Physicians Realty Trust
Form 424B5
January 16, 2015
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Filed pursuant to Rule 424(b)(5)

Registration No. 333-197842

PROSPECTUS SUPPLEMENT

(To Prospectus dated August 19, 2014)

16,500,000 Common Shares

We are offering 16,500,000 common shares of beneficial interest, $0.01 par value per share. We are a self-managed healthcare real estate company that acquires, selectively develops, owns and manages 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 typically are on a campus with a hospital or other healthcare facilities or strategically located and affiliated with a hospital or other healthcare facilities. Our management team has significant public healthcare real estate investment trust (REIT) experience and long established relationships with physicians, hospitals and healthcare delivery system decision makers that we believe will provide quality investment opportunities to generate attractive risk-adjusted returns to our shareholders.

Our common shares trade on the New York Stock Exchange under the symbol DOC. On January 14, 2015, the last sale price of our common shares as reported on the New York Stock Exchange was $16.64 per share.

We are a Maryland real estate investment trust and elected to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes beginning with our short taxable year ended December 31, 2013. Our common shares are subject to restrictions on ownership and transfer that are intended, among other purposes, to assist us in qualifying and maintaining our qualification as a REIT. Our declaration of trust, subject to certain exceptions, limits ownership to no more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our shares of beneficial interest.

We are an emerging growth company under the federal securities laws and have reduced public company reporting requirements. Investing in our securities involves a high degree of risk. You should review carefully the risks and uncertainties described under the heading Risk Factors contained in this prospectus supplement beginning on page S-8 and page 4 of the accompanying prospectus, and under similar headings in the other documents that are incorporated by reference into this prospectus supplement.

	Per Share		Total	
Public offering price	$	16.40	$	270,600,000
Underwriting discount(1)	$	0.697	$	11,500,500
Proceeds, before expenses, to us	$	15.703	$	259,099,500

(1) See Underwriting for additional disclosure regarding the underwriting discounts and commissions and other expenses payable to the underwriters by us.

The underwriters may also exercise their option to purchase up to an additional 2,475,000 common shares from us, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters are offering the common shares as set forth under Underwriting. The common shares will be ready for delivery on or about January 21, 2015.

Joint Book-Running Managers

KeyBanc Capital Markets **Morgan Stanley** **RBC Capital Markets**

BofA Merrill Lynch **BMO Capital Markets**

Co-Managers

Raymond James **Wunderlich Securities** **Comerica Securities** **Compass Point**

J.J.B. Hilliard, W.L. Lyons, LLC **MLV & Co.** **Regions Securities LLC**

The date of this prospectus supplement is January 14, 2015

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You should rely only on the information contained in this prospectus supplement, the accompanying prospectus and any free writing prospectus prepared by us, including any information incorporated by reference herein. We have not authorized anyone to provide information that is different. This document may only be used in jurisdictions where it is legal to sell these securities. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and any free writing prospectus prepared by us, including any information incorporated by reference herein, is accurate only as of their respective dates or on the date or dates specified in those documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

For investors outside of the United States: Neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus supplement and the accompanying prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus supplement and the accompanying prospectus.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined. This prospectus supplement may add to, update or change information in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement or the accompanying prospectus.

If information in this prospectus supplement is inconsistent with the accompanying prospectus or documents incorporated by reference, the information in this prospectus supplement shall supersede such information. In addition, any statement in a filing we make with the Securities and Exchange Commission (the SEC or the Commission) that adds to, updates or changes information contained in an earlier filing we made with the SEC shall be deemed to modify and supersede such information in the earlier filing. This prospectus supplement, the accompanying prospectus and the documents incorporated into each by reference include important information about us, the common shares being offered and other information you should know before investing in these securities.

You should rely only on this prospectus supplement, the accompanying prospectus and the information incorporated or deemed to be incorporated by reference in this prospectus supplement, the accompanying prospectus or in any free writing prospectuses we have prepared. We have not, and the underwriters have not, authorized anyone to provide you with information that is different from that contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or in any free writing prospectuses we have prepared. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters have not, offering to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than as of the date of this prospectus supplement or the accompanying prospectus, as the case may be, or in the case of the documents incorporated by reference, the date of such documents regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or any sale of our common shares. Our business, financial condition, liquidity, results of operations, and prospects may have changed since those dates.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and some of the documents that are incorporated by reference herein, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which we refer to as our 2013 10-K , our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014, which we refer to as our First Quarter 2014 10-Q , our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014, which we refer to as our Second Quarter 2014 10-Q and our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014, which we refer to as our Third Quarter 2014 10-Q , contain various forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, property performance and results of operations contain forward-looking statements. Likewise, our pro forma financial statements and 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 of thes 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 unsecured credit facility;
- our ability to make distributions on our shares of beneficial interest;
- general volatility of the market price of our common shares;
- our limited operating history;
- our increased vulnerability economically due to the concentration of our investments in healthcare properties;
- our geographic concentration in Texas causes us to be particularly exposed to downturns in this local economy 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 completing acquisitions;
- competition for investment opportunities;
- our failure to successfully develop, integrate and operate acquired properties;
- 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 (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 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;
- 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; and
- various other factors may materially adversely affect us, including the per share trading price of our common shares, such as:

- higher market interest rates;

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- the number of our common shares available for future issuance or sale;
- our issuances of equity securities or the perception that such issuances might occur;
- future offerings of debt; and
- failure of securities analysts to publish research or reports about our industry or us or if research downgrades our common shares or the healthcare-related real estate sector.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes after the date of this prospectus supplement, except as required by applicable law. You should not place undue reliance on any forward-looking statements that are based on information currently available to us or the third parties making the forward-looking statements. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section below entitled Risk Factors, including the risks incorporated by reference therein from our 2013 10-K, as updated by our subsequent filings with the SEC.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information appearing elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus and may not contain all of the information that you should consider before making an investment in our common shares. You should read carefully this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, including the 2013 10-K, the First Quarter 10-Q, the Second Quarter 10-Q and the Third Quarter 10-Q, and any free writing prospectus we have filed. Please read Risk Factors for more information about important risks that you should consider before investing in our common shares.

Unless the context otherwise requires or indicates, all references to we, us, our, our company, the Trust, the Company, and Physicians Realty refer to Physicians Realty Trust, a Maryland real estate investment trust, together with its consolidated subsidiaries, including Physicians Realty L.P., a Delaware limited partnership, which we refer to 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, and not to the persons who manage us or sit on our Board of Trustees.

Our Company

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 completed our initial public offering (IPO) in July 2013. As of December 31, 2014, our portfolio consisted of 87 properties located in 18 states with approximately 3,100,470 net leasable square feet, which were approximately 94.7% leased with a weighted average remaining lease term of approximately 9.6 years and approximately 76% of the net leasable square footage of our portfolio was either affiliated with a healthcare delivery system or located within approximately 1/4 mile of a hospital campus.

We receive a cash rental stream from these healthcare providers under our leases. Approximately 81.8% of the annualized base rent payments from our properties as of December 31, 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 December 31, 2014, leases representing a percentage of our portfolio on the basis of leasable square feet will expire as follows:

Year	Portfolio Lease Expirations
2015	3.0%
2016	3.5%
2017	2.2%
2018	5.9%
2019	5.6%
2020	1.6%

2021	2.3%
2022	3.5%
2023	6.3%
2024	17.4%
Thereafter	43.1%

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 health care 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 invest in stabilized medical facility assets with initial cash yields of 6% to 10%. We seek to generate attractive risk-adjusted returns for our

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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 had no business operations prior to completion of the IPO and the related formation transactions on July 24, 2013. Our Predecessor, which is not a legal entity, is comprised of the four healthcare real estate funds managed by B.C. Ziegler & Company (Ziegler), which we refer to as the Ziegler Funds, that owned directly or indirectly interests in entities that owned our initial properties we acquired on July 24, 2013 in connection with completion of our IPO and related formation transactions.

We are a Maryland real estate investment trust and elected to be taxed as a REIT for U.S. federal income tax purposes beginning with our short taxable year ended December 31, 2013. 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 the date of this prospectus supplement, own approximately 94.4% of the partnership interests in our operating partnership.

Our Objectives and Growth Strategy

Our principal business objective is to provide attractive risk-adjusted returns to our shareholders through a combination of (i) sustainable and increasing rental revenue and cash flow that generate reliable, increasing dividends, and (ii) potential long-term appreciation in the value of our properties and common shares. Our primary strategies to achieve our business objective are to invest in, own and manage a diversified portfolio of high quality healthcare properties and pay careful attention to our tenants real estate strategies, which we believe will drive high retention, high occupancy and reliable, increasing rental revenue and cash flow.

We intend to grow our portfolio of high-quality healthcare properties leased to physicians, hospitals, healthcare delivery systems and other healthcare providers primarily through acquisitions of existing healthcare facilities that provide stable revenue growth and predictable long-term cash flows. We may also selectively finance the development of new healthcare facilities through joint venture or fee arrangements with premier healthcare real estate developers. Generally, we only expect to make investments in new development properties when approximately 70% or more of the development property has been pre-leased before construction commences. We seek to invest in properties where we can develop strategic alliances with financially sound healthcare providers and healthcare delivery systems that offer need-based healthcare services in sustainable healthcare markets. We focus our investment activity on the following types of healthcare properties:

- medical office buildings;
- outpatient treatment and diagnostic facilities;
- physician group practice clinics;
- ambulatory surgery centers;
- specialty hospitals and treatment centers;

- acute care hospitals; and
- post-acute care hospitals and long-term care facilities.

We may opportunistically invest in life science facilities, assisted living and independent senior living facilities and in the longer term, senior housing properties, including skilled nursing. Consistent with our intent to qualify as a REIT, we may also opportunistically invest in companies that provide healthcare services, in joint venture entities with operating partners, structured to comply with the REIT Investment Diversification Act of 2007 (RIDEA).

In connection with our review and consideration of healthcare real estate investment opportunities, we generally take into account a variety of market considerations, including:

- whether the property is anchored by a financially-sound healthcare delivery system or whether tenants have strong affiliation to a healthcare delivery system;
- the performance of the local healthcare delivery system and its future prospects;
- property location, with a particular emphasis on proximity to healthcare delivery systems;
- demand for medical office buildings and healthcare related facilities, current and future supply of competing properties, and occupancy and rental rates in the market;
- population density and growth potential;
- ability to achieve economies of scale with our existing medical office buildings and healthcare related facilities or anticipated investment opportunities; and
- existing and potential competition from other healthcare real estate owners and operators.

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Property Acquisitions in 2014

In 2014, we completed acquisitions of 61 healthcare properties located in 15 states containing an aggregate of 2,199,126 net leasable square feet for an aggregate of approximately $543.5 million using proceeds from our follow-on public offerings in December 2013, May 2014 and September 2014, proceeds from our ATM Program (defined below), borrowings under our former senior secured revolving credit facility, our unsecured credit facility and mortgage financing.

During the quarterly period ended December 31, 2014, we completed six acquisitions of 23 healthcare properties located in seven states containing an aggregate of 575,519 net leasable square feet for an aggregate of approximately $96.2 million as summarized below:

Property(1)	**Location**	**Acquisition Date**	**Square Footage**		**Purchase Price (in thousands)**
PinnacleHealth Portfolio 5 MOBs	Harrisburg, PA	10/29/2014	117,765	$	23,100
Columbus Regional Hospital System Portfolio 12 MOBs	Columbus, Georgia; Phenix City, Alabama	11/20/2014	273,396	$	27,997
Middletown Medical 2 MOBs	Middletown, NY	11/26/2014	35,426	$	14,399
Danville on Fairchild	Danville, IL	11/26/2014	46,663	$	10,300
Napolean Medical Building MOB	New Orleans, LA	12/18/2014	65,775	$	10,500
West Tennessee Bone & Joint 1 MOB 1 ASC	Jackson, TN	12/30/2014	36,494	$	9,936
Total			575,519	$	96,232

(1) MOB means medical office building and ASC means ambulatory surgical center.

Also during the quarterly period ended December 31, 2014, we made an $8.6 million term loan to fund the renovations and additions of two re-purposed buildings in Jacksonville, Florida. Upon completion of the expansion and renovations, the properties will be approximately 40,000 square feet in the aggregate. Upon completion of the construction of the buildings and them becoming fully occupied, which we expect to occur in the second half of 2015, we have the option to purchase the buildings. The term loan accrues interest at a rate of 9%, which will be credited to the purchase price if we exercise our option. The medical office building is 38,000 square feet and the purchase price is approximately $10 million.

All of the investments made during the quarterly period ended December 31, 2014 utilized proceeds from our September 2014 follow-on public offering, proceeds from the ATM Program and borrowings under our unsecured credit facility.

Pending Acquisitions

As of the date of this prospectus supplement, we have entered into definitive agreements through subsidiaries of our operating partnership to acquire seven healthcare properties located in five states for an aggregate of approximately $112 million in pending acquisitions as follows:

- Medical office building, Columbus (part of the Columbus Regional Hospital System Portfolio), Georgia: The medical office building is 37,995 square feet and the purchase price is $6.5 million. The medical office building is part of the 309,865 square foot Columbus Regional Hospital System Portfolio, which includes 13 medical office buildings, 12 of which are located in Columbus, Georgia and one in Phenix City, Alabama. We have previously completed the acquisition of the other 12 buildings. The total purchase price for the portfolio, including this medical office building, will be approximately $34.5 million. The portfolio is 88% occupied and approximately 86% of the portfolio s total rentable square footage is located adjacent to the 413-bed Columbus Regional Medical Center and the 219-bed Doctors Hospital, two of Columbus Regional Healthcare System s (CRHS) short-term acute care hospitals. As part of the transaction, the CRHS-related leases totaling 45% of the overall portfolio s base rental revenue have been renegotiated and extended to 10-year lease terms.

- Ambulatory surgery center and medical office building, Jacksonville, Florida: The ambulatory surgery center and medical office building is 46,016 square feet. The purchase price for the properties is approximately $19 million. A national hospital system leases and operates the surgery center and the building is 100% occupied.

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- Trios Health Medical Office Building, Kennewick, Washington: The medical office building, which is under construction, is 160,000 square feet, is 100% pre-leased and is expected to open in late June 2015. At closing, we will assume a 60-year ground lease and enter into a 30-year absolute triple net master lease with Trios Health Hospital with rent escalations annually at 2.35%. We have agreed to acquire the medical office building for $64 million in cash. The acquisition is subject to completion of development, receipt of a certificate of occupancy, commencement of rent under the Trios Health Hospital master lease and customary conditions to closing, including accuracy of representations and warranties and performance of covenants. We are not financing or otherwise participating in the development of the property.

- Great Falls MOB, Great Falls, Montana: We agreed to provide a mezzanine loan in the amount of approximately $4 million to construct a medical office building, which will be approximately 63,886 square feet. As of the date of this prospectus supplement, no money has been borrowed under the mezzanine loan. Upon the completion of the construction of the building, which is expected to occur in the second half of 2015, we have an option to purchase the building. The building will be 100% occupied.

- Methodist Sports Medicine, Greenwood, Indiana: The medical office building is 38,000 square feet and the purchase price is approximately $10 million, payable in cash or OP Units. The building is 100% occupied.

- St. Vincent - Naab, Indianapolis, Indiana: The medical office building is 40,936 square feet and the purchase price is approximately $8.5 million, payable in cash or OP Units. The building is 100% occupied.

Each pending acquisition described above is subject to customary closing conditions and there can be no assurance we will complete any of these transactions or acquire any of these properties.

Other Recent Developments

Minneapolis Portfolio

Prior to January 13, 2015, we entered into a non-binding letter of intent with The Davis Group and an equity investor working with The Davis Group to acquire a 96% or greater interest in a portfolio of seven medical office facilities located in the Minneapolis-St. Paul Metropolitan area and one additional medical office facility located in Jamestown, North Dakota. The purchase price for the acquisition of the portfolio of properties is approximately $116.3 million, payable in a combination of cash, OP Units or proposed new preferred units in the operating partnership, such relative amounts to be elected and determined by the respective property sellers at or prior to closing of a definitive agreement, plus the assumption of approximately $5.8 million of property-related indebtedness encumbering one of the facilities. Our investment will exceed $100 million. The portfolio is 98% leased and the average age of seven of the buildings is approximately two years, with one other building located on the campus of the Fairview Health System hospital campus in Edina, Minnesota, which was built in 1979. The average lease term of the portfolio is 10 years. The portfolio totals 362,354 rentable square feet, with 49% leased to credit rated health systems. Approximately 80% of the portfolio s rentable square feet is either leased to a credit rated health system or located on the campus of one of the health system s hospitals. We are partnering with The Davis Group, headquartered in Minneapolis, which developed seven of the eight facilities, which will retain a minority interest in the joint venture controlled by us and which will continue to actively manage and lease the facilities on behalf of us. The closing of each of the transactions under the non-binding letter of intent is subject to the execution of a definitive purchase and sale or contribution agreement and such agreements are expected to be subject to customary closing conditions.

ATM Program

On August 19, 2014, we and our operating partnership entered into separate At Market Issuance Sales Agreements (the Sales Agreements) with each of MLV & Co. LLC, KeyBanc Capital Markets Inc., JMP Securities LLC, and RBC Capital Markets, LLC (the Agents), pursuant to which we may issue and sell common shares having an aggregate offering price of up to $150 million, from time to time, through the Agents (the ATM Program). In accordance with the Sales Agreements, we may offer and sell our common shares through any of the Agents, from time to time, by any method deemed to be an at the market offering as defined in Rule 415 under the Securities Act, which includes sales made directly on the NYSE, or other existing trading market, or sales made to or through a market maker. With our express written consent, sales also may be made in negotiated transactions or any other method permitted by law. The common shares are registered under the Securities Act pursuant to the effective shelf registration statement on Form S-3 (File No. 333-197842) of which this prospectus supplement and the accompanying prospectus form a part, and are being offered pursuant to a prospectus dated August 19, 2014, as supplemented by a prospectus supplement dated August 19, 2014, filed with the Commission pursuant to Rule 424(b) of the Securities Act.

We pay each Agent a commission equal to up to 2% of the gross proceeds from each sale of common shares sold through such Agent under the applicable Sales Agreement. The net proceeds that we receive from sales of our common shares, depends on the number of common shares sold and the price for such common shares.

During the quarterly period ended December 31, 2014, we sold 3,576,010 common shares pursuant to the Sales Agreements, at a weighted average price of $15.54 per share resulting in total proceeds of approximately $55.6 million, before $0.8 million in commissions. We did not issue any common shares pursuant to any of the Sales Agreements during the quarter ended September 30, 2014. As of the date of this prospectus supplement, we have sold 247,397 common shares in 2015 pursuant to the Sales Agreements, at a weighted average price of $16.96 per share resulting in total proceeds of approximately $4.2 million, before $55,696 in commissions. As of the date of this prospectus supplement, we have $90.2 million remaining available under the Sales Agreements. As of the date of this prospectus supplement, we have 51,211,638 common shares outstanding.

An affiliate of KeyBanc Capital Markets Inc. is a lender under our unsecured credit facility, and we intend to use a portion of the proceeds of this offering to repay amounts outstanding under the facility. The affiliate of KeyBanc Capital Markets Inc. would receive its pro rata share of any such payments.

Dividend Reinvestment and Share Purchase Plan

On December 2, 2014, we adopted a Dividend Reinvestment and Share Purchase Plan (the DRIP). Under the DRIP:

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- Existing shareholders may purchase additional common shares by reinvesting all or a portion of the dividends paid on their common shares and by making optional cash payments of not less than $50 and up to a maximum of $10,000 per month.

- New investors may join the DRIP by making an initial investment of not less than $1,000 and up to a maximum of $10,000.

- Once enrolled in the DRIP, participants may authorize electronic deductions from their bank account for optional cash payments to purchase additional shares.

The DRIP is administered by our transfer agent, Computershare Trust Company, N.A. (the Administrator). Our common shares sold under the DRIP will be newly issued or purchased in the open market, as further described in the DRIP. As of the date of this prospectus supplement, we have issued 1,017 common shares under our DRIP.

Quarterly Distribution

On December 30, 2014, our Board of Trustees authorized and we declared a cash distribution of $0.225 per common share and partnership interest in our operating partnership (each, an OP Unit) for the quarterly period ended December 31, 2014. The distribution will be paid on February 6, 2015 to common shareholders and common OP Unit holders of record as of the close of business on January 23, 2015.

Appointment of General Counsel

On January 8, 2015, we announced that Bradley D. Page would join us as Senior Vice President and General Counsel, effective February 2, 2015. Mr. Page will report directly to our President and Chief Executive Officer, John T. Thomas. In connection with his appointment, we intend to grant a restricted share award to Mr. Page.

Mr. Page served as a shareholder and, most recently, as President of Milwaukee-based Davis & Kuelthau, s.c. until his resignation to accept this position with us. He joined Davis and Kuelthau in 1995, where he represented businesses in all areas of commercial real estate, commercial lending, corporate and construction transactions, including our company. Mr. Page s private practice included acquisition, development, leasing and sales of healthcare, retail, office, multifamily and industrial properties. He has extensive experience negotiating contracts, leases, organizational documents, real estate documents, financing documents and other agreements with national retail tenants, healthcare providers, financial institutions, municipalities, and owners of real property. Mr. Page is a graduate of the University of Wisconsin Law School, with a B.B.A. from the University of Michigan.

Corporate Information

We were formed as a Maryland real estate investment trust on April 9, 2013. Our corporate offices are located at 735 N. Water Street, Suite 1000, Milwaukee, Wisconsin 53202. Our telephone number is (414) 978-6494. Our internet website is *www.docreit.com*. The information contained on, or accessible through, this website, or any other website, is not incorporated by reference into this prospectus supplement and the accompanying prospectus and should not be considered a part of this prospectus supplement and the accompanying prospectus.

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THE OFFERING

Common shares offered by us	16,500,000 shares (1)
Common shares to be outstanding after this offering	61,876,115 shares (2)
Common shares and OP Units to be outstanding after completion of this offering	67,617,305 shares and OP Units (3)
Use of proceeds	We estimate that we will receive net proceeds from this offering of approximately $258.3 million, or approximately $297.2 million if the underwriters option to purchase additional shares is exercised in full, after deducting the underwriting discount and estimated offering expenses payable by us. We intend to use the net proceeds of this offering as follows: • approximately $138 million to repay borrowings under our unsecured credit facility; and • the balance for general corporate and working capital purposes, funding possible future acquisitions, including a portion of our pending acquisitions, and development activities. Pending application of the net proceeds of this offering, we intend to invest the net proceeds in interest-bearing accounts, money market accounts and interest-bearing securities in a manner that is consistent with our intention to maintain our qualification for taxation as a REIT.
Risk Factors	An investment in our common shares involves a high degree of risk. You should carefully read and consider the risks discussed under the caption Risk Factors and other information in this prospectus supplement, including Part I, Item 1A. Risk Factors contained in our 2013 10-K, Part II, Item 1A. Risk Factors of our First Quarter 2014 10-Q and Part II, Item 1A. Risk Factors of our Third Quarter 2014 10-Q, each of which is incorporated by reference herein, for a discussion of factors you should consider carefully before investing in our common shares.
NYSE symbol	DOC

(1) Excludes up to 2,475,000 common shares that may be issued by us upon exercise of the underwriters option to purchase additional shares.

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(2) Includes (i) 250,000 restricted common shares granted to our officers and trustees under our 2013 Equity Incentive Plan that are subject to vesting over a three year period in connection with our IPO, (ii) 84,266 restricted common shares granted to our officers and trustees under our 2013 Equity Incentive Plan in March 2014 that are subject to vesting over a one year period and (iii) 68,721 restricted common shares granted to certain new employees under our 2013 Equity Incentive Plan in June and July 2014, which shares vest ratably over three years. Does not include (i) up to 2,475,000 common shares that may be issued by us upon exercise of the underwriters option to purchase additional shares for this offering, (ii) any issuances of common shares after September 30, 2014, including (a) 2,005,101 common shares issued by the Trust on October 1, 2014 to certain limited partners, including each of the Ziegler Funds, in connection with their exercise of their respective redemption rights, (b) 3,823,407 common shares that were issued during the quarterly period ended December 31, 2014 and in 2015 through the date of this prospectus supplement pursuant to the ATM Program, (c) 1,017 common shares that have been issued under our DRIP, (d) 3,228 restricted common shares granted to a new employee under our 2013 Equity Incentive Plan in November 2014 and (e) 2,770 common shares issued by the Trust in January 2015 to a certain limited partner in connection with his exercise of his redemption right, (iii) 55,680 performance-based restricted stock units at target level granted to our officers in 2014 under the 2013 Equity Incentive Plan, which will vest, if at all, based on achievement of performance criteria over a performance period, subject to the terms of the grant, (iv) 1,994,561 common shares available for future issuance under our 2013 Equity Incentive Plan, (v) 3,175,252 common shares that may be issued, at our option, upon redemption of outstanding OP Units not held by us, or (vi) OP Units which may be issuable in connection with the closing of each of the following: Methodist Sports Medicine, St. Vincent - Naab and the Minneapolis Portfolio.

(3) Includes 5,741,190 OP Units that were outstanding and not held by us as of September 30, 2014. Does not include (i) up to 2,475,000 common shares that may be issued by us upon exercise of the underwriters option to purchase additional shares for this offering, (ii) any issuances of common shares after September 30, 2014, including (a) 2,005,101 common shares issued by the Trust on October 1, 2014 to certain limited partners, including each of the Ziegler Funds, in connection with their exercise of their respective redemption rights, (b) 3,823,407 common shares that were issued during the quarterly period ended December 31, 2014 and in 2015 through the date of this prospectus supplement pursuant to the ATM Program, (c) 1,017 common shares that have been issued under our DRIP, (d) 3,228 restricted common shares granted to a new employee under our 2013 Equity Incentive Plan in November 2014 and (e) 2,770 common shares issued by the Trust in January 2015 to a certain limited partner in connection with his exercise of his redemption right, (iii) 55,680 performance-based restricted stock units at target level granted to our officers under the 2013 Equity Incentive Plan, which will vest, if at all, based on achievement of performance criteria over a performance period, subject to the terms of the grant, (iv) 1,994,561 common shares available for future issuance under our 2013 Equity Incentive Plan, or (v) OP Units which may be issuable in connection with the closing of each of the following: the Methodist Sports Medicine, St. Vincent - Naab and the Minneapolis Portfolio.

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RISK FACTORS

An investment in our common shares involves a high degree of risk. Before making an investment decision, you should carefully consider the risk factors set forth below as well as in each of our 2013 10-K, our First Quarter 2014 10-Q and our Third Quarter 2014 10-Q, together with the other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus and the risks we have highlighted in other sections of this prospectus supplement. If any of these risks occurs, our business, financial condition, liquidity, tax status and results of operations could be materially and adversely affected. Some statements in this prospectus supplement and the accompanying prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section captioned Cautionary Note Regarding Forward-Looking Statements.

The market price and trading volume of our common shares may be volatile following this offering and may be affected by a number of factors.

The per share trading price of our common shares may be volatile. In addition, the trading volume in our common shares may fluctuate and cause significant price variations to occur, and investors in our common shares may from time to time experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. If the per share trading price of our common shares declines significantly, you may be unable to resell your shares at or above the public offering price. We cannot assure you that the per share trading price of our common shares will not fluctuate or decline significantly in the future.

Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common shares include:

- actual or anticipated variations in our quarterly operating results or dividends;
- changes in our funds from operations or earnings estimates;
- publication of research reports about us or the real estate industry;
- increases in market interest rates that lead purchasers of our shares to require a higher yield;
- changes in market valuations of similar companies;

• adverse market reaction to any additional debt we incur in the future;

• additions or departures of key management personnel;

• actions by institutional shareholders;

• speculation in the press or investment community;

• the realization of any of the other risk factors presented in this prospectus or incorporated by reference herein;

• the extent of investor interest in our securities;

• the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate based companies;

• our underlying asset value;

• investor confidence in the stock and bond markets generally;

• changes in tax laws;

• future equity issuances;

• failure to meet earnings estimates;

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• failure to meet and maintain REIT qualification;

• changes in our credit ratings; and

• general market and economic conditions.

In the past, securities class-action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management s attention and resources, which could have a material adverse effect on us, including our financial condition, results of operations, cash flow, and per share trading price of our common shares.

We may be unable to make distributions which could result in a decrease in the market price of our common shares.

While we expect to make regular quarterly distributions to the holders of our common shares, if sufficient cash is not available for distribution from our operations, we may have to fund distributions from working capital, borrow to provide funds for such distributions, or reduce the amount of such distributions. To the extent we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been. If cash available for distribution generated by our assets is less than expected, or if such cash available for distribution decreases in future periods from expected levels, our inability to make distributions could result in a decrease in the market price of our common shares.

All distributions will be made at the discretion of our board of trustees and will be based upon, among other factors, our historical and projected results of operations, financial condition, cash flows and liquidity, maintenance of our REIT qualification and other tax considerations, capital expenditure and other expense obligations, debt covenants, contractual prohibitions or other limitations and applicable law and such other matters as our board of trustees may deem relevant from time to time. We may not be able to make distributions in the future, and our inability to make distributions, or to make distributions at expected levels, could result in a decrease in the market price of our common shares.

We may use a portion of the net proceeds from this offering to make distributions to our shareholders, which would, among other things, reduce our cash available to develop or acquire properties and may reduce the returns on your investment in our common shares.

Prior to the time we have fully invested the net proceeds of this offering, we may fund distributions to our shareholders out of the net proceeds of this offering, which would reduce the amount of cash we have available to acquire properties and may reduce the returns on your investment in our common shares. The use of these net proceeds for distributions to shareholders could adversely affect our financial results. In addition, funding distributions from the net proceeds of this offering may constitute a return of capital to our shareholders, which would have the effect of reducing each shareholder s tax basis in our common shares.

You will experience immediate and material dilution in connection with the purchase of our common shares in this offering.

As of September 30, 2014, our aggregate historical combined net tangible book value was approximately $481.0 million, or $9.41 per common share, assuming the redemption of all outstanding OP Units in exchange for our common shares on a one-for-one basis. The pro forma net tangible book value per common share after the completion of this offering will be less than the public offering price. The purchasers of our common shares offered hereby will experience immediate and substantial dilution of $5.97 per share in the pro forma net tangible book value per share of our common shares. See Dilution.

The combined financial statements of our Predecessor and our unaudited pro forma consolidated financial statements may not be representative of our financial statements as an independent public company.

The combined financial statements of our Predecessor and our unaudited pro forma consolidated financial statements that are incorporated by reference into this prospectus supplement do not necessarily reflect what our financial position, results of operations or cash flows would have been had we been an independent entity during the periods presented. Furthermore, this financial information is not necessarily indicative of what our results of operations, financial position or cash flows will be in the future. It is not possible for us to accurately estimate all adjustments needed to reflect all the significant changes that may occur in our future cost structure, funding and operations. See Prospectus Supplement Summary-Pending Acquisitions , Prospectus Supplement Summary-Other Recent Developments and the financial statements herein, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations, included in our 2013 10-K, our First Quarter 2014 10-Q, our Second Quarter 2014 10-Q and our Third Quarter 2014 10-Q, each of which is incorporated herein by reference.

We may have difficulty finding suitable replacement tenants in the event of a tenant default or non-renewal of our leases, especially for our properties located in smaller markets.

We cannot predict whether our tenants will renew existing leases beyond their current terms. Nearly all of our properties are subject to leases which have multi-year terms. As of December 31, 2014, leases representing 3.0%, 3.5% and 2.2% of leasable square feet at our properties will expire in the remainder of 2015, 2016 and 2017, respectively. If any of our leases are not renewed, we would attempt to lease those properties to another tenant. In case of non-renewal, we generally have advance notice before expiration of the lease term to arrange for repositioning of the properties and our tenants are required to continue to perform all of their obligations (including the payment of all rental amounts) for the non-renewed assets until such expiration. However, following expiration of a lease term or if we exercise our right to replace a tenant in default, rental payments on the related properties could decline or cease altogether while we reposition the properties with a suitable replacement tenant. We also might not be successful in identifying suitable replacement tenants or entering into leases with new tenants on a timely basis or on terms as favorable to us as our current leases, or at all, and we may be required to fund certain expenses and obligations (e.g., real estate taxes, debt costs and maintenance expenses) to preserve the value of, and avoid the imposition of liens on, our properties while they are being repositioned. Our ability to reposition our properties with a suitable tenant could be significantly delayed or limited by state licensing, receivership, certificate of need or other laws, as well as by the Medicare and Medicaid change-of-ownership rules. We could also incur substantial additional expenses in connection with any licensing, receivership or change-of-ownership proceedings. In addition, our ability to locate suitable replacement tenants could be impaired by the specialized healthcare uses or contractual restrictions on use of the properties, and we may be required to spend substantial amounts to adapt the properties to other uses. Any such delays, limitations and expenses could adversely impact our ability to collect rent, obtain possession of leased properties or otherwise exercise remedies for tenant default and could have a material adverse effect on us or cause us to take an impairment charge on a property. One of our properties in Lansing, Michigan is currently unoccupied and we expect to recognize an impairment charge for the fourth quarter of 2014 for such property. While the exact amount of the impairment charge is not currently determinable, we expect it to be in the range of approximately $1.4 to $1.6 million.

All of these risks may be greater in smaller markets, where there may be fewer potential replacement tenants, making it more difficult to replace tenants, especially for specialized spaces, like hospital or outpatient treatment facilities located in our properties, and could have a material adverse effect on us.

We may fail to complete the acquisition of the Minneapolis Portfolio on a timely basis or at all.

We may not enter into definitive binding agreements to acquire the eight properties comprising the Minneapolis Portfolio prior to the completion of this offering or at all. Although we expect to complete the acquisition of the Minneapolis Portfolio in the first quarter of 2015, the completion of the acquisition of the Minneapolis Portfolio is subject to negotiation and execution of definitive purchase and sale agreements, the satisfactory completion of our due diligence, including review of title commitments, environmental reports, property condition and zoning reports and tenant estoppels certificates, and subject to other customary closing conditions, many of which are outside of our control, and there is no assurance that we or the sellers will fulfill such closing conditions or that the Minneapolis Portfolio acquisition will be completed on the anticipated schedule, or at all.

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USE OF PROCEEDS

After deducting the underwriting discount and commissions and estimated expenses of this offering payable by us, we expect to receive net proceeds from this offering of approximately $258.3 million, or approximately $297.2 million if the underwriters option to purchase additional shares is exercised in full.

We intend to contribute the net proceeds of this offering to our operating partnership in exchange for OP Units in our operating partnership, and our operating partnership intends use the net proceeds received from us as described below:

- approximately $138 million to repay borrowings under our unsecured credit facility; and

- the balance for general corporate and working capital purposes, funding possible future acquisitions, including a portion of the pending acquisitions, and development activities.

Borrowings under our unsecured credit facility bear interest on the outstanding principal amount at a rate equal to LIBOR plus 1.50% to 2.20%, depending on our consolidated leverage ratio. In addition, our unsecured credit facility includes an unused fee equal to 0.15% or 0.25% per annum, which is determined by usage under the terms of the unsecured credit facility. At September 30, 2014, the interest rate under our unsecured credit facility was 1.65%. See Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Third Quarter 2014 10-Q, which is incorporated herein by reference.

Pending application of the net proceeds of this offering, we intend to invest the net proceeds in interest-bearing accounts, money market accounts and interest-bearing securities in a manner that is consistent with our intention to maintain our qualification for taxation as a REIT. Such investments may include, for example, government and government agency certificates, government bonds, certificates of deposit, interest-bearing bank deposits, money market accounts and mortgage loan participations.

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CAPITALIZATION

The following table sets forth (i) our historical capitalization, and (ii) our historical capitalization on an as adjusted basis to (a) give effect to this offering and (b) the use of net proceeds as set forth in Use of Proceeds . You should read this table in conjunction with Use of Proceeds appearing elsewhere in this prospectus supplement, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included in our 2013 10-K and our Third Quarter 2014 10-Q, each of which is incorporated herein by reference.

	As of September 30, 2014	
	Historical	As Adjusted
	(In thousands, except share amounts)	
Debt	$ 153,420(2)	$ 15,420(2)
Equity:		
Common shares, $0.01 par value per share, 500,000,000 shares authorized, 45,376,115 shares issued and outstanding as of September 30, 2014; 61,876,115 shares issued and outstanding on an as adjusted basis(1)	453	618
Additional paid in capital	511,500	762,960
Accumulated deficit	(37,674)	(37,674)
Non-controlling interests	61,385	68,059
Total equity	535,664	793,963
Total capitalization	$ 689,084	$ 809,383

(1) As adjusted common shares outstanding include 16,500,000 common shares to be issued in this offering but exclude (i) up to 2,475,000 common shares issuable upon exercise of the underwriters option to purchase additional shares, (ii) any issuances of common shares after September 30, 2014, including (a) 2,005,101 common shares issued by the Trust on October 1, 2014 to certain limited partners, including each of the Ziegler Funds, in connection with their exercise of their respective redemption rights, (b) 3,823,407 common shares that were issued during the quarterly period ended December 31, 2014 and in 2015 through the date of this prospectus supplement pursuant to the ATM Program, (c) 1,017 common shares that have been issued under our DRIP, (d) 3,228 common shares granted to a new employee under our 2013 Equity Incentive Plan in November 2014 and (e) 2,770 common shares issued by the Trust in January 2015 to a certain limited partner in connection with his exercise of his redemption right, (iii) 55,680 performance-based restricted stock units at target level granted to our officers in 2014 under the 2013 Equity Incentive Plan, which will vest, if at all, based on achievement of performance criteria over a performance period, subject to the terms of the grant, (iv) 1,994,561 common shares available for future issuance under our 2013 Equity Incentive Plan, (v) 3,175,252 common shares that may be issued, at our option, upon redemption of outstanding OP Units not held by us, or (vi) OP Units which may be issuable in connection with the closing of each of the following: Methodist Sports Medicine, St. Vincent - Naab and the Minneapolis Portfolio. The OP Units may, subject to holding period requirements and other limits in the operating partnership agreement, be redeemed at the option of the holder for cash or, at our option, for common shares on a one-for-one basis.

(2) As of the date of this prospectus supplement, we have incurred approximately $68 million of additional debt after September 30, 2014 in connection with our property acquisition activity.

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DILUTION

Purchasers of our common shares in this offering will experience an immediate and substantial dilution of the net tangible book value of our common shares from the public offering price. At September 30, 2014, we had a combined net tangible book value of approximately $481.0 million, or $9.41 per common share, assuming the redemption of all outstanding OP Units (other than OP Units held by us) for our common shares on a one-for-one basis. After giving effect to the expected use of the net proceeds as described under Use of Proceeds, and the deduction of underwriting discounts and commissions and estimated offering expenses, the pro forma net tangible book value at September 30, 2014 attributable to common shareholders would have been approximately $739.1 million, or $10.93 per common share. This amount represents an immediate increase in net tangible book value of $1.52 per share to the prior investors and an immediate dilution in pro forma net tangible book value of $5.97 per share from the public offering price of $16.40 per share of our common shares to new public investors. See Risk Factors Risks Related to this Offering You will experience immediate and material dilution in connection with the purchase of our common shares in this offering. The following table illustrates this per share dilution:

Public offering price per share			$	16.40
Net tangible book value per common share before this offering(1)	$	9.41		
Increase in pro forma net tangible book value per common share after this offering(2)	$	1.52		
Pro forma net tangible book value per common share after this offering(3)			$	10.93
Dilution in pro forma net tangible book value per common share to new investors(4)			$	5.47

(1) Net tangible book value per common share before this offering is determined by dividing the net tangible book value based on September 30, 2014 net book value of tangible assets (consisting of total assets less intangible assets, which are comprised of deferred financing and leasing costs, acquired above-market leases and acquired in-place lease value, net of liabilities assumed, excluding acquired below-market leases) by the number of common shares outstanding immediately before this offering, assuming the exchange for common shares on a one-for-one basis of all outstanding OP Units.

(2) The increase in pro forma net tangible book value per share attributable to this offering is determined by subtracting (a) the sum of (i) the net tangible book value per common share before this offering (see note (2) above) from (b) the pro forma net tangible book value per common share after this offering (see note (4) below).

(3) Based on pro forma net tangible book value of approximately $739.1 million divided by 67,617,305 common shares and OP Units to be outstanding after this offering (excluding OP Units held by us), not including (a) up to 2,475,000 common shares issuable upon the exercise of the underwriters option to purchase additional shares, (b) any issuances of common shares after September 30, 2014, including (i) 2,005,101 common shares issued by the Trust on October 1, 2014 to certain limited partners, including each of the Ziegler Funds, in connection with their exercise of their respective redemption rights, (ii) 3,823,407 common shares that were issued during the quarterly period ended December 31, 2014 and in 2015 through the date of this prospectus supplement pursuant to the ATM Program, (iii) 1,017 common shares that have been issued under our DRIP, (iv) 3,228 common shares granted to a

new employee under our 2013 Equity Incentive Plan in November 2014 and (v) 2,770 common shares issued by the Trust in January 2015 to a certain limited partner in connection with his exercise of his redemption right, (c) 55,680 performance-based restricted stock units at target level granted to our officers in 2014 under the 2013 Equity Incentive Plan, which will vest, if at all, based on achievement of performance criteria over a performance period, subject to the terms of the grant, (d) 1,994,561 common shares available for future issuance under our 2013 Equity Incentive Plan, (e) 3,175,252 common shares that may be issued, at our option, upon redemption of outstanding OP Units not held by us, or (f) OP Units which may be issuable in connection with the closing of each of the following: Methodist Sports Medicine, St. Vincent - Naab and the Minneapolis Portfolio.

(4) Dilution is determined by subtracting pro forma net tangible book value per common share after this offering from the assumed public offering price paid by a new investor for a common share in this offering.

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OUR INDUSTRY AND MARKET OPPORTUNITY

The nature of healthcare delivery continues to evolve due to the impact of government programs, regulatory changes and consumer preferences. We believe these changes have increased the need for capital among healthcare providers and increased pressure on these providers to integrate more efficient real estate solutions in order enhance the delivery of quality healthcare. In particular, we believe the following factors and trends are creating an attractive environment in which to invest in healthcare properties.

• *$2.8 Trillion Healthcare Industry Projected to Grow to $5.2 Trillion (and 19.3% of U.S. G.D.P.) by 2023*

According to the U.S. Department of Health and Human Services, or HHS, healthcare spending accounted for 17.2% of U.S. gross domestic product, or GDP, in 2012. The general aging of the population, driven by the Baby Boomer generation and advances in medical technology and services which increase life expectancy, are key drivers of the growth in healthcare expenditures. The anticipated continuing increase in demand for healthcare services, together with an evolving complex and costly regulatory environment, changes in medical technology and reductions in government reimbursements are expected to pressure capital-constrained healthcare providers to find cost effective solutions for their real estate needs.

We believe the demand by healthcare providers for healthcare real estate will increase as health spending in the United States continues to increase. According to the Centers for Medicare & Medicaid Services   National Health Expenditure Projections 2013-2023, national healthcare expenditures continue to rise and are projected to grow from an estimated $2.8 trillion in 2012 to $5.2 trillion by 2023 representing an average annual rate of growth of 5.7%, reaching a projected 19.3% of GDP in 2023.

Source: Centers for Medicare & Medicaid Services, Office of the Actuary

• ***Aging Population***

The aging of the U.S. population has a direct effect on the demand for healthcare as older persons generally utilize healthcare services at a rate well in excess of younger people. According to the U.S. Census Bureau, the U.S. population over 65 years of age is projected to more than double from 40.4 million to nearly 98.2 million and the 85 and older population is expected to more than triple, from 5.5 million to 19.7 million, between 2010 and 2060. Also according to the U.S. Census Bureau, the number of older Americans is growing as a percentage of the total U.S. population with the number of persons older than 65 estimated to comprise 13.1% of the total U.S. population in 2010 and projected to grow to 23.4% by 2060.

We believe that healthcare expenditures for the population over 65 years of age will continue to rise as a disproportionate share of healthcare dollars is spent on older Americans. We believe the older population group increasingly will require treatment and management of chronic and acute health ailments and that this increased demand for healthcare services will create a substantial need for additional medical office buildings and other facilities that serve the healthcare industry in many regions of the United States. Additionally, we believe there will likely be a focus on lowering the cost of outpatient care to support the aging U.S. population,

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which will continue to support medical office and outpatient facility property demand in the long term. We believe these trends will result in a substantial increase in the number of quality properties meeting our investment criteria.

We believe advances in medical technology will continue to enable healthcare providers to identify and treat once fatal illnesses and improve the survival rate of critically ill and injured patients who will require continuing medical care. Along with these technical innovations, the U.S. population is growing older and living longer.

Projected U.S. Population Aged 65+ (1960-2060)

Source: U.S. Census Bureau

• *Affordable Care Act (Estimated 30 Million More Insured by 2020 and Increased Market Certainty)*

The Affordable Care Act constitutes a significant overhaul of many aspects of healthcare regulations and health insurance. We believe this evolution of U.S. health care policy creates the framework for healthcare services over the near term. The Affordable Care Act requires every American to have health insurance or be subjected to a tax. Those who cannot afford health insurance are offered insurance subsidies or Medicaid coverage. The U.S. Census Bureau estimates that approximately 50 million Americans did not have healthcare insurance in 2009. HHS predicts the Affordable Care Act will result in an additional 30 million Americans having healthcare insurance by 2020, which we believe will substantially increase the demand for healthcare services.

We believe the increase in the number of Americans with access to health insurance will result in an increase in physician office visits and an overall rise in healthcare utilization which in turn will drive a need for expansion of medical, outpatient, and smaller specialty hospital facilities. Additionally, the increased dissemination of health research through media outlets, marketing of healthcare products, and availability of advanced screening techniques and medical procedures have contributed to a more engaged population of healthcare users. This has created increased demand for customized facilities providing specialized, preventive and integrative healthcare services.

The Affordable Care Act further contains provisions which are designed to lower reimbursement amounts under Medicare and tie reimbursement levels to the quality of services provided. We believe these and other provisions of the Affordable Care Act will increase the pressure on healthcare providers to become more efficient in their business models, invest capital in their businesses, lower costs and improve the quality of care, which in turn will drive health care systems to monetize their real estate assets and create demand for new, modern and specialized facilities.

• ***Clinical Care Continues to Shift to Outpatient Care***

According to the American Hospital Association, procedures traditionally performed in hospitals, such as certain types of surgery, are increasingly moving to outpatient facilities driven by advances in clinical science, shifting consumer preferences, limited or inefficient space in existing hospitals and lower costs in the outpatient environment. This continuing shift toward delivering healthcare services in an outpatient environment rather than a traditional hospital environment increases the need for additional outpatient facilities and smaller, more specialized and efficient hospitals. Studies by the Medicare Payment Advisory Commission and others have shown that healthcare is delivered more cost effectively and with higher patient satisfaction when it is provided on an outpatient basis. Increasingly, hospital admissions are reserved for the critically ill, and less critical patients are treated on an outpatient basis with recuperation in their own homes. We believe the recently enacted Affordable Care Act and health care market trends toward outpatient care will continue to push health care services out of larger, older, inefficient hospitals and into newer, more

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efficient and conveniently located outpatient facilities and smaller specialized hospitals. We believe that increased specialization within the medical field is also driving demand for medical facilities designed specifically for particular specialties and that physicians want to locate their practices in medical office space that is in or adjacent to these facilities.

- ***Physician Employment by Healthcare Delivery System Trend Improves Credit***

According to a survey by Accenture, the total number of physicians is growing and the number and percentage of physicians employed by healthcare delivery systems and by large physician groups has increased in recent years, and this increase is expected to accelerate due to, among other factors, declining physician reimbursement and the inc