

HEALTH CARE PROPERTY INVESTORS INC
Form 424B5
October 30, 2006

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SUBJECT TO COMPLETION DATED OCTOBER 30, 2006

The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not offers to sell these securities, and we are not soliciting offers to buy these securities in any state or jurisdiction where the offer or sale is not permitted.

**Prospectus Supplement
(To Prospectus dated September 8, 2006)**

22,000,000 Shares

Health Care Property Investors, Inc.

Common Stock

We are offering 22,000,000 shares of our common stock to the public. Our common stock is traded on the New York Stock Exchange under the symbol HCP. The last reported sale price of our common stock on the New York Stock Exchange on October 26, 2006 was \$31.74 per share.

Investing in our common stock involves risk. See Risk Factors beginning on page S-7 of this prospectus supplement and page 4 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds (before expenses) to HCP	\$	\$

The underwriters have a 30-day option to purchase up to 3,300,000 additional shares of common stock from us on the same terms and conditions set forth above. The option may be exercised solely to cover over-allotments, if any.

Goldman, Sachs & Co.

Merrill Lynch & Co.

Banc of America Securities LLC

UBS Investment Bank

Citigroup

JPMorgan

Wachovia Securities

Cohen & Steers

November , 2006

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You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not authorized anyone to provide you with information that is different. We are not making an offer to sell these securities in any jurisdiction where the offer or sale of these securities is not permitted. This document may only be used where it is legal to sell these securities. You should assume that the information in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference.

All references in this prospectus supplement to HCP, we, us or our mean Health Care Property Investors, Inc., its majority-owned subsidiaries and other entities controlled by Health Care Property Investors, Inc. except where it is clear from the context that the term means only the issuer, Health Care Property Investors, Inc. Unless otherwise stated, currency amounts in this prospectus supplement are stated in United States dollars.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. This prospectus supplement also adds to, updates and changes information contained in the accompanying prospectus. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. The accompanying prospectus is part of a registration statement that we filed with the Securities and Exchange Commission using a shelf registration statement. Under the shelf registration process, from time to time, we may offer and sell debt securities, warrants or other rights, stock purchase contracts, units, common stock, preferred stock or depositary shares, or any combination thereof, in one or more offerings.

It is important that you read and consider all of the information contained in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents to which we have referred you in [Incorporation by Reference](#) on page S-2 of this prospectus supplement and [Where You Can Find More Information](#) on page 2 of the accompanying prospectus.

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INCORPORATION BY REFERENCE

The Securities and Exchange Commission, or SEC, allows us to incorporate by reference information into this prospectus supplement and the accompanying prospectus. This means that we can disclose important information to you by referring you to another document that HCP has filed separately with the SEC that contains that information. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus. Information that HCP files with the SEC after the date of this prospectus supplement will automatically modify and supersede the information included or incorporated by reference in this prospectus supplement and the accompanying prospectus to the extent that the subsequently filed information modifies or supersedes the existing information. We incorporate by reference (other than any portions of any such documents that are not deemed filed under the Securities Exchange Act of 1934 in accordance with the Securities Exchange Act of 1934 and applicable SEC rules):

- our Current Reports on Form 8-K filed on February 9, 2006, February 17, 2006, February 21, 2006, May 2, 2006 (pursuant to Items 8.01 and 9.01), May 4, 2006, May 17, 2006, June 30, 2006, August 2, 2006, August 4, 2006 and August 17, 2006, the two Current Reports on Form 8-K filed on September 8, 2006 and the Current Reports filed on September 19, 2006, September 25, 2006 and October 12, 2006;
- our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006;
- our Annual Report on Form 10-K for the fiscal year ended December 31, 2005;
- the description of our common stock contained in our registration statement on Form 10 dated May 7, 1985 (File No. 1-8895), including the amendments dated May 20, 1985 and May 23, 1985, and any other amendment or report filed for the purpose of updating such description, including the description of amendments to our charter contained in our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2001 and June 30, 2004; and
- any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the securities offered by this prospectus supplement.

You may request a copy of any of these filings at no cost by writing to or telephoning us at the following address and telephone number:

Legal Department
Health Care Property Investors, Inc.
3760 Kilroy Airport Way, Suite 300
Long Beach, California 90806
(562) 733-5100
legaldept@hcpi.com

SUMMARY

The information below is a summary of the more detailed information included elsewhere in or incorporated by reference in this prospectus supplement. You should read carefully the following summary together with the more detailed information contained in this prospectus supplement, including the Risk Factors section beginning on page S-7, the accompanying prospectus, including the Risk Factors section beginning on page 4, and the information incorporated by reference. This summary is not complete and does not contain all of the information you should consider before purchasing the common stock.

Our Company

We invest primarily in real estate serving the healthcare industry in the United States. We are a Maryland corporation and were organized to qualify as a real estate investment trust, or REIT, in 1985. We are headquartered in Long Beach, California, with operations in Nashville, Tennessee. As of September 30, 2006, our portfolio of properties, excluding assets held for sale but including investments through joint ventures and mortgage loans, included 521 properties in 42 states and consisted of 144 senior housing facilities, 178 medical office buildings, 30 hospitals, 144 skilled nursing facilities and 25 other healthcare facilities. We acquire healthcare facilities and lease them to healthcare providers and provide mortgage financing secured by healthcare facilities. Our portfolio includes:

- senior housing, including independent living facilities, assisted living facilities, and continuing care retirement communities;
- medical office buildings;
- hospitals;
- skilled nursing facilities; and
- other healthcare facilities, including laboratory and office buildings.

Our executive offices are located at 3760 Kilroy Airport Way, Suite 300, Long Beach, California 90806, and our telephone number is (562) 733-5100.

Healthcare Industry

In 2004, healthcare was the single largest industry in the United States, representing 16.0% of U.S. Gross Domestic Product and growing at a rate faster than the overall economy, according to data made available by the U.S. Bureau of Labor Statistics and the Centers for Medicare and Medicaid.

The delivery of healthcare services requires real estate and as a consequence, healthcare providers depend on real estate to maintain and grow their businesses. HCP believes that the current healthcare real estate market provides an investment opportunity for investors based on:

- Likelihood of consolidation of the fragmented healthcare real estate sector;
- Specialized nature of healthcare real estate investing; and
- Compelling demographics driving the demand for healthcare services.

Senior citizens are the largest consumers of healthcare services. According to the Centers for Medicare and Medicaid, on a per capita basis, the 75 years and older segment of the population spends 75% more on healthcare than the 65 to 74-year-old segment and nearly 300% more than the population average.

Recent Developments

On October 5, 2006, HCP acquired CNL Retirement Properties, Inc., or CRP. CRP was a REIT that was one of the nation's largest investors in healthcare-related real estate, investing primarily in properties related to senior housing and healthcare facilities located across the United States. As of September 30, 2006, CRP had 273 properties located in 33 states, consisting of 184 senior housing facilities and 89 medical facilities, including two specialty hospitals and two walk-in clinics. Following the acquisition, HCP currently owns approximately 800 properties. HCP believes that the transaction diversified its portfolio by property type, geographic location and operator, and that it diversified its source of revenues across the healthcare industry. HCP also believes that its shift in asset mix improved the quality of HCP's real estate portfolio by increasing, among other things, its exposure to private-pay senior housing.

As of September 30, 2006, HCP's portfolio of healthcare real estate was comprised of approximately 28% medical office buildings, 34% senior housing facilities, 19% hospitals, and 14% skilled nursing facilities, with the remaining 5% comprised of other types of buildings, based on HCP's historical cost of real estate investments and the carrying amount of investments in unconsolidated joint ventures. As of September 30, 2006 on a pro forma basis, assuming that the acquisition of CRP had occurred as of that date, HCP's portfolio of healthcare real estate would have been comprised of approximately 23% medical office buildings, 59% senior housing facilities, 9% hospitals, and 6% skilled nursing facilities, with the remaining 3% comprised of other types of buildings, based on HCP's historical cost of real estate investments and the carrying amount of investments in unconsolidated joint ventures and as adjusted for the preliminary allocation of the purchase price for CRP.

In the acquisition, HCP paid an aggregate of \$2.9 billion in cash and issued 22.9 million shares of common stock. HCP also acquired CNL Retirement Corp., the external advisor to CRP, or the Advisor, for an aggregate of 4.4 million shares of common stock. HCP financed the cash consideration paid to CRP stockholders and the expenses related to the transaction through an offering of notes and a draw down under new term and bridge loan facilities and a new three-year revolving credit facility. These facilities require refinancing within a period of time ranging from 364 days to three years and the new term and bridge loan facilities are required to be repaid from the cash proceeds of non-ordinary course asset sales, the incurrence of certain debt, the issuance of additional equity and certain other events. Certain of HCP's subsidiaries, including certain of CRP's subsidiaries, guarantee HCP's obligations under these new facilities. The interest rates on borrowings under these facilities vary depending on HCP's credit ratings.

On October 24, 2006, we entered into a definitive agreement to acquire the interest of an affiliate of General Electric Company in HCP Medical Office Portfolio, LLC for \$141 million. The closing of the transaction is subject to certain customary conditions. Upon the closing of this acquisition, which we expect to occur on or before November 30, 2006, we will be the sole owner of the venture and its fifty-nine medical office buildings with approximately 4 million rentable square feet.

The Offering

Common Stock offered by Health Care Property Investors, Inc.	22,000,000 shares
Common Stock outstanding after this offering(1)	186,808,806 shares
Over-allotment option	3,300,000 shares
Common Stock outstanding after this offering if over-allotment option is exercised in full	190,108,806 shares
Offering Price	\$ per share
Use of Proceeds	We intend to use the proceeds from this offering to repay indebtedness under our bridge loan facility incurred in connection with the acquisition of CRP. If the net proceeds exceed the amount of borrowings under the bridge loan facility, remaining net proceeds will be used to repay other debt and for other general corporate purposes. See Use of Proceeds.
New York Stock Exchange symbol	HCP

(1) Based on shares of our common stock outstanding as of October 23, 2006. Does not include:

- 4.4 million shares of common stock issuable upon the exercise of outstanding options;
- 8.3 million additional shares reserved for future awards under stock incentive plans;
- up to 3.3 million shares issuable upon exercise of the underwriters over-allotment option; and
- 6.0 million shares of common stock issuable in exchange for non-managing member units of affiliated entities.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following table sets forth our summary consolidated financial data. You should read this information together with our financial statements, including the related notes, included in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 from which such information has been derived. The summary consolidated balance sheet data as of December 31, 2005 has been derived from our Annual Report on Form 10-K for the year ended December 31, 2005. Our unaudited summary consolidated financial data as of September 30, 2006 and for the three and nine months ended September 30, 2005 and 2006 has been prepared on the same basis as our annual consolidated financial statements and includes all adjustments, consisting of only normal recurring adjustments necessary for the fair presentation of this data in all material respects. The results for any interim period are not necessarily indicative of the results of operations to be expected for a full fiscal year.

	Three Months Ended September 30, 2006		Nine Months Ended September 30, 2005	
	2006	2005	2006	2005
	(in thousands, except per share data)			
Statements of Income Data:				
Revenues and other income:				
Rental revenues and other income	\$ 130,952	\$ 111,948	\$ 376,499	\$ 316,796
Equity income (loss) from unconsolidated joint ventures	1,044	(531)	7,580	(232)
Interest and other income	7,601	7,807	29,709	18,998
	139,597	119,224	413,788	335,562
Costs and expenses:				
Interest	36,968	28,262	102,701	76,872
Depreciation and amortization	32,237	26,690	93,683	75,697
Operating	20,105	13,373	56,786	42,062
General and administrative	8,280	7,301	25,218	22,413
Impairments			3,087	
	97,590	75,626	281,475	218,044
Income before minority interests	42,007	43,598	132,313	117,518
Minority interests	(3,511)	(3,415)	(11,458)	(9,593)
Income from continuing operations	38,496	40,183	120,855	107,925
Discontinued operations:				
Operating income	2,594	4,585	10,441	14,444
Gain on sales of real estate, net	35,728	273	44,977	9,177
	38,322	4,858	55,418	23,621
Net income	76,818	45,041	176,273	131,546
Preferred stock dividends	(5,282)	(5,282)	(15,848)	(15,848)
Net income applicable to common shares	\$ 71,536	\$ 39,759	\$ 160,425	\$ 115,698
Basic earnings per common share:				
Continuing operations	\$ 0.24	\$ 0.26	\$ 0.77	\$ 0.69
Discontinued operations	0.28	0.03	0.41	0.17
Net income applicable to common shares	\$ 0.52	\$ 0.29	\$ 1.18	\$ 0.86
Diluted earnings per common share:				
Continuing operations	\$ 0.24	\$ 0.26	\$ 0.77	\$ 0.68
Discontinued operations	0.28	0.03	0.40	0.18
Net income applicable to common shares	\$ 0.52	\$ 0.29	\$ 1.17	\$ 0.86
Weighted average shares used to calculate earnings per common share:				
Basic	136,682	135,225	136,402	134,385
Diluted	143,538	136,135	139,195	135,291

	As of September 30, 2006 (in thousands)	As of December 31, 2005
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Consolidated Balance Sheet Data:

Cash and cash equivalents	\$ 645,363	\$ 21,342
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Total assets	4,611,501	3,597,265
Total debt	2,923,428	1,956,946
Total stockholders equity	1,414,719	1,399,766

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RISK FACTORS

*Before purchasing our common stock, you should consider carefully the information under the heading **Risk Factors** in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, in the accompanying prospectus and the following factors, each of which could materially adversely affect our operating results and financial condition. You should also carefully consider the other information included in this prospectus supplement, the accompanying prospectus and other information incorporated by reference herein. Each of the risks described in our Form 10-K, Form 10-Q and the accompanying prospectus and below could result in a decrease in the value of our common stock and your investment therein. Although we have tried to discuss what we believe are key risk factors, please be aware that other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict those risks or estimate the extent to which they may affect our financial performance or the market value of our common stock. The information contained, and incorporated by reference, in this prospectus supplement and in the accompanying prospectus includes forward-looking statements that involve risks and uncertainties, and we refer you to the **Cautionary Language Regarding Forward-Looking Statements** section in the accompanying prospectus.*

Risks Related to Our Common Stock

The market value of our common stock could be substantially affected by various factors.

The market value of our common stock will depend on many factors, which may change from time to time, including:

- prevailing interest rates, increases in which may have an adverse effect on the market value of our common stock;
- the market for similar securities issued by other REITs;
- general economic and financial market conditions;
- the financial condition, performance and prospects of us and our competitors;
- changes in financial estimates or recommendations by securities analysts with respect to us, our competitors or our industry;
- changes in our credit ratings; and
- actual or anticipated variations in quarterly operating results.

As a result of these and other factors, investors who purchase our common stock in this offering may experience a decrease, which could be substantial, in the market value of our common stock, including decreases unrelated to our operating performance or prospects.

Increases in market interest rates may adversely affect the price of our common stock.

One of the factors that influences the price of our common stock in public trading markets is the annual yield from distributions on our common stock as compared to yields on other financial instruments. Thus, an increase in market interest rates will result in higher yields on other financial instruments, which could adversely affect the market price of our common stock.

USE OF PROCEEDS

We anticipate that the net proceeds from this offering, after deducting underwriting discounts and estimated expenses payable by us, will be approximately \$ _____, or \$ _____ if the underwriters exercise their over-allotment option in full. We intend to use the proceeds from this offering to repay indebtedness under our 364-day bridge loan facility incurred in connection with the acquisition of CRP.

As of October 26, 2006, the interest rate was 6.17% on the debt under the bridge facility, which matures on October 3, 2007. Debt under the bridge facility was incurred to finance the mergers with CRP and the Advisor.

If the net proceeds from this offering exceed the amount of borrowings outstanding under the bridge loan facility, the net proceeds remaining after repayment of all bridge loan borrowings will be used for repayment of other debt or other general corporate purposes.

Affiliates of certain of the underwriters are lenders under our credit facilities, including the bridge facility, and therefore will receive a portion of the net proceeds from the offering through the repayment of debt under one or more of those facilities.

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

Our common stock is listed on the NYSE under the symbol HCP. The table below sets forth for the fiscal quarters indicated high and low reported closing sale prices per share of the common stock on the NYSE for the periods indicated and the cash dividends per share paid in such periods. The last reported sale price of our common stock on the NYSE on October 26, 2006 was \$31.74 per share.

	Stock Price				Dividends Paid
	High	Low			
2004					
First Quarter	\$ 29.09	\$ 25.30		\$ 0.4175	
Second Quarter	28.60	21.68		0.4175	
Third Quarter	26.00	23.89		0.4175	
Fourth Quarter	28.85	26.18		0.4175	
2005					
First Quarter	\$ 27.45	\$ 23.45		\$ 0.4200	
Second Quarter	28.43	23.45		0.4200	
Third Quarter	28.68	25.39		0.4200	
Fourth Quarter	27.00	24.44		0.4200	
2006					
First Quarter	\$ 28.81	\$ 25.89		\$ 0.4250	
Second Quarter	27.82	25.37		0.4250	
Third Quarter	31.05	26.40		0.4250	
Fourth Quarter (through October 26, 2006)	32.73	31.01			

As of September 30, 2006, there were approximately 2,578 stockholders of record.

We maintain a policy to declare dividends to the holders of shares of our common stock so as to comply with applicable sections of the Internal Revenue Code governing real estate investments trusts.

Our board of directors has declared a quarterly dividend of \$0.425 per share of common stock, payable on November 21, 2006 to stockholders of record as of the close of business on November 3, 2006. The shares of common stock sold in this offering will not be entitled to receive this November 21, 2006 dividend.

CAPITALIZATION

The following table sets forth the capitalization of HCP as of September 30, 2006 on an actual basis, on a pro forma basis to give effect to the acquisitions of CRP and the Advisor and the issuance of common stock and the incurrence of debt in connection therewith as described under Summary Recent Developments as if those acquisitions, issuances of common stock and incurrences of debt had occurred on that date, and on a pro forma as adjusted basis to give effect to those acquisitions, issuances and incurrences and this offering of common stock and the application of the net proceeds from this offering to repay borrowings as if they had occurred on that date. This table should be read together with our consolidated financial statements and related notes contained in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.

	As of September 30, 2006		Pro Forma As Adjusted
	Actual (In thousands, except per share data)	Pro Forma	
Debt obligations:			
Bank lines of credit(1)	\$	\$ 338,000	\$
Bridge and term financing(1)		2,405,729	
Senior unsecured notes(2)	2,471,274	2,351,274	
Mortgage debt(3)	452,154	1,583,602	
Other debt		145,953	
Total debt obligations	2,923,428	6,824,558	
Minority interests	152,611	161,042	
Stockholders' equity:			
Preferred stock, \$1.00 par value per share: 50,000,000 shares authorized; 11,820,000 shares issued and outstanding	285,173	285,173	
Common stock, \$1.00 par value per share: 750,000,000 shares authorized; 137,560,108 shares issued and outstanding actual; 164,792,629 shares pro forma; shares pro forma as adjusted	137,560	164,793	
Additional paid-in capital	1,478,990	2,173,236	
Cumulative net income	1,697,419	1,697,419	
Cumulative dividends	(2,179,535)	(2,179,535)	
Accumulated other comprehensive loss	(4,888)	(4,888)	
Total stockholders' equity	1,414,719	2,136,198	
Total capitalization	\$ 4,490,758	\$ 9,121,798	\$

(1) Interest on our three-year line of credit, 364-day bridge facility and two-year term facility is variable based on LIBOR.

(2) Interest rates on the senior unsecured notes ranged from 4.88% to 7.62% with a weighted average effective rate of 6.06% at September 30, 2006.

(3) Interest rates on mortgage debt ranged from 3.75% to 9.32% with a weighted average effective rate of 6.44% at September 30, 2006.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following is an excerpt of information contained in our Current Report on Form 8-K as filed with the SEC on September 8, 2006 and incorporated herein by reference. **This information speaks only as of September 8, 2006 and has not been updated for, and does not reflect, any events since that date.** These events include:

- the closing of the mergers with CRP and the Advisor, which occurred on October 5, 2006;
- the respective amounts of the various types of debt that we actually incurred through the issuance of senior notes and pursuant to our bridge and note facilities and mortgage debt;
- changes in interest rates;
- actual number of shares issued in the merger with CRP;
- actual costs and expenses incurred in connection with the merger with CRP and the Advisor;
- the results of operations for HCP, CRP and the Advisor for the three months ended September 30, 2006 and changes in the balance sheets for those companies as of September 30, 2006;
- the reclassification of 14 HCP properties into discontinued operations in the financial statements of HCP, which is reflected in HCP's financial statements in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 but which is not reflected in the HCP historical financial information appearing below; and
- this offering and the application of the proceeds.

These subsequent events, in some cases, are different than the assumptions set forth below and would affect the financial information presented and accompanying disclosure, in some cases significantly.

Accordingly, you should not rely on this information as reflecting current information regarding HCP, CRP, the Advisor or the merger. You should also read this information together with all the other information contained or incorporated by reference in this prospectus supplement after September 8, 2006. In addition, to the extent that any of the following information includes references to current or present facts or circumstances or similar references, it is referring to facts and circumstances that existed at the time this information was prepared and, to the extent that any of the following information includes references to expectations, future events, future circumstances or similar references, it is referring to expectations and estimates as of the time this information was prepared.

Excerpt from Current Report on Form 8-K filed on September 8, 2006:

The unaudited pro forma condensed consolidated financial statements presented below have been prepared based on certain pro forma adjustments to the historical consolidated financial statements of HCP, CRP and the Advisor as of and for the six months ended June 30, 2006 and for the year ended December 31, 2005. The historical consolidated financial statements of HCP are contained in its Annual Report on Form 10-K for the year ended December 31, 2005, Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 and Current Report on Form 8-K as filed on September 8, 2006 with the SEC. The historical consolidated financial statements of CRP and the Advisor are included as Exhibits 99.3, 99.4, 99.5 and 99.6 to the Current Report on Form 8-K referred to in the preceding sentence. The historical financial information with respect to HCP and CRP for the year ended December 31, 2005 has been restated to reflect as discontinued operations the results of operations of certain properties that were initially classified as discontinued operations during the six months ended June 30, 2006. The unaudited pro forma condensed consolidated financial statements relate to the proposed merger of CRP with and into Ocean Acquisition 1, Inc., a wholly owned subsidiary of HCP, which is referred to in this section as the Merger, and the proposed merger of the Advisor with and into Ocean Acquisition 2, LLC, a wholly owned

subsidiary of HCP, which is referred to in this section as the Advisor Merger. The accompanying unaudited pro forma condensed consolidated balance sheet as of June 30, 2006 has been prepared as if the Merger and the Advisor Merger and the incurrence of debt by HCP to finance the acquisitions of CRP and the Advisor had occurred as of that date.

The accompanying unaudited pro forma condensed consolidated statements of income for the six months ended June 30, 2006 and for the year ended December 31, 2005 have been prepared as if the Merger and the Advisor Merger had occurred as of January 1, 2005 and reflects the incurrence of debt by HCP in order to finance the acquisition of CRP, including the cash consideration needed for the Merger. The allocation of the purchase price of CRP and the Advisor as reflected in these unaudited pro forma condensed consolidated financial statements has, with the assistance of independent valuation specialists, been based upon preliminary estimates of the fair value of assets acquired and liabilities assumed. In the opinion of HCP's management, all significant adjustments necessary to reflect the effects of the Merger and the Advisor Merger that can be factually supported within the SEC regulations covering the preparation of pro forma financial statements have been made.

A final determination of the fair values of CRP's and the Advisor's assets and liabilities, which cannot be made prior to the completion of the transactions, will be based on the actual net tangible and intangible assets of CRP and the Advisor that exist as of the date of completion of the transactions. Consequently, amounts preliminarily allocated to goodwill and identifiable intangibles could change significantly from those used in the pro forma condensed consolidated financial statements presented below and could result in a material change in amortization of tangible and intangible assets and liabilities.

The unaudited pro forma condensed consolidated financial statements are provided for informational purposes only. The unaudited pro forma condensed consolidated financial statements are not necessarily and should not be assumed to be an indication of the results that would have been achieved had the transactions been completed as of the dates indicated or that may be achieved in the future. The unaudited pro forma condensed consolidated balance sheet does not include restructuring charges and other related liabilities expected to result from HCP's integration of CRP and the Advisor as these are not presently estimable. In addition to the completion of the valuation, the impact of ongoing integration activities, the timing of completion of the transactions and other changes in CRP's and the Advisor's net tangible and intangible assets that occur prior to completion of the transactions could cause material differences in the information presented. Furthermore, following consummation of the transaction, HCP expects to apply its own methodologies and judgments in accounting for the assets and liabilities acquired in the transaction, which may differ from those reflected in CRP's historical financial statements and the pro forma financial statements.

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HEALTH CARE PROPERTY INVESTORS, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
June 30, 2006
(In thousands)

	HCP Historical	CRP Historical	CRP Reclassifications (B)	CRP Reclassified (B)	CRP Pro Forma Adjustments (C)	Advisor Historical	Advisor Pro Forma Adjustments (M)	CRP Advisor Eliminations (E)	Consolidated Pro Forma
ASSETS									
Real estate:									
Real estate	\$ 4,108,315	\$ 3,331,240	\$	\$ 3,331,240	\$ 1,198,426 (D)	\$	\$	\$	\$ 8,637,981
Less accumulated depreciation and amortization	657,182	205,131		205,131	(205,131) (D)				657,182
Net real estate	3,451,133	3,126,109		3,126,109	1,403,557				7,980,799
Direct financing leases		473,699		473,699	3,318 (E)				477,017
Loans receivable, net:									
Joint venture partners and affiliates	7,006		35,500	35,500					42,506
Others	138,681								138,681
Investments in and advances to unconsolidated joint ventures	51,142								51,142
Accounts receivable, net of allowance	12,422	20,863		20,863					33,285
Cash and cash equivalents	21,476	45,660		45,660		6,549	270 (N)		73,955
Restricted cash	2,375	21,757		21,757					24,132
Intangibles, net	60,849	103,634		103,634	137,349 (F)		54,400 (O)	(54,400) (S)	335,734
					113,336 (F)		2,900 (O)		
					(103,634) (F)		21,300 (O)		
Goodwill		5,791		5,791	(5,791) (G)		47,468 (P)		47,468
Real estate held for sale, net	45,746	24,284		24,284					70,030
Other assets, net	67,775	208,967	(35,500)	173,467	16,375 (H)	4,376	(200) (N)	(569) (S)	116,813
					(120,743) (H)		(817) (Q)		
					(14,844) (H)				
					(8,007) (H)				
Total assets	\$ 3,858,605	\$ 4,030,764	\$	\$ 4,030,764	\$ 1,420,916	\$ 10,925	\$ 125,321	\$ (54,969)	\$ 9,391,562
LIABILITIES AND STOCKHOLDERS EQUITY									
Bank lines of credit	\$ 265,100	\$ 100,000	\$	\$ 100,000	\$ 149,525 (I)	\$	\$ 5,900 (I)	\$	\$ 420,525
					(100,000) (I)				
Bridge and term financing					2,190,400 (I)				2,190,400
Senior unsecured notes	1,476,587				750,000 (I)				2,226,587
Mortgage debt	454,802	1,350,542		1,350,542	(21,990) (J)				1,783,354
Construction loans		116,125		116,125					116,125
Entrance fee bonds payable		104,627		104,627					104,627
Accounts payable, other liabilities and deferred revenue	112,755	67,867		67,867	54,400 (K)	8,223	6,000 (O)	(54,400) (S)	270,310
					86,779 (K)			(569) (S)	
					(4,491) (K)				
					(6,254)				
Total liabilities	2,309,244	1,739,161		1,739,161	3,098,369	8,223	11,900	(54,969)	7,111,928
Minority interests	157,714	8,794		8,794					166,508
Stockholders' equity:									
Preferred stock	285,173								285,173
Common stock	137,049	2,642		2,642	22,854 (L)	2	4,379 (R)		164,282
					(2,642) (L)		(2) (R)		
Additional paid-in capital	1,464,181	2,373,735		2,373,735	583,452 (L)	2,521	111,794 (R)		2,158,427
					(950) (L)		(50) (R)		

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				(2,373,735)	(L)		(2,521)	(R)	
Cumulative net income	1,620,601								1,620,601
Cumulative dividends	(2,115,671)								(2,115,671)
Cumulative distributions									
in excess of net income	(103,331)		(103,331)	103,331	(L)	179	(179)	(R)	
Accumulated other									
comprehensive									
income	314	9,763	9,763	(9,763)	(L)				314
Total stockholders equity	1,391,647	2,282,809	2,282,809	(1,677,453)		2,702	113,421		2,113,126
Total liabilities and									
stockholders equity	\$ 3,858,605	\$ 4,030,764	\$ 4,030,764	\$ 1,420,916		\$ 10,925	\$ 125,321	\$ (54,969)	\$ 9,391,562

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

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HEALTH CARE PROPERTY INVESTORS, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2005
(In thousands, except per share data)

	HCP Historical(A)	CRP Historical	CRP Reclassifi- cations(B)	CRP Reclassified	CRP Pro Forma Adjustments	Advisor Historical	Advisor Pro Forma Adjustments	CRP/ Advisor Eliminations	Consolidated Pro Forma
Revenues and other income:									
Rental and other revenues	\$ 445,274	\$	\$ 321,649	\$ 321,649	\$ 44,554 (T)	\$	\$	\$	\$ 763,906
					(1,422)(T)				
					(46,672)(T)				
					523 (T)				
Seniors housing rental income		237,892	(237,892)						
Earned income from direct financing leases		58,193		58,193	(138)(U)				58,055
FF&E reserve income		7,500	(7,500)						
Contingent rent		3,955	(3,955)						
Medical facilities rental income and other revenues		72,302	(72,302)						
Equity income (loss) from unconsolidated joint ventures	(1,123)	227		227					(896)
Acquisition fees						6,349		(6,349)(CC)	
Debt acquisition fees						13,789		(13,789)(CC)	
Management fees						19,144		(19,144)(CC)	
Interest and other income	26,154	4,202		4,202		3,035		(3,035)(CC)	30,356
	470,305	384,271		384,271	(3,155)	42,317		(42,317)	851,421
Costs and expenses:									
Interest	107,201	76,171		76,171	173,484 (V)				365,365
					3,418 (V)				
					10,667 (V)				
					(5,576)(V)				
Depreciation and amortization	105,201	98,446		98,446	27,857 (W)		6,050 (Y)		244,999
					7,445 (W)				
Operating	58,983		26,443	26,443	484 (X)				85,910
Seniors housing property expenses		1,075	(1,075)						
Medical facilities operating expenses		25,368	(25,368)						
General and administrative	32,767	21,355	2,706	24,061		22,779		(3,035)(CC)	76,572
Asset management fees paid to related party		18,537		18,537				(18,641)(CC)	(104)
Provision for doubtful accounts		3,082	(3,082)						
	304,152	244,034	(376)	243,658	217,779	22,779	6,050	(21,676)	772,742
Income before minority interests	166,153	140,237	376	140,613	(220,934)	19,538	(6,050)	(20,641)	78,679
Minority interests	(12,950)	(706)		(706)					(13,656)
Earnings before income taxes	153,203	139,531	376	139,907	(220,934)	19,538	(6,050)	(20,641)	65,023
Income tax expense (benefit)	(700)		376	376		7,473	(7,473)(Z)		(324)
Income from continuing operations	153,903	139,531		139,531	(220,934)	12,065	1,423	(20,641)	65,347
Less: preferred stock dividends	(21,130)								(21,130)
Income from continuing operations applicable to common shares	\$ 132,773	\$ 139,531	\$	\$ 139,531	\$ (220,934)	\$ 12,065	\$ 1,423	\$ (20,641)	\$ 44,217
	\$ 0.99			\$ 0.56					\$ 0.27

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Income from continuing operations per common share basic(AA)						
Income from continuing operations per common share diluted(AA)	\$ 0.98	\$ 0.56			\$ 0.27	
Basic(AA)	134,673	248,298	22,854 (BB)	4,379 (BB)	161,906	
Diluted(AA)	135,560	248,298	22,854 (BB)	4,379 (BB)	162,793	

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

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HEALTH CARE PROPERTY INVESTORS, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the six months ended June 30, 2006
(In thousands, except per share data)

	HCP Historical(A)	CRP Historical	CRP Reclassifi- cations(B)	CRP Reclassified	CRP Pro Forma Adjustments	Advisor Historical	Advisor Pro Forma Adjustments	CRP/ Advisor Eliminations	Consolidated Pro Forma
Revenues and other income:									
Rental and other revenues	\$ 251,469	\$	\$ 180,077	\$ 180,077	\$ 19,784 (T)	\$	\$	\$	\$ 429,333
					(711)(T)				
					(21,539)(T)				
					253 (T)				
Seniors housing rental income		124,754	(124,754)						
Earned income from direct financing leases		30,282		30,282	(69)(U)				30,213
FF&E reserve income		4,010	(4,010)						
Contingent rent		402	(402)						
Medical facilities rental income and other revenues		50,911	(50,911)						
Equity income from unconsolidated joint ventures	6,536	275		275					6,811
Acquisition fees						2,599		(2,599)(CC)	
Debt acquisition fees						4,328		(4,328)(CC)	
Management fees						10,408		(10,408)(CC)	
Interest and other income	22,107	3,769		3,769		1,530		(1,530)(CC)	25,876
	280,112	214,403		214,403	(2,282)	18,865		(18,865)	492,233
Costs and expenses:									
Interest	65,733	47,986		47,986	86,742 (V)				201,857
					1,991 (V)				
					2,021 (V)				
					(2,616)(V)				
Depreciation and amortization	62,233	55,737		55,737	13,929 (W)		3,025 (Y)		138,647
					3,723 (W)				
Operating	36,682		17,085	17,085	242 (X)				54,009
Seniors housing property expenses		418	(418)						
Medical facilities operating expenses		16,667	(16,667)						
General and administrative	16,826	13,872	2,877	16,749	(4,203)(DD)	10,532		(1,530)(CC)	38,374
Asset management fees paid to related party		10,307		10,307				(10,307)(CC)	
Provision for doubtful accounts		3,527	(3,527)						
Impairments	4,711								4,711
	186,185	148,514	(650)	147,864	101,829	10,532	3,025	(11,837)	437,598
Income before minority interests	93,927	65,889	650	66,539	(104,111)	8,333	(3,025)	(7,028)	54,635
Minority interests	(7,947)	(465)		(465)					(8,412)
Earnings before income taxes	85,980	65,424	650	66,074	(104,111)	8,333	(3,025)	(7,028)	46,223
Income tax expense (benefit)			650	650		3,187	(3,187)(Z)		650
Income from continuing operations	85,980	65,424		65,424	(104,111)	5,146	162	(7,028)	45,573
Less: preferred stock dividends	(10,566)								(10,566)
Income from continuing operations applicable to common shares	\$ 75,414	\$ 65,424	\$	\$ 65,424	\$ (104,111)	\$ 5,146	\$ 162	\$ (7,028)	\$ 35,007
Income from continuing operations per common share basic(AA)	\$ 0.55			\$ 0.25					\$ 0.21
	\$ 0.55			\$ 0.25					\$ 0.21

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Income from continuing operations per common share diluted(AA)						
Weighted-average shares used to calculate income per common share:						
Basic(AA)	136,262	260,870	22,854	(BB)	4,379 (BB)	163,495
Diluted(AA)	137,024	260,870	22,854	(BB)	4,379 (BB)	164,257

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

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HEALTH CARE PROPERTY INVESTORS, INC.**NOTES TO UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the respective historical financial statements and the notes thereto of HCP, CRP and the Advisor.

(A) Includes reclassification of HCP Income taxes from General and administrative to a separate line item.

(B) Includes the following reclassifications to conform certain CRP amounts with HCP's presentation:

Balance Sheet:

- Loans receivable have been reclassified to Loans receivable, net Joint venture partners and affiliates from Other assets, net .

Statement of Income:

- Seniors housing rental income, FF&E reserve income, Contingent rent, and Medical facilities rental income and other revenues have been reclassified to Rental and other revenues .
- Seniors housing property expenses and Medical facilities operating expenses have been reclassified to Operating .
- Provision for doubtful accounts has been reclassified to General and administrative .
- Income taxes have been reclassified from General and administrative to a separate line item.

(C) In the Merger, each CRP stockholder will receive 0.0865 of a share of HCP common stock and \$11.1293 in cash, without interest, for each share of CRP common stock that the stockholder owns immediately prior to the effective date of the Merger.

For purposes of the unaudited pro forma condensed consolidated balance sheet presentation, the total purchase price is based on the number of shares of CRP common stock outstanding at June 30, 2006 and \$26.53, which represents the average of closing trading prices for each of the two trading days before, the day, and the two trading days after the Merger was announced (April 28, and May 1, 2, 3 and 4, 2006). The calculation of the Merger consideration and total purchase price follows (dollar amounts in thousands):

Calculation of CRP purchase price

Issuance of 22,853,603 shares of HCP common stock (based on a conversion ratio of 0.0865) exchanged for 264,203,504 shares of CRP common stock	\$ 606,306
Payment of aggregate cash consideration	2,940,400
Total Merger consideration	3,546,706
CRP secured debt and bonds outstanding at book value	1,671,294
Adjustment to record CRP secured debt and bonds at fair value under purchase accounting	(21,990)
All other CRP liabilities at book value	67,867
Adjustment to record CRP liabilities at fair value under purchase accounting	130,434
CRP minority interest at book value	8,794
Estimated fees and other expenses related to the Merger	33,150
Total purchase price	\$ 5,436,255

HEALTH CARE PROPERTY INVESTORS, INC.**NOTES TO UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The calculation of the estimated fees and other expenses related to the Merger is as follows (in thousands):

Advisory fees	\$ 17,850
Legal, accounting and other fees and costs	6,850
Share registration and issuance costs	950
Debt assumption fees	7,500
Total	\$ 33,150

(D) CRP's real estate assets have been adjusted to their estimated fair values as of June 30, 2006 and CRP's historical accumulated depreciation balance is eliminated when real estate assets are recorded at fair value.

(E) Adjustment reflects CRP's existing fixed rate direct financing leases at their estimated fair value based on HCP management's estimates of current market rates for direct financing leases. The payments on the assumed leases are estimated on average to be above market.

(F) Adjustments to CRP's historical balance of intangible assets are as follows (in thousands):

Recognition of lease-up related in-place lease intangible assets	\$ 137,349
Recognition of assets associated with the acquired in-place leases that have favorable market rental rates	113,336
Elimination of intangible assets	(103,634)
	\$ 147,051

(G) Adjustment reflects the elimination of CRP's historical goodwill.

(H) Adjustments to CRP's historical balance of other assets are as follows (in thousands):

Deferral of issuance costs associated with debt issued in the Merger	\$ 16,375
Elimination of historical straight-line rent balance	(120,743)
Elimination of historical deferred debt issuance costs	(14,844)
Elimination of historical deferred leasing costs	(8,007)
	\$ (127,219)

(I) Borrowings under lines of credit, short-term borrowings and issuance of senior notes are assumed to fund the cash consideration and other associated costs of the Merger aggregating \$3.0 billion. HCP expects to: (i) issue \$750 million of senior notes with a term of between two to ten years; (ii) borrow \$155.425 million on its existing lines of credit to pay the combined estimated transaction costs of the Merger and the Advisor Merger of \$39.05 million, the costs associated with debt issued in the Merger of \$16.375 million, and the outstanding balance of CRP's line of credit of \$100 million; and (iii) obtain a 365-day bridge loan of \$0.5 billion and a 2-year term loan of \$1.7 billion. The portion of the bridge financing is expected to be repaid after the Merger with borrowings under new credit facilities.

(J) Adjustment reflects CRP's existing fixed rate debt at its estimated fair value based on HCP management's estimates of the interest rates that would be available to HCP for the issuance of debt

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HEALTH CARE PROPERTY INVESTORS, INC.**NOTES TO UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

with similar terms and remaining maturities. The fixed rate debt of CRP will be assumed by HCP in the Merger. The interest rates on the assumed debt are considered to be below market. Estimated market interest rates assumed to compute the fair value adjustments of CRP's existing fixed rate debt ranged from 5.95% to 6.45%.

(K) Adjustments to CRP's historical balance of other liabilities are as follows (in thousands):

Recognition of liability associated with the acquired advisory agreement between the Advisor and CRP	\$ 54,400
Recognition of liabilities associated with the acquired in-place leases that have below-market rental rates	86,779
Elimination of historical intangible liabilities, net	(4,491)
Elimination of historical deferred revenues	(6,254)
	\$ 130,434

(L) Adjustments represent the elimination of historical CRP balances and the issuance of shares of HCP common stock in the Merger. The shares of HCP common stock issued are valued as follows (in thousands, except share and per share data):

Number of shares issued	22,853,603
Assumed price of shares of HCP common stock	\$ 26.53
Value of shares issued	\$ 606,306
Less: share registration and issuance costs	(950)
Total value of shares issued	\$ 605,356

The total value of the shares of HCP common stock issued is presented as follows:

Par value, \$1.00 par value per share	\$ 22,854
Additional paid-in capital	583,452
Less: share registration and issuance costs	(950)
	\$ 605,356

(M) HCP has also agreed to acquire the Advisor for 4,378,923 shares of HCP common stock. The Merger and the Advisor Merger are each conditioned upon the consummation of the other.

For purposes of the unaudited pro forma condensed consolidated balance sheet presentation, the total purchase price is based on an average trading price of HCP's common stock of \$26.53, which represents the average of the closing prices for each of the two trading days before, the day, and the two trading days after the Merger was announced (April 28, and May, 1, 2, 3 and 4, 2006). The calculation of the Advisor Merger consideration and total purchase price is as follows (dollar amounts in thousands):

Calculation of Advisor purchase price	
Issuance of 4,378,923 shares of HCP common stock	\$ 116,173
All Advisor liabilities at book value	8,223
Estimated fees and other expenses related to the Advisor Merger	5,900
Total purchase price	\$ 130,296

HEALTH CARE PROPERTY INVESTORS, INC.

**NOTES TO UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The calculation of the estimated fees and other expenses related to the Advisor Merger is as follows:

Advisory fees	\$ 500
Legal, accounting and other fees and costs	5,350
Share registration and issuance costs	50
Total	\$ 5,900

(N) Adjustment reflects the cash of \$270,000 that the Advisor will receive in exchange for CRP shares owned by it, with a book value of \$200,000 at June 30, 2006.

(O)