant to a long-term ground lease.

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Table of Contents

During the quarterly period ended June 30, 2014, we completed eight acquisitions of nine healthcare properties located in five states containing an aggregate of 279,056 net leasable square feet for an aggregate of approximately \$73.6 million as summarized below using proceeds from our December 2013 and May 2014 public offerings, borrowings under our senior secured revolving credit facility and mortgage financing on existing properties.

Property(1)	Location	Acquisition Date	Square Footage	Purchase Price (in thousands)
Pinnacle Health Cardiology Portfolio 2 MOBs	Carlisle & Wormleyburg, PA	April 22, 2014	38,086	\$ 9,208
South Bend Orthopaedics MOB	South Bend, IN	April 30, 2014	45,198	\$ 14,900
Grenada Medical Complex MOB	Grenada, MS	April 30, 2014	52,941	\$ 7,100
Mississippi Sports Medicine and Orthopaedics Center MOB	Jackson, MS	May 23, 2014	44,269	\$ 16,700
Carmel Medical Pavilion MOB	Carmel, IN	May 28, 2014	28,572	\$ 4,664
Summit Urology MOB	Bloomington, IN	June 30, 2014	15,946	\$ 4,783
Renaissance Center	Oshkosh, WI	June 30, 2014	24,622	\$ 8,500
Presbyterian Medical Plaza MOB	Monroe, NC	June 30, 2014	29,422	\$ 7,750

(1) MOB means medical office building.

As part of the Carmel Medical Pavilion acquisition, 96,099 OP Units were issued, which comprised an approximately \$1.3 million portion of the purchase price for the property.

As part of the Mississippi Sports Medicine and Orthopaedics Center acquisition, 147,659 OP Units were issued, which comprised an approximately \$1.9 million portion of the purchase price for the property.

As of June 30, 2014, our portfolio consisted of 49 properties located in 17 states with approximately 1,731,069 net leasable square feet, which were approximately 94.24% leased with a weighted average remaining lease term of approximately 9.7 years and approximately 58.8% of the net leasable square footage of our portfolio was affiliated with a healthcare delivery system and approximately 57.0% of the net leasable square footage of our properties is located within approximately 1/4 mile of a hospital campus. We receive a cash rental stream from these healthcare providers under our leases. Approximately 87.4% of the annualized base rent payments from our properties as of June 30, 2014 are from triple net leases, pursuant to which the tenants are responsible for all operating expenses relating to the property, including but not limited to real estate taxes, utilities, property insurance, routine maintenance and repairs, and property management. This structure helps insulate us from increases in certain operating expenses and provides more predictable cash flow. We seek to structure our triple net leases to generate attractive returns on a long-term basis. Our leases typically have initial terms of five to 15 years and include annual rent escalators of approximately 2%. Our operating results depend significantly upon the ability of our tenants to make required rental payments. We believe that our portfolio of medical office buildings and other healthcare facilities will enable us to generate stable cash flows over time because of the diversity of our tenants, staggered lease expiration schedule, long-term leases, and low historical occurrence of tenants defaulting under their leases. As of June 30, 2014, leases representing 1.4%, 1.6% and 4.8% of leasable square feet in our portfolio will expire in 2014, 2015 and 2016, respectively.

With the acquisitions closed since June 30, 2014 (discussed below), we have grown our portfolio of real estate assets from approximately \$124 million at the time of our IPO in July 2013 to more than \$500 million.

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We did not conduct business operations prior to completion of our IPO on July 24, 2013, therefore, the financial information herein for periods prior to July 24, 2013 reflects the operations of the four healthcare real estate funds managed by Ziegler, which we refer to as the Ziegler Funds or the Predecessor, from whom we acquired the equity interests in the 19 properties that constituted our initial properties upon completion of our IPO and formation transactions. We determined the Ziegler Funds to be our accounting predecessor. The financial information herein since July 24, 2013 reflect our operations since completion of the IPO and formation transactions and include the results of operations of the 31 acquisition properties from the date of our acquisition.

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Table of Contents

We are a Maryland real estate investment trust and will elect to be taxed as a REIT for U.S. federal income tax purposes beginning with our short taxable year ending December 31, 2013, upon the filing of our federal income tax return for such year. We conduct our business through an UPREIT structure in which our properties are owned by our operating partnership directly or through limited partnerships, limited liability companies or other subsidiaries. We are the sole general partner of our operating partnership and, as of June 30, 2014, own approximately 89.6% of the partnership interests in our operating partnership.

Property Acquisitions Subsequent to June 30, 2014

The Trust, through subsidiaries of its Operating Partnership, closed on the below acquisitions:

Property(1)	Location	Acquisition Date	Purchase Price (in thousands)
Premier Healthcare Portfolio 3 MOBs	Bloomington, IN	July 1, 2014	\$ 23,837
Carlisle MOB II	Carlisle, PA	July 25, 2014	\$ 4,500
Surgical Institute of Monroe	Monroe, MI	July 28, 2014	\$ 6,000
The Oaks MOB	Lady Lake, FL	July 31, 2014	\$ 10,600

(1) MOB means medical office building.

As part of the Premier Healthcare Portfolio acquisition, 502,586 OP Units were issued, which comprised an approximately \$7.2 million portion of the purchase price for the properties. On July 28, 2014, we entered into an amendment to the purchase agreement for the Premier Healthcare Portfolio pursuant to which, on July 28, 2014, the Operating Partnership issued 73,454 additional OP Units in exchange for the surrender by the seller of the Premier Healthcare Portfolio of its right to receive approximately \$1.1 million of the cash purchase price.

Other Recent Developments

On July 31, 2014, we and the Operating Partnership entered into the First Amendment to Shared Services Agreement to the existing Shared Services Agreement dated July 24, 2013 with Ziegler. The amendment reduces the shared services provided by Ziegler, the initial term of the agreement, and the monthly fee paid by us for the remainder of the term of the agreement. The amendment also clarifies that the monthly fee includes the rent payable by us to Ziegler under our sublease for office space with Ziegler. In consideration of the reductions in shared services, the initial term and the monthly fee, we will make a one-time payment to Ziegler in the amount of \$1,800,000, which may be paid in cash or in unrestricted shares of our common shares as determined by us in our sole discretion.

On August 7, 2014, at the Annual Meeting of Shareholders of the Trust, our shareholders approved an amendment to the Physicians Realty Trust 2013 Equity Incentive Plan to increase the number of common shares authorized for issuance under the plan by 1,850,000 common shares.

Components of Our Revenues, Expenses and Cash Flow

The financial information of our Predecessor, the Ziegler Funds, prior to completion of the IPO, reflects a different structure than our operations following the inception of operations upon completion of our IPO and as a result, the results of operations of the Predecessor and our results since our inception of operations may not be comparable. While the financial presentation of revenues pursuant to the leases at the properties in our initial portfolio and certain expenses, such as depreciation and amortization, are substantially consistent for the Predecessor and for us, the expense structure of our company since completion of the IPO and the formation transactions differs from the historical expense structure of the Predecessor. During the periods of financial information for the Predecessor, the Ziegler Funds had no direct employees and paid a fixed annual management fee to Ziegler, which managed the operations of the Ziegler Funds. By contrast, as a self-managed REIT, we do not pay management fees to third parties (other than to third party property management companies with respect to certain of our properties) but rather we pay cash and other forms of compensation to our officers and employees. Also,

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Table of Contents

effective upon completion of the formation transactions, we entered into a Shared Services Agreement with Ziegler pursuant to which we pay Ziegler a fixed annual fee for office space, IT support, accounting support and similar services. In addition, as a public reporting company, we have incurred and expect to continue to incur certain expenses, such as legal and accounting expenses relating to SEC reporting and other matters that were not incurred historically by the Predecessor, which was not a public reporting company.

Revenues

Revenues consist primarily of the rental revenues and property operating expense recoveries we collect from tenants pursuant to our leases. Additionally, we recognize certain cash and non-cash revenues. These cash and non-cash revenues are highlighted below.

Rental revenues. Rental revenues represent rent under existing leases that is paid by our tenants and straight-lining of contractual rents reduced by lease inducement and above market lease amortization.

Expense recoveries. Certain of our leases require our tenants to make estimated payments to us to cover their proportional share of operating expenses, including but not limited to real estate taxes, property insurance, routine maintenance and repairs, utilities, and property management expenses. We collect these estimated expenses and are reimbursed by our tenants for any actual expenses in excess of our estimates or reimburse tenants if our collected estimates exceed our actual operating expenses. The net reimbursed operating expenses are included in revenues as expense recoveries.

We have certain tenants with absolute net leases. Under these lease agreements, the tenant is responsible for operating and building expenses. For absolute net leases, we do not recognize operating expense or expense recoveries.

Interest income on real estate loans and other. Represents interest income on a mezzanine loan and change in fair value of derivative liability. Interest income on the loan is recognized as earned based on the terms of the loan subject to evaluation of collectability risks.

We have implemented Accounting Standards Codification (ASC) 815, *Derivatives and Hedging* (ASC 815), which establishes accounting and reporting standards requiring that all derivatives, including certain derivative instruments embedded in other contracts, be recorded as either an asset or liability measured at their fair value unless they qualify for a normal purchase or normal sales exception. When specific hedge accounting criteria are not met, ASC 815 requires that changes in a derivative's fair value be recognized currently in earnings. All of the changes in the fair market values of our derivative instruments are recorded in the consolidated and combined statements of operations.

Expenses

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Expenses consist primarily of interest expense, general and administrative costs associated with operating our properties, operating expenses of our properties, depreciation and amortization, and costs we incur to acquire properties.

Interest expense, net. We recognize the interest expense we incur on our borrowings as interest expense. Additionally, we incur amortization expense for charges such as legal fees, commitment fees and arrangement fees that reflect costs incurred with arranging certain debt financings. We generally recognize these costs over the term of the respective debt instrument for which the costs were incurred as a component of interest expense.

General and administrative. General and administrative expenses include certain expenses such as compensation, accounting, legal and other professional fees as well as certain other administrative and travel costs, and expenses related to bank charges, franchises taxes, corporate filing fees, exchange listing fees, officer and trustee insurance costs and other costs associated with being a public company. In addition, effective upon

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Table of Contents

completion of the IPO, we entered into a Shared Services Agreement with Ziegler with respect to certain overhead expenses. The fees paid under the Shared Services Agreement are included in general and administrative expenses.

Operating Expenses. Operating expenses include property operating expenses such as real estate taxes, property insurance, routine maintenance and repairs, utilities and property management expenses, some of which are reimbursed to us by tenants under the terms of triple net leases.

Depreciation and amortization. We incur depreciation and amortization expense on all of our long-lived assets. This non-cash expense is designed under generally accepted accounting principles, or GAAP, to reflect the economic useful lives of our assets.

Acquisition expenses. Acquisition costs are costs we incur in pursuing and closing property acquisitions accounted for as business combinations. These costs include legal, accounting, valuation, other professional or consulting fees and the compensation of certain employees who dedicate substantially all of their time to acquisition related job functions. We account for acquisition related costs as expenses in the period in which the costs are incurred and the services are received.

Management fees. Ziegler and another subsidiary of the Ziegler Companies, Inc. historically charged a management fee to the Ziegler Funds. These management fees were discontinued upon our acquisition of our initial properties upon completion of our IPO and the formation transactions.

Equity in income of unconsolidated entity. We recognize our 40% share of earnings and losses from the entity that owns the land under Crescent City Surgical Centre.

Cash Flow

Cash flows from operating activities. Cash flows from operating activities are derived largely from net income by adjusting our revenues for those amounts not collected in cash during the period in which the revenue is recognized and for cash collected that was billed in prior periods or will be billed in future periods. Net income is further adjusted by adding back expenses charged in the period that is not paid for in cash during the same period. We expect to make our distributions based largely from cash provided by operations.

Cash flows from investing activities. Cash flows from investing activities consist of cash that is used during a period for making new investments and capital expenditures offset by cash provided from sales of real estate investments.

Cash flows from financing activities. Cash flows from financing activities consist of cash we receive from debt and equity financings. This cash provides the primary basis for investments in new properties and capital expenditures. While we may invest a portion of our cash from operations into new investments, as a result of the distribution requirements to maintain our REIT status, it is likely that additional debt or equity

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financings will finance the majority of our investment activity. Cash used in financing activities consists of repayment of debt and distributions paid to shareholders and OP Unit holders.

Results of Operations

Overview

As described above, following the completion of the IPO and the formation transactions, our structure and operations differ from the historical structure and operations of the Ziegler Funds. For this and other reasons set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations, we do not believe that the Predecessor's historical results of operations are indicative of our future operating results.

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Table of Contents

Three months ended June 30, 2014 compared to the three months ended June 30, 2013

The Trust was organized on April 9, 2013 and commenced operations on July 24, 2013. The 2013 results disclosed in this report reflect only the results of the Predecessor.

The following table summarizes our results of operations for the three months ended June 30, 2014 and the historical operations of our Predecessor for the three months ended June 30, 2013 (in thousands):

	2014		2013		Change	%
Revenues:						
Rental revenues	\$ 10,241	\$	2,535	\$	7,706	304.0
Expense recoveries	1,020		786		234	29.8
Interest income on real estate loans and other	186		116		70	60.3
Total revenues	11,447		3,437		8,010	233.1
Expenses:						
Interest expense, net	1,657		1,102		555	50.4
General and administrative	2,408		102		2,306	2,260.8
Operating expenses	2,227		1,260		967	76.7
Depreciation and amortization	3,736		1,018		2,718	267.0
Acquisition expenses	2,045				2,045	NM
Management fees			238		(238)	-100.0
Total expenses	12,073		3,720		8,353	224.5
Loss before equity in income of unconsolidated entity:	(626)		(283)		(343)	121.2
Equity in income of unconsolidated entity	26				26	NM
Net loss	\$ (600)	\$	(283)	\$	(317)	112.0

NM = Not Meaningful

Revenues

Total revenues increased \$8.0 million, or 233.1%, for the three months ended June 30, 2014 as compared to the Predecessor's three months ended June 30, 2013. An analysis of selected revenues follows.

Rental revenues. Rental revenues increased \$7.7 million, or 304.0%, from \$2.5 million for the three months ended June 30, 2013 to \$10.2 million for the three months ended June 30, 2014. The increase in rental revenues primarily resulted from eight property acquisitions which closed in the third and fourth quarters of 2013 and twenty-two property acquisitions that closed in the first and second quarter of 2014 which resulted in an additional \$7.8 million in revenue, partially offset by a \$0.1 million decrease in revenue of existing properties for the three months ended June 30, 2014.

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Expense recoveries. Expense recoveries increased \$0.2 million, or 29.8%, for the three months ended June 30, 2014 as compared to the Predecessor's three months ended June 30, 2013. The increase is primarily due to additional expense recoveries related to the properties acquired in the third and fourth quarter of 2013 and first and second quarters of 2014.

Interest income on real estate loans and other. Interest income on real estate loans and other increased \$0.1 million for the three months ended June 30, 2014 as compared to the Predecessor's three months ended June 30, 2013. An increase of \$0.2 million is due to the mezzanine loan transaction completed on January 2, 2014, which was partially offset by a \$0.1 million decrease in the gain from the change in fair value of a derivative liability.

Table of Contents

Expenses

Total expenses increased by \$8.4 million, or 224.5%, for the three months ended June 30, 2014 as compared to the Predecessor's three months ended June 30, 2013. An analysis of selected expenses follows.

Interest expense, net. Interest expense for the three months ended June 30, 2014 was \$1.7 million compared to \$1.1 million for the Predecessor for the three months ended June 30, 2013, representing an increase of \$0.6 million, or 50.4%. The \$0.6 million increase was the result of a \$0.4 million increase in interest on new mortgage debt and \$0.7 million resulting from outstanding balances, non-use fees and amortization of deferred financing costs on our revolving line of credit, partially offset by \$0.5 million decrease in interest on mortgage debt due to the repayment of \$36.9 million of mortgage notes payable in connection with the formation transactions using proceeds from our IPO.

General and administrative. General and administrative expenses increased \$2.3 million or 2,260.8%, from \$0.1 million during the three months ended June 30, 2013 to \$2.4 million during the three months ended June 30, 2014. The increase included salaries and benefits of \$1.2 million (including non-cash share compensation of \$0.5 million), professional fees of \$0.7 million and other administrative costs of \$0.4 million.

Operating expenses. Operating expenses increased \$1.0 million or 76.7%, from \$1.2 million during the three months ended June 30, 2013 to \$2.2 million during the three months ended June 30, 2014. The increase is primarily due to the properties acquired in the third and fourth quarters of 2013 and first and second quarter of 2014 which resulted in an additional \$1.1 million of operating expenses, partially offset by a \$0.1 million decrease relating to existing properties.

Depreciation and amortization. Depreciation and amortization increased \$2.7 million, or 267.0%, from \$1.0 million during the three months ended June 30, 2013 to \$3.7 million during the three months ended June 30, 2014. The increase in depreciation and amortization was primarily from the properties acquired in the third and fourth quarter of 2013 and first and second quarter of 2014 and resulted in an additional \$2.7 million in depreciation and amortization for the three months ended June 30, 2014.

Acquisition expenses. Acquisition expenses were \$2.0 million for the three months ended June 30, 2014. The Predecessor did not incur any acquisition expenses in the three months ended June 30, 2013. During the second quarter of 2014, we acquired \$52.1 million of real estate that were considered business combinations and as such, the related acquisition costs were expensed.

Management fees. The Predecessor incurred \$0.2 million of management fees in the three months ended June 30, 2013. We do not incur these management fees. No management fees were incurred by the Trust in the three months ended June 30, 2014.

Equity in income of unconsolidated entity. The change in equity income from unconsolidated entity for the three months ended June 30, 2014 was \$0.02 million. The increase is the result of the acquisition of a 40% ownership interest in the entity that owns the land under Crescent City Surgical Centre for \$1.3 million on February 21, 2014.

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Six months ended June 30, 2014 compared to the six months ended June 30, 2013

The Trust was organized on April 9, 2013 and commenced operations on July 24, 2013. The 2013 results disclosed in this report reflect only the results of the Predecessor.

The following table summarizes our results of operations for the six months ended June 30, 2014 and the historical operations of our Predecessor for the six months ended June 30, 2013 (in thousands):

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Table of Contents

	2014		2013		Change		%
Revenues:							
Rental revenues	\$ 17,049	\$	5,032	\$	12,017		238.8
Expense recoveries	2,090		1,601		489		30.5
Interest income on real estate loans and other	340		196		144		73.5
Total revenues	19,479		6,829		12,650		185.2
Expenses:							
Interest expense, net	2,938		2,171		767		35.3
General and administrative	4,422		222		4,200		1,891.9
Operating expenses	3,836		2,524		1,312		52.0
Depreciation and amortization	6,152		2,021		4,131		204.4
Acquisition expenses	6,332				6,332		NM
Management fees			475		(475)		-100.0
Total expenses	23,680		7,413		16,267		219.4
Loss before equity in income of unconsolidated entity:							
	(4,201)		(584)		(3,617)		619.3
Equity in income of unconsolidated entity	43				43		NM
Net loss	\$ (4,158)	\$	(584)	\$	(3,574)		612.0

NM = Not Meaningful

Revenues

Total revenues increased \$12.7 million, or 185.2%, for the six months ended June 30, 2014 as compared to the Predecessor's six months ended June 30, 2013. An analysis of selected revenues follows.

Rental revenues. Rental revenues increased \$12.0 million, or 238.8%, from \$5.0 million for the six months ended June 30, 2013 to \$17.0 million for the six months ended June 30, 2014. The increase in rental revenues primarily resulted from eight property acquisitions which closed in the third and fourth quarters of 2013 and twenty-two property acquisitions that closed in the first and second quarters of 2014 and resulted in an additional \$12.2 million in revenue, partially offset by a \$0.2 million decrease in revenue of existing properties for the three months ended June 30, 2014.

Expense recoveries. Expense recoveries increased \$0.5 million, or 30.5%, for the six months ended June 30, 2014 as compared to the Predecessor's six months ended June 30, 2013. The increase is primarily due to additional expense recoveries related to the properties acquired in the third and fourth quarter of 2013 and first and second quarter of 2014.

Interest income on real estate loans and other. Interest income on real estate loans and other increased \$0.1 million for the six months ended June 30, 2014 as compared to the Predecessor's six months ended June 30, 2013. An increase of \$0.3 million is due to the mezzanine loan transaction completed on January 2, 2014, which was partially offset by a \$0.2 million decrease in the gain from the change in fair value of a derivative liability.

Expenses

Total expenses increased by \$16.3 million, or 219.4%, for the six months ended June 30, 2014 as compared to the Predecessor's six months ended June 30, 2013. An analysis of selected expenses follows.

Interest expense, net. Interest expense for the six months ended June 30, 2014 was \$2.9 million compared to \$2.2 million for the Predecessor for the six months ended June 30, 2013, representing an increase of \$0.8 million, or 35.3%. The \$0.8 million increase was the result of a \$0.8 million increase in interest on new mortgage debt and

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Table of Contents

\$1.0 million resulting from outstanding balances, non-use fees and amortization of deferred financing costs on our revolving line of credit, partially offset by a \$1.0 million decrease in interest on mortgage debt due to the repayment of \$36.9 million of mortgage notes payable in connection with the formation transactions using proceeds from our IPO.

General and administrative. General and administrative expenses increased \$4.2 million or 1,891.9%, from \$0.2 million during the six months ended June 30, 2013 to \$4.4 million during the six months ended June 30, 2014. The increase included salaries and benefits of \$2.0 million (including non-cash share compensation of \$0.8 million), professional fees of \$1.3 million and other administrative costs of \$0.9 million.

Operating expenses. Operating expenses increased \$1.3 million or 52.0%, from \$2.5 million during the six months ended June 30, 2013 to \$3.8 million during the six months ended June 30, 2014. The increase is primarily due to the properties acquired in the third and fourth quarters of 2013 and first and second quarters of 2014 which resulted in an additional \$1.5 million of operating expenses, partially offset by a \$0.2 million decrease relating to existing properties.

Depreciation and amortization. Depreciation and amortization increased \$4.1 million, or 204.4%, from \$2.0 million during the six months ended June 30, 2013 to \$6.2 million during the six months ended June 30, 2014. The increase in depreciation and amortization was primarily from the properties acquired in the third and fourth quarters of 2013 and first and second quarters of 2014 and resulted in an additional \$4.1 million in depreciation and amortization for the six months ended June 30, 2014.

Acquisition expenses. Acquisition expenses were \$6.3 million for the six months ended June 30, 2014 and included a \$3.2 million prepayment penalty on the repayment of mortgage debt on one acquisition. The Predecessor did not incur any acquisition expenses in the six months ended June 30, 2013. During the six months ended June 30, 2014, we acquired \$113.2 million of real estate that were considered business combinations and as such, the related acquisition costs were expensed.

Management fees. The Predecessor incurred \$0.5 million of management fees in the six months ended June 30, 2013. We do not incur these management fees. No management fees were incurred by the Trust in the six months ended June 30, 2014.

Equity in income of unconsolidated entity. The change in equity income from unconsolidated entity for the six months ended June 30, 2014 was \$0.04 million. The increase is the result of the acquisition of a 40% ownership interest in the entity that owns the land under Crescent City Surgical Centre for \$1.3 million on February 21, 2014.

Cash Flows

Six months ended June 30, 2014 compared to six months ended June 30, 2013 (In thousands):

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	2014	2013
Cash provided by operating activities	\$ 3,911	\$ 1,066
Cash used in investing activities	(216,546)	(307)
Cash provided by (used in) financing activities	162,854	(1,007)
Decrease in cash and cash equivalents	\$ (49,781)	\$ (248)

Cash flows from operating activities. Cash flows provided by operating activities was \$3.9 million during the six months ended June 30, 2014 compared to cash flow provided by operating activities of the Predecessor of \$1.1 million during the six months ended June 30, 2013, representing an increase of \$2.8 million. This change was primarily attributable to a \$4.1 million increase in amortization and depreciation, a \$1.3 million increase in non-cash stock compensation, a \$0.9 million increase in other assets and accounts payable, and a \$1.3 million increase in accrued expense, partially offset by a \$3.6 million increase in net loss and \$1.6 million increase in straight line rents.

Table of Contents

Cash flows from investing activities. Cash flows used in investing activities was \$216.5 million during the six months ended June 30, 2014 compared to cash flows used in investing activities of the Predecessor of \$0.3 million during the six months ended June 30, 2013, representing a change of \$216.2 million. The increase in cash flows used in investing activities was primarily attributable to the acquisition of twenty-two properties and one land purchase for \$208.1 million, a lease inducement for \$1.5 million and funding of the mezzanine loan for \$6.8 million.

Cash flows from financing activities. Cash flows provided by financing activities was \$162.9 million during the six months ended June 30, 2014 compared to cash flows used in financing activities for the Predecessor of \$1.0 million during the six months ended June 30, 2013, representing an increase of \$163.9 million. The increase was primarily attributable to \$149.9 million in net proceeds from our May 27, 2014 public offering and \$26.6 million in proceeds from issuance of mortgage debt, partially offset by \$11.3 million of dividends and distributions paid and \$1.3 million of debt issuance costs on our senior secured credit facility.

Liquidity and Capital Resources

Our short-term liquidity requirements consist primarily of operating and interest expenses and other expenditures directly associated with our properties, including:

- property expenses;
- interest expense and scheduled principal payments on outstanding indebtedness;
- general and administrative expenses; and
- capital expenditures for tenant improvements and leasing commissions.

In addition, we will require funds for future distributions expected to be paid to our common shareholders and OP Unit holders in our operating partnership.

As of June 30, 2014, we had a total of \$6.7 million of cash and cash equivalents and \$171.0 million of near-term availability on our senior secured revolving credit facility. Also, we had an additional \$50.0 million of availability under our senior secured revolving credit facility as of June 30, 2014 which is subject to customary property underwriting standards. We believe that our existing cash and cash equivalents, cash flow from operating activities and borrowings available under our senior secured revolving credit facility will be adequate to fund any existing contractual obligations to purchase properties and other obligations through the next twelve months. However, because of the 90% distribution requirement under the REIT tax rules under the Code, we may not be able to fund all of our future capital needs from cash retained from operations, including capital needed to make investments and to satisfy or refinance maturing obligations. As a result, we expect to rely upon

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external sources of capital, including debt and equity financing, to fund future capital needs. If we are unable to obtain needed capital on satisfactory terms or at all, we may not be able to make the investments needed to expand our business or to meet our obligations and commitments as they mature. We will rely upon external sources of capital to fund future capital needs, and, if we encounter difficulty in obtaining such capital, we may not be able to make future acquisitions necessary to grow our business or meet maturing obligations.

Our long-term liquidity needs consist primarily of funds necessary to pay for acquisitions, recurring and non-recurring capital expenditures and scheduled debt maturities. We expect to satisfy our long-term liquidity needs through cash flow from operations, long-term secured and unsecured borrowings, issuances of equity securities, and, in connection with acquisitions of additional properties, the issuance of OP Units of our Operating Partnership, and proceeds from select property dispositions and joint venture transactions.

We intend to invest in additional properties as suitable opportunities arise and adequate sources of financing are available. We currently are evaluating additional potential investments consistent with the normal course of our business. There can be no assurance as to whether or when any portion of these investments will be completed. Our ability to complete investments is subject to a number of risks and variables, including our ability to

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Table of Contents

negotiate mutually agreeable terms with sellers and our ability to finance the investment. We may not be successful in identifying and consummating suitable acquisitions or investment opportunities, which may impede our growth and negatively affect our results of operations and may result in the use of a significant amount of management resources. We expect that future investments in properties will depend on and will be financed by, in whole or in part, our existing cash, borrowings, including under our senior secured revolving credit facility or the proceeds from additional issuances of common or preferred shares, issuances of OP Units or other securities.

On August 4, 2014, we filed a universal shelf registration statement on Form S-3 with the Commission, allowing us to offer up to \$900 million of an indeterminate amount of common shares, preferred shares, convertible preferred shares, debt securities, convertible debt securities or other types of securities, from time to time. However, there can be no assurance that we will be able to complete any such securities offerings. Factors influencing the availability of additional financing include investor perception of our prospects and the general condition of the financial markets. Future issuances of our securities may be dilutive to existing shareholders.

On August 29, 2013, our Operating Partnership, as borrower, we, as parent guarantor, and certain subsidiaries of our Operating Partnership, as guarantors, entered into a Credit Agreement with Regions Bank, as Administrative Agent, Regions Capital Markets, as Sole Lead Arranger and Sole Book Runner, and various other lenders in connection with a \$75 million senior secured revolving credit facility (the "Credit Agreement"). Subject to satisfaction of certain conditions, including additional lender commitments, we have the option to increase the borrowing capacity under the senior secured revolving credit facility to up to \$250 million. On November 8, 2013, we agreed with the lenders to increase the total amount available under our senior secured revolving credit facility from \$75 million to \$90 million. On February 21, 2014, we agreed with the lenders to increase the total amount available under our senior secured revolving credit facility from \$90 million to \$140 million. On June 20, 2014, we agreed with the lenders to increase the total amount available under our senior secured revolving credit facility from \$140 million to \$200 million. The amount available to us under the Credit Agreement is subject to certain limitations including, but not limited to, the appraised value of the pledged properties that comprise the borrowing base of the senior secured revolving credit facility.

As of June 30, 2014, there were no outstanding borrowings under the Credit Agreement and approximately \$171.0 million was available to borrow without adding additional properties to the borrowing base securing the Credit Agreement.

The Credit Agreement has a three-year term with an initial maturity date of August 29, 2016. Subject to the terms of the Credit Agreement, the Operating Partnership has the option to extend the term of the Credit Agreement to August 29, 2017.

Borrowings under the senior secured revolving credit facility bear interest at rates generally between LIBOR plus 2.65% and LIBOR plus 3.40%. Any additional indebtedness incurred or issued by us may be secured or unsecured, may have a short, medium, or long term fixed or variable interest rate and may be subject to other terms and conditions. We may also enter into financing arrangements on terms that we might not otherwise accept if we were in need of liquidity and had limited options.

We and certain subsidiaries guarantee the obligations of the Operating Partnership under the Credit Agreement. In addition, the Credit Agreement provides for security in the form of, among other things, mortgage liens on certain properties owned by the Operating Partnership that comprise the borrowing base.

We may, at any time, voluntarily prepay any loan under the Credit Agreement in whole or in part without premium or penalty.

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The Credit Agreement contains financial covenants that, among other things, require compliance with loan-to-value, leverage and coverage ratios and maintenance of minimum tangible net worth, as well as covenants that may limit our and the Operating Partnership's ability to incur additional debt or make distributions. The Credit Agreement also contains customary events of default. Any event of default, if not cured or waived, could result in the acceleration of any outstanding indebtedness under the Credit Agreement. As of June 30, 2014, we were in compliance with all financial covenants.

We currently do not expect to sell any of our properties to meet our liquidity needs, although we may do so in the future.

We intend to refinance at maturity the mortgage notes payable that have balloon payments at maturity.

Table of Contents

We currently are in compliance with all debt covenants in our outstanding indebtedness.

Off-Balance Sheet Arrangements

As of June 30, 2014, we have no off-balance sheet debt.

Seasonality

Our business has not been and we do not expect it to become subject to material seasonal fluctuations.

Critical Accounting Policies

Our consolidated and combined financial statements included in Part I, Item 1 of this report are prepared in conformity with U.S. generally accepted accounting principles (GAAP) for interim financial information set forth in the Accounting Standards Codification (ASC), as published by the Financial Accounting Standards Board (FASB), which require us to make estimates and assumptions regarding future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated and combined financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. We base these estimates on our experience and assumptions we believe to be reasonable under the circumstances. However, if our judgment or interpretation of the facts and circumstances relating to various transactions or other matters had been different, we may have applied a different accounting treatment, resulting in a different presentation of our financial statements. We periodically reevaluate our estimates and assumptions, and in the event they prove to be different from actual results, we make adjustments in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on March 21, 2014, for further information regarding the critical accounting policies that affect our more significant estimates and judgments used in the preparation of our consolidated and combined financial statements included in Part I, Item 1 of this report.

Jumpstart Our Business Startups Act of 2012

The Jumpstart Our Business Startups Act of 2012, or JOBS Act, permits us, as an emerging growth company, to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have elected to opt out of this provision and, as a result, we will be required to comply with new or revised accounting standards as required when they are adopted. The decision to opt out of the extended transition period under the JOBS Act is irrevocable.

REIT Qualification Requirements

We are subject to a number of operational and organizational requirements necessary to qualify and maintain our qualification as a REIT. If we fail to qualify as a REIT or fail to remain qualified as a REIT in any taxable year, our income would be subject to federal income tax at regular corporate rates and potentially increased state and local taxes and could incur substantial tax liabilities which could have an adverse impact upon our results of operations, liquidity and distributions to our shareholders.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. We use certain derivative financial instruments to manage, or hedge, interest rate risks related to our borrowings. We do not use derivatives for trading or speculative purposes and only enter into contracts with major financial institutions based upon their credit rating and other factors. Our derivative instrument consists solely of an interest rate swap that is not traded on an exchange and is recorded on the consolidated balance sheet at its fair value. See Note 8 to our consolidated and combined financial statements included in Item 1 to this report.

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Table of Contents

An interest rate swap is a contractual agreement entered into by two counterparties under which each agrees to make periodic payments to the other for an agreed period of time based on a notional amount of principal. Under the most common form of interest rate swap, known from our perspective as a floating-to-fixed interest rate swap, a series of floating, or variable, rate payments on a notional amount of principal is exchanged for a series of fixed interest rate payments on such notional amount.

No assurance can be given that any future hedging activities by us will have the desired beneficial effect on our results of operations or financial condition.

The variable rate component of our consolidated indebtedness at June 30, 2014 is LIBOR based. Assuming no increase in the amount of our variable rate debt, if LIBOR were to increase by 100 basis points, interest expense on our variable rate debt at June 30, 2014, would increase by approximately \$0.8 million annually, and if LIBOR were to decrease by 100 basis points, interest expense on our variable rate debt at June 30, 2014, would decrease by approximately \$0.8 million annually.

Interest risk amounts are our management's estimates and were determined by considering the effect of hypothetical interest rates on our consolidated financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

Indebtedness

As of June 30, 2014, we had total consolidated indebtedness of approximately \$79.0 million. The weighted average interest rate on our consolidated indebtedness was 5.14% (based on the 30-day LIBOR rate as of June 30, 2014, of 0.152%). As of June 30, 2014, we had approximately \$4.5 million, or approximately 6%, of our outstanding long-term debt exposed to fluctuations in short-term interest rates.

The following table sets forth certain information with respect to our consolidated indebtedness outstanding as of June 30, 2014.

(in thousands)	Principal	Fixed/Floating Rate	Rate	Maturity
Senior Secured Revolving Credit Facility	\$	Floating	LIBOR + 2.65%	08/29/16
Canton Medical Office Building(1)	6,258	Fixed	5.94%	06/06/17
Firehouse Square	2,796	Fixed	6.58%	09/06/17
Hackley Medical Center	5,460	Fixed	5.93%	01/06/17
MeadowView Professional Center	10,497	Fixed	5.81%	06/06/17
Mid Coast Hospital Medical Office Building(2)	7,973	Fixed	4.93%(3)	05/16/16
Remington Medical Commons	4,466	Floating	LIBOR + 2.75%	09/28/17
Valley West Hospital Medical Office Building	4,931	Fixed	4.83%	12/01/20
Oklahoma City, OK Medical Office Building	7,731	Fixed	4.71%	01/10/21
Crescent City Surgical Center	18,750	Fixed	5.00%	01/23/19

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San Antonio, TX Hospital		10,101	Fixed	5.00%(4)	06/26/22
Total	\$	78,963			

(1) We own a 50.0% interest in the joint venture that owns this property. Debt shown in this schedule is the full amount of the mortgage indebtedness on this property.

(2) We own a 66.3% interest in the joint venture that owns this property. Debt shown in this schedule is the full amount of the mortgage indebtedness on this property.

(3) This loan bears interest at a rate of LIBOR + 2.25%. We have entered into an interest rate swap to

Table of Contents

effectively fix the rate on this loan at 4.93% through the date of maturity.

(4) This loan bears interest at a fixed rate of 5.00% until July 2018, then the interest rate is the higher of the prime rate plus 1.75% or 5.00%.

Item 4. Controls and Procedures

We have carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, regarding the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2014, the end of the period covered by this report. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer have concluded, as of June 30, 2014, that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in reports filed or submitted under the Exchange Act (i) is processed, recorded, summarized and reported within the time periods specified in the Commission's rules and forms and (ii) is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate to allow for timely decisions regarding required disclosure.

No changes to our internal control over financial reporting were identified in connection with the evaluation referenced above that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

From time to time, we are party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. We are not currently a party, as plaintiff or defendant, to any legal proceedings which, individually or in the aggregate, would be expected to have a material effect on our business, financial condition or results of operations if determined adversely to us.

Item 1A. Risk Factors

Information on risk factors can be found in Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, filed with the Commission on March 21, 2014 (the Annual Report), and in Part II, Item 1A (Risk Factors) of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014, filed with the Commission on May 7, 2014 (the First Quarter Quarterly

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Report). There have been no material changes from the risk factors previously disclosed in the Annual Report as superseded by the First Quarter Quarterly Report.

Table of Contents

Item 6. Exhibits

Exhibit No.	Description
10.1 (1)	Second Amendment to Agreement of Sale and Purchase, dated as of April 30, 2014, by and between Octopods, LLC, an Indiana limited liability company, and Physicians Realty L.P., a Delaware limited Partnership
10.2* (2)	Amended and Restated Employment Agreement dated as of May 6, 2014, between the Company and John T. Thomas
10.3* (2)	Amended and Restated Employment Agreement dated as of May 6, 2014, between the Company and John Sweet
10.4* (2)	Amended and Restated Employment Agreement dated as of May 6, 2014, between the Company and John Lucey
10.5* (2)	Amended and Restated Employment Agreement dated as of May 6, 2014, between the Company and Mark D. Theine
10.6* (2)	Physicians Realty Trust Incentive Bonus Plan
10.7* (2)	Amendment No. 1 to the Physicians Realty Trust 2013 Equity Plan
10.8* (2)	Form of Restricted Share Award Agreement - Executive (Time Vesting)
10.9* (2)	Form of Restricted Share Award Agreement - Trustees (Time Vesting).
10.10* (2)	Form of Restricted Share Unit Award Agreement (Performance Units)
10.11* (3)	Employment Agreement dated as of May 13, 2014, between the Company and Jeffrey Theiler
10.12 (4)	Third Incremental Commitment Agreement and Fourth Amendment dated June 20, 2014, among Physicians Realty L.P., as Borrower, Physicians Realty Trust, certain Subsidiaries and other Affiliates of the Borrower, as Guarantors, the Lenders party thereto and Regions Bank, as Administrative Agent
10.13(5)	First Amendment to Shared Services Agreement dated July 31, 2014, among B.C. Ziegler and Company, Physicians Realty Trust, and Physicians Realty L.P.
10.14*(6)	Physicians Realty Trust 2013 Equity Incentive Plan, as amended effective August 7, 2014
31.1	Certification of John T. Thomas, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Jeffrey Theiler, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of John T. Thomas, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)
32.2	Certification of Jeffrey Theiler, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)
101.INS	XBRL Instance Document (+)
101.SCH	XBRL Extension Schema Document (+)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document(+)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document(+)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document(+)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document(+)

* Indicates a management contract or compensatory plan or arrangement.

(1) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 7, 2014.

(2) Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Commission on May 7, 2014.

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Table of Contents

(3) Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Commission on May 14, 2014.

(4) Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Commission on June 23, 2014.

(5) Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Commission on August 6, 2014.

(6) Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Commission on August 7, 2014.

(+) Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement for purposes of Section 11 or 12 of the Securities Act, is deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHYSICIANS REALTY TRUST

Date: August 13, 2014

/s/ John T. Thomas
John T. Thomas
Chief Executive Officer and President
(Principal Executive Officer)

Date: August 13, 2014

/s/ Jeffrey Theiler
Jeffrey Theiler
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)