UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended March 31, 2015

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 1-9321

UNIVERSAL HEALTH REALTY INCOME TRUST

(Exact name of registrant as specified in its charter)

MARYLAND	**23-6858580**
(State or other jurisdiction of incorporation or organization)	**(I. R. S. Employer Identification No.)**
UNIVERSAL CORPORATE CENTER	
367 SOUTH GULPH ROAD	
KING OF PRUSSIA, PENNSYLVANIA	**19406**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code (610) 265-0688

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer ¨	Accelerated Filer x
Non-accelerated filer ¨	Smaller reporting company ¨

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

Number of common shares of beneficial interest outstanding at April 30, 2015 13,302,259

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UNIVERSAL HEALTH REALTY INCOME TRUST

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This Quarterly Report on Form 10-Q is for the quarter ended March 31, 2015. In this Quarterly Report, we, us, our and the Trust refer to Universal Health Realty Income Trust and its subsidiaries.

As disclosed in this Quarterly Report, including in *Part I, Item 1. Relationship with Universal Health Services, Inc. (UHS) and Related Party Transactions,* a wholly-owned subsidiary of UHS (UHS of Delaware, Inc.) serves as our Advisor pursuant to the terms of an annually renewable Advisory Agreement dated December 24, 1986. Our officers are all employees of UHS through its wholly-owned subsidiary, UHS of Delaware, Inc. In addition, three of our hospital facilities are leased to subsidiaries of UHS and thirteen medical office buildings and two free-standing emergency departments , that are either wholly or jointly-owned by us, include tenants which are subsidiaries of UHS. Any reference to UHS or UHS facilities in this report is referring to Universal Health Services, Inc. s subsidiaries, including UHS of Delaware, Inc.

In this Quarterly Report, the term revenues does not include the revenues of the unconsolidated limited liability companies (LLCs) in which we have various non-controlling equity interests ranging from 33% to 95%. We currently account for our share of the income/loss from these investments by the equity method (see Note 5 to the Consolidated Financial Statements included herein).

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Part I. Financial Information

Item I. Financial Statements

Universal Health Realty Income Trust

Condensed Consolidated Statements of Income

For the Three Months Ended March 31, 2015 and 2014

(amounts in thousands, except per share amounts)

(unaudited)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Revenues:		
Base rental - UHS facilities	$ 3,906	$ 3,914
Base rental - Non-related parties	8,869	7,226
Bonus rental - UHS facilities	1,218	1,150
Tenant reimbursements and other - Non-related parties	2,009	1,833
Tenant reimbursements and other - UHS facilities	200	165
	16,202	14,288
Expenses:		
Depreciation and amortization	5,523	4,826
Advisory fees to UHS	666	610
Other operating expenses	4,722	3,933
Transaction costs	57	62
	10,968	9,431
Income before equity in income of unconsolidated limited liability companies (LLCs), interest expense and gains	5,234	4,857
Equity in income of unconsolidated LLCs	592	593
Gains on fair value recognition resulting from the purchase of minority interests in majority-owned LLCs	0	316
Interest expense, net	(2,130)	(1,992)
Net income	$ 3,696	$ 3,774
Basic earnings per share	$ 0.28	$ 0.29
Diluted earnings per share	$ 0.28	$ 0.29

Weighted average number of shares outstanding - Basic	13,283	12,848
Weighted average number of share equivalents	11	6
Weighted average number of shares and equivalents outstanding - Diluted	13,294	12,854

See the accompanying notes to these condensed consolidated financial statements.

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Universal Health Realty Income Trust

Condensed Consolidated Statements of Comprehensive Income

For the Three Months Ended March 31, 2015 and 2014

(dollar amounts in thousands)

(unaudited)

	Three Months Ended March 31,	
	2015	**2014**
Net Income	$ 3,696	$ 3,774
Other comprehensive (loss)/income:		
Unrealized derivative (losses)/gains on interest rate caps	(61)	3
Amortization of interest rate cap fees	23	15
Total other comprehensive(loss)/ income:	(38)	18
Total comprehensive income	$ 3,658	$ 3,792

See the accompanying notes to these condensed consolidated financial statements.

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Universal Health Realty Income Trust

Condensed Consolidated Balance Sheets

(dollar amounts in thousands)

(unaudited)

	March 31, 2015	December 31, 2014
Assets:		
Real Estate Investments:		
Buildings and improvements	$ 465,973	$ 451,005
Accumulated depreciation	(110,518)	(106,480)
	355,455	344,525
Land	38,774	35,584
Net Real Estate Investments	394,229	380,109
Investments in limited liability companies (LLCs), net	7,945	8,605
Other Assets:		
Cash and cash equivalents	3,951	3,861
Base and bonus rent receivable from UHS	2,149	2,086
Rent receivable - other	4,350	4,219
Intangible assets (net of accumulated amortization of $21.0 million and $19.7 million at March 31, 2015 and December 31, 2014, respectively)	22,263	23,123
Deferred charges and other assets, net	6,719	6,863
Total Assets	$ 441,606	$ 428,866
Liabilities:		
Line of credit borrowings	$ 116,000	$ 89,750
Mortgage and other notes payable, non-recourse to us (including net debt premium of $468,000 and $523,000 at March 31, 2015 and December 31, 2014, respectively)	117,607	123,405
Accrued interest	497	545
Accrued expenses and other liabilities	5,352	8,522
Tenant reserves, escrows, deposits and prepaid rents	2,199	2,063
Total Liabilities	241,655	224,285
Equity:		
Preferred shares of beneficial interest, $.01 par value; 5,000,000 shares authorized; none issued and outstanding		
	133	133

Common shares, $.01 par value; 95,000,000 shares authorized; issued and outstanding: 2015 - 13,302,241 2014 -13,301,204		
Capital in excess of par value	240,993	240,835
Cumulative net income	535,291	531,595
Cumulative dividends	(576,340)	(567,894)
Accumulated other comprehensive loss	(126)	(88)
Total Equity	199,951	204,581
Total Liabilities and Equity	$ 441,606	$ 428,866

See accompanying notes to these condensed consolidated financial statements.

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Universal Health Realty Income Trust

Condensed Consolidated Statement of Cash Flows

(dollar amounts in thousands)

(unaudited)

	Three months ended March 31, 2015	Three months ended March 31, 2014
Cash flows from operating activities:		
Net income	$ 3,696	$ 3,774
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,545	4,849
Amortization of debt premium	(57)	(104)
Stock-based compensation expense	101	96
Gains on purchase of minority interests in majority-owned LLCs	0	(316)
Income in excess of cash distributions from LLCs	(64)	0
Changes in assets and liabilities:		
Rent receivable	(194)	(143)
Accrued expenses and other liabilities	(658)	(1,129)
Tenant reserves, escrows, deposits and prepaid rents	136	51
Accrued interest	(48)	2
Other, net	(228)	(114)
Net cash provided by operating activities	8,229	6,966
Cash flows from investing activities:		
Investments in LLCs	(321)	(442)
Cash distributions in excess of income from LLCs	0	406
Cash distribution of refinancing proceeds from LLCs	1,045	0
Additions to real estate investments, net	(2,168)	(641)
Net cash paid for acquisition of properties	(16,765)	(7,050)
Cash paid to acquire minority interests in majority-owned LLCs	(2,250)	(170)
Net cash used in investing activities	(20,459)	(7,897)
Cash flows from financing activities:		
Net borrowings on line of credit	26,250	7,550
Repayments of mortgages and other notes payable	(5,743)	(796)
Financing costs paid	(913)	0
Dividends paid	(8,446)	(8,050)
Issuance of shares of beneficial interest, net	1,172	2,477
Net cash provided by financing activities	12,320	1,181

Increase in cash and cash equivalents	90	250
Increase in cash due to recording of LLCs on a consolidated basis	0	257
Cash and cash equivalents, beginning of period	3,861	3,337
Cash and cash equivalents, end of period	$ 3,951	$ 3,844
Supplemental disclosures of cash flow information:		
Interest paid	$ 2,115	$ 1,980
Supplemental disclosures of non-cash transactions:		
Consolidation of LLCs:		
Net real estate investments	$ 0	$ 19,489
Cash and cash equivalents	0	257
Intangible assets	0	2,820
Rent receivable - other	0	330
Deferred charges, goodwill and other assets, net	0	46
Investment in LLCs	0	(11,392)
Mortgage and other notes payable, non-recourse to us	0	(10,726)
Accrued interest	0	(33)
Accrued expenses and other liabilities	0	(248)
Tenant reserves, escrows, deposits and prepaid rents	0	(57)
Note payable to previous third party member	0	0
Gains on purchases of minority interests in majority-owned LLCs	0	(316)
Cash paid for purchase of minority interests in majority-owned LLCs	$ 0	$ 170

See accompanying notes to these condensed consolidated financial statements.

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UNIVERSAL HEALTH REALTY INCOME TRUST

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

(unaudited)

(1) General

This Quarterly Report on Form 10-Q is for the quarter ended March 31, 2015. In this Quarterly Report, we, us, our and the Trust refer to Universal Health Realty Income Trust and its subsidiaries.

In this Quarterly Report on Form 10-Q, the term revenues does not include the revenues of the unconsolidated limited liability companies (LLCs) in which we have various non-controlling equity interests ranging from 33% to 95%. As of March 31, 2015, we had investments in five jointly-owned LLCs which own medical office buildings, all of which are accounted for by the equity method (see Note 5). These LLCs are included in our financial statements for all periods presented on an unconsolidated basis since they are not variable interest entities for which we are the primary beneficiary, nor do we hold a controlling voting interest.

The financial statements included herein have been prepared by us, without audit, pursuant to the rules and regulations of the SEC and reflect all normal and recurring adjustments which, in our opinion, are necessary to fairly present results for the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although we believe that the accompanying disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the financial statements, the notes thereto and accounting policies included in our Annual Report on Form 10-K for the year ended December 31, 2014.

(2) Relationship with Universal Health Services, Inc. (UHS) and Related Party Transactions

Leases: We commenced operations in 1986 by purchasing properties of certain subsidiaries from UHS and immediately leasing the properties back to the respective subsidiaries. Most of the leases were entered into at the time we commenced operations and provided for initial terms of 13 to 15 years with up to six additional 5-year renewal terms. The current base rentals and lease and rental terms for each facility are provided below. The base rents are paid monthly and each lease also provides for additional or bonus rents which are computed and paid on a quarterly basis based upon a computation that compares current quarter revenue to a corresponding quarter in the base year. These hospital leases with subsidiaries of UHS are unconditionally guaranteed by UHS and are cross-defaulted with one another.

The combined revenues generated from the leases on the UHS hospital facilities comprised approximately 25% and 29% of our consolidated revenues for the three months ended March 31, 2015 and 2014, respectively. Including 100% of the revenues generated at the unconsolidated LLCs in which we have various non-controlling equity interests ranging from 33% to 95%, the leases on the UHS hospital facilities accounted for approximately 20% and 22% of the combined consolidated and unconsolidated revenue for the three months ended March 31, 2015 and 2014, respectively. In addition, thirteen medical office buildings (MOBs) and two free-standing emergency departments (FEDs), that are either wholly or jointly-owned by us, include tenants which are subsidiaries of UHS.

Pursuant to the Master Lease Document by and among us and certain subsidiaries of UHS, dated December 24, 1986 (the Master Lease), which governs the leases of all hospital properties with subsidiaries of UHS, UHS has the option to renew the leases at the lease terms described below by providing notice to us at least 90 days prior to the termination of the then current term. UHS also has the right to purchase the respective leased facilities at the end of the lease terms or any renewal terms at the appraised fair market value. In addition, the Master Lease, as amended during 2006, includes a change of control provision whereby UHS has the right, upon one month s notice should a change of control of the Trust occur, to purchase any or all of the three leased hospital properties listed below at their appraised fair market value. Additionally, UHS has rights of first refusal to: (i) purchase the respective leased facilities during and for 180 days after the lease terms at the same price, terms and conditions of any third-party offer, or; (ii) renew the lease on the respective leased facility at the end of, and for 180 days after, the lease term at the same terms and conditions pursuant to any third-party offer.

During the third quarter of 2014, a wholly-owned subsidiary of UHS provided notification to us that, upon expiration of The Bridgeway s lease term which occurred in December, 2014, it intended to exercise its option to purchase the real property of the facility. Pursuant to the terms of the lease, we and the wholly-owned subsidiary of UHS were both required to obtain independent appraisals of the property to determine its fair market value. On December 31, 2014, The Bridgeway, a 103-bed behavioral health facility located in North Little Rock, Arkansas, was sold to UHS for $17.3 million. During each of the three years ended December 31, 2014, our revenues, net cash provided by operating activities and funds from operations have included approximately $1.1 million earned annually in connection with The Bridgeway s lease.

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The table below details the existing lease terms and renewal options for our three acute care hospitals operated by wholly-owned subsidiaries of UHS:

Hospital Name	Annual Minimum Rent	End of Lease Term	Renewal Term (years)
McAllen Medical Center	$ 5,485,000	December, 2016	15(a)
Wellington Regional Medical Center	$ 3,030,000	December, 2016	15(b)
Southwest Healthcare System, Inland Valley Campus	$ 2,648,000	December, 2016	15(b)

(a) UHS has three 5-year renewal options at existing lease rates (through 2031).

(b) UHS has one 5-year renewal option at existing lease rates (through 2021) and two 5-year renewal options at fair market value lease rates (2022 through 2031).

During the first quarter of 2015, we purchased from wholly-owned subsidiaries of UHS, the real property of two newly-constructed and recently opened FEDs located in Weslaco and Mission, Texas. Each FED consists of approximately 13,600 square feet and is operated by wholly-owned subsidiaries of UHS. In connection with these acquisitions, ten-year lease agreements with six, 5-year renewal terms have been executed with UHS for each FED. The first four, 5-year renewal terms (covering years 2025 through 2044) include 2% annual lease rate increases, computed on accumulative and compounded basis, and the last two, 5-year renewal terms (covering the years 2045 through 2054) will be at the then fair market value lease rates. These leases are cross-defaulted with one another. UHS has the option to purchase the leased properties upon the expiration of the fixed term and each five-year extended term at the fair market value at that time. The aggregate acquisition cost of these facilities was approximately $12.8 million, and the aggregate rental revenue earned by us at the commencement of the leases is approximately $900,000 annually.

Management cannot predict whether the leases with subsidiaries of UHS, which have renewal options at existing lease rates or fair market value lease rates, or any of our other leases, will be renewed at the end of their lease term. If the leases are not renewed at their current rates or the fair market value lease rates, we would be required to find other operators for those facilities and/or enter into leases on terms potentially less favorable to us than the current leases. In addition, if subsidiaries of UHS exercise their options to purchase the respective leased hospital and FED facilities upon expiration of the lease terms, our future revenues could decrease if we were unable to earn a favorable rate of return on the sale proceeds received, as compared to the rental revenue currently earned pursuant to these leases.

Advisory Agreement: UHS of Delaware, Inc. (the Advisor), a wholly-owned subsidiary of UHS, serves as Advisor to us under an Advisory Agreement (the Advisory Agreement) dated December 24, 1986. Pursuant to the Advisory Agreement, the Advisor is obligated to present an investment program to us, to use its best efforts to obtain investments suitable for such program (although it is not obligated to present any particular investment opportunity to us), to provide administrative services to us and to conduct our day-to-day affairs. All transactions between us and UHS must be approved by the Trustees who are unaffiliated with UHS (the Independent Trustees). In performing its services under the Advisory Agreement, the Advisor may utilize independent professional services, including accounting, legal, tax and other services, for which the Advisor is reimbursed directly by us. The Advisory Agreement may be terminated for any reason upon sixty days written notice by us or the Advisor. The Advisory Agreement expires on December 31 of each year; however, it is renewable by us, subject to a determination by the Independent Trustees, that the Advisor s performance has been satisfactory. In December of 2014, based upon a review of our advisory fee and other general and administrative expenses, as compared to an industry peer group, the Advisory agreement was renewed for 2015 pursuant to the same terms as the Advisory Agreement in place during 2014.

The average real estate assets for advisory fee calculation purposes exclude certain items from our consolidated balance sheet such as, among other things, accumulated depreciation, cash and cash equivalents, base and bonus rent receivables, deferred charges and other assets. The advisory fee is payable quarterly, subject to adjustment at year-end based upon our audited financial statements. In addition, the Advisor is entitled to an annual incentive fee equal to 20% of the amount by which cash available for distribution to shareholders for each year, as defined in the Advisory Agreement, exceeds 15% of our equity as shown on our consolidated balance sheet, determined in accordance with generally accepted accounting principles without reduction for return of capital dividends. The Advisory Agreement defines cash available for distribution to shareholders as net cash flow from operations less deductions for, among other things, amounts required to discharge our debt and liabilities and reserves for replacement and capital improvements to our properties and investments. No incentive fees were paid during the first three months of 2015 or 2014 since the incentive fee requirements were not achieved. Advisory fees incurred and paid (or payable) to UHS amounted to $666,000 and $610,000 for the three months ended March 31, 2015 and 2014, respectively, and were based upon average invested real estate assets of $381 million, and $349 million for the three-month periods ended March 31, 2015 and 2014, respectively.

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Officers and Employees: Our officers are all employees of a wholly-owned subsidiary of UHS and although as of March 31, 2015 we had no salaried employees, our officers do typically receive annual stock-based compensation awards in the form of restricted stock. In special circumstances, if warranted and deemed appropriate by the Compensation Committee of the Board of Trustees, our officers may also receive one-time special compensation awards in the form of restricted stock and/or cash bonuses.

Share Ownership: As of March 31, 2015 and December 31, 2014, UHS owned 5.9% of our outstanding shares of beneficial interest.

SEC reporting requirements of UHS: UHS is subject to the reporting requirements of the SEC and is required to file annual reports containing audited financial information and quarterly reports containing unaudited financial information. Since the leases on the hospital facilities leased to wholly-owned subsidiaries of UHS comprised approximately 25% and 29% of our consolidated revenues during the three month periods ended March 31, 2015 and 2014, respectively, and since a subsidiary of UHS is our Advisor, you are encouraged to obtain the publicly available filings for Universal Health Services, Inc. from the SEC s website. These filings are the sole responsibility of UHS and are not incorporated by reference herein.

(3) Dividends and Equity Issuance Program

Dividends:

We declared and paid dividends of $8.4 million, or $.635 per share, during the first quarter of 2015 and $8.1 million, or $.625 per share, during the first quarter of 2014.

Equity Issuance Program:

During the fourth quarter of 2013, we commenced an at-the-market (ATM) equity issuance program, pursuant to the terms of which we may sell, from time-to-time, common shares of our beneficial interest up to an aggregate sales price of $50 million to or through Merrill Lynch, Pierce, Fenner and Smith, Incorporated (Merrill Lynch), as sales agent and/or principal. The common shares will be offered pursuant to the Registration Statement filed with the Securities and Exchange Commission, which became effective in November, 2012.

There were no shares issued pursuant to the ATM program during the first quarter of 2015. Since inception of this ATM program, we have issued 580,900 shares at an average price of $45.97 per share, which generated approximately $25.6 million of net proceeds (net of approximately $1.1 million, consisting of compensation of $667,000 to Merrill Lynch as well as $391,000 of other various fees and expenses). Included in the above was approximately $1.1 million of the net cash proceeds (net of approximately $29,000 of compensation to Merrill Lynch) related to shares issued in late December, 2014 which were received by us during the first quarter of 2015.

(4) Acquisitions, Dispositions and New Construction

Three Months Ended March 31, 2015:

Acquisitions:

In February, 2015, we purchased the Haas Medical Office Park, two single story buildings having an aggregate of approximately 16,000 rentable square feet, located in Ottumwa, Iowa, for approximately $4.1 million.

In January and February of 2015, we purchased from wholly-owned subsidiaries of UHS, the real property of two newly-constructed and recently opened FEDs located in Weslaco and Mission, Texas. Each FED consists of approximately 13,600 square feet and is operated by wholly-owned subsidiaries of UHS. In connection with these acquisitions, ten-year lease agreements with six 5-year renewal terms have been executed with UHS for each FED. In connection with the lease agreements, the lessee shall have the option to purchase the leased property upon the expiration of the fixed term and each five-year extended term at the fair market value at that time. The aggregate acquisition cost of the FEDs was approximately $12.8 million, and the aggregate rental revenue earned by us at the commencement of the leases is approximately $900,000 annually.

Divestitures:

There were no divestitures during the first three months of 2015.

Three Months Ended March 31, 2014:

Acquisitions:

We paid an aggregate of $7.2 million to purchase the following in January, 2014 in a single transaction:

The Children s Clinic at Springdale a 9,800 square foot, single-tenant medical office building located in Springdale, Arkansas, and;

The Northwest Medical Center at Sugar Creek a 16,700 square foot, multi-tenant medical office building located in Bentonville, Arkansas.

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Additionally, effective January 1, 2014, we paid an aggregate of $170,000 to purchase the 5% minority ownership interests held by third-party members in two LLCs in which we previously held noncontrolling, 95% majority ownership interests (Palmdale Medical Properties and Sparks Medical Properties). As a result of these minority ownership purchases, we now own 100% of each of these LLCs and began