HILLIARD LYONS

Healthcare Real Estate Investment Trusts
John Roberts
J.J.B. Hilliard, W.L. Lyons, LLC
502.588.1165 / jmroberts@hilliard.com
Institutional Sales Desk: George Moorin
502.588.9141/GMoorin@hilliard.com
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COMPANY UPDATE/ESTIMATE, PRICE TARGET CHANGE

Key Metrics

DOC-NYSE	8/3/17	$18.42
Price Target		$ 22.50
52-Week Range	$17.12 -	$22.03
Shares Outstanding (mm)*		161.0
Market Cap. ($mm)		$2,965.6
1-Mo. Average Daily Volume		3,505,680
Institutional Ownership		75.6%
Debt/Total Capital	Jun-17	31.5%
Est 3-year FFO Growth Rate		6.0%
Est 3-year Dividend Growth Rate		1.0%
Book Value		$ 10.23
Dividend		$ 0.92
Dividend Yield		4.99%
Est. Fixed Charge Coverage		4.6X

FFO

	2016	Prior 2017E	Current 2017E		Prior 2018E	Current 2018E
1Q	$0.22	--	$0.28	A	$0.30	$0.27
2Q	$0.22	--	$0.24	A	$0.33	$0.31
3Q	$0.27	$0.31	$0.26		$0.34	$0.32
4Q	$0.27	$0.33	$0.30		$0.35	$0.34
Year	$0.98	$1.22	$1.07		$1.32	$1.25
P/FFO	18.8x		17.2x			14.7x

Note that quarters may not add due to rounding

Revenue ($mm)

	2016	Prior 2017E	Current 2017E		Prior 2018E	Current 2018E
1Q	$44.1	--	$76.7	A	$97.7	$103.9
2Q	$53.2	--	$76.6	A	$109.0	$118.5
3Q	$70.0	$92.6	$91.8		$116.5	$125.4
4Q	$73.7	$98.8	$104.3		$122.7	$132.6
Year	$241.0	$353.0	$349.4		$445.9	$480.3

Company Description: *Physician's Realty, headquartered in Milwaukee, WI, is a real estate investment trust (REIT) that is focused on investments in the medical facilities sector. Its current portfolio is heavy in the medical office building sector, with a geographic focus in the center of the country.*

Physicians Realty Trust

DOC -- NYSE – Long-term Buy-3

Q2 Earnings Highlights

Investment Highlights

- DOC reported normalized Q2 FFO of $0.24 a share, five cents below our estimate and a penny below the consensus. This was a function of a number of items, including issues with a tenant not paying rent, timing issues between share issuance and purchases and a couple of other non-recurring issues We are reducing our 2017 FFO estimate to $1.07 a share as a result of these issues.
- DOC's current dividend is $0.92 a year, resulting in a yield of 5.0%, above its direct peers. The company raised the dividend with the most recent payment, something we had not anticipated. Management must feel comfortable that FFO will easily exceed the payment going forward in light of this increase. Our expectation for an increase was further into the future, likely next year at the earliest.
- We are retaining our rating on DOC at Long-term Buy. Our two-three year price target is down $0.50 to $22.50 a share. Our target multiple on DOC remains 15, still well below the direct peer group multiple of over 18. We believe the peer group has moved to a point we see as just too expensive to offer value, and in fact have some of these peers rated Underweight, although given the large discount we are using, DOC shares seem reasonably priced. The shares pulled back on the recent equity offering, and we are more amenable to adding to positions following that retrenchment.

Note Important Disclosures on Pages 9-10.
Note Analyst Certification on Page 9.

Second Quarter Review

Total revenue was $76.6 million versus $53.2 million, a 43.9% increase due to the company's acquisitions over the previous year, offset by the non-payment issue discussed earlier. Rental income of $58.0 million was up 37.5% (please see income statement on page 3), which again was a function mostly of recent property purchases as well as rent increases. Expense recoveries were up nearly 70% to $16.1 million from $9.6 million.

General and administrative expense rose 26.9%, a function of added personnel as the company has grown from a start-up phase, amounting to $6.2 million versus $4.9 million. Acquisition expenses rose 61.0% to $5.2 million from $3.3 million as the company continued its acquisition activity. Operating and other expenses were up 48.7% at $20.5 million. Interest expense rose 168% to $11.5 million as the company added debt to pay for all of the recent property purchases. Depreciation expense increased 42.0% to $28.1 million versus $19.8 million, due to the acquisitions the company has consummated over the past year. Second quarter net income available to common shareholders was a profit of $9.7 million versus $6.5 million in the year earlier period. The per share profit was $0.06 this year versus $0.05 in the year earlier period. Ongoing funds from operations (FFO) on a normalized basis, which exclude real estate gains and acquisition expenses as well as other non-recurring items, were $37.9 million compared to $29.5 million in last year's second quarter. FFO per diluted share on a normalized basis were $0.24 versus $0.22.

While DOC has added to the debt on its balance sheet as it has continued to make investments, it has also added equity as available. Debt has moved up from $991.2 million in total (please see balance sheet on page 4) at the end of 2016 to $1,379.2 million at the end of the second quarter. We expect that number to continue to move up as debt is utilized to make new purchases, although DOC management has been very proactive at adding equity, part of the reason for the lower than expected per share FFO numbers, as management has not leveraged up as quickly as we anticipated. The company's debt to total assets was 38% at the end of Q2.

Other 2nd Quarter Activity

Investment Activity – During Q2 DOC completed total acquisition and investment activity of just over $588.2 million. Purchases during the quarter included a multi-tenant, on-campus medical office building in Dallas for $290 million. The property, which aggregates nearly 460,000 square feet, is 94.9%-leased and was purchased at a first year cash yield of approximately 4.7%. DOC also closed on the purchase of the first tranche of the CHI portfolio for $124.2 million, amounting to eight medical office buildings encompassing 492,338 square feet at an unlevered yield of approximately 6.8%. There were several other smaller investments in addition to these large portfolios. The company also sold four medical office buildings for $18.2 million, generating a gain of $5.5 million. In addition to those closed during the quarter, management announced pending net investment activity of approximately $280 million comprising 763,554 leasable square feet. We anticipate that these investments will close in the current quarter, or early in the fourth quarter, although management noted that it cannot guarantee that any of these investments will close. Management pushed up expectations for total investment for the year to $1.2-$1.4 billion.

Capital Markets Activity – Just after the end of the second quarter the company completed a 20 million share equity offering raising just over $390 million at the offered price of $20.40 per share.

Dividend – DOC management declared a partial quarter dividend of $0.18 a share for its initial quarter in 2013 and then declared its regular payment of $0.90 annually, or $0.225 a quarter with the first quarterly payment. The company then, with the most recent payment surprised us by raising the dividend by half a penny a quarter to $0.92 annually, or $0.23 a quarter. Despite our drop in expectations for 2017 FFO, the dividend should be easily covered, although with the payout ratio remaining above the peer group.

Quarterly Income Statement

(in thousands)	2Q 2017	2Q 2016	% Change
Rental Income	$58,015	$42,196	37.5%
Expense Recoveries	16,108	9,552	68.6%
Other Operating Income	2,476	1,468	68.7%
Total Revenue	76,599	53,216	43.9%
General & Admin	6,249	4,926	26.9%
Management Fees	0	0	
Acquisition Expense	5,242	3,256	61.0%
Bad debt expense	0	0	
Operating and other	20,519	13,798	48.7%
EBITDA	44,589	31,236	42.7%
Interest Expense	11,472	4,279	168.1%
Depreciation & Amortization Expense	28,123	19,799	42.0%
Income (Loss) Before Discontinued Operations and Other Items	4,994	7,158	-30.2%
Discontinued Operations (including gain on sale of assets)	5,308	0	
Charges	0	0	
Income taxes	0	0	
Unconsolidated	29	26	
Minority Interest	(473)	(261)	
Preferred Stock Dividends	(188)	(437)	
Net Income (Loss)	$9,670	$6,486	49.1%
Net EPS (diluted)	$0.06	$0.05	
Avg. Shares Outstanding (diluted)	161,012	135,945	

Funds From Operations	2Q 2017	2Q 2016
Net Income	$10,331	$7,184
Depreciation Expense	28,098	19,778
Other (adding/substracting one-time items)	(538)	2,575
Funds From Operations	**$37,891**	**$29,537**
Normalized FFO Per Share (diluted)	**$0.24**	**$0.22**

Source: Company reports.

Consolidated Balance Sheet

(in thousands)	June 30, 2017	December 31, 2016
Real Estate Assets		
Land	$207,034	$189,759
Buildings and Improvements (net of Depreciation)	$2,887,738	$2,220,858
Tenant improvements	$18,561	$14,133
Construction in progress	$0	$0
Investment in Unconsolidated	$2,232	$2,258
Mortgage Loans Receivable	47,923	39,154
Total Net Real Estate Investments	3,163,488	2,466,162
Cash and Cash Equivalents	11,509	15,491
Tenant Receivables	5,991	9,790
Deferred Costs	0	0
Restricted cash	0	0
Intangibles	381,875	301,462
Real estate held for sale	0	0
Other assets	103,028	95,187
Total Assets	**$3,665,891**	**$2,888,092**
Credit Facility	$603,585	$643,742
Mortgage Loan payable	793,633	347,413
Accounts Payable	5,071	4,423
Dividends Payable	38,381	32,179
Acquired Lease Intangibles	15,183	9,253
Other Liabilities	51,042	42,287
Minority interest in JVs	0	0
Derivative Liabilities	0	0
Total Liabilities	**$1,506,895**	**$1,079,297**
Non-controlling interest	83,696	70,344
Common Stock	1,576	1,362
Capital in Excess of Par Value	2,313,443	1,920,642
Other	12,928	13,708
Cumulative Net Income for Shareholders	(252,647)	(197,261)
Predecessor Equity	0	0
Total Shareholders' Equity	**2,158,996**	**1,808,795**
Total Liabilities and Shareholders' Equity	**$3,665,891**	**$2,888,092**

Balance Sheet Ratio Analysis	June 30, 2017	December 31, 2016
Net R/E Investments / Total Debt	44.2%	40.2%
Debt to Equity	65.0%	55.0%
Debt as % of Total Assets	38.3%	34.5%
Shareholders' Equity as % of Total Assets	58.9%	62.6%

Source: Company reports.

Conference Call Discussion

DOC management discussed the tenant issue that has resulted in one large lease going onto cash accrual and resulting in a three cent reduction in current quarter FFO, and will result in a penny reduction in quarterly FFO going forward. The tenant, which is a government entity, has entered Chapter 9 bankruptcy and is reorganizing. Management expects the entity to reorganize and to eventually begin paying rent again in the future. However, management believes that the property is of high quality and that nothing will be lost over the long term. Management also discussed two other problem properties, which have fallen behind on rent. One has undertaken some restructuring steps to cure the issues that caused it to fall behind on its rent payments and has begun to catch up on the past due payments. The other has resumed paying rent and DOC management anticipates working with them to take steps to improve operations and catch up on the past due rent. In both cases, these properties have been placed on cash accrual, which will reduce reported rent in the near term. Management anticipates no additional charges on these properties and is exploring a potential sale of them.

Management also discussed its Q2 acquisitions, going in depth into the Baylor Charles A. Sammons Cancer Center, noting the very low cap rate in comparison to recent purchases. This is a function of the quality of the property, which management believes may be the best medical office building in the country. Management also noted that its pipeline remains robust, and they anticipate consummating somewhere between $1.2 and $1.4 billion in acquisitions for the year, an increase from their previous estimate. Management noted that its average cap rate on acquisitions during the quarter was only 5.3%, solidly below the recent level of acquisition cost, and noted that this was driven by the abnormally low rate on the Baylor property. Management expects the properties in its current pipeline to average cap rates in the 5.5-6% area. The company had nearly $300 million in pending acquisitions in this pipeline.

They also discussed same store NOI (net operating income) growth on its portfolio, which provided positive NOI of 1.0%, although if the charge from the bankrupt property was excluded, this measure would have been a very solid 3.5%. The company's occupancy stood at 96.3% at quarter end, the highest of any publicly traded MOB REIT.

Management did not offer any specific guidance range for FFO, although they noted that the negative issues around the cash accrual of the properties discussed earlier and lack of rent from the bankrupt properties would impact numbers in the near term. We are not assuming any additional equity raises this year other than incremental issuance off of the at the market equity program following the large equity issue made early this quarter. However, we are adjusting our numbers for the issues above that are resulting in a reduction in cash flow.

Q3 and 2017 Outlook

Following the conference call and discussions with management and taking into account the level of acquisitions closed over the past several quarters, those subsequent to quarter end, the Q2 results and the various tenant issues, as well as the recent large equity offering and shares issued under the ATM, we are adjusting our estimate for full year FFO to $1.07 a share for 2017. In looking at the Q2 shortfall, the issues discussed earlier were the major cause, and some of those will continue to impact the company going forward, and we expect the dilution from the equity issued early in Q3 should also have an impact, although less so. Our Q3 estimate is now $0.26 a share. We are fine-tuning our 2018 FFO estimate to $1.25 a share, assuming an equity issuance early that year, some terming of debt and a decline in the investment level to $800 million, as finding appropriately priced investments becomes more difficult. We are assuming that the company issues about 20 million shares during 2018, although if it issues more, our estimate is likely to be high.

Valuation and Rating

In looking at the current valuation for DOC the multiple is becoming more meaningful, as the company's on-going cash flow is getting closer to what we consider a steady state basis, and the dilution from equity issuance should be less of an issue going forward. The valuation on an expected steady state run rate for the company should look even better once it reaches that level.

What we would consider the specific peer group to compare DOC to is reasonably small, so we include other smaller cap healthcare REITs that are more focused on senior living, skilled nursing, etc., as well as some of the larger healthcare REITs with significant MOB exposure. However, those companies that are more exposed to MOB and related properties tend to command higher valuations; we take that into account as we evaluate DOC. As the table below shows, DOC is currently trading in line with its peer group on our current year earnings estimate. Looking at valuation more critically, we expect the 2018 number will be close to DOC's run rate on our estimate, and we are more comfortable using that number, even though there may still be some upside to the eventual steady state run rate. Our new 2018 number is $1.25. With DOC continuing to become more seasoned, we are using a multiple of 15 times, compared to the peer group trading at 15.8 times. We believe that this is a more appropriate comparison, and one that reflects DOC's forward earnings power. We believe that our number could also be considered even more conservative with its chief direct peers (HR and HTA) trading at 18.1 times the 2018 number (although we believe that is above where they should be trading). Looking out 2-3 years, we estimate DOC will be generating FFO of $1.50 a share, equating to a value of $22.50 a share. Combine this with the company's $0.92 a share annual dividend and we believe that investors can achieve a potential annual total return closing in on 15% should the share price reach our target.

Health Care REITs		Closing Price	Current		2018E			2-Year Average	Price / FFO	
	Symbol	8/3/2017	Dividend	Yield	Payout Ratio	2017E	2018E	Growth Rate	2017E	2018E
Welltower, Inc.	HCN	$72.19	$3.48	4.8%	77.2%	$4.29	$4.51	-0.7%	16.8x	16.0x
National Health Investors	NHI	$76.10	$3.80	5.0%	70.4%	$5.19	$5.40	5.3%	14.7x	14.1x
Healthcare Realty	HR	$33.19	$1.20	3.6%	68.6%	$1.60	$1.75	3.6%	20.7x	19.0x
Healthcare Trust of America	HTA	$30.07	$1.18	3.9%	67.0%	$1.63	$1.76	4.6%	18.4x	17.1x
LTC Properties, Inc.	LTC	$51.06	$2.28	4.5%	68.3%	$3.16	$3.34	4.5%	16.2x	15.3x
Health Care Sector Average		**$52.89**	**$2.39**	**4.5%**	**70.3%**	**$3.17**	**$3.35**	3.2%	**16.7x**	**15.8x**
Physicians Realty Trust	DOC	$18.42	$0.92	5.0%	73.6%	$1.08	$1.25	10.2%	17.1x	14.7x

Note: NHI and LTC are rated Neutral, HCN and HR Underperform by Hilliard Lyons. HTA is not rated. Source: NAREIT, Baseline and Hilliard Lyons' estimates.

As such, at this point we are retaining our rating on DOC shares at Long-term Buy for those investors looking for a combination of income and price appreciation and willing to take some risk.

Suitability

DOC has a suitability rating of 3 on our 1-4 scale. We find the company to have a very strong balance sheet in relation to its peers. Its real estate ownership is also a positive factor, as is the company's geographic and operator diversification. On the other hand, the company has significant dependence upon acquisitions, has been making many large purchases that could cause risk, and has a reasonably short history.

Risks

There are a number of risks to owning DOC shares and REITs as an investment group. REITs in general need access to debt capital to grow, if such debt and equity capital is unavailable, the company may have difficulty in growing. The company's initial dividend is very attractive to shareholders and DOC, as well as REITs in general, have seen their prices rise with the decline in overall interest rates. Rising rates could hurt DOC's share price. Further, we believe there is more risk to DOC's dividend than its peer group due to its slightly higher payout rate. Should management not live up to expectations or need to reduce the dividend some time in the future, the stock would be hurt. Because of their thirst for debt, changes in interest rates can also impact a REIT's cash flow and ability to make accretive acquisitions. DOC's concentration upon the healthcare facility real estate sector could be a risk due to various legislative issues. Unintended consequences from the Affordable Care Act legislation could lead to outcomes that could hurt the value of DOC's portfolio. DOC's initial concentrated geographic exposure to the middle of the country could be an issue if that area has a problem. We also note that much of DOC's dividend is likely to be a return of capital based on our calculation of taxable income, which will result in additional record-keeping for tax purposes, as investors will need to reduce their cost basis by the amount of return of capital. Finally, we note the issues discussed around the problem tenants could reduce cash flow in the near term.

Annual yield is calculated by dividing the distribution amount by the current market price of the security. For US income tax purposes, the Company may classify all or a portion of its distributions as dividends or other non-dividend distributions. Note that for some investors, for US income tax purposes all or a portion of the Company's 2016 dividend or distribution was treated as return of capital and not as "dividend income" as reflected on the IRS Form 1099-Div for the 2016 tax year. The Company generally makes a final determination regarding the proper tax treatment of distributions after calendar year end. We urge each shareholder to consult with his or her own tax advisor to determine the tax consequences of the distributions received, including any state, local or foreign tax considerations.

Additional information is available upon request.

Table 1. Consolidated Income Statement
In Thousands

	2014	2015	2016					2017E					2018E				
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1A	Q2A	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Rental Revenue	$46,397	$103,974	$34,855	$42,196	$53,327	$55,923	$186,301	$59,092	$58,015	$70,917	$80,797	$268,822	$81,124	$92,217	$97,421	$102,665	$373,428
Expense Recoveries	$5,871	$21,587	$7,903	$9,552	$14,361	$14,059	$45,875	$16,354	$16,108	$18,368	$20,927	$71,756	$20,930	$23,792	$25,135	$26,488	$96,344
Other/interest	$1,025	$3,880	$1,376	$1,468	$2,322	$3,692	$8,858	$1,220	$2,476	$2,500	$2,600	$8,796	$1,800	$2,500	$2,800	$3,400	$10,500
	$53,293	$129,441	$44,134	$53,216	$70,010	$73,674	$241,034	$76,666	$76,599	$91,785	$104,324	$349,374	$103,855	$118,509	$125,356	$132,553	$480,272
Expenses																	
General & Administrative	$11,440	$14,908	$4,121	$4,926	$4,917	$4,433	$18,397	$4,736	$6,249	$5,434	$6,103	$22,522	$6,044	$6,874	$7,020	$7,556	$27,493
Property operating expense	10,154	31,026	11,037	13,798	19,159	22,005	65,999	22,089	20,519	25,317	26,663	94,589	29,935	32,184	34,097	33,777	129,993
Management Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition Expense	10,897	14,893	3,377	3,256	4,398	3,747	14,778	5,405	5,242	3,500	2,500	16,647	3,500	3,500	3,500	3,500	14,000
Interest Expense, net	6,907	10,636	4,197	4,279	7,300	8,088	23,864	9,815	11,472	14,126	14,743	50,156	15,627	16,876	18,160	19,302	69,965
Other	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & Amortization	16,731	45,471	16,010	19,799	23,969	26,811	86,589	27,933	28,123	38,192	41,237	135,484	43,412	45,732	48,052	50,372	187,566
Total Expenses	$56,379	$116,934	$38,742	$46,058	$59,743	$65,084	$209,627	$69,978	$71,605	$86,568	$91,246	$319,397	$98,518	$105,165	$110,829	$114,506	$429,018
Income from Operations	($3,086)	$12,507	$5,392	$7,158	$10,267	$8,590	$31,407	$6,688	$4,994	$5,216	$13,078	$29,976	$5,336	$13,344	$14,527	$18,047	$51,255
Minority interests	$448	($875)	($490)	($235)	($404)	($359)	($1,488)	($286)	($473)	($261)	($654)	($1,674)	($267)	($667)	($726)	($902)	($2,563)
Equity income from unconsolidated JVs	$0	$26	$0	$0	$0	$30	$30	$0	$29	$0	$0	$29	$0	$0	$0	$0	$0
Oper. Income from discontinued opers.	$60	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other	$41	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Impairments	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
(Loss)/Gain on sale of assets	$0	$130	$0	$0	$0	$0	$0	$0	$5,308	$0	$0	$5,308	$0	$0	$0	$0	$0
Income Bef. Preferred div	($2,537)	$11,788	$4,902	$6,923	$9,863	$8,261	$29,949	$6,402	$9,858	$4,955	$12,424	$33,640	$5,070	$12,677	$13,800	$17,145	$48,692
Preferred dividends	$0	$1,189	$548	$437	$436	$436	$1,857	$211	$188	$188	$188	$775	$188	$188	$188	$188	$752
Net Income for common	($2,537)	$10,599	$4,354	$6,486	$9,427	$7,825	$28,092	$6,191	$9,670	$4,767	$12,236	$32,865	$4,882	$12,489	$13,612	$16,957	$47,940
Per share bef. Extra	($0.08)	$0.14	$0.04	$0.05	$0.07	$0.06	$0.22	$0.04	$0.06	$0.03	$0.06	$0.20	$0.03	$0.06	$0.07	$0.08	$0.24
Extraordinary item	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Net (loss) income per share	($0.08)	$0.14	$0.04	$0.05	$0.07	$0.06	$0.22	$0.04	$0.06	$0.03	$0.06	$0.20	$0.03	$0.06	$0.07	$0.08	$0.24
Quarterly dividend rate	$0.90	$0.90	$0.23	$0.23	$0.23	$0.23	$0.90	$0.23	$0.23	$0.23	$0.23	$0.91	$0.23	$0.23	$0.23	$0.23	$0.92
Shs Outstanding	33,023,000	74,760,609	107,148,000	135,945,000	138,881,000	139,602,000	130,394,000	142,605,930	161,012,000	180,624,843	188,452,343	168,173,779	193,281,620	197,992,503	202,595,204	207,054,648	200,230,994

Table 5. Funds From Operations Calculation
In Thousands

			2016					2017E					2018E				
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Net income for common shareholders	($2,537)	$11,950	$5,424	$7,184	$10,294	$7,825	$28,092	$6,716	$10,331	$4,767	$12,236	$34,051	$4,882	$12,489	$13,612	$16,957	$47,940
Add Back:																	
Depreciation	16,731	45,310	15,989	19,778	23,779	26,811	86,357	27,911	28,098	38,192	41,237	135,437	43,412	45,732	48,052	50,372	187,566
JV Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	$14,432	$14,169	2,277	2,575	2,946	3,847	$11,645	4,970	(538)	3,500	2,500	$10,432	3,500	3,500	3,500	3,500	$14,000
Non-recurring																	
Deduct:																	
Gain/loss on sales of real estate	$0	($92)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
FFO Available for common	$28,626	$71,337	$23,690	$29,537	$37,019	$38,483	$126,094	$39,597	$37,891	$46,459	$55,973	$179,920	$51,793	$61,721	$65,164	$70,828	$249,506
Diluted FFO available for common	$26,745	$71,337	$23,690	$29,537	$37,019	$38,483	$128,729	$39,597	$37,891	$46,459	$55,973	$179,920	$51,793	$61,721	$65,164	$70,828	$249,506
Basic FFO per share	$0.77	$0.95	$0.23	$0.22	$0.28	$0.28	$1.01	$0.28	$0.24	$0.26	$0.30	$1.07	$0.27	$0.31	$0.32	$0.34	$1.25
Diluted FFO per share	$0.72	$0.92	$0.22	$0.22	$0.27	$0.27	$0.98	$0.28	$0.24	$0.26	$0.30	$1.07	$0.27	$0.31	$0.32	$0.34	$1.25
Shares, basic	33,023,000	74,760,609	102,704,008	131,645,000	134,581,000	139,602,000	127,133,002	142,605,930	161,012,000	180,624,843	188,452,343	168,173,779	193,281,620	197,992,503	202,595,204	207,054,648	200,230,994
Shares, diluted	37,049,757	76,693,468	107,148,380	135,945,000	138,881,000	143,502,000	131,369,095	142,605,930	161,012,000	180,624,843	188,452,343	168,173,779	193,281,620	197,992,503	202,595,204	207,054,648	200,230,994

Table 6. Funds Available for Distribution Calculation

FFO Available for common	$28,626	$71,337	$23,690	$29,537	$37,019	$38,483	$126,094	$39,597	$37,891	$46,459	$55,973	$179,920	$51,793	$61,721	$65,164	$70,828	$249,506
Less:																	
Recurring real estate CAPX	($4,744)	($10,504)	($3,632)	($5,200)	($5,200)	($6,007)	($20,040)	($6,445)	($7,793)	($8,668)	($9,106)	($32,013)	($9,606)	($10,106)	($10,606)	($11,106)	($41,424)
Debt adjustments	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Funds available for distribution	$23,882	$60,833	$20,058	$24,337	$31,819	$32,476	$106,054	$33,152	$30,098	$37,790	$46,867	$147,907	$42,187	$51,615	$54,558	$59,722	$208,082
Per share	$0.72	$0.81	$0.20	$0.18	$0.24	$0.23	$0.83	$0.23	$0.19	$0.21	$0.25	$0.88	$0.22	$0.26	$0.27	$0.29	$1.04

Source: Company reports and Hilliard Lyons estimates

Analyst Certification

I, John M. Roberts, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Hilliard Lyons acted as a manager or co-manager of an offering of securities of Physicians Realty Trust in the past 12 months.

Hilliard Lyons has received investment banking compensation from Physician Realty Trust in the past 12 months.

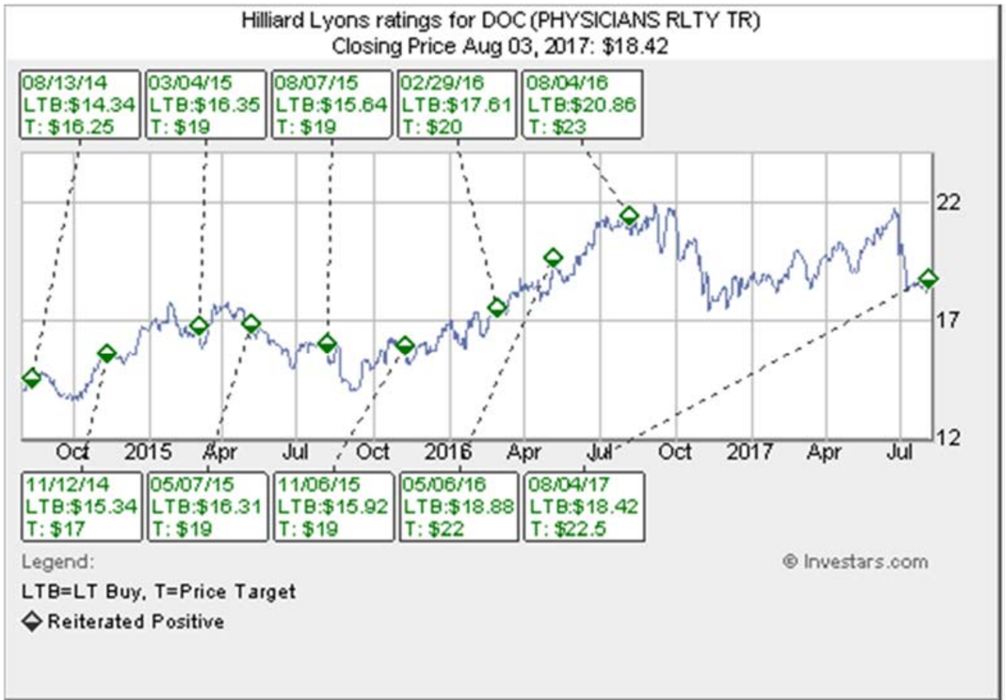
Hilliard Lyons expect to receive investment banking compensation from Physicians Realty Trust in the coming three months.

Investment Ratings
Buy - We believe the stock has significant total return potential in the coming 12 months.
Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically two to three years.
Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.
Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

Suitability Ratings
1 - A large cap, core holding with a solid history
2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks
3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage
4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base.

	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	**# of Stocks Covered**	**% of Stocks Covered**	**Banking**	**No Banking**
Buy	36	29%	14%	86%
Hold/Neutral	79	63%	5%	95%
Sell	10	8%	0%	100%

As of 7 July 2017



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