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National Health Investors, Inc.

NHI reports second quarter income

MURFREESBORO, Tenn. -- National Health Investors, Inc., (NYSE: NHI) announced income from continuing operations for the second quarter ended June 30 of \$12,828,000 or 46 cents per basic and diluted share of common stock compared to \$11,042,000, or 40 cents per basic and diluted share of common stock for the same period in 2004.

Income from continuing operations for the second quarter of 2005 includes a net of \$525,000 or two cents per share attributable to income of \$4,525,000 from a facility that was sold and mortgage notes receivable and writedowns totaling \$4,000,000. Income from continuing operations for the second quarter of 2004 included \$233,000 or one cent per basic and diluted share of common stock related to income attributable to REMIC writedowns and security disposals.

Funds from operations ("FFO") for the second quarter ended June 30 was \$13,825,000, or 50 cents per basic and \$13,846,000, or 50 cents per diluted share of common stock compared to \$13,553,000, or 50 cents per basic and \$13,583,000, or 49 cents per diluted share for the same period in 2004.

FFO from continuing operations for the second quarter of 2005 was reduced by \$1,346,000 or five cents per basic and diluted share of common stock attributable to income of \$2,654,000 from a facility that was sold, offset by impairment writedowns on mortgage notes receivable totaling \$4,000,000. FFO from continuing operations for the second quarter of 2004 includes \$233,000 or one cent per basic and diluted share of common stock related to income discussed above.

Income from continuing operations for the six months ended June 30 was \$28,955,000 or \$1.05 per basic and diluted share of common stock compared to \$24,660,000 or 89 cents per basic and diluted share of common stock for the same period in 2004.

For the six months ended June 30, FFO was \$32,682,000 or \$1.18 per basic and \$32,731,000 or \$1.18 per diluted share of common stock compared to \$29,572,000 or \$1.09 per basic and \$29,634,000 or \$1.09 per diluted share for the same period in 2004.

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Net income for the three months and six months ended June 30, was \$12,815,000 and \$29,609,000, respectively, versus \$11,961,000 and \$25,396,000, respectively, for the same period in 2004.

National Health Investors, Inc. is a long-term health care real estate investment trust that specializes in the financing of health care real estate by first mortgage and by purchase and leaseback transactions. The common stock of the company trades on the New York Stock Exchange with the symbol NHI. Additional information including NHI's most recent press releases may be obtained on NHI's web site at www.nhinvestors.com.

Statements in this press release that are not historical facts are forward-looking statements. NHI cautions investors that any forward-looking statements made involve risks and uncertainties and are not guarantees of future performance. All forward-looking statements represent NHI's judgment as of the date of this release.

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Condensed Statements of Income*(in thousands, except share and per share amounts)*

	Three Months Ended June 30		Six Months Ended June. 30	
	2005	2004	2005	2004
Revenues:				
Mortgage interest income	\$ 3,924	\$ 4,818	\$ 7,831	\$ 9,669
Rental income	11,521	12,239	23,059	24,359
Facility operating revenues	23,854	20,769	46,483	41,169
	<u>39,299</u>	<u>37,826</u>	<u>77,373</u>	<u>75,197</u>
Expenses:				
Interest	1,929	3,083	4,399	6,203
Depreciation	3,176	3,387	6,325	6,828
Amortization of loan cost	34	37	106	74
Legal expense	175	769	322	918
Franchise, excise and other taxes	218	66	285	136
General and administrative	1,068	1,064	2,171	1,920
Loan, REMIC, realty, and security losses, (recoveries), net	4,000	1,093	3,528	(896)
Facility operating expense	22,439	20,079	43,804	40,281
	<u>33,039</u>	<u>29,578</u>	<u>60,940</u>	<u>55,464</u>
Income before non-operating income	6,260	8,248	16,433	19,733
Non-operating income (investments and other)	6,568	2,794	12,522	4,927
Income from continuing operations	12,828	11,042	28,955	24,660
Discontinued operations				
Operating loss— discontinued operations	(13)	(333)	(94)	(516)
Net gain on sale of real estate	---	1,252	748	1,252
	<u>(13)</u>	<u>919</u>	<u>654</u>	<u>736</u>
Net Income	12,815	11,961	29,609	25,396
Dividends to preferred stockholders	---	(117)	---	(514)
Net income applicable to common stock	\$ 12,815	\$ 11,844	\$ 29,609	\$ 24,882

Income from continuing operations per common share:

Basic	\$.46	\$.40	\$ 1.05	\$.89
Diluted	\$.46	\$.40	\$ 1.05	\$.89

Discontinued operations per common share:

Basic	\$ ---	\$.03	\$.02	\$.03
Diluted	\$ ---	\$.03	\$.02	\$.02

Net income per common share:

Basic	\$.46	\$.43	\$ 1.07	\$.92
Diluted	\$.46	\$.43	\$ 1.07	\$.91

Funds from operations:

Basic	\$ 13,825	\$ 13,553	\$ 32,682	\$ 29,572
Diluted	\$ 13,846	\$ 13,583	\$ 32,731	\$ 29,634

Funds from operations per common share:

Basic	\$.50	\$.50	\$ 1.18	\$ 1.09
Diluted	\$.50	\$.49	\$ 1.18	\$ 1.09

Weighted average common shares outstanding

Basic	27,705,245	27,267,605	27,643,300	27,021,602
Diluted	27,850,745	27,534,171	27,813,195	27,299,444

Dividends per common share

	\$.450	\$.425	\$.90	\$.85
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Balance Sheet Data*(in thousands)*

	June 30	December 31
	2005	2004
Real estate properties, net	\$ 264,072	\$ 278,170
Mortgages receivable, net	125,866	112,072
Preferred stock investments	38,132	38,132
Cash and marketable securities	152,760	190,313
Debt	119,343	154,432
Convertible debt	640	1,116
Stockholders' equity	424,120	425,539

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Reconciliation of Funds From Operations ⁽¹⁾⁽²⁾

The following table reconciles net income to funds from operations applicable to common stockholders:

(in thousands, except share and per share amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Net income	\$ 12,815	\$ 11,961	\$ 29,609	\$ 25,396
Dividends to preferred stockholders	---	(117)	---	(514)
Net income applicable to common stockholders	12,815	11,844	29,609	24,882
Elimination of non-cash items in net income:				
Real estate depreciation	2,881	2,883	5,670	5,786
Real estate depreciation in discontinued operations	---	78	22	156
Gain on sale of real estate	(1,871)	(1,252)	(2,619)	(1,252)
Basic funds from operations applicable to common stockholders	13,825	13,553	32,682	29,572
Interest on convertible subordinated debentures	21	30	49	62
Diluted funds from operations applicable to common stockholders	\$ 13,846	\$ 13,583	\$ 32,731	\$ 29,634
Basic funds from operations per share	\$.50	\$.50	\$ 1.18	\$ 1.09
Diluted funds from operations per share	\$.50	\$.49	\$ 1.18	\$ 1.09
Shares for basic funds from operations per share	27,705,245	27,267,605	27,643,300	27,021,602
Shares for diluted funds from operations per share	27,850,745	27,534,171	27,813,195	27,299,444

(1) Management believes that funds from operations is an important supplemental measure of operating performance for a real estate investment trust. Because the historical cost accounting convention used for real estate assets requires straight-line depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen and fallen with market conditions, presentations of operating results for a real estate investment trust that used historical cost accounting for depreciation could be less informative, and should be supplemented with a measure such as FFO. The term FFO was designed by the real estate investment trust industry to address this issue. Our measure may not be comparable to similarly titled measures used by other REITs. Consequently, our funds from operations may not provide a meaningful measure of our performance as compared to that of other REITs. Since other REITs may not use our definition of FFO, caution should be exercised when comparing our Company's FFO to that of other REITs. Funds from operations in and of itself does not represent cash generated from operating activities in accordance with GAAP (funds from operations does not include changes in operating assets and liabilities) and, therefore, should not be considered an alternative to net earnings as an indication of operating performance, or to net cash flow from operating activities as determined by GAAP in the United States, as a measure of liquidity and is not necessarily indicative of cash available to fund cash needs.

(2) We have complied with the SEC's interpretation that recurring impairments taken on real property may not be added back to net income in the calculation of FFO. The SEC's position is that recurring impairments on real property are not an appropriate adjustment.

National Health Investors, Inc.

Portfolio Summary

June 30, 2005

Portfolio Statistics

	Properties	Investment	Investment Percentage
Equity Ownership	93	\$ 264,072,000	68%
Mortgage Loan Receivables	65	125,866,000	32%
Total Real Estate Portfolio	158	\$ 389,938,000	100%

Equity Ownership

	Properties	Beds	Investments
Nursing Home	69	9,126	\$ 179,255,000
Assisted Living	14	1,185	56,253,000
Medical Office Buildings	4	124,427 sq.ft.	10,640,000
Retirement Homes	5	426	10,492,000
Hospitals	1	55	7,432,000
	93		\$ 264,072,000

Mortgage Loan Receivable

	Properties	Beds	Investments
Nursing Homes	46	5,005	\$ 114,012,000
Assisted Living	1	95	5,455,000
Retirement Homes	1	60	2,030,000
Developmentally Disabled	17	108	4,369,000
	65		\$ 125,866,000
Total Real Estate Portfolio	158		\$ 389,938,000

Summary of Facilities by Type:

	Properties	Percentage of Total Dollars	Total Dollars
Nursing Homes	115	75.21%	\$ 293,267,000
Assisted Living	15	15.83%	61,708,000
Retirement Homes	6	3.21%	12,522,000
Medical Office Buildings	4	2.73%	10,640,000
Hospitals	1	1.91%	7,432,000
Developmentally Disabled	17	1.12%	4,369,000
	158	100.00%	\$ 389,938,000

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Portfolio by Operator Type	# of Properties	Percentage of Total Dollars	Total Dollars
Public	71	24.98%	\$ 97,388,000
Regional	80	70.82%	276,161,000
Small Operator	7	4.20%	16,389,000
	158	100%	\$ 389,938,000

Public Operators	Percentage Of Total Portfolio	Dollar Amount
National HealthCare Corp.	13.45%	\$ 52,451,000
Community Health Systems, Inc.	3.53%	13,756,000
Sunrise Senior Living Services	3.46%	13,500,000
Sun Healthcare	2.31%	8,997,000
Res-Care, Inc.	1.12%	4,369,000
HCA-The Healthcare Company	1.11%	4,315,000
	24.98%	\$ 97,388,000

Summary of Facilities by State

June 30, 2005

	LTC	Acute Care	MOB	Dev. Disab.	Asst. Living	Retire-Ment	Total	Current Amount	Percent of Total Portfolio
1 Florida	17		1	14	6		38	\$ 96,270,000	24.69%
2 Texas	27		2			1	30	86,137,000	22.09%
3 Tennessee	20			3	3	2	28	35,222,000	9.03%
4 Missouri	9					1	10	26,417,000	6.77%
5 New Jersey	2				1		3	25,676,000	6.58%
6 Virginia	8						8	20,253,000	5.19%
7 Arizona	1				4		5	18,755,000	4.81%
8 New Hampshire	3					1	4	15,476,000	3.97%
9 Georgia	7						7	14,956,000	3.84%
10 Massachusetts	4						4	11,159,000	2.86%
11 Kansas	7						7	11,235,000	2.88%
12 Kentucky	3	1					4	9,066,000	2.32%
13 South Carolina	3				1		4	7,966,000	2.04%
14 Idaho	1					1	2	5,448,000	1.40%
15 Alabama	2						2	2,248,000	0.58%
16 Wisconsin	1						1	2,099,000	0.54%
17 Illinois	0		1				1	1,555,000	0.40%
	115	1	4	17	15	6	158	\$ 389,938,000	100.00%