

Edgar Filing: Physicians Realty Trust - Form 424B5

Physicians Realty Trust  
Form 424B5  
April 07, 2016

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered <sup>(1)</sup>	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee <sup>(2)</sup>
Common Shares of Physicians Realty Trust	25,875,000	\$17.85	\$461,868,750	\$46,510.18

(1) Includes 3,375,000 common shares of beneficial interest, par value \$0.01 per share, that may be purchased by the underwriters upon exercise of the underwriters' option to purchase additional common shares.

(2) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended. This "Calculation of Registration Fee" table shall be deemed to update the "Calculation of Registration Fee" table in the registrant's Registration Statement on Form S-3ASR (File No. 333-205034).

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Filed pursuant to Rule 424(b)(5)  
 Registration No. 333-205034

PROSPECTUS SUPPLEMENT  
 (To Prospectus dated June 17, 2015)

22,500,000 Common Shares

We are offering 22,500,000 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 (“NYSE”) under the symbol “DOC.” On April 5, 2016, the last sale price of our common shares as reported on the NYSE was \$18.46 per share.

We are a Maryland real estate investment trust and have elected to be taxed as a 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.

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-12 and page 2 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	\$17.85	\$401,625,000
Underwriting discount(1)	\$0.714	\$16,065,000
Proceeds, before expenses, to us	\$17.136	\$385,560,000

(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 3,375,000 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.

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The underwriters are offering the common shares as set forth under "Underwriting." The common shares will be ready for delivery on or about April 11, 2016.

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Book-Running Managers

KeyBanc Capital Markets

BMO Capital Markets

BofA Merrill Lynch

Raymond James

RBC Capital Markets

Stifel

Co-Managers

Regions Securities LLC

Credit Agricole CIB

PNC Capital Markets LLC

Wunderlich

BB&T Capital Markets

Comerica Securities

Ramirez & Co., Inc.

Compass Point

J.J.B. Hilliard, W.L. Lyons, LLC

Synovus Securities, Inc.

The Huntington Investment Company

The date of this prospectus supplement is April 5, 2016

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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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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”) 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 are 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 are 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 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, 2015, which we refer to as our “2015 10-K,” 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, any of 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,” “anticipates,” “estimates” or “anticipates” or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans, expectations or intentions.

Forward-looking statements reflect the views of our management regarding current expectations and projections about future events and are based on currently available information. These forward-looking statements are not guarantees of future performance and 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 where 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 revolving credit facility;
- our ability to make distributions on our common shares;
- general volatility of the market price of our common shares;
- our increased vulnerability economically due to the concentration of our investments in healthcare properties;
- our geographic concentrations in Texas, Georgia and Arizona cause us to be particularly exposed to downturns in these local economies or other changes in local real estate market conditions;
- changes in our business or strategy;
- our dependence upon key personnel whose continued service is not guaranteed;
- our ability to identify, hire and retain highly qualified personnel in the future;
- the degree and nature of our competition;
- changes in governmental regulations, tax rates and similar matters;
- defaults on or non-renewal of leases by tenants;
- decreased rental rates or increased vacancy rates;
- difficulties in identifying healthcare properties to acquire and completing acquisitions, including our ability to consummate the CHI Acquisition (as defined herein) and the financing thereof;
- competition for investment opportunities;
- our failure to successfully develop, integrate and operate acquired properties and operations, including our ability to integrate the CHI Portfolio (as defined herein);
- the impact of our investment in joint ventures;
- the financial condition and liquidity of, or disputes with, any joint venture and development partners with whom we may make co-investments in the future;
- cybersecurity incidents could disrupt our business and result in the compromise of confidential information;



- 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 maintain our qualification as a 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

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factors that may materially adversely affect us, or the per share trading price of our common shares, including:

- higher market interest rates;
- the number of our common shares available for future issuance or sale;
- our issuance of equity securities or the perception that such issuance might occur;
- future debt;
- failure of securities analysts to publish research or reports about us or our industry; and
- securities analysts' downgrade of 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 2015 10-K, as updated by our subsequent filings with the SEC.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary 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 2015 10-K, and any free writing prospectus we file. Please read “Risk Factors” for more information about important risks that you should consider before investing in our common shares.

Unless otherwise indicated, the information in this prospectus supplement assumes the underwriters’ option to purchase additional shares is not exercised.

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 serve 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. Our common shares are listed on the NYSE and we are included in the MSCI US REIT Index.

We have grown our portfolio of gross real estate investments from approximately \$124 million at the time of our IPO to approximately \$1.7 billion as of December 31, 2015. As of December 31, 2015, our portfolio consisted of 151 properties located in 26 states with approximately 5,799,337 net leasable square feet, which were approximately 95.8% leased with a weighted average remaining lease term of approximately 9.0 years and approximately 74% 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 healthcare providers under our leases. Approximately 85.5% of the annualized base rent payments from our properties as of December 31, 2015 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 relatively 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 2-3%. 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, 2015, leases representing a percentage of our portfolio on the basis of leasable square feet will expire as follows:

Year	Portfolio Lease Expirations
MTM	0.7%
2016	3.2%
2017	5.4%

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2018	6.0%
2019	5.3%
2020	3.4%
2021	3.3%
2022	5.1%
2023	6.3%
2024	10.1%
Thereafter:	46.2%
Total (1)	95.0%

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The difference between the 95.8% leased as of December 31, 2015 as noted above, compared to the 95.0% noted in (1) this table is 0.8%, which is due to leases that expired on December 31, 2015. Of those 0.6% rolled into new long-term leases and 0.2% are vacant as of the date of this prospectus supplement. Vacancy totaled 4.2%.

We invest in real estate that is integral to providing high quality healthcare services. Our properties are typically located on a campus with a hospital or other healthcare facilities or strategically located and affiliated with a hospital or other healthcare facilities. We believe the impact of government programs and continuing trends in the healthcare industry create attractive opportunities for us to invest in healthcare-related real estate. Our management team has significant public healthcare REIT experience and has long established relationships with physicians, hospitals and healthcare delivery system decision makers that we believe will provide quality investment and growth opportunities. Our principal investments include medical office buildings, outpatient treatment facilities and other real estate integral to health care providers. We seek to invest in stabilized medical facility assets with initial cash yields of 6% to 9%.

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, which we refer to as the Ziegler Funds, that owned, directly or indirectly, interests in entities that owned the 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 umbrella partnership REIT 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 96.7% of the partnership interests in our operating partnership ("OP Units").

### 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; and  
specialty hospitals and treatment centers.

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 and in joint venture entities with operating partners structured to comply with the REIT Investment Diversification Act of 2007.

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;

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• 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.

## Competitive Strengths

We believe our management team's extensive public REIT and healthcare experience distinguishes us from many other healthcare real estate companies, both public and private. Specifically, our company's competitive strengths include, among others:

**Strong Relationships with Physicians and Healthcare Delivery Systems.** We believe our management team has developed a reputation among physicians, hospitals and healthcare delivery system decision makers of accessibility, reliability and trustworthiness. We believe this will result in attractive investment opportunities for us and high tenant satisfaction, leading to high occupancy rates, tenant retention and increasing cash flow from our properties.

**Experienced Senior Management Team.** Our senior management team has over 75 years of healthcare delivery system executive and related experience in healthcare real estate, finance, law, policy and clinical business development. Our management team's experience providing full service real estate solutions for the healthcare industry gives us a deep understanding of the dynamics and intricacies associated with insurance reimbursement practices, government regulation, cross-referrals, clinical interdependencies and patient behaviors. These same factors drive the profitability of the healthcare delivery systems with whom we are strategically aligned.

**Investment Focus.** We believe that healthcare-related real estate rents and valuations are less susceptible to changes in the general economy than many other types of commercial real estate due to demographic trends and the need-based rise in healthcare expenditures, even during economic downturns. For this reason, we believe healthcare-related real estate investments could potentially offer a more stable return to investors when compared to other types of real estate investments.

**Nimble Management Execution.** We focus on individual investment opportunities of \$25 million or less in off market or lightly marketed transactions, with few transactions exceeding \$100 million. We established our company to identify and execute on these types and size of transactions efficiently, which we believe provides us an advantage over other healthcare real estate investors, such as the larger healthcare REITs, that focus on larger properties or portfolios in more competitively marketed investment opportunities.

**Access to State and Federal Healthcare Policy Makers.** Our management team and trustees have relationships and access to state and federal policy makers to stay informed with healthcare policy directions that may affect the investment decisions and management of the company.

**Strong Healthcare Delivery System Affiliation and Diverse Medical Tenant Base.** As of December 31, 2015, approximately 74% 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 believe that a healthcare delivery system-anchored property with a diversified, clinically interdependent tenant mix is important to the success of any healthcare facility, and our management team's understanding of the dynamics associated with tenant mix and clinical interdependency will be a key to our success. As of December 31, 2015, the leases for our properties have a weighted-average remaining lease term of approximately 9.0 years and leases representing only 14.6% of our annualized rent expire over the following three years.

## Property Acquisitions in 2016

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To the date of this prospectus supplement in 2016, we have completed investments totaling \$202.3 million, which includes acquisitions of 16 properties and 2 condominiums located in 13 states containing an aggregate of approximately 751,562 net leasable square feet with an average lease term of approximately 8.2 years, for an aggregate of approximately \$201.8 million and a loan investment of \$0.5 million. These investments were made using proceeds from our follow-on public offering of common shares in January 2016 and borrowings under our unsecured revolving credit facility and mortgage financings. Investment activity for the period is summarized below:

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