UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2008

or

o **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 1-8923

HEALTH CARE REIT, INC.

(Exact name of registrant as specified in its charter)

Delaware	**34-1096634**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One SeaGate, Suite 1500, Toledo, Ohio	**43604**
(Address of principal executive office)	(Zip Code)

(419) 247-2800
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 the filing requirements for at least the past 90 days. Yes ☑ No o

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. (Check one):

Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

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

As of October 31, 2008, the registrant had 103,453,829 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

CONSOLIDATED BALANCE SHEETS
HEALTH CARE REIT, INC. AND SUBSIDIARIES

	September 30, 2008 (Unaudited)	December 31, 2007 (Note)
	(In thousands)	
Assets		
Real estate investments:		
Real property owned:		
Land and land improvements	$ **506,083**	$ 447,029
Buildings and improvements	**4,649,491**	4,224,955
Acquired lease intangibles	**136,603**	131,312
Real property held for sale, net of accumulated depreciation	**41,336**	0
Construction in progress	**497,673**	313,709
Gross real property owned	**5,831,186**	5,117,005
Less accumulated depreciation and amortization	**(569,363)**	(478,373)
Net real property owned	**5,261,823**	4,638,632
Real estate loans receivable:		
Real estate loans receivable	**501,871**	381,394
Less allowance for losses on loans receivable	**(7,406)**	(7,406)
Net real estate loans receivable	**494,465**	373,988
Net real estate investments	**5,756,288**	5,012,620
Other assets:		
Equity investments	**1,862**	1,408
Deferred loan expenses	**25,315**	30,499
Cash and cash equivalents	**18,273**	30,269
Restricted cash	**83,189**	17,575
Receivables and other assets	**137,028**	121,485
Total other assets	**265,667**	201,236
Total assets	$ **6,021,955**	$ 5,213,856
Liabilities and stockholders' equity		
Liabilities:		
Borrowings under unsecured lines of credit arrangements	$ **387,000**	$ 307,000
Senior unsecured notes	**1,847,401**	1,890,192
Secured debt	**452,054**	507,476
Accrued expenses and other liabilities	**124,986**	95,145
Total liabilities	**2,811,441**	2,799,813
Minority interests	**8,958**	9,687
Stockholders' equity:		
Preferred stock, $1.00 par value:	**301,901**	330,243
Authorized — 50,000,000 shares		
Issued and outstanding — 11,921,059 shares at September 30, 2008 and 12,879,189 shares at December 31, 2007		
Common stock, $1.00 par value:	**103,110**	85,412
Authorized — 225,000,000 shares		
Issued — 103,363,594 shares at September 30, 2008 and 85,600,333 shares at December 31, 2007		
Outstanding — 103,231,670 shares at September 30, 2008 and 85,496,164 shares at December 31, 2007		
Capital in excess of par value	**3,123,745**	2,370,037
Treasury stock	**(5,145)**	(3,952)
Cumulative net income	**1,333,772**	1,074,255
Cumulative dividends	**(1,647,699)**	(1,446,959)
Accumulated other comprehensive income	**(11,905)**	(7,381)
Other equity	**3,777**	2,701
Total stockholders' equity	**3,201,556**	2,404,356
Total liabilities and stockholders' equity	$ **6,021,955**	$ 5,213,856

NOTE: The consolidated balance sheet at December 31, 2007 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

See notes to unaudited consolidated financial statements

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CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
HEALTH CARE REIT, INC. AND SUBSIDIARIES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands, except per share data)			
Revenues:				
Rental income	**$ 132,131**	$ 111,599	**$ 375,690**	$ 314,307
Interest income	**10,910**	5,947	**29,177**	17,673
Other income	**2,055**	1,199	**5,655**	3,935
Total revenues	**145,096**	118,745	**410,522**	335,915
Expenses:				
Interest expense	**33,528**	33,221	**98,308**	94,563
Property operating expenses	**11,761**	10,333	**34,330**	25,997
Depreciation and amortization	**41,375**	37,504	**117,293**	101,727
General and administrative	**10,789**	8,649	**33,693**	28,385
Loan expense	**1,754**	1,504	**5,279**	4,006
Loss (gain) on extinguishment of debt	**(768)**	0	**(2,094)**	0
Total expenses	**98,439**	91,211	**286,809**	254,678
Income from continuing operations before income taxes and minority interests	**46,657**	27,534	**123,713**	81,237
Income tax (expense) benefit	**153**	23	**(1,170)**	81
Income from continuing operations before minority interests	**46,810**	27,557	**122,543**	81,318
Minority interests, net of tax	**(1)**	(121)	**(128)**	(407)
Income from continuing operations	**46,809**	27,436	**122,415**	80,911
Discontinued operations:				
Net gain (loss) on sales of properties	**12,619**	766	**130,813**	2,775
Income (loss) from discontinued operations, net	**1,094**	2,644	**6,289**	8,770
Discontinued operations, net	**13,713**	3,410	**137,102**	11,545
Net income	**60,522**	30,846	**259,517**	92,456
Preferred stock dividends	**5,730**	6,317	**17,660**	18,952
Net income available to common stockholders	**$ 54,792**	$ 24,529	**$ 241,857**	$ 73,504
Average number of common shares outstanding:				
Basic	**96,040**	80,710	**90,500**	77,686
Diluted	**96,849**	81,163	**91,121**	78,234
Earnings per share:				
Basic:				
Income from continuing operations available to common stockholders	**$ 0.43**	$ 0.26	**$ 1.16**	$ 0.80
Discontinued operations, net	**0.14**	0.04	**1.51**	0.15
Net income available to common stockholders*	**$ 0.57**	$ 0.30	**$ 2.67**	$ 0.95
Diluted:				
Income from continuing operations available to common stockholders	**$ 0.42**	$ 0.26	**$ 1.15**	$ 0.79
Discontinued operations, net	**0.14**	0.04	**1.50**	0.15
Net income available to common stockholders*	**$ 0.57**	$ 0.30	**$ 2.65**	$ 0.94
Dividends declared and paid per common share	**$ 0.68**	$ 0.66	**$ 2.02**	$ 1.6191

* Amounts may not sum due to rounding

See notes to unaudited consolidated financial statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
HEALTH CARE REIT, INC. AND SUBSIDIARIES

	Nine Months Ended September 30, 2008								
	Preferred Stock	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income	Other Equity	Total
					(In thousands)				
Balances at beginning of period	$330,243	$ 85,412	$2,370,037	$(3,952)	$1,074,255	$(1,446,959)	$ (7,381)	$2,701	$2,404,356
Comprehensive income:									
Net income					259,517				259,517
Other comprehensive income:									
Unrealized gain (loss) on equity investments							(14)		(14)
Cash flow hedge activity							(4,510)		(4,510)
Total comprehensive income									254,993
Amounts related to issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures		1,362	60,291	(1,193)				(99)	60,361
Net proceeds from sale of common stock		15,650	665,761						681,411
Conversion of preferred stock	(28,342)	686	27,656						0
Option compensation expense								1,175	1,175
Cash dividends paid:									
Common stock-$2.02 per share						(183,080)			(183,080)
Preferred stock, Series D-$1.4766 per share						(5,906)			(5,906)
Preferred stock, Series E-$1.125 per share						(84)			(84)
Preferred stock, Series F-$1.4297 per share						(10,008)			(10,008)
Preferred stock, Series G-$1.4064 per share						(1,662)			(1,662)
Balances at end of period	$301,901	$103,110	$3,123,745	$(5,145)	$1,333,772	$(1,647,699)	$(11,905)	$3,777	$3,201,556

	Nine Months Ended September 30, 2007								
	Preferred Stock	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income	Other Equity	Total
					(In thousands)				
Balances at beginning of period	$338,993	$73,152	$1,873,811	$(2,866)	$ 932,853	$(1,238,860)	$ (135)	$1,845	$1,978,793
Comprehensive income:									
Net income					92,456				92,456
Other comprehensive income:									
Unrealized gain (loss) on equity investments							(83)		(83)
Cash flow hedge activity							3,520		3,520
Total comprehensive									95,893

income									
Amounts related to issuance of common stock from dividend reinvestment and stock incentive plans, net of forfeitures		1,776	67,250	(1,086)				(116)	67,824
Proceeds from issuance of common shares		6,325	258,969						265,294
Option compensation expense								919	919
Cash dividends paid:									
Common stock-$1.6191 per share						(129,088)			(129,088)
Preferred stock, Series D-$1.4766 per share						(5,906)			(5,906)
Preferred stock, Series E-$1.125 per share						(84)			(84)
Preferred stock, Series F-$1.4297 per share						(10,008)			(10,008)
Preferred stock, Series G-$1.4064 per share						(2,953)			(2,953)
Balances at end of period	$338,993	$81,253	$2,200,030	$(3,952)	$1,025,309	$(1,386,899)	$3,302	$2,648	$2,260,684

See notes to unaudited consolidated financial statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
HEALTH CARE REIT, INC. AND SUBSIDIARIES

	Nine Months Ended September 30,	
	2008	2007
	(In thousands)	
Operating activities		
Net income	$ 259,517	$ 92,456
Adjustments to reconcile net income to net cash provided from (used in) operating activities:		
Depreciation and amortization	120,894	109,545
Other amortization expenses	7,608	4,211
Capitalized interest	(16,594)	(8,058)
Stock-based compensation expense	6,726	5,753
Minority interests share of earnings	128	407
Loss (gain) on extinguishment of debt, net	(2,094)	0
Rental income less than (in excess of) cash received	(128)	(1,873)
Amortization related to above (below) market leases, net	(676)	(656)
(Gain) loss on sales of properties	(130,813)	(2,775)
Deferred gain on sales of properties	3,708	0
Increase (decrease) in accrued expenses and other liabilities	24,128	(2,800)
Decrease (increase) in receivables and other assets	(4,594)	4,902
Net cash provided from (used in) operating activities	267,810	201,112
Investing activities		
Investment in real property	(872,011)	(445,903)
Investment in real estate loans receivable	(74,353)	(121,338)
Other investments, net of payments	(2,657)	(2,192)
Principal collected on real estate loans receivable	13,524	45,058
Investment in Rendina/Paramount, net of cash assumed	0	(141,963)
Decrease (increase) in restricted cash	(65,614)	(9,741)
Proceeds from sales of real property	208,294	65,940
Other	(7,311)	(3,325)
Net cash provided from (used in) investing activities	(800,128)	(613,464)
Financing activities		
Net increase (decrease) under unsecured lines of credit arrangements	80,000	(80,000)
Proceeds from issuance of senior unsecured notes	0	389,166
Principal payments on senior unsecured notes	(42,330)	(52,500)
Principal payments on secured debt	(53,050)	(26,309)
Net proceeds from the issuance of common stock	737,325	327,419
Decrease (increase) in deferred loan expense	(26)	(4,454)
Contributions by minority interests	1,609	2,600
Distributions to minority interests	(2,466)	(307)
Cash distributions to stockholders	(200,740)	(148,039)
Net cash provided from (used in) financing activities	520,322	407,576
Increase (decrease) in cash and cash equivalents	(11,996)	(4,776)
Cash and cash equivalents at beginning of period	30,269	36,216
Cash and cash equivalents at end of period	$ 18,273	$ 31,440

See notes to unaudited consolidated financial statements

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Business

Health Care REIT, Inc., with headquarters in Toledo, Ohio, is an equity real estate investment trust ("REIT") that invests in senior housing and health care real estate. Our full service platform also offers property management and development services to our customers. As of September 30, 2008, our broadly diversified portfolio consisted of 641 properties in 39 states. Founded in 1970, we were the first real estate investment trust to invest exclusively in health care facilities. More information is available on the Internet at www.hcreit.com.

2. Accounting Policies and Related Matters

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2008 are not necessarily an indication of the results that may be expected for the year ending December 31, 2008. For further information, refer to the financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2007, as updated by our Current Report on Form 8-K filed August 6, 2008.

New Accounting Standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 introduces a framework for measuring fair value and expands required disclosure about fair value measurements of assets and liabilities. SFAS 157 for financial assets and liabilities is effective for fiscal years beginning after November 15, 2007, and was adopted as the standard for those assets and liabilities as of January 1, 2008. The impact of adoption was not significant. SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Interest rate swap agreements are valued using models that assume a hypothetical transaction to sell the asset or transfer the liability in the principal market for the asset or liability based on market data derived from interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment timing, loss severities, credit risks and default rates.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The market approach is utilized to measure fair value for our financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

	Fair Value Measurements as of September 30, 2008			
	Total	Level 1	Level 2	Level 3
Equity investments (1)	$ 1,393	$ 1,393	$ 0	$ 0
Interest rate swap agreements (1)	(13,588)	0	(13,588)	0
Totals	$ (12,195)	$ 1,393	$ (13,588)	$ 0

(1) Unrealized gains or losses on equity investments and interest rate swap agreements are recorded in accumulated other comprehensive income (loss) at each measurement date.

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In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), Business Combinations ("SFAS 141(R)") and Statement of Financial Accounting Standards No. 160, Non-controlling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 ("SFAS 160"). SFAS 141(R) will change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as non-controlling interests and classified as a component of equity. Early adoption is prohibited for both standards. The provisions of SFAS 141(R) and SFAS 160, effective on January 1, 2009, are to be applied prospectively; however, the disclosure provisions of SFAS 160 are to be applied retrospectively. We are currently assessing the impact of SFAS 141(R) and SFAS 160 on our consolidated financial position and results of operations.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, Disclosures About Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133 ("SFAS 161"). SFAS 161 expands quarterly disclosure requirements in SFAS 133 concerning an entity's derivative instruments and hedging activities. SFAS 161 is effective for fiscal years beginning after November 15, 2008. We are currently assessing the impact of SFAS 161 on our consolidated financial position and results of operations.

In May 2008, the FASB issued FASB Staff Position 14-1, ("FSP") which provides guidance on accounting for debt that may be settled in cash upon conversion. The FSP requires bifurcation of the convertible debt instrument into a debt component and an equity component. The value of the debt component is based upon the estimated fair value of a similar debt instrument without the conversion feature. The difference between the contractual principal on the debt and the value allocated to the debt is recorded as an equity component and represents the conversion feature of the instrument. The excess of the contractual principal amount of the debt over its estimated fair value is amortized to interest expense using the effective interest method over the life of the debt. The equity component remains on the balance sheet until it is derecognized through either the payoff or conversion. The FSP is effective for fiscal years beginning after December 16, 2008, and interim periods within those fiscal years. Earlier application is not permitted. Retroactive application is required for all periods presented in the annual financial statements for instruments that were outstanding during any periods presented in the annual financial statements. We are currently assessing the impact of the FSP on our consolidated financial position and results of operations.

3. Real Property Acquisitions and Development

The following is a summary of our real property investment activity for the periods presented (in thousands):

	Nine Months Ended					
	September 30, 2008			September 30, 2007		
	Investment Properties	Medical Office Buildings	Totals	Investment Properties	Medical Office Buildings	Totals
Real property acquisitions:						
Independent living/CCRCs	$ 68,300		$ 68,300	$ 43,000		$ 43,000
Assisted living facilities	45,490		45,490	14,975		14,975
Skilled nursing facilities	11,360		11,360	122,875		122,875
Specialty care facilities	182,303		182,303	11,923		11,923
Medical office buildings		$ 121,809	121,809		$ 356,518	356,518
Land parcels	10,000		10,000	8,928		8,928
Total acquisitions	317,453	121,809	439,262	201,701	356,518	558,219
Less: Assumed debt			0		(160,001)	(160,001)
Assumed other assets (liabilities), net		(1,599)	(1,599)		(8,019)	(8,019)
Cash disbursed for acquisitions	317,453	120,210	437,663	201,701	188,498	390,199
Construction in progress additions:						
Independent living/CCRCs	198,080		198,080	83,414		83,414
Assisted living facilities	91,208		91,208	35,133		35,133
Skilled nursing facilities	19,199		19,199	15,427		15,427
Specialty care facilities	60,560		60,560	44,143		44,143
Medical office buildings		62,129	62,129		10,405	10,405
Total construction in progress additions	369,047	62,129	431,176	178,117	10,405	188,522
Less: Capitalized interest	(15,624)	(970)	(16,594)	(7,847)	(112)	(7,959)
Capitalized other	(119)		(119)			0
Cash disbursed for construction in progress	353,304	61,159	414,463	170,270	10,293	180,563
Capital improvements to existing properties	14,540	5,345	19,885	13,969	3,135	17,104
Total cash invested in real property	$ 685,297	$ 186,714	$ 872,011	$ 385,940	$ 201,926	$ 587,866

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The following is a summary of the development projects that were placed into service and began earning rent during the periods presented:

	Nine Months Ended					
	September 30, 2008			September 30, 2007		
	Investment Properties	Medical Office Buildings	Totals	Investment Properties	Medical Office Buildings	Totals
Construction in progress conversions:						
Development projects:						
Independent living/CCRCs	$ 120,452		$ 120,452	$ 22,582		$ 22,582
Assisted living facilities	39,446		39,446	56,556		56,556
Skilled nursing facilities			0	16,557		16,557
Medical office buildings		$ 11,823	11,823		$ 0	0
Specialty care facilities	35,151		35,151			0
Total development projects	195,049	11,823	206,872	95,695	0	95,695
Expansion projects	40,341		40,341	1,914		1,914
Total construction in progress conversions	$ 235,390	$ 11,823	$ 247,213	$ 97,609	$ 0	$ 97,609

4. Real Estate Intangibles

The following is a summary of our real estate intangibles as of the dates indicated (dollars in thousands):

	September 30, 2008	December 31, 2007
Assets:		
In place lease intangibles	$ 84,426	$ 81,068
Above market tenant leases	9,853	9,592
Below market ground leases	42,324	40,652
Gross historical cost	136,603	131,312
Accumulated amortization	(30,403)	(18,289)
Net book value	$ 106,200	$ 113,023
Weighted-average amortization period in years	26.1	28.4
Liabilities:		
Below market tenant leases	$ 25,353	$ 25,186
Above market ground leases	3,499	3,499
Gross historical cost	28,852	28,685
Accumulated amortization	(7,676)	(4,446)
Net book value	$ 21,176	$ 24,239
Weighted-average amortization period in years	9.6	10.0

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — Continued

5. Dispositions, Assets Held for Sale and Discontinued Operations

At September 30, 2008, we had ten assisted living facilities that satisfied the requirements of Statement No. 144 for held for sale treatment. We did not recognize any impairment loss on these assets as the fair value less estimated costs to sell exceeded our carrying values. The following is a summary of our real property disposition activity for the periods presented (in thousands):

	Nine Months Ended					
	September 30, 2008			September 30, 2007		
	Investment Properties	Medical Office Buildings	Totals	Investment Properties	Medical Office Buildings	Totals
Real property dispositions:						
Independent living/CCRCs	$ 15,547		$ 15,547			
Assisted living facilities	106,740		106,740	$ 55,788		$ 55,788
Skilled nursing facilities	4,489		4,489	4,304		4,304
Medical office buildings		$ 6,781	6,781	0	$ 0	0
Specialty care facilities	8,735		8,735			0
Land parcels	73		73	3,073		3,073
Total dispositions	135,584	6,781	142,365	63,165	0	63,165
Less: Gain/(loss) on sales of real property	131,874	(1,061)	130,813	2,775		2,775
Extinguishment of other assets/(liabilities)		(113)	(113)			
Seller financing on sales of real property	(59,649)	(5,122)	(64,771)	0		0
Proceeds from real property sales	$ 207,809	$ 485	$ 208,294	$ 65,940	$ 0	$ 65,940

During the nine months ended September 30, 2008, we completed the sale of 19 properties to Emeritus Corporation for $222,656,000, consisting of $172,656,000 in cash proceeds and $50,000,000 of seller financing, and we recognized a gain on sale of $113,505,000. Total funds of $222,656,000 were held in escrow for use in an Internal Revenue Code Section 1031 exchange, of which $162,558,000 was utilized during the nine months ended September 30, 2008.

In accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, we have reclassified the income and expenses attributable to all properties sold and attributable to properties held for sale at September 30, 2008 to discontinued operations. Expenses include an allocation of interest expense based on property carrying values and our weighted average cost of debt. The following illustrates the reclassification impact of Statement No. 144 as a result of classifying properties as discontinued operations for the periods presented (in thousands):

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2008	2007	**2008**	2007
Revenues:				
Rental income	**$ 1,898**	$ 7,231	**$ 13,316**	$ 22,987
Expenses:				
Interest expense	**382**	1,861	**3,147**	6,145
Property operating expenses	**107**	93	**279**	254
Provision for depreciation	**315**	2,633	**3,601**	7,818
Income (loss) from discontinued operations, net	**$ 1,094**	$ 2,644	**$ 6,289**	$ 8,770

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6. Real Estate Loans Receivable

All real estate loans receivable are in our investment property segment. The following is a summary of our real estate loan activity for the periods presented (in thousands):

	Nine Months Ended September 30, 2008 Amount	Nine Months Ended September 30, 2007 Amount
Advances on real estate loans receivable:		
Investments in new loans	$ 120,961	$ 106,213
Draws on existing loans	13,041	15,125
Total gross investments in real estate loans	134,002	121,338
Less: Seller financing on sales of real property	(59,649)	0
Net cash advances on real estate loans receivable	74,353	121,338
Receipts on real estate loans receivable:		
Loan payoffs	8,815	38,095
Principal payments on loans	4,709	6,963
Total principal receipts on real estate loans	13,524	45,058
Net cash advances (receipts) on real estate loans receivable	$ 60,829	$ 76,280

7. Customer Concentration

At September 30, 2008, we had 71 investment property operators and over 800 medical office building tenants. The following table summarizes certain information about our customer concentration as of September 30, 2008 (dollars in thousands):

	Number of Properties	Total Investment	Percent of Investment (2)
Concentration by investment (1):			
Senior Living Communities, LLC	10	$ 322,350	6%
Signature Healthcare LLC	34	320,480	6%
Brookdale Senior Living, Inc	86	293,430	5%
Emeritus Corporation	31	288,271	5%
Life Care Centers of America, Inc	25	263,954	5%
Remaining portfolio	455	4,275,209	73%
Totals	641	$ 5,763,694	100%

	Number of Properties	Total Revenue (3)	Percent of Revenue (4)
Concentration by revenue (1):			
Emeritus Corporation	31	$ 32,747	8%
Signature Healthcare LLC	34	29,451	7%
Brookdale Senior Living, Inc	86	28,172	7%
Life Care Centers of America, Inc	25	20,027	5%
Merrill Gardens LLC	13	14,415	3%
Remaining portfolio	452	293,371	69%
Other income	n/a	5,655	1%
Totals	641	$ 423,838	100%

(1) All of our top five customers are in our investment properties segment.

(2) Investments with our top five customers comprised 27% of total investments at December 31, 2007.

(3) Revenues include gross revenues and revenues from discontinued operations for the nine months ended September 30, 2008.

(4) Revenues from our top five customers were 31% of total revenues for the nine months ended September 30, 2007.

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — Continued

8. Borrowings Under Line of Credit Arrangement and Related Items

At September 30, 2008, we had an unsecured line of credit arrangement with a consortium of seventeen banks in the amount of $1,150,000,000, which is scheduled to expire on August 5, 2011 (with the ability to extend for one year at our discretion if we are in compliance with all covenants). Borrowings under the agreement are subject to interest payable in periods no longer than three months at either the agent bank's prime rate of interest or the applicable margin over LIBOR interest rate, at our option (4.3% at September 30, 2008). The applicable margin is based on our ratings with Moody's Investors Service and Standard & Poor's Ratings Services and was 0.6% at September 30, 2008. In addition, we pay a facility fee annually to each bank based on the bank's commitment amount. The facility fee depends on our ratings with Moody's Investors Service and Standard & Poor's Ratings Services and was 0.15% at September 30, 2008. We also pay an annual agent's fee of $50,000. Principal is due upon expiration of the agreement.

The following information relates to aggregate borrowings under the unsecured line of credit arrangement for the periods presented (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Balance outstanding at quarter end	$387,000	$145,000	$387,000	$145,000
Maximum amount outstanding at any month end	$701,000	$145,000	$744,000	$381,000
Average amount outstanding (total of daily principal balances divided by days in period)	$577,717	$142,392	$509,307	$218,607
Weighted average interest rate (actual interest expense divided by average borrowings outstanding)	3.53%	7.43%	3.85%	6.88%

9. Senior Unsecured Notes and Secured Debt

We have $1,847,401,000 of senior unsecured notes with annual interest rates ranging from 4.75% to 8.00%. The carrying amounts of the senior unsecured notes represent the par value of $1,845,000,000 adjusted for any unamortized premiums or discounts and other basis adjustments related to hedging the debt with derivative instruments. See Note 10 for further discussion regarding derivative instruments. On March 15, 2008, we extinguished $42,330,000 of our 7.625% senior unsecured notes at par upon maturity.

We have secured debt totaling $452,054,000, collateralized by owned properties, with annual interest rates ranging from 4.89% to 8.08%. The carrying amounts of the secured debt represent the par value of $453,923,000 adjusted for any unamortized fair value adjustments. The carrying values of the properties securing the debt totaled $786,901,000 at September 30, 2008. During the nine months ended September 30, 2008, we extinguished seven secured debt loans totaling $47,061,000 with a weighted-average interest rate of 6.759% and recognized extinguishment gains of $2,094,000.

Our debt agreements contain various covenants, restrictions and events of default. Among other things, these provisions require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of September 30, 2008, we were in compliance with all of the covenants under our debt agreements.

At September 30, 2008, the annual principal payments due on these debt obligations are as follows (in thousands):

	Senior Unsecured Notes	Secured Debt	Totals
2008	$ 0	$ 5,544	$ 5,544
2009	0	39,657	39,657
2010	0	15,120	15,120
2011	0	52,314	52,314
2012	250,000	13,710	263,710
Thereafter	1,595,000	327,578	1,922,578
Totals	$ 1,845,000	$ 453,923	$ 2,298,923

10. Derivative Instruments

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates. We may elect to use financial derivative instruments to hedge interest rate exposure. These decisions are principally based on our policy to match our variable rate investments with comparable borrowings, but are also based on the general trend in interest rates at the applicable dates and our perception of the future volatility of interest rates. Derivatives are recorded at fair market value on the balance sheet as assets or liabilities.

On May 6, 2004, we entered into two interest rate swap agreements (the “2004 Swaps”) for a total notional amount of $100,000,000 to hedge changes in fair value attributable to changes in the LIBOR swap rate of $100,000,000 of fixed rate debt with a maturity date of November 15, 2013. The 2004 Swaps were treated as fair-value hedges for accounting purposes and we utilized the short-cut method to assess effectiveness. The 2004 Swaps were with highly rated counterparties in which we received a fixed rate of 6.0% and paid a variable rate based on six-month LIBOR plus a spread. For the three and nine months ended September 30, 2007, we generated $73,000 and $23,000, respectively, of savings related to the 2004 Swaps that was recorded as a reduction to interest expense. On September 12, 2007, we terminated the 2004 Swaps and we received a $2,125,000 cash settlement. The unamortized amount of this settlement at September 30, 2008 was $1,719,000 and is recorded as an adjustment to the hedged debt. This amount will be amortized to interest expense over the life of the hedged debt using the effective interest method. For the three and nine months ended September 30, 2008, $84,000 and $253,000, respectively, of amortization was recognized as a reduction to senior unsecured notes interest expense.

On July 2, 2007, we entered into two forward-starting interest rate swaps (the “July 2007 Swaps”), with an aggregate notional amount of $200,000,000 that were designated as cash flow hedges of the variability in forecasted interest payments attributable to changes in the LIBOR swap rate, on long-term fixed rate debt forecasted to be issued in 2007. The July 2007 Swaps had the economic effect of fixing $200,000,000 of our debt at 4.913% for five years. The July 2007 Swaps were settled on July 17, 2007, which was the date that the forecasted debt was priced. The cash settlement value of these contracts at July 17, 2007 was $733,000. This amount represented the effective portion of the hedges as there was no hedge ineffectiveness. Therefore, the $733,000 settlement value was deferred in accumulated other comprehensive income (“AOCI”) and will be amortized to interest expense using the effective interest method. The unamortized amount of AOCI related to these contracts at September 30, 2008 is $557,000. For the three and nine months ended September 30, 2008, we reclassified $37,000 and $111,000, respectively, out of AOCI as a reduction of interest expense. For the three and nine months ended September 30, 2007, we reclassified $29,000 out of AOCI as a reduction of interest expense.

On September 12, 2007, we entered into two forward-starting interest rate swaps (the “September 2007 Swaps”) for a total notional amount of $250,000,000 to hedge 10 years of interest payments associated with a long-term borrowing that is expected to occur in 2008. During the three months ended September 30, 2008, management revised the expected timing of the debt issuance to 2009. The September 2007 Swaps each have an effective date of September 12, 2008 and a maturity date of September 12, 2018. We expect to settle the September 2007 Swaps when the forecasted debt is priced. The September 2007 Swaps have the economic effect of fixing $250,000,000 of our future debt at 4.469% plus a credit spread for 10 years. The September 2007 Swaps have been designated as cash flow hedges and we expect the September 2007 Swaps to be highly effective at offsetting changes in cash flows of interest payments on $250,000,000 of our future debt due to changes in the LIBOR swap rate. Therefore, effective changes in the fair value of the September 2007 Swaps will be recorded in AOCI and reclassified to interest expense when the hedged forecasted transactions affect earnings (as interest payments are made on the expected debt issuance). As a result of the revised debt issuance timing, $1,633,000 of ineffectiveness was reclassified from AOCI to interest expense during the three months ended September 30, 2008. At September 30, 2008, the September 2007 Swaps were reported at their fair value of $13,588,000 in other liabilities with the effective portion of $11,623,000 recorded in AOCI.

The valuation of derivative instruments requires us to make estimates and judgments that affect the fair value of the instruments. Fair values for our derivatives are estimated by a third party consultant, which utilizes pricing models that consider forward yield curves and discount rates. Such amounts and the recognition of such amounts are subject to significant estimates that may change in the future.

11. Commitments and Contingencies

We have an outstanding letter of credit issued for the benefit of certain insurance companies that provide workers’ compensation insurance to one of our tenants. Our obligation to provide the letter of credit terminates in 2009. At September 30, 2008, our obligation under the letter of credit was $2,350,000.

We have an outstanding letter of credit issued for the benefit of certain insurance companies that provide liability and property insurance to one of our tenants. Our obligation to provide the letter of credit terminates in 2013. At September 30, 2008, our obligation under the letter of credit was $1,000,000.

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — Continued

We have an outstanding letter of credit issued for the benefit of a village in Illinois that secures the completion and installation of certain public improvements by one of our tenants in connection with the development of a property. Our obligation to provide the letter of credit terminates in 2010. At September 30, 2008, our obligation under the letter of credit was $679,320.

We have an outstanding letter of credit issued for the benefit of a municipality in Pennsylvania in connection with the completion and installation of certain property improvements by one of our subsidiaries. The improvements are expected to be completed in 2009. At September 30, 2008, our obligation under the letter of credit was $485,810.

At September 30, 2008, we had outstanding construction financings of $497,673,000 for leased properties and were committed to providing additional financing of approximately $877,561,000 to complete construction. At September 30, 2008, we had contingent purchase obligations totaling $18,639,000. These contingent purchase obligations primarily relate to deferred acquisition fundings and capital improvements. Deferred acquisition fundings are contingent upon an operator satisfying certain conditions such as payment coverage and value tests. Rents due from the tenant are increased to reflect the additional investment in the property.

At September 30, 2008, we had operating lease obligations of $160,290,000 relating to certain ground leases and Company office space. We incurred rental expense relating to our Company office space of $339,000 and $883,000 for the three and nine months ended September 30, 2008, respectively, and $165,000 and $391,000 for the same periods in 2007. Regarding the ground leases, we have sublease agreements with certain of our operators that require the operators to reimburse us for our monthly operating lease obligations. At September 30, 2008, aggregate future minimum rentals to be received under these noncancelable subleases totaled $31,181,000.

At September 30, 2008, future minimum lease payments due under operating leases are as follows (in thousands):

2008	$ 2,084
2009	4,176
2010	4,078
2011	4,091
2012	4,164
Thereafter	141,697
Totals	$ 160,290

12. Stockholders' Equity

Preferred Stock

During the nine months ended September 30, 2008, certain holders of our Series G Cumulative Convertible Preferred Stock converted 958,130 shares into 685,719 shares of our common stock, leaving 846,070 of such shares outstanding at September 30, 2008.

Common Stock

The following is a summary of our common stock issuances during the nine months ended September 30, 2008 and 2007 (dollars in thousands, except per share amounts):

	Shares Issued	Average Price	Gross Proceeds	Net Proceeds
April 2007 public issuance	6,325,000	$ 44.01	$ 278,363	$ 265,294
2007 Dividend reinvestment plan issuances	1,254,851	41.54	52,123	52,123
2007 Option exercises	354,473	28.22	10,002	10,002
2007 Totals	7,934,324		$ 340,488	$ 327,419
March 2008 public issuance	3,000,000	$ 41.44	$ 124,320	$ 118,555
July 2008 public issuance	4,600,000	44.50	204,700	193,157
September 2008 public issuance	8,050,000	48.00	386,400	369,699
2008 Dividend reinvestment plan issuances	1,165,441	45.19	52,668	52,668
2008 Option exercises	111,395	29.14	3,246	3,246
2008 Totals	16,926,836		$ 771,334	$ 737,325

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — Continued

On February 20, 2008, we paid a dividend of $0.66 per share to stockholders of record on January 31, 2008. These dividends related to the period from October 1, 2007 through December 31, 2007. On May 20, 2008, we paid a dividend of $0.68 per share to stockholders of record on May 2, 2008. These dividends related to the period from January 1, 2008 through March 31, 2008. On August 20, 2008, we paid a dividend of $0.68 per share to stockholders of record on August 1, 2008. These dividends related to the period from April 1, 2008 through June 30, 2008.

Accumulated Other Comprehensive Income

The following is a summary of accumulated other comprehensive income as of the dates indicated (in thousands):

	September 30, 2008	December 31, 2007
Fair value of cash flow hedges	**$ (11,704)**	$ (7,194)
Unrecognized gains (losses) on equity investments	**(206)**	(192)
Unrecognized actuarial gains (losses)	**5**	5
Totals	**$ (11,905)**	$ (7,381)

Please see Note 10 for a discussion of our cash flow hedge activity. Additionally, we recognized $575,000 of unrealized gains and $14,000 of unrealized losses on equity investments for the three and nine months ended September 30, 2008. We did not recognize any comprehensive income other than the recorded net income for the three and nine months ended September 30, 2007.

Other Equity

Other equity consists of accumulated option compensation expense which represents the amount of amortized compensation costs related to stock options awarded to employees and directors subsequent to January 1, 2003. Expense, which is recognized as the options vest based on the market value at the date of the award, totaled $241,000 and $1,175,000 for the three and nine months ended September 30, 2008, respectively, and $188,000 and $919,000 for the same periods in 2007.

13. Stock Incentive Plans

Our 2005 Long-Term Incentive Plan authorizes up to 2,200,000 shares of common stock to be issued at the discretion of the Compensation Committee of the Board of Directors. The 2005 Plan replaced the 1995 Stock Incentive Plan and the Stock Plan for Non-Employee Directors. The options granted to officers and key employees under the 1995 Plan continue to vest through 2010 and expire ten years from the date of grant. Our non-employee directors, officers and key employees are eligible to participate in the 2005 Plan. The 2005 Plan allows for the issuance of, among other things, stock options, restricted stock, deferred stock units and dividend equivalent rights. Vesting periods for options, deferred stock units and restricted shares generally range from three years for non-employee directors to five years for officers and key employees. Options expire ten years from the date of grant.

Valuation Assumptions

The fair value of each option grant is estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted-average assumptions:

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Dividend yield (1)	**6.47%**	5.60%
Expected volatility	**20.5%**	19.9%
Risk-free interest rate	**3.42%**	4.74%
Expected life (in years)	**6.5**	5
Weighted-average fair value (1)	**$6.25**	$8.31

(1) Certain options granted to employees include dividend equivalent rights (“DERs”). The fair value of options with DERs also includes the net present value of projected future dividend payments over the expected life of the option discounted at the dividend yield rate.

The dividend yield represented the dividend yield of our common stock on the dates of grant. Our computation of expected volatility was based on historical volatility. The risk-free interest rates used were the 7-year U.S. Treasury Notes yield on the date of grant for the 2008 grants and the 5-year U.S. Treasury Notes yield on the date of grant for the 2007 grants. The expected life was based on historical experience of similar awards, giving consideration to the contractual terms, vesting schedules and expectations regarding future employee behavior.

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — Continued

Option Award Activity

The following table summarizes information about stock option activity for the nine months ended September 30, 2008:

Stock Options	Number of Shares (000's)	Weighted Average Exercise Price	Weighted Average Remaining Contract Life (years)	Aggregate Intrinsic Value ($000's)
Options at beginning of year	637	$ 35.54	8.0	
Options granted	307	40.83		
Options exercised	(111)	30.20		
Options terminated	(8)	42.00		
Options at end of period	825	$ 38.17	8.2	$ 12,420
Options exercisable at end of period	289	$ 33.69	6.3	$ 5,639
Weighted average fair value of options granted during the period		$ 6.25		

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the quoted price of our common stock for the options that were in-the-money at September 30, 2008. During the nine months ended September 30, 2008, the aggregate intrinsic value of options exercised under our stock incentive plans was $1,890,000 determined as of the date of option exercise. During the nine months ended September 30, 2007, the aggregate intrinsic value of options exercised under our stock incentive plans was $6,014,000 determined as of the date of option exercise. Cash received from option exercises under our stock incentive plans for the nine months ended September 30, 2008 was $3,246,000. Cash received from option exercises under our stock incentive plans for the nine months ended September 30, 2007 was $10,429,000.

As of September 30, 2008, there was approximately $2,294,000 of total unrecognized compensation cost related to unvested stock options granted under our stock incentive plans. That cost is expected to be recognized over a weighted average period of four years. As of September 30, 2008, there was approximately $10,094,000 of total unrecognized compensation cost related to unvested restricted stock granted under our stock incentive plans. That cost is expected to be recognized over a weighted average period of three years.

The following table summarizes information about non-vested stock incentive awards as of September 30, 2008 and changes for the nine months ended September 30, 2008:

	Stock Options		Restricted Stock	
	Number of Shares (000's)	Weighted Average Grant Date Fair Value	Number of Shares (000's)	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2007	382	$ 7.20	398	$ 40.94
Vested	(147)	6.02	(101)	36.62
Granted	307	6.25	161	41.05
Terminated	(8)	7.04	(4)	42.11
Non-vested at September 30, 2008	534	$ 6.98	454	$ 41.93

14. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	**2008**	2007
Numerator for basic and diluted earnings per share — net income available to common stockholders	**$ 54,792**	$ 24,529	**$ 241,857**	$ 73,504
Denominator for basic earnings per share — weighted average shares	**96,040**	80,710	**90,500**	77,686
Effect of dilutive securities:				
Employee stock options	**146**	55	**98**	150
Non-vested restricted shares	**455**	398	**454**	398
Convertible senior unsecured notes	**208**	0	**69**	0
Dilutive potential common shares	**809**	453	**621**	548
Denominator for diluted earnings per share — adjusted weighted average shares	**96,849**	81,163	**91,121**	78,234
Basic earnings per share	**$ 0.57**	$ 0.30	**$ 2.67**	$ 0.95
Diluted earnings per share	**$ 0.57**	$ 0.30	**$ 2.65**	$ 0.94

The diluted earnings per share calculation does not exclude the dilutive effect of any stock options for either the three or nine months ended September 30, 2008 because the exercise prices were less than the average market price. The diluted earnings per share calculation excludes the dilutive effect of 124,000 stock options for both the three and nine months ended September 30, 2007 because the exercise prices were greater than the average market price. The Series E Cumulative Convertible and Redeemable Preferred Stock, the Series G Cumulative Convertible Preferred Stock, and the $400,000,000 senior unsecured convertible notes due July 2027 were not included in these calculations as the effect of the conversions into common stock was anti-dilutive for the relevant periods presented.

15. Segment Reporting

We invest in senior housing and health care real estate. We evaluate our business and make resource allocations on our two business segments — investment properties and medical office buildings. Under the investment property segment, we invest in senior housing and health care real estate through acquisition and financing of primarily single tenant properties. Properties acquired are primarily leased under triple-net leases and we are not involved in the management of the property. Our primary investment property types include skilled nursing facilities, assisted living facilities, independent living/continuing care retirement communities and specialty care facilities. Under the medical office building segment, our properties are typically leased under gross leases, modified gross leases or triple-net leases, to multiple tenants, and generally require a certain level of property management. The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 1 to our Annual Report on Form 10-K for the year ended December 31, 2007). There are no intersegment sales or transfers. We evaluate performance based upon net operating income of the combined properties in each segment.

Non-segment revenue consists mainly of interest income on non-real estate investments and other income. Non-segment assets consist of corporate assets including cash, deferred loan expenses and corporate office equipment among others. Non-property specific revenues and expenses are not allocated to individual segments in determining net operating income.

During the nine months ended September 30, 2008, we changed the name of the operating properties segment to medical office buildings and reclassified certain assets and related revenues. Four specialty care facilities that were formerly classified as operating properties have been reclassified to investment properties. Accordingly, we have reclassified the following prior year amounts to be consistent with the current year classification: (i) rental income of $5,845,000; (ii) real estate depreciation/amortization of $1,867,000; and (iii) total assets of $78,210,000. Additionally, we have restated the following prior year non-segment/corporate assets and revenues to be included in the related business segments to be consistent with the current year classification: (i) $2,792,000 of other income has been reclassified to investment properties; (ii) $68,987,000 of total assets has been reclassified to investment properties; and (iii) $34,598,000 of total assets has been reclassified to medical office buildings.

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — Continued

Summary information for the reportable segments during the three months ended September 30, 2008 and 2007 is as follows (in thousands):

	Rental Income (1)	Interest Income	Other Income	Total Revenues (1)	Property Operating Expenses (1)	Net Operating Income (2)	Real Estate Depreciation/ Amortization (1)	Interest Expense (1)	Total Assets
Three months ended September 30, 2008:									
Investment Properties	$ 100,071	$ 10,910	$ 1,219	$ 112,200		$ 112,200	$ 28,690	$ 1,851	$ 4,534,432
Medical Office Buildings	33,958		261	34,219	$ 11,868	22,351	13,000	5,337	1,422,589
Non-segment/Corporate			575	575		575		26,722	64,934
	$ 134,029	$ 10,910	$ 2,055	$ 146,994	$ 11,868	$ 135,126	$ 41,690	$ 33,910	$ 6,021,955
Three months ended September 30, 2007:									
Investment Properties	$ 87,954	$ 5,947	$ 637	$ 94,538		$ 94,538	$ 26,455	$ 2,125	$ 3,625,513
Medical Office Buildings	30,876			30,876	$ 10,426	20,450	13,682	6,623	1,264,333
Non-segment/Corporate			562	562		562		26,334	81,981
	$ 118,830	$ 5,947	$ 1,199	$ 125,976	$ 10,426	$ 115,550	$ 40,137	$ 35,082	$ 4,971,827

Summary information for the reportable segments during the nine months ended September 30, 2008 and 2007 is as follows (in thousands):

	Rental Income (1)	Interest Income	Other Income	Total Revenues (1)	Property Operating Expenses (1)	Net Operating Income (2)	Real Estate Depreciation/ Amortization (1)	Interest Expense (1)	Total Assets
Nine months ended September 30, 2008:									
Investment Properties	$ 288,812	$ 29,177	$ 4,048	$ 322,037		$ 322,037	$ 81,520	$ 5,500	$ 4,534,432
Medical Office Buildings	100,194		708	100,902	$ 34,609	66,293	39,374	16,216	1,422,589
Non-segment/Corporate			899	899		899		79,739	64,934
	$ 389,006	$ 29,177	$ 5,655	$ 423,838	$ 34,609	$ 389,229	$ 120,894	$ 101,455	$ 6,021,955
Nine months ended September 30, 2007:									
Investment Properties	$ 256,557	$ 17,673	$ 2,792	$ 277,022		$ 277,022	$ 77,405	$ 6,747	$ 3,625,513
Medical Office Buildings	80,737			80,737	$ 26,251	54,486	32,140	16,497	1,264,333
Non-segment/Corporate			1,143	1,143		1,143		77,464	81,981
	$ 337,294	$ 17,673	$ 3,935	$ 358,902	$ 26,251	$ 332,651	$ 109,545	$ 100,708	$ 4,971,827

(1) Includes amounts from discontinued operations.

(2) Net operating income ("NOI") is used to evaluate the operating performance of our properties. We define NOI as total revenues, including tenant reimbursements, less property level operating expenses, which exclude depreciation and amortization, general and administrative expenses, impairments and interest expense. We believe NOI provides investors relevant and useful information because it measures the operating performance of our properties at the property level on an unleveraged basis. We use NOI to make decisions about resource allocations and to assess the property level performance of our properties.

HEALTH CARE REIT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — Continued

16. Supplemental Cash Flow Information

	Nine Months Ended September 30,	
	2008	2007
	(In thousands)	
Supplemental cash flow information:		
Interest paid	**$112,890**	$ 93,580
Income taxes paid	**1,576**	109
Supplemental schedule of non-cash activites:		
Assets and liabilities assumed from real property acquisitions:		
Secured debt	**$ 0**	$ 13,544
Other liabilities	**1,599**	3,689
Other assets	**0**	670
Assets and liabilities assumed from business combinations:		
Real estate investments	**$ 0**	$292,067
Other assets acquired	**0**	6,046
Secured debt	**0**	146,457
Other liabilities	**0**	9,693

17. Income Taxes

During the three months ended December 31, 2007, we recognized $3,900,000 of additional other income related to the payoff of a warrant equity investment. During the three months ended March 31, 2008, we determined that $1,325,000 of income taxes were due in connection with that investment gain.

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Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion and analysis is based primarily on the consolidated financial statements of Health Care REIT, Inc. for the periods presented and should be read together with the notes thereto contained in this Quarterly Report on Form 10-Q. Other important factors are identified in our Annual Report on Form 10-K for the year ended December 31, 2007, as updated by our Current Report on Form 8-K filed August 6, 2008, including factors identified under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Executive Summary

Company Overview

Health Care REIT, Inc. is an equity real estate investment trust ("REIT") that invests in senior housing and health care real estate. Founded in 1970, we were the first REIT to invest exclusively in health care facilities. The following table summarizes our portfolio as of September 30, 2008:

Type of Property	Investments (in thousands)	Percentage of Investments	Number of Properties	# Beds/Units or Sq. Ft.		Investment per metric (1)		States
Independent living/CCRCs	$ 1,033,534	18%	63	7,512	units	$ 171,411	per unit	20
Assisted living facilities	1,163,710	20%	194	11,780	units	112,355	per unit	31
Skilled nursing facilities	1,588,144	28%	226	30,729	beds	52,898	per bed	28
Specialty care facilities	590,018	10%	30	1,869	beds	466,718	per bed	13
Medical office buildings	1,388,288	24%	128	5,606,089	sq. ft.	273	per sq. ft.	23
Totals	$ 5,763,694	100%	641					

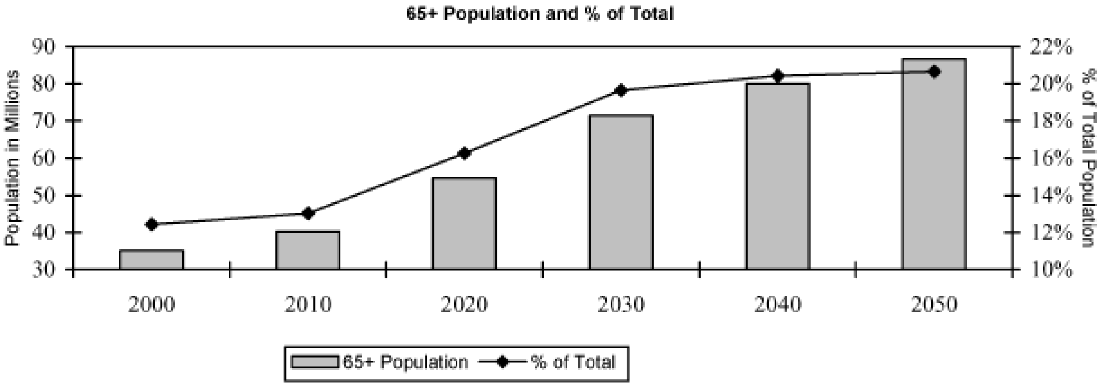
(1) Investment per metric was computed by using the total committed investment amount of $6,641,255,000, which includes net real estate investments and unfunded construction commitments for which initial funding has commenced which amounted to $5,763,694,000 and $877,561,000, respectively.

Health Care Industry

The demand for health care services, and consequently health care properties, is projected to reach unprecedented levels in the near future. The Centers for Medicare and Medicaid Services projects that national health expenditures will rise to $3.8 trillion in 2015 or 18.8% of gross domestic product ("GDP"). This is up from $2 trillion or 15.9% of GDP in 2005. Health expenditures per capita are projected to rise 5.8% per year from 2005 to 2015. While demographics are the primary driver of demand, economic conditions and availability of services contribute to health care service utilization rates. We believe the health care property market is less susceptible to fluctuations and economic downturns relative to other property sectors. Investor interest in the market remains strong, especially in specific sectors such as medical office buildings, regardless of the current stringent lending environment. As a REIT, we believe we are situated to benefit from any turbulence in the capital markets due to our access to capital.

The total U.S. population is projected to increase by 20% through 2030. The elderly are an important component of health care utilization, especially independent living services, assisted living services, skilled nursing services, inpatient and outpatient hospital services and physician ambulatory care. The elderly population aged 65 and over is projected to increase by 85% through 2030. Most health care services are provided within a health care facility such as a hospital, a physician's office or a senior housing facility. Therefore, we believe there will be continued demand for companies such as ours with expertise in health care real estate.

The following chart illustrates the projected increase in the elderly population aged 65 and over:



Source: U.S. Census Bureau

Health care real estate investment opportunities tend to increase as demand for health care services increases. We recognize the need for health care real estate as it correlates to health care service demand. Health care providers require real estate to house their businesses and expand their services. We believe that investment opportunities in health care real estate will continue to be present due to the:

- Specialized nature of the industry which enhances the credibility and experience of our company;
- Projected population growth combined with stable or increasing health care utilization rates which ensures demand; and
- On-going merger and acquisition activity.

Business Strategy

Our primary objectives are to protect stockholder capital and enhance stockholder value. We seek to pay consistent cash dividends to stockholders and create opportunities to increase dividend payments to stockholders as a result of annual increases in rental and interest income and portfolio growth. To meet these objectives, we invest across a broad spectrum of senior housing and health care real estate and diversify our investment portfolio by property type, operator/tenant and geographic location.

Substantially all of our revenues and sources of cash flows from operations are derived from operating lease rentals and interest earned on outstanding loans receivable. These items represent our primary source of liquidity to fund distributions and are dependent upon our obligors' continued ability to make contractual rent and interest payments to us. To the extent that our obligors experience operating difficulties and are unable to generate sufficient cash to make payments to us, there could be a material adverse impact on our consolidated results of operations, liquidity and/or financial condition. To mitigate this risk, we monitor our investments through a variety of methods determined by the type of property and operator/tenant. Our asset management process includes review of monthly financial statements, periodic review of obligor credit, periodic property inspections and review of covenant compliance relating to licensure, real estate taxes, letters of credit and other collateral. In monitoring our portfolio, our personnel use a proprietary database to collect and analyze property-specific data. Additionally, we conduct extensive research to ascertain industry trends and risks. Through these asset management and research efforts, we are typically able to intervene at an early stage to address payment risk, and in so doing, support both the collectibility of revenue and the value of our investment.

With respect to our investment properties, we also structure our investments to help mitigate payment risk. Operating leases and loans are normally credit enhanced by guaranties and/or letters of credit. In addition, operating leases are typically structured as master leases and loans are generally cross-defaulted and cross-collateralized with other loans, operating leases or agreements between us and the obligor and its affiliates.

For the nine months ended September 30, 2008, rental income and interest income represented 92% and 7%, respectively, of total gross revenues (including revenues from discontinued operations). Substantially all of our operating leases are designed with either fixed or contingent escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectibility assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. Our yield on loans receivable depends upon a number of factors, including the stated interest rate, the average principal amount outstanding during the term of the loan and any interest rate adjustments.

Depending upon the availability and cost of external capital, we anticipate investing in additional properties. New investments are generally funded from temporary borrowings under our unsecured line of credit arrangement, internally generated cash and the proceeds from sales of real property. Our investments generate internal cash from rent and interest receipts and principal payments on loans receivable. Permanent financing for future investments, which replaces funds drawn under the unsecured line of credit arrangement, is expected to be provided through a combination of public and private offerings of debt and equity securities and the incurrence or assumption of secured debt. We believe our liquidity and various sources of available capital are sufficient to fund operations, meet debt service obligations (both principal and interest), make dividend distributions and finance future investments.

Depending upon market conditions, we believe that new investments will be available in the future with spreads over our cost of capital that will generate appropriate returns to our stockholders. During the nine months ended September 30, 2008, we completed $1,018,980,000 of gross investments and $151,107,000 of investment payoffs, resulting in $867,873,000 of net new investments. We expect to complete gross new investments of approximately $1.2 billion during 2008, including acquisitions of approximately $600,000,000 and funded new development of approximately $600,000,000. We anticipate the sale of real property and the repayment of loans receivable totaling approximately $250,000,000 resulting in net new investments of approximately $950,000,000 during 2008. It is possible that additional loan repayments or sales of real property may occur in the future. To the extent that loan repayments and real property sales exceed new investments, our revenues and cash flows from operations could be adversely affected. We expect to reinvest the proceeds from any loan repayments and real property sales in new investments. To the extent that new investment requirements exceed our available cash on hand, we expect to borrow under our unsecured line of credit arrangement. At September 30, 2008, we had $18,273,000 of cash and cash equivalents, $83,189,000 of restricted cash and $763,000,000 of available borrowing capacity under our unsecured line of credit arrangement.

Key Transactions in 2008

We have completed the following key transactions to date in 2008:

- our Board of Directors increased our quarterly dividend to $0.68 per share, which represents a two cent increase from the quarterly dividend of $0.66 paid for 2007. The dividend declared for the quarter ended September 30, 2008 represents the 150th consecutive quarterly dividend payment;
- we completed $1,018,980,000 of gross investments and had $151,107,000 of investment payoffs during the nine months ended September 30, 2008;
- we completed a public offering of 3,000,000 shares of common stock with net proceeds of approximately $118,555,000 in March 2008;
- we completed a public offering of 4,600,000 shares of common stock with net proceeds of approximately $193,157,000 in July 2008; and
- we completed a public offering of 8,050,000 shares of common stock with net proceeds of approximately $369,699,000 in September 2008.

Key Tax Legislation in 2008

On July 30, 2008, the Housing and Economic Recovery Act of 2008 (“The Act”) became law. The Act, among other things, allows a REIT for taxable years beginning after July 30, 2008 to lease qualified health care property on an arm’s length basis to a taxable REIT subsidiary if the property is operated on behalf of such subsidiary by an eligible independent contractor. Generally, the rent that the REIT will receive from such a taxable REIT subsidiary will be treated as “rents from real property.” The Act also made some changes to the REIT asset and income tests. Previously, no more than 20% of our total assets could be represented by securities of one or more taxable REIT subsidiaries. For tax years beginning after July 30, 2008, this percentage will be increased to 25%. Additionally, with respect to the two separate percentage tests relating to our sources of gross income that must be satisfied by a REIT each taxable year—namely, that at least 75% of our gross income must be from “rents from real property” and that at least 95% of our gross income must be derived from sources qualifying for the 75% gross income test and from dividends and interest—certain items that primarily relate to foreign currency exchange gains resulting from passive income, real estate income or hedging transactions will be excluded. For a general discussion of REIT tax matters, see “Item 1—Business—Taxation—Federal Income Tax Considerations” included in our Annual Report on Form 10-K for the year ended December 31, 2007.

Key Performance Indicators, Trends and Uncertainties

We utilize several key performance indicators to evaluate the various aspects of our business. These indicators are discussed below and relate to operating performance, concentration risk and credit strength. Management uses these key performance indicators to facilitate internal and external comparisons to our historical operating results, in making operating decisions and for budget planning purposes.

Operating Performance. We believe that net income available to common stockholders ("NICS") is the most appropriate earnings measure. Other useful supplemental measures of our operating performance include funds from operations ("FFO") and net operating income ("NOI"); however, these supplemental measures are not defined by U.S. generally accepted accounting principles ("U.S. GAAP"). Please refer to the section entitled "Non-GAAP Financial Measures" for further discussion and reconciliations of FFO and NOI. These earnings measures and their relative per share amounts are widely used by investors and analysts in the valuation, comparison and investment recommendations of companies. The following table reflects the recent historical trends of our operating performance measures for the periods presented (in thousands, except per share data):

	Three Months Ended						
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007	March 31, 2008	June 30, 2008	September 30, 2008
Net income available to common stockholders	$ 23,356	$ 25,620	$ 24,529	$ 42,768	$ 30,452	$156,613	$ 54,792
Funds from operations	56,207	59,979	63,830	71,099	69,913	77,988	83,776
Net operating income	105,741	111,360	115,550	123,029	124,607	129,495	135,126
Per share data (fully diluted):							
Net income available to common stockholders	$ 0.32	$ 0.32	$ 0.30	$ 0.52	$ 0.35	$ 1.74	$ 0.57
Funds from operations	0.76	0.75	0.79	0.86	0.81	0.87	0.87

Credit Strength. We measure our credit strength both in terms of leverage ratios and coverage ratios. Our leverage ratios include debt to book capitalization and debt to market capitalization. The leverage ratios indicate how much of our balance sheet capitalization is related to long-term debt. The coverage ratios indicate our ability to service interest and fixed charges (interest, secured debt principal amortization and preferred dividends). We expect to maintain capitalization ratios and coverage ratios sufficient to maintain investment grade ratings with Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings. The coverage ratios are based on earnings before interest, taxes, depreciation and amortization ("EBITDA") which is discussed in further detail, and reconciled to net income, below in "Non-GAAP Financial Measures." Leverage ratios and coverage ratios are widely used by investors, analysts and rating agencies in the valuation, comparison, investment recommendations and rating of companies. The following table reflects the recent historical trends for our credit strength measures for the periods presented:

	Three Months Ended						
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007	March 31, 2008	June 30, 2008	September 30, 2008
Debt to book capitalization ratio	54%	52%	53%	53%	52%	54%	46%
Debt to undepreciated book capitalization ratio	50%	48%	49%	48%	48%	49%	42%
Debt to market capitalization ratio	40%	41%	40%	39%	39%	41%	32%
Interest coverage ratio	2.82x	2.83x	2.81x	3.17x	2.87x	6.19x	3.42x
Fixed charge coverage ratio	2.28x	2.30x	2.31x	2.62x	2.38x	5.17x	2.86x

Concentration Risk. We evaluate our concentration risk in terms of asset mix, investment mix, customer mix and geographic mix. Concentration risk is a valuable measure in understanding what portion of our investments could be at risk if certain sectors were to experience downturns. Asset mix measures the portion of our investments that are real property. In order to qualify as an equity REIT, at least 75% of our real estate investments must be real property whereby each property, which includes the land, buildings, improvements, intangibles and related rights, is owned by us and leased to a tenant pursuant to a long-term operating lease. Investment mix measures the portion of our investments that relate to our various property types. Customer mix measures the portion of our investments that relate to our top five customers. Geographic mix measures the portion of our investments that relate to our top five states. The following table reflects our recent historical trends of concentration risk for the periods presented:

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	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007	March 31, 2008	June 30, 2008	September 30, 2008
Asset mix:							
Real property	94%	95%	94%	92%	92%	91%	91%
Real estate loans receivable	6%	5%	6%	8%	8%	9%	9%
Investment mix:							
Independent living/CCRCs	13%	13%	14%	15%	16%	17%	18%
Assisted living facilities	24%	22%	21%	21%	21%	21%	20%
Skilled nursing facilities	36%	33%	32%	32%	31%	29%	28%
Specialty care facilities	6%	6%	7%	7%	7%	10%	10%
Medical office buildings	21%	26%	26%	25%	25%	23%	24%
Customer mix:							
Senior Living Communities, LLC				4%	4%	5%	6%
Signature Healthcare LLC				6%	6%	6%	6%
Brookdale Senior Living Inc	7%	6%	5%	5%	5%	5%	5%
Emeritus Corporation	8%	8%	7%	7%	7%	5%	5%
Life Care Centers of America, Inc	6%	5%	5%	5%	5%	5%	5%
Home Quality Management, Inc.	6%	5%	5%				
Merrill Gardens L.L.C.	4%	4%	4%				
Remaining customers	69%	72%	74%	73%	73%	74%	73%
Geographic mix:							
Florida	16%	16%	16%	15%	15%	14%	14%
Texas	13%	13%	13%	13%	13%	12%	12%
California	7%	7%	7%	7%	7%	8%	8%
Massachusetts	8%	7%	7%	7%	7%	7%	7%
Tennessee				6%	6%	6%	6%
Ohio	6%	6%	6%				
Remaining states	50%	51%	51%	52%	52%	53%	53%

We evaluate our key performance indicators in conjunction with current expectations to determine if historical trends are indicative of future results. Our expected results may not be achieved and actual results may differ materially from our expectations. Factors that may cause actual results to differ from expected results are described in more detail in "Forward-Looking Statements and Risk Factors" and other sections of this Quarterly Report on Form 10-Q. Management regularly monitors economic and other factors to develop strategic and tactical plans designed to improve performance and maximize our competitive position. Our ability to achieve our financial objectives is dependent upon our ability to effectively execute these plans and to appropriately respond to emerging economic and company-specific trends. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2007, as updated by our Current Report on Form 8-K filed August 6, 2008, under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion of these risk factors.

Portfolio Update

Net operating income. The primary performance measure for our properties is net operating income ("NOI") as discussed below in "Non-GAAP Financial Measures." The following table summarizes our net operating income for the periods indicated (in thousands):

	Three Months Ended						
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007	March 31, 2008	June 30, 2008	September 30, 2008
Net operating income:							
Investment properties	$ 88,980	$ 93,504	$ 94,538	$102,495	$102,321	$107,515	$112,200
Medical office buildings	16,512	17,524	20,450	20,150	22,076	21,865	22,351
Non-segment/corporate	249	332	562	384	210	115	575
Net operating income	$105,741	$111,360	$115,550	$123,029	$124,607	$129,495	$135,126

Payment coverage. Payment coverage of the operators in our investment property portfolio continues to remain strong. Our overall payment coverage is at 1.99 times, which represents an improvement of three basis points from the prior year. The table below reflects our recent historical trends of portfolio coverage. Coverage data reflects the 12 months ended for the periods presented. CBMF represents the ratio of our customers' earnings before interest, taxes, depreciation, amortization, rent and management fees to contractual rent or interest due us. CAMF represents the ratio of our customers' earnings before interest, taxes, depreciation, amortization and rent (but after imputed management fees) to contractual rent or interest due us.

	June 30, 2006		June 30, 2007		June 30, 2008	
	CBMF	CAMF	CBMF	CAMF	CBMF	CAMF
Independent living/CCRCs	1.47x	1.25x	1.46x	1.26x	1.36x	1.15x
Assisted living facilities	1.51x	1.30x	1.59x	1.37x	1.56x	1.33x
Skilled nursing facilities	2.16x	1.55x	2.21x	1.60x	2.29x	1.68x
Specialty care facilities	3.18x	2.65x	2.57x	2.01x	2.39x	1.86x
Weighted averages	1.95x	1.53x	1.96x	1.52x	1.99x	1.54x

Corporate Governance

Maintaining investor confidence and trust has become increasingly important in today's business environment. Health Care REIT, Inc.'s Board of Directors and management are strongly committed to policies and procedures that reflect the highest level of ethical business practices. Our corporate governance guidelines provide the framework for our business operations and emphasize our commitment to increase stockholder value while meeting all applicable legal requirements. These guidelines meet the listing standards adopted by the New York Stock Exchange and are available on our website at www.hcreit.com and from us upon written request sent to the Senior Vice President – Administration and Corporate Secretary, Health Care REIT, Inc., One SeaGate, Suite 1500, P.O. Box 1475, Toledo, Ohio 43603-1475.

Liquidity and Capital Resources

Sources and Uses of Cash

Our primary sources of cash include rent and interest receipts, borrowings under the unsecured line of credit arrangement, public and private offerings of debt and equity securities, proceeds from the sales of real property and principal payments on loans receivable. Our primary uses of cash include dividend distributions, debt service payments (including principal and interest), real property investments (including construction advances), loan advances and general and administrative expenses. These sources and uses of cash are reflected in our Consolidated Statements of Cash Flows and are discussed in further detail below.

The following is a summary of our sources and uses of cash flows (dollars in thousands):

	Nine Months Ended		Change	
	Sep. 30, 2008	Sep. 30, 2007	$	%
Cash and cash equivalents at beginning of period	$ 30,269	$ 36,216	$ (5,947)	-16%
Cash provided from (used in) operating activities	267,810	201,112	66,698	33%
Cash provided from (used in) investing activities	(800,128)	(613,464)	(186,664)	30%
Cash provided from (used in) financing activities	520,322	407,576	112,746	28%
Cash and cash equivalents at end of period	$ 18,273	$ 31,440	$ (13,167)	-42%

Operating Activities. The change in net cash provided from operating activities is primarily attributable to an increase in net income, excluding gains on sales of properties and depreciation and amortization. The increase in net income is discussed below in "Results of Operations."

The following is a summary of our straight-line rent and above/below market lease amortization (dollars in thousands):

	Nine Months Ended		Change	
	Sep. 30, 2008	Sep. 30, 2007	$	%
Gross straight-line rental income	$ 15,807	$ 12,664	$ 3,143	25%
Cash receipts due to real property sales	(1,896)	(2,670)	774	-29%
Prepaid rent receipts	(13,783)	(8,121)	(5,662)	70%
Amortization related to above (below) market leases, net	676	656	20	3%
	$ 804	$ 2,529	$ (1,725)	-68%

Gross straight-line rental income represents the non-cash difference between contractual cash rent due and the average rent recognized pursuant to Statement of Financial Accounting Standards No. 13, Accounting for Leases ("SFAS 13"), for leases with fixed rental escalators, net of collectibility reserves. This amount is positive in the first half of a lease term (but declining every year due to annual increases in cash rent due) and is negative in the second half of a lease term. The increase in gross straight-line rental income is primarily due to an increase in the number of leases with fixed annual increases resulting from medical office building acquisitions completed subsequent to September 30, 2007. The fluctuation in cash receipts due to real property sales is attributable to the lack of straight-line rent receivable balances on properties sold during the nine months ended September 30, 2007. The increase in prepaid rent receipts is primarily due to the mix of real property acquisitions during the periods presented. We typically receive prepaid rent in connection with investment property acquisitions. As discussed below in "Investing Activities," we had investment property acquisitions totaling $317,453,000 during the nine months ended September 30, 2008 as compared to $201,701,000 for the same period in 2007.

Investing Activities. The changes in net cash used in investing activities are primarily attributable to net changes in real property and real estate loans receivable. The following is a summary of our investment and disposition activities (dollars in thousands):

	Nine Months Ended			
	Sep. 30, 2008		Sep. 30, 2007	
	Properties	Amount	Properties	Amount
Real property acquisitions:				
Independent living/CCRCs	2	$ 68,300	1	$ 43,000
Assisted living facilities	3	45,490	3	14,975
Skilled nursing facilities	1	11,360	8	122,875
Specialty care facilities	6	182,303	1	11,923
Medical office buildings	7	121,809	25	356,518
Land parcels	1	10,000		8,928
Total acquisitions	20	439,262	38	558,219
Less: Assumed debt		0		(160,001)
Assumed other assets (liabilities), net		(1,599)		(8,019)
Cash disbursed for acquisitions		437,663		390,199
Construction in progress additions		414,463		180,563
Capital improvements to existing properties		19,885		17,104
Total cash invested in real property		872,011		587,866
Real property dispositions:				
Independent living/CCRCs	2	15,547		0
Assisted living facilities	20	106,740	9	55,788
Skilled nursing facilities	3	4,489	1	4,304
Specialty care facilities	1	6,781		0
Medical office buildings	1	8,735		0
Land parcels		73		3,073
Total dispositions	27	142,365	10	63,165
Less: Gain/(loss) on sales of real property		130,813		2,775
Extinguishment of other assets/(liabilities)		(113)		0
Seller financing on sales of real property		(64,771)		0
Proceeds from real property sales		208,294		65,940
Net cash investments in real property	(7)	$ 663,717	28	$ 521,926
Advances on real estate loans receivable:				
Investments in new loans		$ 120,961		$ 106,213
Draws on existing loans		13,041		15,125
Total gross investments in real estate loans		134,002		121,338
Less: Seller financing on sales of real property		(59,649)		0
Net cash advances on real estate loans receivable		74,353		121,338
Receipts on real estate loans receivable:				
Loan payoffs		8,815		38,095
Principal payments on loans		4,709		6,963
Total principal receipts on real estate loans		13,524		45,058
Net cash advances (receipts) on real estate loans receivable		$ 60,829		$ 76,280

Financing Activities. The changes in net cash provided from or used in financing activities are primarily attributable to changes related to our long-term debt arrangements, proceeds from the issuance of common stock and dividend payments.

For the nine months ended September 30, 2008, we had a net increase of $80,000,000 on our unsecured line of credit arrangement as compared to a net decrease of $80,000,000 for the same period in 2007. The changes in our senior unsecured notes are due to (i) the extinguishment of $42,330,000 of our 7.625% senior unsecured notes in March 2008; (ii) the issuance of $400,000,000 of our 4.75% convertible senior unsecured notes in July 2007; and (iii) the extinguishment of $52,500,000 of our 7.5% senior unsecured notes in July

2007. During the nine months ended September 30, 2008, we extinguished seven secured debt loans totaling $47,061,000 with a weighted-average interest rate of 6.759% and recognized extinguishment gains of $2,094,000. During the nine months ended September 30, 2007, we extinguished four secured debt loans totaling $20,506,000 with a weighted-average interest rate of 7.732%.

The following is a summary of our common stock issuances (dollars in thousands, except per share amounts):

	Shares Issued	Average Price	Gross Proceeds	Net Proceeds
April 2007 public issuance	6,325,000	$ 44.01	$ 278,363	$ 265,294
2007 Dividend reinvestment plan issuances	1,254,851	41.54	52,123	52,123
2007 Option exercises	354,473	28.22	10,002	10,002
2007 Totals	7,934,324		$ 340,488	$ 327,419
March 2008 public issuance	3,000,000	$ 41.44	$ 124,320	$ 118,555
July 2008 public issuance	4,600,000	44.50	204,700	193,157
September 2008 public issuance	8,050,000	48.00	386,400	369,699
2008 Dividend reinvestment plan issuances	1,165,441	45.19	52,668	52,668
2008 Option exercises	111,395	29.14	3,246	3,246
2008 Totals	16,926,836		$ 771,334	$ 737,325

In order to qualify as a REIT for federal income tax purposes, we must distribute at least 90% of our taxable income (including 100% of capital gains) to our stockholders. The increase in dividends is primarily attributable to an increase in our common stock outstanding and the payment of prorated dividends of $0.2991 per common share in February 2007 due to the prorated dividend payment of $0.3409 per common share in December 2006 in conjunction with the Windrose merger.

The following is a summary of our dividend payments (in thousands, except per share amounts):

	Nine Months Ended			
	Sep. 30, 2008		Sep. 30, 2007	
	Per Share	Amount	Per Share	Amount
Common Stock	$ 2.0200	$ 183,080	$ 1.6191	$ 129,088
Series D Preferred Stock	1.4766	5,906	1.4766	5,906
Series E Preferred Stock	1.1250	84	1.1250	84
Series F Preferred Stock	1.4297	10,008	1.4297	10,008
Series G Preferred Stock	1.4064	1,662	1.4064	2,953
Totals		$ 200,740		$ 148,039

Off-Balance Sheet Arrangements

At September 30, 2008, we had four outstanding letter of credit obligations totaling $4,515,130 and expiring between 2009 and 2013. Please see Note 11 to our unaudited consolidated financial statements for additional information.

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates. We may or may not elect to use financial derivative instruments to hedge interest rate exposure. These decisions are principally based on the general trend in interest rates at the applicable dates, our perception of the future volatility of interest rates and our relative levels of variable rate debt and variable rate investments. As of September 30, 2008, we participated in two forward-starting interest rate swap agreements related to our long-term debt. Please see Note 10 to our unaudited consolidated financial statements for additional information.

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Contractual Obligations

The following table summarizes our payment requirements under contractual obligations as of September 30, 2008 (in thousands):

	Payments Due by Period				
Contractual Obligations	**Total**	**2008**	**2009-2010**	**2011-2012**	**Thereafter**
Unsecured line of credit arrangement	$ 387,000	$ 0	$ 0	$ 387,000	$ 0
Senior unsecured notes (1)	1,845,000	0	0	250,000	1,595,000
Secured debt (1)	453,923	5,544	54,777	66,024	327,578
Contractual interest obligations	1,278,481	44,303	292,662	262,843	678,673
Capital lease obligations	0	0	0	0	0
Operating lease obligations	160,290	2,084	8,254	8,255	141,697
Purchase obligations	896,200	20,743	690,943	184,514	0
Other long-term liabilities	4,190	112	788	3,290	0
Total contractual obligations	$ 5,025,084	$ 72,786	$ 1,047,424	$ 1,161,926	$ 2,742,948

(1) Amounts represent principal amounts due and do not reflect unamortized premiums/discounts or other fair value adjustments as reflected on the balance sheet.

At September 30, 2008, we had an unsecured line of credit arrangement with a consortium of seventeen banks in the amount of $1.15 billion, which is scheduled to expire on August 5, 2011. Borrowings under the agreement are subject to interest payable in periods no longer than three months at either the agent bank's prime rate of interest or the applicable margin over LIBOR interest rate, at our option (4.3% at September 30, 2008). The applicable margin is based on our ratings with Moody's Investors Service and Standard & Poor's Ratings Services and was 0.6% at September 30, 2008. In addition, we pay a facility fee annually to each bank based on the bank's commitment amount. The facility fee depends on our ratings with Moody's Investors Service and Standard & Poor's Ratings Services and was 0.15% at September 30, 2008. We also pay an annual agent's fee of $50,000. Principal is due upon expiration of the agreement. At September 30, 2008, we had $387,000,000 outstanding under the unsecured line of credit arrangement and estimated total contractual interest obligations of $40,440,000. Contractual interest obligations are estimated based on the assumption that the balance of $387,000,000 at September 30, 2008 is constant until maturity at interest rates in effect at September 30, 2008.

We have $1,845,000,000 of senior unsecured notes principal outstanding with fixed annual interest rates ranging from 4.75% to 8%, payable semi-annually. Total contractual interest obligations on senior unsecured notes totaled $1,094,787,000 at September 30, 2008. Additionally, we have secured debt with total outstanding principal of $453,923,000, collateralized by owned properties, with fixed annual interest rates ranging from 4.89% to 8.08%, payable monthly. The carrying values of the properties securing the debt totaled $786,901,000 at September 30, 2008. Total contractual interest obligations on secured debt totaled $143,254,000 at September 30, 2008.

At September 30, 2008, we had operating lease obligations of $160,290,000 relating primarily to ground leases at certain of our properties and office space leases.

Purchase obligations are comprised of unfunded construction commitments and contingent purchase obligations. At September 30, 2008, we had outstanding construction financings of $497,673,000 for leased properties and were committed to providing additional financing of approximately $877,561,000 to complete construction. At September 30, 2008, we had contingent purchase obligations totaling $18,639,000. These contingent purchase obligations primarily relate to deferred acquisition fundings and capital improvements. Deferred acquisition fundings are contingent upon a tenant satisfying certain conditions in the lease. Upon funding, amounts due from the tenant are increased to reflect the additional investment in the property.

Other long-term liabilities relate to our Supplemental Executive Retirement Plan ("SERP") and certain non-compete agreements. We have a SERP, a non-qualified defined benefit pension plan, which provides certain executive officers with supplemental deferred retirement benefits. The SERP provides an opportunity for participants to receive retirement benefits that cannot be paid under our tax-qualified plans because of the restrictions imposed by ERISA and the Internal Revenue Code of 1986, as amended. Benefits are based on compensation and length of service and the SERP is unfunded. No contributions by the Company are anticipated for the 2008 fiscal year. Benefit payments are expected to total $3,290,000 during the next five fiscal years and no benefit payments are expected to occur during the succeeding five fiscal years. We use a December 31 measurement date for the SERP. The accrued liability on our balance sheet for the SERP was $2,274,000 and $1,915,000 at September 30, 2008 and December 31, 2007, respectively.

In connection with the Windrose merger, we entered into consulting agreements with Fred S. Klipsch and Frederick L. Farrar, which expire in December 2008 and may be terminated at any time by the consultant. Each consultant has agreed not to compete with the Company for a period of two years following termination or expiration of the agreement. In exchange for complying with the covenant not to compete, Messers. Klipsch and Farrar will receive eight quarterly payments of $75,000 and $37,500, respectively, with the first payment to be made on the date of termination or expiration of the agreement.

Capital Structure

As of September 30, 2008, we had stockholders' equity of $3,201,556,000 and a total outstanding debt balance of $2,686,455,000, which represents a debt to total book capitalization ratio of 46%. Our ratio of debt to market capitalization was 32% at September 30, 2008. For the nine months ended September 30, 2008, our interest coverage ratio was 4.14 to 1.00. For the nine months ended September 30, 2008, our fixed charge coverage ratio was 3.45 to 1.00. Also, at September 30, 2008, we had $18,273,000 of cash and cash equivalents, $83,189,000 of restricted cash and $763,000,000 of available borrowing capacity under our unsecured line of credit arrangement. During the nine months ended September 30, 2008, we completed three public offerings of 15,650,000 shares of common stock with net proceeds of approximately $681,411,000.

Our debt agreements contain various covenants, restrictions and events of default. Among other things, these provisions require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of September 30, 2008, we were in compliance with all of the covenants under our debt agreements. Please refer to the section entitled "Non-GAAP Financial Measures" for further discussion. None of our debt agreements contain provisions for acceleration which could be triggered by our debt ratings with Moody's Investors Service and Standard & Poor's Ratings Services. However, under our unsecured line of credit arrangement, these ratings on our senior unsecured notes are used to determine the fees and interest charged.

As of October 31, 2008, our senior unsecured notes were rated Baa2 (stable), BBB- (stable) and BBB (stable) by Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings, respectively. We plan to manage the company to maintain investment grade status with a capital structure consistent with our current profile. Any downgrades in terms of ratings or outlook by any or all of the noted rating agencies could have a material adverse impact on our cost and availability of capital, which could in turn have a material adverse impact on our consolidated results of operations, liquidity and/or financial condition.

On May 12, 2006, we filed an open-ended automatic or "universal" shelf registration statement with the Securities and Exchange Commission covering an indeterminate amount of future offerings of debt securities, common stock, preferred stock, depositary shares, warrants and units. As of October 31, 2008, we had an effective registration statement on file in connection with our enhanced dividend reinvestment plan under which we may issue up to 10,760,247 shares of common stock. As of October 31, 2008, 8,335,408 shares of common stock remained available for issuance under this registration statement. Depending upon market conditions, we anticipate issuing securities under our registration statements to invest in additional properties and to repay borrowings under our unsecured line of credit arrangement.

Results of Operations

Our primary sources of revenue include rent and interest. Our primary expenses include interest expense, depreciation and amortization, property operating expenses and general and administrative expenses. These revenues and expenses are reflected in our Consolidated Statements of Income and are discussed in further detail below. The following is a summary of our results of operations (dollars in thousands except per share amounts):

	Three Months Ended		Change		Nine Months Ended		Change	
	Sep. 30, 2008	Sep. 30, 2007	Amount	%	Sep. 30, 2008	Sep. 30, 2007	Amount	%
Net income available to common stockholders	$ 54,792	$ 24,529	$ 30,263	123%	$ 241,857	$ 73,504	$ 168,353	229%
Funds from operations	83,776	63,830	19,946	31%	231,677	180,018	51,659	29%
EBITDA	137,723	107,546	30,177	28%	488,315	306,634	181,681	59%
Net operating income	135,126	115,550	19,576	17%	389,229	332,651	56,578	17%
Per share data (fully diluted):								
Net income available to common stockholders	$ 0.57	$ 0.30	$ 0.27	90%	$ 2.65	$ 0.94	$ 1.71	182%
Funds from operations	0.87	0.79	0.08	10%	2.54	2.30	0.24	10%
Interest coverage ratio	3.42x	2.81x	0.61x	22%	4.14x	2.82x	1.32x	47%
Fixed charge coverage ratio	2.86x	2.31x	0.55x	24%	3.45x	2.30x	1.15x	50%

We evaluate our business and make resource allocations on our two business segments — investment properties and medical office buildings. Under the investment property segment, properties are primarily leased under triple-net leases and we are not involved in the management of the property. Under the medical office building segment, our properties are typically leased under gross leases, modified gross leases or triple-net leases, to multiple tenants, and generally require a certain level of property management. There are no intersegment sales or transfers. Non-segment revenue consists mainly of interest income on non-real estate investments and other income. Non-property specific revenues and expenses are not allocated to individual segments in determining net operating income. Please see Note 15 to our unaudited consolidated financial statements for additional information.

Investment Properties

The following is a summary of our results of operations for the investment properties segment (dollars in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	Sep. 30, 2008	Sep. 30, 2007	$	%	Sep. 30, 2008	Sep. 30, 2007	$	%
Revenues:								
Rental income	$ 98,411	$ 81,092	$ 17,319	21%	$ 276,146	$ 234,365	$ 41,781	18%
Interest income	10,910	5,947	4,963	83%	29,177	17,673	11,504	65%
Other income	1,219	637	582	91%	4,048	2,792	1,256	45%
	110,540	87,676	22,864	26%	309,371	254,830	54,541	21%
Expenses:								
Interest expense	1,514	325	1,189	366%	2,500	726	1,774	244%
Depreciation and amortization	28,449	24,185	4,264	18%	78,143	70,021	8,122	12%
Gain on extinguishment of debt	(768)	0	(768)	n/a	(808)	0	(808)	n/a
	29,195	24,510	4,685	19%	79,835	70,747	9,088	13%
Income from continuing operations before income taxes	81,345	63,166	18,179	29%	229,536	184,083	45,453	25%
Income tax expense	0	0	0	n/a	(1,351)	293	(1,644)	n/a
Income from continuing operations	81,345	63,166	18,179	29%	228,185	184,376	43,809	24%
Discontinued operations:								
Gain (loss) on sales of properties	13,680	766	12,914	1686%	131,874	2,775	129,099	4652%
Income (loss) from discontinued operations, net	1,082	2,793	(1,711)	-61%	6,289	8,788	(2,499)	-28%
Discontinued operations, net	14,762	3,559	11,203	315%	138,163	11,563	126,600	1095%
Net income	$ 96,107	$ 66,725	$ 29,382	44%	$ 366,348	$ 195,939	$ 170,409	87%

The increase in rental income is primarily attributable to the acquisitions of new investment properties from which we receive rent. See the discussion of investing activities in "Liquidity and Capital Resources" above for further information. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the tenant's properties. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If gross operating revenues at our facilities and/or the Consumer Price Index do not increase, a portion of our revenues may not continue to increase. Sales of real property would offset revenue increases and, to the extent that they exceed new acquisitions, could result in decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income. Interest income increased from 2007 primarily due to an increase in the balance of outstanding loans.

Interest expense for the nine months ended September 30, 2008 represents $5,500,000 of secured debt interest expense offset by interest allocated to discontinued operations. Interest expense for the nine months ended September 30, 2007 represents $6,747,000 of secured debt interest expense offset by interest allocated to discontinued operations. The change in secured debt interest expense is due to the net effect and timing of assumptions, extinguishments and principal amortizations. During the nine months ended September 30, 2008, we extinguished four investment property secured debt loans and recognized extinguishment gains of $808,000. The following is a summary of our investment property secured debt principal activity (dollars in thousands):

	Three Months Ended September 30, 2008		Three Months Ended September 30, 2007		Nine Months Ended September 30, 2008		Nine Months Ended September 30, 2007	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 105,910	6.994%	$ 115,935	6.999%	$ 114,543	7.000%	$ 129,617	7.134%
Debt extinguished	(10,358)	6.980%	0		(17,821)	7.022%	(12,083)	8.421%
Principal payments	(660)	6.972%	(690)	6.972%	(1,830)	6.973%	(2,289)	7.120%
Ending balance	$ 94,892	6.996%	$ 115,245	6.999%	$ 94,892	6.996%	$ 115,245	6.999%
Monthly averages	$ 100,395	6.995%	$ 115,593	6.999%	$ 106,814	6.996%	$ 124,730	7.095%

Depreciation and amortization increased primarily as a result of additional investments in properties owned directly by us. See the discussion of investing activities in "Liquidity and Capital Resources" above for additional details. To the extent that we acquire or dispose of additional properties in the future, our provision for depreciation and amortization will change accordingly.

At September 30, 2008, we had ten assisted living facilities that satisfied the requirements of Statement No. 144 for held for sale treatment. We did not recognize any impairment losses on these assets as the fair value less estimated costs to sell exceeded our carrying values. During the nine months ended September 30, 2008, we sold 20 assisted living facilities, two independent living facilities, three skilled nursing facilities, one specialty care facility and one parcel of land with carrying values of $135,584,000 for net gains of $131,874,000 and a deferred gain of $3,708,000. The following illustrates the reclassification impact as a result of classifying these investment properties as discontinued operations for the periods presented. Please refer to Note 5 to our unaudited consolidated financial statements for further discussion.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	**2007**	**2008**	**2007**
Revenues:				
Rental income	**$ 1,660**	$ 6,863	**$ 12,666**	$ 22,193
Expenses:				
Interest expense	**337**	1,800	**3,000**	6,021
Provision for depreciation	**241**	2,270	**3,377**	7,384
Income (loss) from discontinued operations, net	**$ 1,082**	$ 2,793	**$ 6,289**	$ 8,788

During the three months ended December 31, 2007, we recognized $3,900,000 of additional other income related to the payoff of a warrant equity investment. During the nine months ended September 30, 2008, we determined that $1,325,000 of income taxes were due in connection with that investment gain.

Medical Office Buildings

The following is a summary of our results of operations for the medical office buildings segment (dollars in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	Sep. 30, 2008	Sep. 30, 2007	$	%	Sep. 30, 2008	Sep. 30, 2007	$	%
Revenues:								
Rental income	$ 33,720	$ 30,507	$ 3,213	11%	$ 99,544	$ 79,942	$ 19,602	25%
Other income	261	0	261	n/a	708	0	708	n/a
	33,981	30,507	3,474	11%	100,252	79,942	20,310	25%
Expenses:								
Interest expense	5,292	6,562	(1,270)	-19%	16,069	16,373	(304)	-2%
Property operating expenses	11,761	10,333	1,428	14%	34,330	25,997	8,333	32%
Depreciation and amortization	12,926	13,319	(393)	-3%	39,150	31,706	7,444	23%
Loan expense	79	91	(12)	-13%	255	247	8	3%
Gain on extinguishment of debt	0	0	0	n/a	(1,286)	0	(1,286)	n/a
	30,058	30,305	(247)	-1%	88,518	74,323	14,195	19%
Income from continuing operations before income taxes and minority interests	3,923	202	3,721	1842%	11,734	5,619	6,115	109%
Income tax (expense) benefit	(4)	0	(4)	n/a	(49)	12	(61)	n/a
Income from continuing operations before minority interests	3,919	202	3,717	1840%	11,685	5,631	6,054	108%
Minority interests	(1)	(121)	120	-99%	(128)	(407)	279	-69%
Income from continuing operations	3,918	81	3,837	4737%	11,557	5,224	6,333	121%
Discontinued operations:								
Net loss on sales of properties	(1,061)	0	(1,061)	n/a	(1,061)	0	(1,061)	n/a
Income (loss) from discontinued operations, net	12	(149)	161	n/a	0	(18)	18	-100%
	(1,049)	(149)	(900)	604%	(1,061)	(18)	(1,043)	5794%
Net income	$ 2,869	$ (68)	$ 2,937	n/a	$ 10,496	$ 5,206	$ 5,290	102%

The increase in rental income is primarily attributable to the acquisitions of medical office buildings from which we receive rent. See the discussion of investing activities in “Liquidity and Capital Resources” above for further information. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If the Consumer Price Index does not increase, a portion of our revenues may not continue to increase. Sales of real property would offset revenue increases and, to the extent that they exceed new acquisitions, could result in decreased revenues. Our leases could renew above or below current rent rates, resulting in an increase or decrease in rental income. The increase in other income is attributable to third party management fee income.

Interest expense for the nine months ended September 30, 2008 represents $16,216,000 of secured debt interest expense offset by interest allocated to discontinued operations. Interest expense for the nine months ended September 30, 2007 represents $13,853,000 of secured debt interest expense plus $2,644,000 of interest expense related to the subsidiary trust liability offset by interest allocated to discontinued operations. The change in secured debt interest expense is primarily due to the net effect and timing of assumptions, extinguishments and principal amortizations. During the nine months ended September 30, 2008, we extinguished three medical office building secured debt loans and recognized extinguishment gains of $1,286,000. The following is a summary of our medical office building secured debt principal activity (dollars in thousands):

	Three Months Ended September 30, 2008		Three Months Ended September 30, 2007		Nine Months Ended September 30, 2008		Nine Months Ended September 30, 2007	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	$ 360,451	5.795%	$ 384,501	5.877%	$ 392,430	5.854%	$ 248,783	5.939%
Debt assumed	0		13,622	5.700%	0		159,958	5.814%
Debt extinguished	0		0		(29,239)	6.600%	(8,423)	6.742%
Principal payments	(1,420)	5.749%	(1,319)	5.828%	(4,160)	5.736%	(3,514)	5.900%
Ending balance	$ 359,031	5.795%	$ 396,804	5.871%	$ 359,031	5.795%	$ 396,804	5.871%
Monthly averages	$ 359,732	5.795%	$ 387,241	5.876%	$ 368,627	5.804%	$ 318,274	5.903%

Additionally, at September 30, 2007, we had $51,000,000 of trust preferred liability principal outstanding with a fixed annual interest rate of 7.22%. On November 6, 2007, we purchased all $50,000,000 of the outstanding trust preferred securities at par for the purpose of unwinding this financing arrangement and extinguishing the liability of the operating partnership to the subsidiary trust. For further information, please refer to Note 8 included in our Annual Report on Form 10-K for the year ended December 31, 2007.

The increase in property operating expenses is primarily attributable to the acquisition of new medical office buildings for which we incur certain property operating expenses offset by property operating expenses associated with discontinued operations.

Depreciation and amortization increased primarily as a result of additional investments in properties owned directly by us. See the discussion of investing activities in “Liquidity and Capital Resources” above for additional details. To the extent that we acquire or dispose of additional properties in the future, our provision for depreciation and amortization will change accordingly.

Income tax expense is related to third party management fee income.

Minority interests primarily relate to certain joint venture properties acquired in connection with the Windrose merger in December 2006.

During the nine months ended September 30, 2008, we sold one medical office building with a carrying value of $6,781,000 for a loss of $1,061,000. The following illustrates the reclassification impact as a result of classifying this medical office building as discontinued operations for the periods presented. Please refer to Note 5 to our unaudited consolidated financial statements for further discussion.

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Revenues:				
Rental income	**$ 238**	$ 368	**$ 650**	$ 794
Expenses:				
Interest expense	**45**	61	**147**	124
Property operating expenses	**107**	93	**279**	254
Provision for depreciation	**74**	363	**224**	434
Income (loss) from discontinued operations, net	**$ 12**	$ (149)	**$ 0**	$ (18)

Non-Segment/Corporate

The following is a summary of our results of operations for the non-segment/corporate activities (dollars in thousands):

	Three Months Ended Sep. 30, 2008	Three Months Ended Sep. 30, 2007	Change $	Change %	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007	Change $	Change %
Revenues:								
Other income	$ 575	$ 562	$ 13	2%	$ 899	$ 1,143	$ (244)	-21%
	575	562	13	2%	899	1,143	(244)	-21%
Expenses:								
Interest expense	26,722	26,334	388	1%	79,739	77,464	2,275	3%
General and administrative	10,789	8,649	2,140	25%	33,693	28,385	5,308	19%
Loan expense	1,675	1,413	262	19%	5,024	3,759	1,265	34%
	39,186	36,396	2,790	8%	118,456	109,608	8,848	8%
Net loss from continuing operations before income taxes	(38,611)	(35,834)	(2,777)	8%	(117,557)	(108,465)	(9,092)	8%
Income tax (expense) benefit	157	23	134	583%	230	(224)	454	n/a
Net loss	(38,454)	(35,811)	(2,643)	7%	(117,327)	(108,689)	(8,638)	8%
Preferred stock dividends	5,730	6,317	(587)	-9%	17,660	18,952	(1,292)	-7%
Net loss attributable to common stockholders	$ (44,184)	$ (42,128)	$ (2,056)	5%	$ (134,987)	$ (127,641)	$ (7,346)	6%

Other income primarily represents income from non-real estate activities such as interest earned on temporary investments of cash reserves.

The following is a summary of our non-segment/corporate interest expense (dollars in thousands):

	Three Months Ended Sep. 30, 2008	Three Months Ended Sep. 30, 2007	Change $	Change %	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007	Change $	Change %
Senior unsecured notes	$ 26,515	$ 26,951	$ (436)	-2%	$ 80,218	$ 74,295	$ 5,923	8%
Unsecured lines of credit	5,098	2,647	2,451	93%	14,722	11,280	3,442	31%
Capitalized interest	(6,364)	(3,162)	(3,202)	101%	(16,594)	(8,058)	(8,536)	106%
SWAP losses (savings)	1,473	(102)	1,575	n/a	1,393	(52)	1,445	n/a
Totals	$ 26,722	$ 26,334	388	1%	$ 79,739	$ 77,465	$ 2,274	3%

The change in interest expense on senior unsecured notes is due to the net effect of issuances and extinguishments. Additionally, as a result of management's revised debt issuance timing expectation for our September 2007 Swaps, $1,633,000 of ineffectivesness was reclassified from AOCI to interest expense during the three months ended September 30, 2008. Please see Note 10 to our unaudited consolidated financial statements for additional information. The following is a summary of our senior unsecured note principal activity (dollars in thousands):

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	Three Months Ended September 30, 2008		Three Months Ended September 30, 2007		Nine Months Ended September 30, 2008		Nine Months Ended September 30, 2007	
	Face Amount	Weighted Avg. Interest Rate	Face Amount	Weighted Avg. Interest Rate	Face Amount	Weighted Avg. Interest Rate	Face Amount	Weighted Avg. Interest Rate
Beginning balance	$ 1,845,000	5.782%	$ 1,539,830	6.159%	$ 1,887,330	5.823%	$ 1,539,830	6.159%
Debt issued	0		400,000	4.750%	0		400,000	4.750%
Principal payments	0		(52,500)	7.500%	(42,330)	7.625%	(52,500)	7.500%
Ending balance	$ 1,845,000	5.782%	$ 1,887,330	5.823%	$ 1,845,000	5.782%	$ 1,887,330	5.823%
Monthly averages	$ 1,845,000	5.782%	$ 1,813,580	5.907%	$ 1,863,141	5.800%	$ 1,649,330	6.048%

The change in interest expense on the unsecured line of credit arrangement is due primarily to the net effect and timing of draws, paydowns and variable interest rate changes. The following is a summary of our unsecured line of credit arrangement (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Balance outstanding at quarter end	$387,000	$145,000	$387,000	$145,000
Maximum amount outstanding at any month end	$701,000	$145,000	$744,000	$381,000
Average amount outstanding (total of daily principal balances divided by days in period)	$577,717	$142,392	$509,307	$218,607
Weighted average interest rate (actual interest expense divided by average borrowings outstanding)	3.53%	7.43%	3.85%	6.88%

We capitalize certain interest costs associated with funds used to finance the construction of properties owned directly by us. The amount capitalized is based upon the borrowings outstanding during the construction period using the rate of interest that approximates our cost of financing. Our interest expense is reduced by the amount capitalized.

Please see Note 10 to our unaudited consolidated financial statements for a discussion of our interest rate swap agreements and their impact on interest expense.

General and administrative expenses as a percentage of consolidated revenues (including revenues from discontinued operations) for the three and nine months ended September 30, 2008 were 7.34% and 7.95%, respectively, as compared with 6.87% and 7.91% for the same periods in 2007. The increase from 2007 is primarily related to costs associated with our initiatives to attract and retain appropriate personnel to achieve our business objectives.

Loan expense represents the amortization of deferred loan costs incurred in connection with the issuance and amendments of debt. The change in loan expense is primarily due to costs associated with the issuance of $400,000,000 of senior unsecured convertible notes in July 2007 and costs associated with the amendment of our unsecured line of credit arrangement in August 2007.

The change in preferred dividends is primarily attributable to preferred stock conversions. The following is a summary of our preferred stock activity (dollars in thousands):

	Three Months Ended September 30, 2008		Three Months Ended September 30, 2007		Nine Months Ended September 30, 2008		Nine Months Ended September 30, 2007	
	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate	Shares	Weighted Avg. Dividend Rate
Beginning balance	12,048,839	7.688%	13,174,989	7.672%	12,879,189	7.676%	13,174,989	7.672%
Shares converted	(127,780)	7.500%	0		(958,130)	7.500%	0	
Ending balance	11,921,059	7.690%	13,174,989	7.672%	11,921,059	7.690%	13,174,989	7.672%
Monthly averages	11,953,449	7.689%	13,174,989	7.672%	12,323,623	7.684%	13,174,989	7.672%

Non-GAAP Financial Measures

We believe that net income, as defined by U.S. GAAP, is the most appropriate earnings measurement. However, we consider FFO to be a useful supplemental measure of our operating performance. Historical cost accounting for real estate assets in accordance with U.S. GAAP implicitly assumes that the value of real estate assets diminishes predictably over time as evidenced by the provision for depreciation. However, since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient. In response, the National Association of Real Estate Investment Trusts ("NAREIT") created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation from net income. FFO, as defined by NAREIT, means net income, computed in accordance with U.S. GAAP, excluding gains (or losses) from sales of real estate, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

Net operating income ("NOI") is used to evaluate the operating performance of our properties. We define NOI as total revenues, including tenant reimbursements, less property level operating expenses, which exclude depreciation and amortization, general and administrative expenses, impairments and interest expense. We believe NOI provides investors relevant and useful information because it measures the operating performance of our properties at the property level on an unleveraged basis. We use NOI to make decisions about resource allocations and to assess the property level performance of our properties.

EBITDA stands for earnings before interest, taxes, depreciation and amortization. We believe that EBITDA, along with net income and cash flow provided from operating activities, is an important supplemental measure because it provides additional information to assess and evaluate the performance of our operations. We primarily utilize EBITDA to measure our interest coverage ratio, which represents EBITDA divided by total interest, and our fixed charge coverage ratio, which represents EBITDA divided by fixed charges. Fixed charges include total interest, secured debt principal amortization and preferred dividends.

A covenant in our line of credit arrangement contains a financial ratio based on a definition of EBITDA that is specific to that agreement. Failure to satisfy this covenant could result in an event of default that could have a material adverse impact on our cost and availability of capital, which could in turn have a material adverse impact on our consolidated results of operations, liquidity and/or financial condition. Due to the materiality of this debt agreement and the financial covenant, we have disclosed Adjusted EBITDA, which represents EBITDA as defined above and adjusted for stock-based compensation expense, provision for loan losses and gain/loss on extinguishment of debt. We use Adjusted EBITDA to measure our adjusted fixed charge coverage ratio, which represents Adjusted EBITDA divided by fixed charges on a trailing twelve months basis. Fixed charges include total interest (excluding capitalized interest), secured debt principal amortization and preferred dividends. Our covenant requires an adjusted fixed charge ratio of at least 1.75 times.

In April 2002, the Financial Accounting Standards Board issued Statement No. 145 that requires gains and losses on extinguishment of debt to be classified as income or loss from continuing operations rather than as extraordinary items as previously required under Statement No. 4. We adopted the standard effective January 1, 2003. We have properly reflected gains on extinguishment of debt totaling $768,000 ($0.01 per diluted share), $1,326,000 ($0.02 per diluted share) and $1,081,000 ($0.01 per diluted share) for the quarters ended September 30, 2008, March 31, 2008 and December 31, 2007, respectively. These amounts have not been added back for the calculations of FFO or EBITDA.

During the quarter ended June 30, 2007, we recorded $1,750,000 ($0.02 per diluted share) of one-time acquisition finders' fees paid to former Windrose management in connection with the closing of the Rendina/Paramount transaction. These fees relate to services rendered prior to the consummation of the Windrose merger in December 2006. Due to the recipients' current employment status with the company, the fees were expensed as compensation rather than included in the purchase price of the acquisition, as is typical with such fees. These fees have not been added back for the calculations of FFO or EBITDA.

During the quarter ended March 31, 2008, we recorded $1,325,000 ($0.02 per diluted share) of non-recurring income tax expense. These taxes have not been added back for the calculations of FFO.

Other than Adjusted EBITDA, our supplemental measures are financial measures that are widely used by investors, equity and debt analysts and rating agencies in the valuation, comparison, rating and investment recommendations of companies. Management uses these financial measures to facilitate internal and external comparisons to our historical operating results and in making operating decisions. Additionally, these measures are utilized by the Board of Directors to evaluate management. Adjusted EBITDA is used solely to determine our compliance with a financial covenant of our line of credit arrangement and is not being presented for use by investors for any other purpose. None of our supplemental measures represent net income or cash flow provided from operating activities as determined in accordance with U.S. GAAP and should not be considered as alternative measures of profitability or liquidity. Finally, the supplemental measures, as defined by us, may not be comparable to similarly entitled items reported by other real estate investment trusts or other companies. Multi-period amounts may not equal the sum of the individual quarterly amounts due to rounding.

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The table below reflects the reconciliation of FFO to net income available to common stockholders, the most directly comparable U.S. GAAP measure, for the periods presented. The provisions for depreciation and amortization include provisions for depreciation and amortization from discontinued operations. Amounts are in thousands except for per share data.

	Three Months Ended						
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007	March 31, 2008	June 30, 2008	September 30, 2008
FFO Reconciliation:							
Net income available to common stockholders	$23,356	$25,620	$24,529	$ 42,768	$30,452	$ 156,613	$ 54,792
Depreciation and amortization	33,860	35,547	40,137	40,081	39,574	39,630	41,690
Loss (gain) on sales of properties	(977)	(1,033)	(766)	(11,662)	(26)	(118,168)	(12,619)
Minority interests	(32)	(155)	(70)	(88)	(87)	(87)	(87)
Funds from operations	$56,207	$59,979	$63,830	$ 71,099	$69,913	$ 77,988	$ 83,776
Average common shares outstanding:							
Basic	73,224	79,060	80,710	82,346	86,100	89,294	96,040
Diluted	73,791	79,546	81,163	82,784	86,610	89,853	96,849
Per share data:							
Net income available to common stockholders							
Basic	$ 0.32	$ 0.32	$ 0.30	$ 0.52	$ 0.35	$ 1.75	$ 0.57
Diluted	0.32	0.32	0.30	0.52	0.35	1.74	0.57
Funds from operations							
Basic	$ 0.77	$ 0.76	$ 0.79	$ 0.86	$ 0.81	$ 0.87	$ 0.87
Diluted	0.76	0.75	0.79	0.86	0.81	0.87	0.87

	Nine Months Ended	
	September 30, 2007	September 30, 2008
FFO Reconciliation:		
Net income available to common stockholders	$ 73,504	$ 241,857
Depreciation and amortization	109,545	120,894
Loss (gain) on sales of properties	(2,775)	(130,813)
Minority interests	(256)	(261)
Funds from operations	$180,018	$ 231,677
Average common shares outstanding:		
Basic	77,686	90,500
Diluted	78,234	91,121
Per share data:		
Net income available to common stockholders		
Basic	$ 0.95	$ 2.67
Diluted	0.94	2.65
Funds from operations		
Basic	$ 2.32	$ 2.56
Diluted	2.30	2.54

The table below reflects the reconciliation of NOI for the periods presented. All amounts include amounts from discontinued operations, if applicable. Amounts are in thousands.

	Three Months Ended						
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007	March 31, 2008	June 30, 2008	September 30, 2008
NOI Reconciliation:							
Total revenues:							
Investment properties:							
Rental income:							
Independent living/CCRCs	$ 9,387	$ 9,477	$ 11,765	$ 12,443	$ 13,414	$ 14,881	$ 18,545
Assisted living facilities	25,750	25,345	28,734	28,646	30,228	31,071	28,189
Skilled nursing facilities	41,011	44,713	40,970	41,025	40,100	40,260	40,687
Specialty care facilities	6,340	6,581	6,485	7,012	8,191	10,595	12,650
Investment property rental income	82,488	86,116	87,954	89,126	91,933	96,807	100,071
Interest income	5,149	6,576	5,947	8,151	9,092	9,175	10,910
Other income	1,343	812	637	5,218	1,296	1,533	1,219
Total investment property revenues	88,980	93,504	94,538	102,495	102,321	107,515	112,200
Medical office buildings:							
Rental income	23,680	26,181	30,876	30,877	33,233	33,003	33,958
Other income	0	0	0	497	210	237	261
Total medical office building revenues	23,680	26,181	30,876	31,374	33,443	33,240	34,219
Corporate other income	249	332	562	384	210	115	575
Total revenues	112,909	120,017	125,976	134,253	135,974	140,870	146,994
Property operating expenses:							
Investment properties	0	0	0	0	0	0	0
Medical office buildings	7,168	8,657	10,426	11,224	11,367	11,375	11,868
Non-segment/corporate	0	0	0	0	0	0	0
Total property operating expenses	7,168	8,657	10,426	11,224	11,367	11,375	11,868
Net operating income:							
Investment properties	88,980	93,504	94,538	102,495	102,321	107,515	112,200
Medical office buildings	16,512	17,524	20,450	20,150	22,076	21,865	22,351
Non-segment/corporate	249	332	562	384	210	115	575
Net operating income	$105,741	$111,360	$115,550	$123,029	$124,607	$129,495	$135,126

	Nine Months Ended	
	September 30, 2007	September 30, 2008
NOI Reconciliation:		
Total revenues:		
Investment properties:		
Rental income:		
Independent living/CCRCs	$ 30,629	$ 46,841
Assisted living facilities	79,829	89,488
Skilled nursing facilities	126,694	121,047
Specialty care facilities	19,405	31,436
Investment property rental income	256,557	288,812
Interest income	17,673	29,177
Other income	2,792	4,048
Total investment property revenues	277,022	322,037
Medical office buildings:		
Rental income	80,737	100,194
Other income	0	708
Total medical office building revenues	80,737	100,902
Corporate other income	1,143	899
Total revenues	358,902	423,838
Property operating expenses:		
Investment properties	0	0
Medical office buildings	26,251	34,609
Non-segment/corporate	0	0
Total property operating expenses	26,251	34,609

Net operating income:		
Investment properties	277,022	322,037
Medical office buildings	54,486	66,293
Non-segment/corporate	1,143	899
Net operating income	$332,651	$389,229

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The table below reflects the reconciliation of EBITDA to net income, the most directly comparable U.S. GAAP measure, for the periods presented. Interest expense and the provisions for depreciation and amortization include discontinued operations. Amortization represents the amortization of deferred loan expenses. Dollars are in thousands.

	Three Months Ended						
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007	March 31, 2008	June 30, 2008	September 30, 2008
EBITDA Reconciliation:							
Net income	$29,673	$ 31,937	$ 30,846	$ 48,947	$ 36,599	$162,397	$ 60,522
Interest expense	31,999	33,624	35,082	35,593	34,345	33,199	33,910
Income tax expense (benefit)	11	(69)	(23)	269	1,279	44	(153)
Depreciation and amortization	33,860	35,547	40,137	40,081	39,574	39,630	41,690
Amortization of deferred loan expenses	1,267	1,236	1,504	1,971	1,772	1,753	1,754
EBITDA	$96,810	$102,275	$107,546	$126,861	$113,569	$237,023	$137,723
Interest Coverage Ratio:							
Interest expense	$31,999	$ 33,624	$ 35,082	$ 35,593	$ 34,345	$ 33,199	$ 33,910
Capitalized interest	2,327	2,570	3,162	4,468	5,167	5,063	6,364
Total interest	34,326	36,194	38,244	40,061	39,512	38,262	40,274
EBITDA	$96,810	$102,275	$107,546	$126,861	$113,569	$237,023	$137,723
Interest coverage ratio	2.82x	2.83x	2.81x	3.17x	2.87x	6.19x	3.42x
Fixed Charge Coverage Ratio:							
Total interest	$34,326	$ 36,194	$ 38,244	$ 40,061	$ 39,512	$ 38,262	$ 40,274
Secured debt principal payments	1,894	1,900	2,009	2,147	2,093	1,817	2,080
Preferred dividends	6,317	6,317	6,317	6,179	6,147	5,784	5,730
Total fixed charges	42,537	44,411	46,570	48,387	47,752	45,863	48,084
EBITDA	$96,810	$102,275	$107,546	$126,861	$113,569	$237,023	$137,723
Fixed charge coverage ratio	2.28x	2.30x	2.31x	2.62x	2.38x	5.17x	2.86x

	Nine Months Ended	
	September 30, 2007	September 30, 2008
EBITDA Reconciliation:		
Net income	$ 92,456	$259,517
Interest expense	100,708	101,455
Tax expense (benefit)	(81)	1,170
Depreciation and amortization	109,545	120,894
Amortization of deferred loan expenses	4,006	5,279
EBITDA	$306,634	$488,315
Interest Coverage Ratio:		
Interest expense	$100,708	$101,455
Capitalized interest	8,058	16,594
Total interest	108,766	118,049
EBITDA	$306,634	$488,315
Interest coverage ratio	2.82x	4.14x
Fixed Charge Coverage Ratio:		
Total interest	$108,766	$118,049
Secured debt principal payments	5,803	5,990
Preferred dividends	18,952	17,660
Total fixed charges	133,521	141,699
EBITDA	$306,634	$488,315
Fixed charge coverage ratio	2.30x	3.45x

The table below reflects the reconciliation of Adjusted EBITDA to net income, the most directly comparable U.S. GAAP measure, for the periods presented. Interest expense and the provisions for depreciation and amortization include discontinued operations. Amortization represents the amortization of deferred loan expenses. Dollars are in thousands.

	Twelve Months Ended						
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007	March 31, 2008	June 30, 2008	September 30, 2008
Adjusted EBITDA Reconciliation:							
Net income	$107,445	$111,381	$115,414	$141,402	$148,329	$278,789	$308,465
Interest expense	104,595	115,132	125,940	136,302	138,644	138,219	137,047
Income tax expense (benefit)	93	12	(81)	188	1,456	1,569	1,439
Depreciation and amortization	108,162	119,578	135,189	149,626	155,339	159,422	160,975
Amortization of deferred loan expenses	3,812	4,341	5,063	5,977	6,483	7,000	7,250
Stock-based compensation expense	7,643	8,081	8,543	7,050	7,723	7,853	8,024
Provision for loan losses	750	500	250	0	0	0	0
Loss (gain) on extinguishment of debt	0	0	0	(1,081)	(2,407)	(2,407)	(3,175)
Adjusted EBITDA	$332,500	$359,025	$390,318	$439,464	$455,567	$590,445	$620,025
Adjusted Fixed Charge Coverage Ratio:							
Interest expense	$104,595	$115,132	$125,940	$136,302	$138,644	$138,219	$137,047
Capitalized interest	6,596	8,257	10,035	12,526	15,367	17,860	21,062
Secured debt principal payments	4,284	5,416	6,652	7,950	8,149	8,079	8,137
Preferred dividends	22,447	23,431	24,415	25,130	24,960	24,427	23,840
Total fixed charges	137,922	152,236	167,042	181,908	187,120	188,585	190,086
Adjusted EBITDA	$332,500	$359,025	$390,318	$439,464	$455,567	$590,445	$620,025
Adjusted fixed charge coverage	2.41x	2.36x	2.34x	2.42x	2.43x	3.13x	3.26x

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions. Management considers an accounting estimate or assumption critical if:

- the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and
- the impact of the estimates and assumptions on financial condition or operating performance is material.

Management has discussed the development and selection of its critical accounting policies with the Audit Committee of the Board of Directors and the Audit Committee has reviewed the disclosure presented below relating to them. Management believes the current assumptions and other considerations used to estimate amounts reflected in our consolidated financial statements are appropriate and are not reasonably likely to change in the future. However, since these estimates require assumptions to be made that were uncertain at the time the estimate was made, they bear the risk of change. If actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations, liquidity and/or financial condition. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2007 for further information regarding significant accounting policies that impact us. There have been no material changes to these policies in 2008. See Note 2 to our consolidated financial statements for the impact of new accounting pronouncements.

The following table presents information about our critical accounting policies, as well as the material assumptions used to develop each estimate:

Nature of Critical Accounting Estimate	Assumptions/Approach Used
Allowance for Loan Losses	
We maintain an allowance for loan losses in accordance with Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan, as amended, and SEC Staff Accounting Bulletin No. 102, Selected Loan Loss Allowance Methodology and Documentation Issues. The allowance for loan losses is maintained at a level believed adequate to absorb potential losses in our loans receivable. The determination of the allowance is based on a quarterly evaluation of all outstanding loans. If this evaluation indicates that there is a greater risk of loan charge-offs, additional allowances or placement on non-accrual status may be required. A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due as scheduled according to the contractual terms of the original loan agreement. Consistent with this definition, all loans on non-accrual are deemed impaired. To the extent circumstances improve and the risk of collectibility is diminished, we will return these loans to full accrual status.	The determination of the allowance is based on a quarterly evaluation of all outstanding loans, including general economic conditions and estimated collectibility of loan payments and principal. We evaluate the collectibility of our loans receivable based on a combination of factors, including, but not limited to, delinquency status, historical loan charge-offs, financial strength of the borrower and guarantors and value of the underlying property. As a result of our quarterly evaluation, we concluded that the allowance for loan losses at December 31, 2007 remained appropriate as of September 30, 2008, resulting in an allowance for loan losses of $7,406,000 relating to loans with outstanding balances of $116,192,000. Also at September 30, 2008, we had loans with outstanding balances of $39,190,000 on non-accrual status.

Nature of Critical Accounting Estimate	Assumptions/Approach Used
Business Combinations	
Substantially all of the properties owned us are leased under operating leases and recorded at cost. The cost of our real property is allocated to land, buildings, improvements and intangibles in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations.	We compute depreciation and amortization on our properties using the straight-line method based on their estimated useful lives which range from 15 to 40 years for buildings and five to 15 years for improvements. Lives for intangibles are based on the remaining term of the underlying leases. For the nine months ended September 30, 2008, we recorded $98,951,000, $12,348,000 and $9,595,000 as provisions for depreciation and amortization relating to buildings, improvements and intangibles, respectively, including amounts reclassified as discontinued operations. The average useful life of our buildings, improvements and intangibles was 32.3 years, 13.1 years and 6.4 years, respectively, for the nine months ended September 30, 2008.
Impairment of Long-Lived Assets	
We review our long-lived assets for potential impairment in accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment and Disposal of Long-Lived Assets. An impairment charge must be recognized when the carrying value of a long-lived asset is not recoverable. The carrying value is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If it is determined that a permanent impairment of a long-lived asset has occurred, the carrying value of the asset is reduced to its fair value and an impairment charge is recognized for the difference between the carrying value and the fair value.	The net book value of long-lived assets is reviewed quarterly on a property by property basis to determine if there are indicators of impairment. These indicators may include anticipated operating losses at the property level, the tenant's inability to make rent payments, a decision to dispose of an asset before the end of its estimated useful life and changes in the market that may permanently reduce the value of the property. If indicators of impairment exist, then the undiscounted future cash flows from the most likely use of the property are compared to the current net book value. This analysis requires us to determine if indicators of impairment exist and to estimate the most likely stream of cash flows to be generated from the property during the period the property is expected to be held. We did not record any impairment charges for the nine months ended September 30, 2008.
Fair Value of Derivative Instruments	
The valuation of derivative instruments is accounted for in accordance with Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS133"), as amended by Statement of Financial Accounting Standards No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities. SFAS133, as amended, requires companies to record derivatives at fair market value on the balance sheet as assets or liabilities.	The valuation of derivative instruments requires us to make estimates and judgments that affect the fair value of the instruments. Fair values for our derivatives are estimated by utilizing pricing models that consider forward yield curves and discount rates. Such amounts and the recognition of such amounts are subject to significant estimates which may change in the future. At September 30, 2008, we participated in two forward-starting interest rate swap agreements. At September 30, 2008, the swaps were reported at their fair value of negative $13,588,000 and are included in other liabilities and accumulated other comprehensive income.

Nature of Critical Accounting Estimate	Assumptions/Approach Used
Revenue Recognition	
Revenue is recorded in accordance with Statement of Financial Accounting Standards No. 13, Accounting for Leases, and SEC Staff Accounting Bulletin No. 104, Revenue Recognition in Financial Statements, as amended ("SAB104"). SAB104 requires that revenue be recognized after four basic criteria are met. These four criteria include persuasive evidence of an arrangement, the rendering of service, fixed and determinable income and reasonably assured collectibility. If the collectibility of revenue is determined incorrectly, the amount and timing of our reported revenue could be significantly affected. Interest income on loans is recognized as earned based upon the principal amount outstanding subject to an evaluation of collectibility risk. Substantially all of our operating leases contain fixed and/or contingent escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectibility assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period.	We evaluate the collectibility of our revenues and related receivables on an on-going basis. We evaluate collectibility based on assumptions and other considerations including, but not limited to, the certainty of payment, payment history, the financial strength of the investment's underlying operations as measured by cash flows and payment coverages, the value of the underlying collateral and guaranties and current economic conditions. If our evaluation indicates that collectibility is not reasonably assured, we may place an investment on non-accrual or reserve against all or a portion of current income as an offset to revenue. For the nine months ended September 30, 2008, we recognized \$29,177,000 of interest income and \$389,006,000 of rental income, including discontinued operations. Cash receipts on leases with deferred revenue provisions were \$15,679,000 as compared to gross straight-line rental income recognized of \$15,807,000 for the nine months ended September 30, 2008. At September 30, 2008, our straight-line receivable balance was \$53,121,000, net of reserves totaling \$1,152,000. Also at September 30, 2008, we had loans with outstanding balances of \$39,190,000 on non-accrual status.

Forward-Looking Statements and Risk Factors

This Quarterly Report on Form 10-Q may contain "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements concern and are based upon, among other things, the possible expansion of the company's portfolio; the sale of properties; the performance of its operators and properties; its occupancy rates; its ability to acquire or develop properties; its ability to manage properties; its ability to enter into agreements with viable new tenants for vacant space or for properties that the company takes back from financially troubled tenants, if any; its ability to make distributions; its policies and plans regarding investments, financings and other matters; its tax status as a real estate investment trust; its ability to appropriately balance the use of debt and equity; its ability to access capital markets or other sources of funds; its critical accounting policies; and its ability to meet its earnings guidance. When the company uses words such as "may," "will," "intend," "should," "believe," "expect," "anticipate," "project," "estimate" or similar expressions, it is making forward-looking statements. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties. The company's expected results may not be achieved, and actual results may differ materially from expectations. This may be a result of various factors, including, but not limited to: the status of the economy; the status of capital markets, including availability and cost of capital; issues facing the health care industry, including compliance with, and changes to, regulations and payment policies; operators'/tenants' difficulty in cost-effectively obtaining and maintaining adequate liability and other insurance; changes in financing terms; competition within the health care and senior housing industries; negative developments in the operating results or financial condition of operators/tenants, including, but not limited to, their ability to pay rent and repay loans; the company's ability to transition or sell facilities with profitable results; the failure to make new investments as and when anticipated; the failure of closings to occur as and when anticipated; acts of God affecting the company's properties; the company's ability to re-lease space at similar rates as vacancies occur; the company's ability to timely reinvest sale proceeds at similar rates to assets sold; operator/tenant bankruptcies or insolvencies; government regulations affecting Medicare and Medicaid reimbursement rates and operational requirements; liability or contract claims by or against operators/tenants; unanticipated difficulties and/or expenditures relating to future acquisitions; environmental laws affecting the company's properties; changes in rules or practices governing the company's financial reporting; and legal and operational matters, including real estate investment trust qualification and key management personnel recruitment and retention. Other important factors are identified in the company's Annual Report on Form 10-K for the year ended December 31, 2007, including factors identified under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Finally, the company assumes no obligation to update or revise any forward-looking statements or to update the reasons why actual results could differ from those projected in any forward-looking statements.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates. We seek to mitigate the effects of fluctuations in interest rates by matching the terms of new investments with new long-term fixed rate borrowings to the extent possible. We may or may not elect to use financial derivative instruments to hedge interest rate exposure. These decisions are principally based on our policy to match our variable rate investments with comparable borrowings, but are also based on the general trend in interest rates at the applicable dates and our perception of the future volatility of interest rates. This section is presented to provide a discussion of the risks associated with potential fluctuations in interest rates.

We historically borrow on our unsecured line of credit arrangement to acquire, construct or make loans relating to health care and senior housing properties. Then, as market conditions dictate, we will issue equity or long-term fixed rate debt to repay the borrowings under the unsecured line of credit arrangement.

A change in interest rates will not affect the interest expense associated with our fixed rate debt. Interest rate changes, however, will affect the fair value of our fixed rate debt. Changes in the interest rate environment upon maturity of this fixed rate debt could have an effect on our future cash flows and earnings, depending on whether the debt is replaced with other fixed rate debt, variable rate debt or equity or repaid by the sale of assets. To illustrate the impact of changes in the interest rate markets, we performed a sensitivity analysis on our fixed rate debt instruments whereby we modeled the change in net present values arising from a hypothetical 1% increase in interest rates to determine the instruments' change in fair value. The following table summarizes the analysis performed as of the dates indicated (in thousands):

	September 30, 2008		December 31, 2007	
	Principal balance	Change in fair value	Principal balance	Change in fair value
Senior unsecured notes	$1,845,000	$(140,179)	$1,887,330	$ (96,726)
Secured debt	453,923	(18,570)	492,741	(24,530)
Totals	$2,298,923	$(158,749)	$2,380,071	$(121,256)

On September 12, 2007, we entered into two forward-starting interest rate swaps (the "September 2007 Swaps") for a total notional amount of $250,000,000 to hedge 10 years of interest payments associated with a long-term borrowing that is expected to occur in 2008. During the three months ended September 30, 2008, management revised the expected timing of the debt issuance to 2009. The September 2007 Swaps each have an effective date of September 12, 2008 and a maturity date of September 12, 2018. We expect to settle the September 2007 Swaps when the forecasted debt is priced. The September 2007 Swaps have the economic effect of fixing $250,000,000 of our future debt at 4.469% plus a credit spread for 10 years. The September 2007 Swaps have been designated as cash flow hedges and we expect the September 2007 Swaps to be highly effective at offsetting changes in cash flows of interest payments on $250,000,000 of our future debt due to changes in the LIBOR swap rate. Therefore, effective changes in the fair value of the September 2007 Swaps will be recorded in accumulated other comprehensive income ("AOCI") and reclassified to interest expense when the hedged forecasted transactions affect earnings (as interest payments are made on the expected debt issuance). As a result of the revised debt issuance timing, $1,633,000 of ineffectiveness was reclassified from AOCI to interest expense during the three months ended September 30, 2008. At September 30, 2008, the September 2007 Swaps were reported at their fair value of $13,588,000 in other liabilities with the effective portion of $11,623,000 recorded in AOCI. A 1% increase in interest rates would result in an increase in fair value of our September 2007 Swaps by approximately $5,705,000 at September 30, 2008. At December 31, 2007, the September 2007 Swaps were reported at their fair value of negative $7,990,000 and were included in other liabilities and AOCI. A 1% increase in interest rates would result in an increase in fair value of our September 2007 Swaps by approximately $10,871,000 at December 31, 2007.

Our variable rate debt, including our unsecured line of credit arrangement, is reflected at fair value. At September 30, 2008, we had $387,000,000 outstanding related to our variable rate debt and assuming no changes in outstanding balances, a 1% increase in interest rates would result in increased annual interest expense of $3,870,000. At December 31, 2007, we had $321,232,000 outstanding related to our variable rate debt and assuming no changes in outstanding balances, a 1% increase in interest rates would have resulted in increased annual interest expense of $3,212,000.

We are subject to risks associated with debt financing, including the risk that existing indebtedness may not be refinanced or that the terms of refinancing may not be as favorable as the terms of current indebtedness. The majority of our borrowings were completed under indentures or contractual agreements that limit the amount of indebtedness we may incur. Accordingly, in the event that we are unable to raise additional equity or borrow money because of these limitations, our ability to acquire additional properties may be limited.

Item 4. ***Controls and Procedures***

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by us in the reports we file with or submit to the Securities and Exchange Commission (“SEC”) under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. No changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. ***Risk Factors***

Except as provided in “Item 2 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Forward Looking Statements and Risk Factors,” there have been no material changes from the risk factors identified under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2007.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2008 through July 31, 2008	770	$44.95		
August 1, 2008 through August 31, 2008				
September 1, 2008 through September 30, 2008				
Totals	770	$44.95		

(1) During the three months ended September 30, 2008, the only securities purchased by the Company were shares of common stock held by employees who tendered owned shares to satisfy the tax withholding on the lapse of certain restrictions on restricted stock.

(2) No shares were purchased as part of publicly announced plans or programs.

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Item 6. ***Exhibits***

31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.

31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.

32.1 Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer.

32.2 Certification pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	HEALTH CARE REIT, INC.
Date: November 5, 2008	By: /s/ GEORGE L. CHAPMAN George L. Chapman, Chairman and Chief Executive Officer (Principal Executive Officer)
Date: November 5, 2008	By: /s/ SCOTT A. ESTES Scott A. Estes, Senior Vice President and Chief Financial Officer (Principal Financial Officer)
Date: November 5, 2008	By: /s/ PAUL D. NUNGESTER, JR. Paul D. Nungester, Jr., Vice President and Controller (Principal Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, **George L. Chapman**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Health Care REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2008

/s/ GEORGE L. CHAPMAN
George L. Chapman,
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, **Scott A. Estes**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Health Care REIT, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2008

/s/ SCOTT A. ESTES
Scott A. Estes,
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

I, George L. Chapman, the Chief Executive Officer of Health Care REIT, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that (i) the Quarterly Report on Form 10-Q for the Company for the quarter ended September 30, 2008 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ George L. Chapman
George L. Chapman,
Chief Executive Officer
Date: November 5, 2008

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

I, Scott A. Estes, the Chief Financial Officer of Health Care REIT, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that (i) the Quarterly Report on Form 10-Q for the Company for the quarter ended September 30, 2008 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SCOTT A. ESTES

Scott A. Estes,
Chief Financial Officer
Date: November 5, 2008

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.