

HEALTH CARE PROPERTY INVESTORS INC  
Form 424B3  
June 21, 2002

Filed Pursuant to Rule 424(b)(3)  
Registration Number: 333-86654

PROSPECTUS SUPPLEMENT  
(TO PROSPECTUS DATED JUNE 10, 2002)

\$250,000,000

HEALTH CARE PROPERTY INVESTORS, INC.

6.45% SENIOR NOTES DUE 2012

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We will pay interest on the notes on June 25 and December 25 of each year, beginning December 25, 2002. The notes will mature on June 25, 2012. We may not redeem the notes before maturity.

The notes will be unsecured obligations and rank equally with our unsecured senior indebtedness. The notes will only be issued in registered form in denominations of \$1,000.

INVESTING IN THE NOTES INVOLVES RISKS THAT ARE DESCRIBED IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE S-3 OF THIS PROSPECTUS SUPPLEMENT AND PAGE 5 OF THE ACCOMPANYING PROSPECTUS.

	PER NOTE	TOTAL
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Public offering price(1).....	99.702%	\$249,255,000
Underwriting discount.....	.650%	\$1,625,000
Proceeds, before expenses, to HCPI.....	99.052%	\$247,630,000

(1) Plus accrued interest from June 25, 2002, if settlement occurs after that date

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

The notes will be ready for delivery in book-entry form only through The Depository Trust Company on or about June 25, 2002.

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JOINT BOOK-RUNNING MANAGERS

MERRILL LYNCH & CO.

CREDIT SUISSE FIRST BOSTON

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DEUTSCHE BANK SECURITIES

BANC OF AMERICA SECURITIES LLC

BNY CAPITAL MARKETS, INC.

GOLDMAN, SACHS & CO.

WACHOVIA SECURITIES

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The date of this prospectus supplement is June 19, 2002.

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You should rely only on the information contained, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell or a solicitation of an offer to buy these securities in any jurisdiction where the offer, sale or solicitation is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

#### SUMMARY

THE FOLLOWING SUMMARY MAY NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ THE ENTIRE PROSPECTUS SUPPLEMENT, THE ACCOMPANYING PROSPECTUS AND THE DOCUMENTS INCORPORATED BY REFERENCE IN THE PROSPECTUS BEFORE MAKING A DECISION TO INVEST IN THE NOTES.

ALL REFERENCES TO "HCPI," "OUR" AND "WE" IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS MEAN HEALTH CARE PROPERTY INVESTORS, INC. AND 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.

#### OUR COMPANY

We were organized in 1985 to qualify as a real estate investment trust, or a REIT. We invest in health care related real estate located throughout the United States. We commenced business 17 years ago, making us the second oldest REIT specializing in health care real estate. Since 1986, the debt rating agencies have rated our debt investment grade. Currently, Moody's Investors Service, Standard & Poor's and Fitch rate our senior debt at Baa2, BBB+ and BBB+, respectively. The market value of our common stock was approximately \$2.5 billion as of June 18, 2002.

As of March 31, 2002, our gross investment in our properties, including partnership interests and mortgage loans, was approximately \$2.8 billion. As of March 31, 2002, our portfolio of 425 properties in 42 states consisted of:

- . 172 long-term care facilities;
- . 90 assisted living facilities;
- . 85 medical office buildings;
- . 37 physician group practice clinics;
- . 21 acute care hospitals;
- . Nine rehabilitation hospitals;
- . Six health care laboratory and biotech research facilities; and
- . Five retirement living communities.

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Our principal offices are located at 4675 MacArthur Court, Suite 900, Newport Beach, California 92660, and our telephone number is (949) 221-0600.

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### THE OFFERING

Issuer..... Health Care Property Investors, Inc.

Securities offered..... \$250 million in aggregate principal amount of 6.45% senior notes.

Maturity..... June 25, 2012.

Interest payment dates..... June 25 and December 25 of each year, beginning December 25, 2002.

Ranking..... The notes will be unsecured and rank senior to our subordinated indebtedness and equally with our other senior indebtedness. The notes will effectively rank junior to all liabilities of our subsidiaries. The notes will also be subordinated to our secured indebtedness as to the assets securing such indebtedness.

Covenant..... Under specified circumstances, the indenture governing the notes restricts our ability to incur additional indebtedness.

Use of proceeds..... We estimate that the net proceeds from this offering, after deducting estimated fees and expenses, will be approximately \$247,030,000 million. We intend to use these proceeds for the repayment of outstanding indebtedness.

Risk factors..... See "Risk Factors" and the other information in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in the notes.

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### RISK FACTORS

SET FORTH BELOW AND IN THE SECTION ENTITLED "RISK FACTORS" OF THE ACCOMPANYING PROSPECTUS ARE THE RISKS THAT WE BELIEVE ARE MATERIAL TO INVESTORS WHO PURCHASE THE NOTES. IN ADDITION TO OTHER INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS BEFORE INVESTING IN THE NOTES.

OUR INDEBTEDNESS COULD ADVERSELY AFFECT OUR FINANCIAL RESULTS AND PREVENT US FROM FULFILLING OUR OBLIGATIONS UNDER THE NOTES.

At March 31, 2002, our total consolidated indebtedness was approximately

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\$1.1 billion with gross real estate assets of \$2.8 billion. We may be able to borrow substantial additional unsecured indebtedness in the future. If new indebtedness is added to our current debt levels, the related risks that we now face could increase.

Our indebtedness could have important consequences for the holders of the notes, including:

- . limiting our ability to satisfy our obligations with respect to the notes;
- . increasing our vulnerability to general adverse economic and industry conditions;
- . limiting our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements;
- . requiring a substantial portion of our cash flow from operations for the payment of principal of, and interest on, our indebtedness and reducing our ability to use our cash flow to fund working capital, capital expenditures and general corporate requirements;
- . limiting our flexibility in planning for, or reacting to, changes in our business and the industry; and
- . putting us at a disadvantage compared to competitors with less indebtedness.

OUR BUSINESS OPERATIONS MAY NOT GENERATE THE CASH NEEDED TO SERVICE OUR INDEBTEDNESS.

Our ability to make payments on our indebtedness, including these notes, and to fund planned capital expenditures will depend on our ability to generate cash in the future. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to pay our indebtedness, including these notes, or to fund our other liquidity needs.

ALTHOUGH THESE NOTES ARE REFERRED TO AS "SENIOR NOTES," THEY WILL BE EFFECTIVELY SUBORDINATED TO OUR SECURED INDEBTEDNESS AND ALL LIABILITIES OF OUR SUBSIDIARIES.

The notes are unsecured and therefore will be effectively subordinated to any secured indebtedness we may incur to the extent of the value of the assets securing such indebtedness. In the event of a bankruptcy or similar proceeding involving us, our assets which serve as collateral will be available to satisfy the obligations under any secured indebtedness before any payments are made on the notes. In addition, our subsidiaries and general and limited partnerships will not guarantee the notes. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries or partnerships, creditors of our subsidiaries and partnerships will generally be entitled to payment of their claims from the assets of those subsidiaries and partnerships before any assets are made available for distribution to us, except to the extent we may also have a claim as a creditor. At March 31, 2002, these notes were effectively junior to approximately \$181.7 million of indebtedness.

AN ACTIVE TRADING MARKET MAY NOT DEVELOP FOR THE NOTES.

Prior to the offering, there was no existing trading market for the notes. Although the underwriters have informed us that they currently intend to make a market in the notes after we complete the offering, they have no

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obligation to do so and may discontinue making a market at any time without notice.

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We do not intend to apply for listing of the notes on any securities exchange or for quotation on the Nasdaq National Market.

The liquidity of any market for the notes will depend on a number of factors, including:

- . the number of holders of the notes;
- . our performance;
- . the market for similar securities;
- . the interest of securities dealers in making a market in the notes;  
and
- . prevailing interest rates.

We cannot assure you that an active market for the notes will develop or, if developed, that it will continue.

OUR PRIOR ENGAGEMENT OF ARTHUR ANDERSEN AS OUR INDEPENDENT AUDITORS DURING FISCAL YEARS 1999, 2000, AND 2001 MAY ADVERSELY AFFECT OUR ABILITY TO ACCESS THE CAPITAL MARKETS AND MAKE TIMELY FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION IN THE FUTURE.

On March 14, 2002, Arthur Andersen LLP, our former independent public auditors, was indicted on federal obstruction of justice charges arising from the federal government's investigation of Enron Corp. On June 15, 2002, Arthur Andersen was found guilty of these charges. Although we dismissed Arthur Andersen as our independent public auditors during May 2002 and engaged Ernst & Young LLP, our consolidated financial statements for the fiscal years ended December 31, 1999, 2000, and 2001 were audited by Arthur Andersen and are incorporated by reference into the prospectus supplement and the accompanying prospectus. The Securities and Exchange Commission has said that it will continue accepting financial statements audited by Arthur Andersen as long as a reasonable effort is made to have Arthur Andersen reissue its reports and to obtain a manually signed accountant's report from Arthur Andersen. Arthur Andersen notified us that, as of June 6, 2002, it is no longer able to reissue its reports because both of the partners who were assigned to our account have resigned from the firm. Our access to the capital markets and our ability to make timely filings with the SEC could be impaired if the SEC ceases accepting financial statements from a prior period audited by Arthur Andersen for which Arthur Andersen will not reissue an audit report. In that case, we would not be able to access the public capital markets unless another independent accounting firm is able to audit the financial statements originally audited by Arthur Andersen. Any delay or inability to access the public capital markets caused by these circumstances could have a material adverse effect on us.

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CAUTIONARY LANGUAGE REGARDING FORWARD LOOKING STATEMENTS

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Statements in this prospectus supplement, the accompanying prospectus and the information incorporated by reference that are not historical factual statements are "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward looking statements to be covered by the safe harbor provisions for forward looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this section for purposes of complying with these safe harbor provisions. The statements include, among other things, statements regarding the intent, belief or expectations of HCPI and its officers and can be identified by the use of terminology such as "may," "will," "expect," "believe," "intend," "plan," "estimate," "should" and other comparable terms or the negative thereof. In addition, we, through our senior management, from time to time make forward looking oral and written public statements concerning our expected future operations and other developments. Readers are cautioned that, while forward looking statements reflect our good faith belief and best judgment based upon current information, they are not guarantees of future performance and are subject to known and unknown risks and uncertainties. Actual results may differ materially from the expectations contained in the forward looking statements as a result of various factors. In addition to the factors set forth under the caption "Risk Factors" in this prospectus supplement and the accompanying prospectus, you should consider the following:

- . Legislative, regulatory, or other changes in the health care industry at the local, state or federal level which increase the costs of or otherwise affect the operations of our lessees or mortgagors;
- . Changes in the reimbursement available to our lessees and mortgagors by governmental or private payors, including changes in Medicare and Medicaid payment levels and the availability and cost of third party insurance coverage;
- . Competition for lessees and mortgagors, including with respect to new leases and mortgages and the renewal or rollover of existing leases;
- . Availability of suitable health care facilities to acquire at a favorable cost of capital and the competition for such acquisition and financing of health care facilities;
- . The ability of our lessees and mortgagors to operate our properties in a manner sufficient to maintain or increase revenues and to generate sufficient income to make rent and loan payments;
- . The financial weakness of operators in the long-term care and assisted living sectors, including the bankruptcies of certain of our operators, which results in uncertainties in our ability to continue to realize the full benefit of such operators' leases;
- . Changes in national or regional economic conditions, including changes in interest rates and the availability and cost of capital for HCPI; and
- . The risk that we will not be able to sell or lease facilities that are currently vacant.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward looking events discussed in this prospectus supplement or discussed in or incorporated by reference in the accompanying prospectus may not occur.

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### BUSINESS

We were organized in 1985 to qualify as a real estate investment trust, or a REIT. We invest in health care related real estate located throughout the United States. We commenced business 17 years ago, making us the second oldest REIT specializing in health care real estate. Since 1986, the debt rating agencies have rated our debt investment grade. Currently, Moody's Investors Service, Standard & Poor's and Fitch rate our senior debt at Baa2, BBB+ and BBB+, respectively. The market value of our common stock was approximately \$2.5 billion as of June 18, 2002.

### PORTFOLIO OF PROPERTIES

As of March 31, 2002, our gross investment in our properties, including partnership interests and mortgage loans, was approximately \$2.8 billion. Our portfolio of 425 properties in 42 states consisted of:

- . 172 long-term care facilities;
- . 90 assisted living facilities;
- . 85 medical office buildings;
- . 37 physician group practice clinics;
- . 21 acute care hospitals;
- . Nine rehabilitation hospitals;
- . Six health care laboratory and biotech research facilities; and
- . Five retirement living communities.

The average age of our properties is 18 years. As of March 31, 2002, approximately 55% of our annualized revenue was derived from properties operated by publicly traded health care providers.

### LESSEES AND OPERATORS

As of March 31, 2002, we had an ownership interest in 399 properties located in 40 states and mortgage loans on 26 properties.

We leased 299 of our owned properties pursuant to long-term triple net leases to 84 health care providers. Under a triple net lease, in addition to the rent obligation, the lessee is responsible for all operating expenses of the property such as utilities, property taxes, insurance and repairs and maintenance. The most significant lessees under triple net leases include the following companies or their affiliates:

- . Tenet Healthcare Corporation;
- . HealthSouth Corporation;
- . Kindred Healthcare, Inc.;
- . Emeritus Corporation;
- . HCA Inc.;
- . Beverly Enterprises, Inc.; and



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- . Centennial Healthcare Corp.

The remaining 100 owned properties are medical office buildings, physician clinics and health care laboratory and biotech research facilities with triple net, gross or modified gross leases with multiple tenants. These properties are managed by independent property management companies on our behalf. Under gross or

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modified gross leases, we may be responsible for property taxes, repairs and maintenance and/or insurance on those properties.

We also hold mortgage loans on 26 properties that are owned and operated by 14 health care providers including Beverly, Emeritus and Centennial. We have provided mortgage loans in the amount of \$157,095,000 on those 26 properties, including 15 long-term care facilities, seven assisted living facilities, three acute care hospitals and one medical office building. At March 31, 2002, the remaining balance on these loans totaled \$146,605,000.

With the exception of Tenet, which accounted for 17.8% of our annualized revenue during the quarter ended March 31, 2002, no single lessee or operator accounted for more than 5.3% of our annualized revenue for the quarter ended March 31, 2002.

### LEASES AND LOANS

The initial base rental rates of the triple net leases of properties we acquired during the period from January 1, 1999 to March 31, 2002 have generally ranged from 9% to 12% per annum of the acquisition price of the related property. Initial interest rates on the loans we entered into during this period have generally ranged from 8% to 11% per annum. Rental rates vary by lease, taking into consideration many factors, such as:

- . Creditworthiness of the lessee;
- . Operating performance of the facility;
- . Interest rates at the beginning of the lease; and
- . Location, type and physical condition of the facility.

Certain leases provide for additional rents that are based upon a percentage of increased revenue over specific base period revenue of the leased properties. Others have rent increases based on inflation indices or other factors and some leases and loans have annual fixed rent or interest rate increases.

In addition to the minimum and additional rents, each lessee under a triple net lease is responsible for all additional charges, including charges related to non-payment or late payment of rent, taxes and assessments, governmental charges, and utility and other charges. Each triple net lessee is required, at its expense, to maintain its leased property in good order and repair. We are not required to repair, rebuild or maintain the properties leased under triple net leases.

Each lessee with a gross or modified gross lease is also responsible for minimum and additional rents, but may not be responsible for all operating expenses. Under gross or modified gross leases, we may be responsible for

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property taxes, repairs and maintenance and/or insurance on those properties.

The primary or fixed terms of the triple net and modified gross leases generally range from 10 to 15 years, and generally have one or more five-year (or longer) renewal options. The average remaining base lease term on the triple net and modified gross leases is approximately seven years. The primary term of the gross leases to multiple tenants in the medical office buildings range from 1 to 20 years, with an average of six years remaining on those leases. Obligations under the triple-net leases, in most cases, have corporate parent or shareholder guarantees. Irrevocable letters of credit from various financial institutions and lease deposits back 139 leases and loans on 15 facilities and cover from 1 to 18 months of lease or loan payments. We require the lessees and mortgagors to renew such letters of credit during the lease or loan term in amounts that may change based upon the passage of time, improved operating cash flows or improved credit ratings.

We believe that the credit enhancements discussed above provide us with significant protection for our investment portfolio. As of June 10, 2002, other than approximately \$11 million in delinquent rents and interest,

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of which approximately \$4 million is covered by credit enhancements, we are currently receiving rents and interest in a timely manner from substantially all lessees and mortgagors as provided under the terms of the leases or loans; we have provided reserves of \$4.5 million against the remaining amounts.

Based upon information provided to us by lessees or mortgagors, certain facilities are presently underperforming financially. Individual facilities may underperform as a result of inadequate Medicaid reimbursement, low occupancy, less than optimal patient mix, excessive operating costs, other operational issues or capital needs. We believe that, even if these facilities remain at current levels of performance, the lease and loan provisions contain sufficient security to assure that material rental and mortgage obligations will continue to be met for the remainder of the lease or loan terms. In the future it is expected that some lessees may choose not to renew their leases on certain properties at existing rental rates.

### FACILITY OPERATORS

At March 31, 2002, we had approximately 93 operators in 42 states. In addition, approximately 650 leases are in force in the multi-tenant buildings. Listed below are our major operators, the number of facilities operated by our operators, and the annualized revenue and the approximate percentage of annualized revenue derived from those operators as of March 31, 2002.

OPERATORS	FACILITIES	ANNUALIZED REVENUE	PERCENTAGE OF TOTAL ANNUALIZED REVENUE
-----	-----	-----	-----
(DOLLAR AMOUNTS IN THOUSANDS)			
Tenet	9	\$56,564	18%
HealthSouth	9	16,931	5
Kindred	23	16,290	5
Emeritus	23	15,642	5
HCA	9	14,470	5
Beverly	26	11,971	4

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Centennial

18

8,896

3

Certain of the listed facilities have been subleased to other operators with the original lessee remaining liable on the leases. The revenue applicable to these sublessees is included in the annualized revenue percentages above. The percentage of annualized revenue on these subleased facilities approximated 1% as of March 31, 2002.

Tenet, HealthSouth, Kindred, Emeritus, HCA and Beverly are subject to the informational filing requirements of the Securities Exchange Act of 1934, as amended, and accordingly file periodic financial statements on Form 10-K and Form 10-Q with the Securities and Exchange Commission. We obtained all of the financial and other information relating to these operators listed below from their public reports.

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The following table summarizes our major public operators' assets, stockholders' equity, annualized revenue and net income (or net loss) from continuing operations as of or for the year ended December 31, 2001 and the three months ended March 31, 2002.

OPERATORS	ASSETS AS OF		STOCKHOLDERS' EQUITY (DEFICIT) AT		REVENUE		NET INCOME/(LOSS) FROM CONTINUING OPERATIONS	
	12/31/01	3/31/02	12/31/01	3/31/02	12/31/01	3/31/02	12/31/01	3/31/02
Tenet (1)	\$12,995	\$13,640	\$5,079	\$5,465	\$12,053	\$10,175	\$643	\$524
HealthSouth	7,579	7,730	3,797	3,910	4,380	1,130	202	108
Kindred(2)	1,509	1,533	590	611	2,329	811	52	18
Emeritus(3)	168	149	(74)	(77)	141	36	(4)	(1)
HCA	17,730	17,955	4,762	5,226	17,953	4,873	886	385
Beverly	1,681	1,540	296	318	2,713	623	(301)	21

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- (1) For Tenet, the December 31, 2001 information described above is for the fiscal year ended May 31, 2001 or as of May 31, 2001, as applicable, and the March 31, 2002 information described above is for the nine months ended February 28, 2002 or as of February 28, 2002, as applicable.
  - (2) For Kindred, the information described above is for the nine months ended or as of December 31, 2001, as applicable.
  - (3) For Emeritus, Net Income/(Loss) from Continuing Operations figures do not reflect preferred stock dividend payments.

DEVELOPMENT OF FACILITIES

Since 1987, we have committed to the development of 62 facilities. As of March 31, 2002, we have funded costs of approximately \$422 million and have completed 58 facilities of our total development commitment. The completed facilities comprise:

- . 35 assisted living facilities;
- . Seven long-term care facilities;

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- . Seven medical office buildings;
- . Five rehabilitation hospitals; and
- . Four acute care hospitals.

Simultaneously with the commencement of each of these development programs and prior to funding, we enter into a lease agreement with the developer/operator. The base rent under the lease is generally established at a rate equivalent to a specified margin over our cost of money at the commencement of the lease.

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### PROPERTIES

Of the 425 health care facilities in which we had an investment as of March 31, 2002, we directly owned 327 facilities and 25 mortgages. Of the remaining facilities, we had varying percentage interests in several limited liability companies and partnerships that together owned 72 facilities and one mortgage. The following is a summary of our properties grouped by type of facility and ownership status:

	100% OWNED FACILITIES	100% INTEREST MORTGAGES (1)	OTHER (1)	TO
Long-Term Care Facilities.....	133	14	25	1
Acute Care Hospitals.....	16	3	2	
Medical Office Buildings.....	54	1	30	
Assisted Living Facilities.....	79	7	4	
Rehabilitation Hospitals.....	3	--	6	
Physician Group Practice Clinics.....	37	--	--	
Health Care Laboratory and Biotech Research Facilities.....	--	--	6	
Retirement Living Communities.....	5	--	--	
	---	--	--	-
Totals.....	327	25	73	4
	===	==	==	=

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 (1) We have provided 26 mortgage loans in the amount of \$157,095,000. At March 31, 2002, the remaining balance on these loans totaled \$146,605,000.

The following paragraphs describe each type of property.

**LONG-TERM CARE FACILITIES.** We have invested in 172 long-term care facilities. Various health care providers operate these facilities. Long-term care facilities offer restorative, rehabilitative and custodial nursing care for people not requiring the more extensive and sophisticated treatment available at acute care hospitals. Revenue from ancillary and subacute care services are derived from providing services to residents beyond room and board and include occupational, physical, speech, respiratory and IV therapy, wound care, oncology treatment, brain injury care and orthopedic therapy as well as sales of pharmaceutical products and other services. Certain long-term care facilities provide some of the foregoing services on an out-patient basis. Long-term care facilities are designed to supplement hospital care and many have transfer agreements with one or more acute care hospitals. These facilities depend to some degree upon referrals from practicing physicians and

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hospitals. Long-term care services are paid for either by private sources, or through the federal Medicare and state Medicaid programs.

Long-term care facilities generally provide patients with accommodation, complete medical and nursing care, and rehabilitation services including speech, physical and occupational therapy. As a part of the Omnibus Budget Reconciliation Act of 1981, or OBRA, Congress established a waiver program under Medicaid to offer an alternative to institutional long-term care services. The provisions of OBRA and the subsequent OBRA Acts of 1987 and 1990 allow states, with federal approval, greater flexibility in program design as a means of developing cost-effective alternatives to delivering services traditionally provided in the long-term care setting. This is a contributing factor to the recent increase in the number of assisted living facilities, which may adversely affect some long-term care facilities as some individuals choose the residential environment and lower cost delivery system provided in the assisted living setting.

ACUTE CARE HOSPITALS. We have an interest in 21 general acute care hospitals and three long-term acute care hospitals. Acute care hospitals offer a wide range of services such as fully-equipped operating and recovery rooms, obstetrics, radiology, intensive care, open heart surgery and coronary care, neurosurgery, neonatal intensive care, magnetic resonance imaging, nursing units, oncology, clinical laboratories, respiratory therapy, physical therapy, nuclear medicine, rehabilitation services and outpatient services.

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Long-term acute care hospitals provide care for patients with complex medical conditions that require more intensive care, monitoring or emergency back-up than that available in most skilled nursing-based subacute programs. Most long-term acute care hospital patients have severe chronic health problems and are medically unstable or at risk of medical instability. The most common cases treated in this setting include high acuity ventilator-dependent patients and patients with multiple system failures relating to cancer, spinal cord injuries or head injuries.

Services are paid for by private sources, third party payors (e.g., insurance and HMOs) or through the federal Medicare and state Medicaid programs. Medicare provides reimbursement incentives to traditional general acute care hospitals to minimize inpatient length of stay.

MEDICAL OFFICE BUILDINGS. We have investments in 85 medical office buildings. These buildings are generally located adjacent to, or on the campus of, acute care hospitals. Medical office buildings contain physicians' offices and examination rooms, and may also include pharmacies, hospital ancillary service space and day-surgery operating rooms. Medical office buildings require more extensive plumbing, electrical, heating and cooling capabilities than commercial office buildings for sinks, brighter lights and special equipment that physicians typically use. Of our owned medical office buildings, 18 are master leased on a triple net basis to lessees that then sublease office space to physicians or other medical practitioners, 67 are managed by third party property management companies and are leased under triple net leases, or gross or modified gross leases under which we are responsible for certain operating expenses and two are mortgages.

ASSISTED LIVING FACILITIES. We have investments in 90 assisted living facilities. Assisted living facilities serve elderly persons who require more assistance with daily living activities than congregate care residents, but who do not require the constant supervision nursing homes provide. Services include personal supervision and assistance with eating, bathing, grooming and

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administering medication. Assisted living facilities typically contain larger common areas for dining, group activities and relaxation to encourage social interaction. Residents typically rent studio and one and two bedroom units on a month-to-month basis. Charges for room and board and other services in the assisted living facilities are generally paid from private sources.

REHABILITATION HOSPITALS. We have investments in nine rehabilitation hospitals. These hospitals provide inpatient and outpatient care for patients who have sustained traumatic injuries or illnesses, such as spinal cord injuries, strokes, head injuries, orthopedic problems, work-related disabilities and neurological diseases, as well as treatment for amputees and patients with severe arthritis. Rehabilitation programs encompass physical, occupational, speech and inhalation therapies, rehabilitative nursing and other specialties. Services are paid for by the patient or the patient's family, third party payors (e.g., insurance and HMOs) or through the federal Medicare program.

PHYSICIAN GROUP PRACTICE CLINICS. We have investments in 37 physician group practice clinic facilities that are leased to 15 different tenants. These clinics generally provide a broad range of medical services through organized physician groups representing various medical specialties. Each clinic facility is generally leased to a single lessee under a triple net or modified gross lease.

HEALTH CARE LABORATORY AND BIOTECH RESEARCH FACILITIES. We have investments in six health care laboratory and biotech research facilities. These facilities are located on a research campus of a major university. The facilities are designed for and accommodate research and development in the biopharmaceutical industry, drug discovery and development and predictive and personalized medicine. The facilities are leased to two tenants on a long-term basis.

RETIREMENT LIVING COMMUNITIES. We have investments in five retirement living communities. Retirement living communities offer seniors lifelong shelter and access to specified health care services. In return, residents may pay a lump-sum entrance fee and/or regular monthly payments. Depending on the contract, the entrance fee may be nonrefundable, refundable on a declining basis over time, partially refundable or fully

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refundable. Retirement living community residents enjoy an independent lifestyle with the knowledge that if their health deteriorates, their needs will continue to be met. Most retirement living communities establish minimum requirements for incoming residents based on age, financial assets, income level and physical health and mobility. In general, residents are expected to move into the community while they are independent and self reliant.

### COMPETITION

We compete for real estate acquisitions and financings with health care providers, other health care related real estate investment trusts, real estate partnerships, real estate lenders and other investors.

Our properties are subject to competition from the properties of other health care providers. Certain of these other operators have capital resources substantially in excess of some of the operators of our facilities. In addition, the extent to which the properties are utilized depends upon several factors, including the number of physicians using the health care facilities or referring patients there, competitive systems of health care delivery and the

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size and composition of the population in the surrounding area. Private, federal and state payment programs and the effect of other laws and regulations may also have a significant influence on the utilization of the properties. Virtually all of the properties operate in a competitive environment and patients and referral sources, including physicians, may change their preferences for a health care facility from time to time.

### LOCATION OF PROPERTIES

The following table summarizes facility counts and annualized revenue breakdown by state as of March 31, 2002 (dollar amounts in thousands):

	FACILITIES REVENUE	
California.....	41	\$ 56,289
Texas.....	51	36,810
Indiana.....	49	27,272
Utah.....	27	24,297
Florida.....	37	25,091
Others (37 states).....	220	147,791
	425	\$317,550
	===	=====

### LEASE EXPIRATION AND MORTGAGE MATURITIES

The following table recaps the percentage of revenue per year as a percentage of total annualized revenue reflecting mortgage maturities, and the earlier of lease expirations or the earliest possible purchase option date, where applicable as of March 31, 2002.

YEAR	FACILITIES REVENUE	
2002.....	10	0.4%
2003.....	16	2.6%
2004.....	25	21.0%
2005.....	26	8.5%
2006.....	21	4.9%
2007.....	42	4.7%
2008.....	40	6.5%
2009.....	23	5.1%
2010.....	43	6.1%
2011-20.....	179	40.2%
	425	100.0%
	===	=====

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### RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratios of earnings to fixed charges

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for the periods indicated. In computing the ratios of earnings to fixed charges, earnings have been based on consolidated income from operations before fixed charges (exclusive of capitalized interest). Fixed charges consist of interest on debt, including amounts capitalized, and the pro rata share of the fixed charges of the partnerships and limited liability companies in which we hold an interest. In computing the ratios of earnings to combined fixed charges and preferred stock dividends, preferred stock dividends consist of dividends on our 7 7/8% Series A cumulative redeemable preferred stock, 8.70% Series B cumulative redeemable preferred stock and 8.60% Series C cumulative redeemable preferred stock.

	YEAR ENDED DECEMBER 31,					FOR THE THREE MONTHS ENDED MARCH 31,
	1997	1998	1999	2000	2001	2002
Ratio of Earnings to Fixed Charges.....	3.00	2.87	2.45	2.41	2.64	2.86
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.....	2.88	2.37	1.89	1.88	2.01	2.12

### USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting estimated fees and expenses, will be approximately \$247,030,000 million. We intend to use the net proceeds from this offering to repay a portion of our outstanding indebtedness under our revolving lines of credit. Borrowings under our revolving lines of credit were \$296,700,000 as of June 17, 2002 at an average interest rate of 2.77%.

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### CAPITALIZATION

The following table sets forth the capitalization of HCPI at March 31, 2002 on an actual basis and on an as adjusted basis to reflect the issuance and sale of the notes.

	MARCH 31, 2002	
	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)	
Debt Obligations:		
Bank Notes Payable(1).....	\$ 309,800	\$ 62,770
Senior Notes Payable(2).....	653,411	903,411
Mortgage Notes Payable.....	181,682	181,682
	1,144,893	1,147,863
Total Debt Obligations.....		
Minority Interests in Partnerships/Convertible Operating Partnership Units.....	69,767	69,767



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### Stockholders' Equity:

Preferred Stock, \$1.00 par value: 50,000,000 shares authorized; 11,721,600 shares outstanding.....	274,487	274,487
Common Stock, \$1.00 par value: 200,000,000 shares authorized; 57,049,963 shares outstanding.....	57,050	57,050
Additional Paid-In Capital.....	1,124,032	1,124,032
Other Equity.....	(10,676)	(10,676)
Cumulative Net Income.....	913,493	913,493
Cumulative Dividends.....	(1,111,560)	(1,111,560)
Total Stockholders' Equity.....	1,246,826	1,246,826
Total Capitalization.....	\$ 2,461,486	\$ 2,464,456

- 
- (1) Outstanding bank notes payable were approximately \$296,700 as of June 17, 2002 at an average interest rate of 2.77%.
- (2) Our senior debt is net of any original issue discounts and currently is rated Baa2 by Moody's and BBB+ by both Standard & Poor's and Fitch.

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### SELECTED CONSOLIDATED FINANCIAL DATA

We are providing the following financial information to aid you in your analysis of whether to make an investment in the notes offered by this prospectus supplement. This information is only a summary and you should read it in conjunction with the historical financial statements and related notes contained in the annual and quarterly reports and other information that we have filed with the Securities and Exchange Commission. See "Where You Can Find More Information" on page 1 of the accompanying prospectus.

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	2001 (1)	2000 (1)	1999 (1)	2002	2001 (1)
	(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
<b>INCOME STATEMENT DATA:</b>					
Rental Income, Triple Net Leases.....	\$ 223,578	\$ 224,253	\$ 141,261	\$ 52,811	\$ 51,811
Rental Income, Managed Properties.....	83,906	79,054	55,149	22,447	19,811
Interest and Other Income.....	21,850	22,875	25,062	5,511	5,511
Total Revenue.....	329,334	326,182	221,472	80,769	77,133
Interest Expense.....	78,489	86,747	58,458	17,536	20,000
Real Estate Depreciation.....	69,799	69,074	44,181	17,934	16,934
Managed Properties Operating Expenses....	29,809	27,681	18,240	7,475	7,475
General and Administrative Expenses.....	13,182	13,266	11,908	4,199	3,199
Impairment Losses Related to Depreciable Property.....	7,360	2,751	--	--	1,360
Impairment of Equity Investment.....	--	2,000	--	--	--
Total Expenses.....	198,639	201,519	132,787	47,144	50,000
Income from Operations.....	130,695	124,663	88,685	33,625	26,625
Minority Interests.....	(6,595)	(5,729)	(5,476)	(1,999)	(1,999)

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Income Before Discontinued Operations....	124,100	118,934	83,209	31,626	25,
Operating Income from Discontinued Operations.....	2,114	2,803	2,713	102	1,
Gain/(Loss) on Sale of Real Estate Properties, Net.....	(5,048)	11,756	10,303	(1,319)	(
Net Income Before Extraordinary Items....	121,166	133,493	96,225	30,409	26,
Extraordinary Item-Gain on Extinguishment of Debt.....	--	274	--	--	
Net Income.....	121,166	133,767	96,225	30,409	26,
Dividends to Preferred Stockholders.....	24,900	24,900	17,775	(6,225)	(6,
Net Income Applicable to Common Shares... \$	96,266	\$ 108,867	\$ 78,450	\$ 24,184	\$ 19,
Basic Earnings Per Common Share..... \$	1.79	\$ 2.13	\$ 2.25	\$ 0.43	\$ 0
Diluted Earnings Per Common Share..... \$	1.78	\$ 2.13	\$ 2.25	\$ 0.42	\$ 0
Weighted Average Shares Outstanding (Basic).....	53,879	51,057	34,792	56,737	50,
BALANCE SHEET DATA:					
Total Assets.....	\$2,431,153	\$2,394,852	\$2,464,795	\$2,519,069	\$2,431,
Debt Obligations.....	1,057,752	1,158,928	1,179,507	1,144,893	1,111,
Stockholders' Equity.....	1,246,724	1,139,283	1,195,662	1,246,826	1,246,

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	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	2001 (1)	2000 (1)	1999 (1)	2002	2001 (1)
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)					
OTHER DATA:					
Funds From Operations (2).....	\$ 179,375	\$ 171,344	\$ 114,520	\$ 43,911	\$ 39,418
Cash Flows From Operating Activities.....	200,848	205,511	124,117	51,753	50,198
Cash Flows Provided By (Used In) Investing Activities.....	(118,163)	63,714	(230,460)	(109,087)	(11,566)
Cash Flows Provided By (Used In) Financing Activities.....	(132,900)	(218,298)	109,535	55,543	(91,042)
Dividends Paid.....	190,123	175,079	106,177	51,531	44,966
Dividends Paid Per Common Share.....	3.10	2.94	2.78	0.80	0.76

(1) Our consolidated statements of income and our presentation of FFO have been revised from those originally reported to reflect the impact of the implementation of the Statement of Financial Accounting Standard No. 144 "Accounting for the Impairment or Disposal of Long-Live Assets" (FAS 144). In accordance with FAS 144, in 2002, the year of implementation, results from discontinued operations related to properties held for sale have been reclassified to "Operating Income from Discontinued Operations." The reclassification has no impact on net revenues, net income, net income per share of common stock or FFO for the years ended December 31, 2001, 2000

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and 1999.

- (2) We believe that Funds From Operations, or FFO, is an important supplemental measure of operating performance. HCPI adopted the new definition of FFO prescribed by the National Association of Real Estate Investment Trusts. FFO is defined as net income applicable to common shares (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from debt restructuring and sales of property, plus real estate depreciation, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not, and is not intended to, represent cash generated from operating activities in accordance with generally accepted accounting principles, is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to net income. FFO, as defined by us, may not be comparable to similarly entitled items reported by other REITs that do not define it in accordance with the definition prescribed by National Association of Real Estate Income Trusts. The following table represents items and amounts being aggregated to compute FFO.

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	2001 (1)	2000 (1)	1999 (1)	2002	2001 (1)
	(AMOUNTS IN THOUSANDS)				
Net Income Applicable to Common Shares.....	\$ 96,266	\$108,867	\$ 78,450	\$24,184	\$19,799
Real Estate Depreciation.....	69,799	69,074	44,181	17,934	16,961
Impairment Losses Related to Depreciable					
Property.....	7,360	2,751	--	--	1,600
Joint Venture Adjustments.....	243	1,917	1,584	283	106
(Gain)/Loss and Depreciation on Real Estate					
Dispositions.....	5,707	(10,991)	(9,695)	1,510	952
Gain on Extinguishment of Debt.....	--	(274)	--	--	--
	\$179,375	\$171,344	\$114,520	\$43,911	\$39,418
	=====	=====	=====	=====	=====

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### DESCRIPTION OF NOTES

THE FOLLOWING INFORMATION CONCERNING THE NOTES SUPPLEMENTS, AND SHOULD BE READ IN CONJUNCTION WITH, THE STATEMENTS UNDER THE HEADING "DESCRIPTION OF THE DEBT SECURITIES" IN THE ACCOMPANYING PROSPECTUS. CAPITALIZED TERMS NOT DEFINED BELOW ARE USED AS DEFINED IN THE INDENTURE.

#### GENERAL

The notes will be issued under an indenture, dated as of September 1, 1993, between HCPI and The Bank of New York, as trustee, which has been incorporated by reference as an exhibit to the registration statement of which the accompanying prospectus is a part. The following summary of certain provisions of the notes and of the indenture is not complete and you should read the indenture to fully understand all the provisions of the notes.

The notes will constitute a separate series of senior debt securities

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under the indenture, initially limited to \$250,000,000 aggregate principal amount. We may, from time to time, without giving notice to or seeking the consent of the holders of the notes, issue additional notes having the same ranking, interest rate, maturity and other terms as the notes issued in this offering. Any additional notes having such similar terms together with the previously issued notes will constitute a single series of debt securities under the indenture.

The notes will be senior unsecured obligations of HCPI and will rank equally with all other senior unsecured indebtedness of HCPI. The indenture does not limit the aggregate principal amount of debt securities that HCPI may issue under the indenture and the notes will rank equally and ratably with all other debt securities issued under the indenture. The notes will not be listed on any national securities exchange.

The notes will mature on June 25, 2012 and will not be redeemable prior to maturity. The notes will bear interest from their date of issuance at the rate shown on the cover of this prospectus supplement, payable semi-annually on June 25 and December 25 in each year, commencing on December 25, 2002, to holders of record on the preceding June 10 and December 10. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Beneficial interests in the notes may be acquired, or subsequently transferred, only in denominations of \$1,000 and integral multiples of \$1,000.

If any interest payment date or the maturity date falls on a day that is not a Business Day, the required payment of principal and/or interest will be made on the next succeeding Business Day as if made on the date such payment was due, and no interest will accrue on such payment for the period from and after such interest payment date or maturity date, as the case may be, to the date of such payment on the next succeeding Business Day. As used in this prospectus supplement, "Business Day" means any day, other than a Saturday or Sunday, which is not a day on which banking institutions or trust companies in the City of New York are authorized or obligated by law to close.

Except as described under "Description of the Debt Securities--Certain Covenants of the Company--Limitation on Borrowing Money" in the accompanying prospectus, the indenture does not contain any other provisions that would allow holders of the notes protection in the event of a highly leveraged transaction, reorganization, restructuring, change in control, merger or similar transaction involving HCPI that may adversely affect holders of the notes.

### GLOBAL NOTES, DELIVERY AND FORM

The notes will be represented by one fully registered global security which will be deposited with, or on behalf of, the depositary. Except as set forth below, the global security may not be transferred except as a whole by the depositary to a nominee of the depositary or by a nominee of the depositary to the depositary or another nominee of the depositary or by the depositary or any nominee to a successor of the depositary or a nominee of such successor.

So long as the depositary or its nominee is the registered owner of the global security, the depositary or its nominee, as the case may be, will be the sole holder of the notes represented thereby, and the trustee and HCPI are only required to treat the depositary or its nominee as the legal owner of the notes, for all purposes under the indenture. Except as otherwise provided in this section, the beneficial owners of the global security

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representing the notes will not be entitled to receive physical delivery of certificated notes and will not be considered the holders of the notes for any purpose under the indenture, and no global security representing the notes shall be exchangeable or transferable. Accordingly, each person owning a beneficial interest in the global security must rely on the procedures of the depository and, if such person is not a participant in the depository's system, on the procedures of the participant through which such person owns its interest to exercise any rights of a holder under the indenture. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of the securities in certificated form. These limits and these laws may impair the ability to transfer beneficial interests in the global security representing the notes.

The following is based on information furnished by the depository:

The depository will act as securities depository for the notes. The notes will be issued as fully registered securities registered in the name of Cede & Co. (the depository's partnership nominee). One fully registered global security will be issued for the notes, in the aggregate principal amount of the notes, and will be deposited with the depository.

The depository is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. The depository holds securities that its participants deposit with the depository. The depository also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. The depository is owned by a number of its direct participants and by the New York Stock Exchange LLC, the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the depository's system is also available to indirect participants such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to the depository and its participants are on file with the Securities and Exchange Commission.

Purchases of notes under the depository's system must be made by or through direct participants, which will receive a credit for the notes on the depository's records. The beneficial ownership interest of each actual purchaser of each note is in turn to be recorded on the direct and indirect participants' records. Beneficial owners will not receive written confirmation from the depository of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participants through which the beneficial owner entered into the transaction. Transfers of ownership interests in the notes are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners of the notes will not receive certificated notes representing their ownership interests in the notes, except in the event that use of the book-entry system for the notes is discontinued.

To facilitate subsequent transfers, the global security representing the notes which is deposited with the depository is registered in the name of the depository's partnership nominee, Cede & Co. The deposit of the global security with the depository and its registration in the name of Cede & Co. effect no change in beneficial ownership. The depository has no knowledge of the actual

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beneficial owners of the global security representing the notes; the depositary's records reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by the depositary to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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Neither the depositary nor Cede & Co. will consent or vote with respect to the global security representing the notes. Under its usual procedures, the depositary mails an omnibus proxy to HCPI as soon as possible after the applicable record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the notes are credited on the applicable record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the global security representing the notes will be made to the depositary. The depositary's practice is to credit direct participants' accounts on the applicable payment date in accordance with their respective holdings shown on the depositary's records unless the depositary has reason to believe that it will not receive payment on such date. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participant and not of the depositary, the trustee or HCPI, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to the depositary is the responsibility of HCPI or the trustee, disbursement of such payments to direct participants shall be the responsibility of the depositary, and disbursement of such payments to the beneficial owners shall be the responsibility of direct and indirect participants.

If the depositary is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed within 90 days, HCPI will issue certificated notes in exchange for the notes represented by the global security. In addition, HCPI may at any time and in its sole discretion determine to discontinue use of the global security and, in such event, will issue definitive notes in exchange for the notes represented by the global security. Notes so issued will be issued in denominations of \$1,000 and integral multiples thereof and will be issued in registered form only, without coupons.

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### SUPPLEMENTAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes the United States federal income tax considerations anticipated to be material to purchasers of the notes. The information in this section is based on:

- . the Internal Revenue Code of 1986, as amended,

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- . current, temporary and proposed Treasury Regulations promulgated under the Internal Revenue Code,
- . the legislative history of the Internal Revenue Code,
- . current administrative interpretations and practices of the Internal Revenue Service, and
- . court decisions,

in each case, as of the date of this prospectus supplement. The administrative interpretations and practices of the Internal Revenue Service include its practices and policies as expressed in private letter rulings which are not binding on the Internal Revenue Service, except with respect to the particular taxpayers who requested and received these rulings. Future legislation, Treasury Regulations, administrative interpretations and practices or court decisions may adversely affect the tax considerations contained in this discussion. Any change could apply retroactively to transactions preceding the date of the change. We have not requested, and do not plan to request, any rulings from the Internal Revenue Service concerning the statements made and the conclusions reached in the following summary, and such statements and conclusions are not binding on the Internal Revenue Service or any court. Thus, the tax considerations contained in this discussion could be challenged by the Internal Revenue Service and, if challenged, may not be sustained by a court.

This summary deals only with notes held as "capital assets" (within the meaning of Section 1221 of the Internal Revenue Code) by holders who purchase the notes upon their initial issuance at the price set forth on the cover of this prospectus supplement. It does not address all the tax consequences that may be relevant to you in light of your particular circumstances. In addition, it does not address the tax consequences relevant to persons who receive special treatment under the federal income tax law, except to the extent discussed under the heading "Non-United States holders" or where specifically noted. Holders receiving special treatment include, without limitation:

- . financial institutions, banks and thrifts,
- . insurance companies,
- . tax-exempt organizations,
- . "S" corporations,
- . regulated investment companies and real estate investment trusts,
- . foreign corporations or partnerships, and persons who are not residents or citizens of the United States,
- . dealers in securities or currencies,
- . persons holding notes as a hedge against currency risks or as a position in a straddle, and
- . persons whose functional currency is not the United States dollar.

In addition, if a partnership holds notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our notes, you should consult your tax advisor regarding the tax consequences of the ownership and disposition of the notes.

THIS DISCUSSION DOES NOT ADDRESS ANY ASPECTS OF FEDERAL INCOME TAXATION RELATING TO THE COMPANY OR ITS ELECTION TO BE TAXED AS A REIT. A SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSIDERATIONS TO THE COMPANY IS PROVIDED IN THE ACCOMPANYING PROSPECTUS, WHICH YOU SHOULD READ IN CONNECTION WITH THIS DISCUSSION. YOU ARE URGED TO CONSULT YOUR TAX ADVISOR REGARDING THE TAX CONSEQUENCES TO YOU OF:

- . THE ACQUISITION, OWNERSHIP AND SALE OR OTHER DISPOSITION OF THE NOTES OFFERED UNDER THIS PROSPECTUS SUPPLEMENT, INCLUDING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES,
- . OUR ELECTION TO BE TAXED AS A REIT FOR FEDERAL INCOME TAX PURPOSES, AND
- . POTENTIAL CHANGES IN THE TAX LAWS.

CONSEQUENCES TO UNITED STATES HOLDERS

As used in this section, the term "United States holder" means a beneficial owner of a note that is for United States Federal income tax purposes either:

- . a citizen or resident of the United States,
- . a corporation, or a partnership, including an entity treated as a corporation or partnership for United States Federal income tax purposes, created or organized in or under the laws of the United States or any State thereof or the District of Columbia, unless, in the case of a partnership, Treasury regulations are adopted that provide otherwise,
- . an estate the income of which is subject to United States Federal income taxation regardless of its source,
- . a trust whose administration is subject to the primary supervision of a court within the United States and with respect to which one or more United States persons have the authority to control all substantial decisions, or
- . any other person whose income or gain in respect of a note is effectively connected with the conduct of a United States trade or business and that files a valid W-8ECI.

Notwithstanding the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to such date that elect to be treated as United States persons, shall also be considered United States holders.

UNITED STATES HOLDERS

STATED INTEREST

Stated interest on the notes will generally be taxable to you as ordinary income from domestic sources at the time it is paid or accrues in accordance with your method of accounting for tax purposes.

SALE OR EXCHANGE OF NOTES



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You will generally recognize gain or loss upon the sale, exchange, retirement or other taxable disposition of a note equal to the difference between the amount realized upon the sale, exchange or other disposition (less an amount attributable to any accrued stated interest not previously included in income, which will be taxable as interest income) and your adjusted tax basis in the note. Your adjusted tax basis in a note will generally equal the amount you paid for the note. Any gain or loss recognized on a disposition of the note will be capital gain or loss. If you are an individual and have held the note for more than one year, such capital gain will generally be subject to tax at a maximum rate of 20%. Your ability to deduct capital losses may be limited.

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### BACKUP WITHHOLDING AND INFORMATION REPORTING

Payments of interest and principal on the notes and the proceeds received upon the sale or other disposition of such notes may be subject to information reporting and backup withholding. Payments to certain exempt holders (including, among others, corporations and certain tax-exempt organizations) are generally not subject to information reporting or backup withholding. Payments to a non-exempt United States holder will be subject to information reporting and backup withholding if such holder:

- . fails to furnish its taxpayer identification number ("TIN"), which, for an individual, is ordinarily his or her social security number,
- . furnishes an incorrect TIN,
- . is notified by the Internal Revenue Service that it has failed to properly report payments of interest or dividends, or
- . fails to certify, under penalties of perjury, that it has furnished a correct TIN and that the Internal Revenue Service has not notified the United States holder that it is subject to backup withholding.

The amount of any reportable payments, including interest, made to a United States holder (other than to holders which are exempt recipients) and the amount of tax withheld, if any, with respect to such payments will be reported to such United States holders and to the Internal Revenue Service for each calendar year.

A United States holder should consult its tax advisor regarding its qualification for an exemption from backup withholding and information reporting and the procedures for obtaining such an exemption, if applicable. The backup withholding tax is not an additional tax, and taxpayers may use amounts withheld as a credit against their United States federal income tax liability or may claim a refund as long as they timely provide certain information to the Internal Revenue Service.

### NON-UNITED STATES HOLDERS

The preceding discussion does not address the rules governing United States federal income taxation of the ownership and disposition of notes by persons that are non-United States holders. The term "non-United States holder" means a beneficial owner of a note that is not a United States holder. In general, non-United States holders may be subject to special tax withholding requirements on payments from us and with respect to their sale or other disposition of notes, except to the extent reduced or eliminated by an income tax treaty between the United States and the non-United States holder's country

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or if certain other conditions are met. A non-United States holder who is eligible for reduction or elimination of withholding must file an appropriate form with us in order to claim this treatment. Non-United States holders should consult their own tax advisors concerning the federal income tax consequences to them of the acquisition, ownership and disposition of notes.

### OTHER TAX CONSEQUENCES

State, local and foreign income tax laws may differ substantially from the corresponding federal income tax laws, and this discussion does not purport to describe any aspect of the tax laws of any state, local or foreign jurisdiction. Persons considering the purchase of notes should consult their tax advisors concerning the application of United States federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the notes arising under the laws of any state, local or foreign taxing jurisdiction.

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### UNDERWRITING

We intend to offer the notes through the underwriters. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse First Boston Corporation are acting as representatives of the underwriters named below. Subject to the terms and conditions contained in a purchase agreement between us and the underwriters, we have agreed to sell to the underwriters, and the underwriters severally have agreed to purchase from us, the principal amount of the notes listed opposite their names below.

UNDERWRITER -----	PRINCIPAL AMOUNT -----
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	\$87,500,000
Credit Suisse First Boston Corporation.....	87,500,000
Deutsche Bank Securities Inc.....	20,000,000
Banc of America Securities LLC.....	13,750,000
BNY Capital Markets, Inc.....	13,750,000
Goldman, Sachs & Co.....	13,750,000
Wachovia Securities, Inc.....	13,750,000
	-----
Total.....	\$250,000,000 =====

The underwriters have agreed to purchase all of the notes sold pursuant to the purchase agreement if any of these notes are purchased. If an underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the notes, subject to prior sale, when, as

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and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

### COMMISSIONS AND DISCOUNTS

The underwriters have advised us that they propose initially to offer the notes to the public at the public offering price specified on the cover page of this prospectus supplement, and to dealers at that price less a concession not in excess of .40% of the principal amount of the notes. The underwriters may allow, and the dealers may reallow, a discount not in excess of .25% of the principal amount of the notes to other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The expenses of the offering, not including the underwriting discount, are estimated to be \$600,000 and are payable by us.

### NEW ISSUE OF NOTES

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any national securities exchange or for quotation of the notes on any automated dealer quotation system. We have been advised by the underwriters that they presently intend to make a market in the

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notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without notice. We cannot assure that an active public market for the notes will develop or that any trading market that does develop for the notes will be liquid. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

### PRICE STABILIZATION AND SHORT POSITIONS

In connection with the offering, the underwriters are permitted to engage in transactions that stabilize the market price of the notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of the notes. If the underwriters create a short position in connection with the offering, i.e., if they sell more notes than are specified on the cover page of this prospectus supplement, the underwriters may reduce that short position by purchasing notes in the open market. Purchases of a security to stabilize the price or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the underwriters makes any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

### OTHER RELATIONSHIPS

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the

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ordinary course of business with us. They have received customary fees and commissions for these transactions.

### LEGAL MATTERS

Certain legal matters with respect to the securities offered hereby will be passed upon for us by Latham & Watkins, Costa Mesa, California. Sidley Austin Brown & Wood LLP, Los Angeles, California, will act as counsel for the underwriters. Certain legal matters relating to Maryland law will be passed upon for us by Ballard Spahr Andrews & Ingersoll, LLP, Baltimore, Maryland. Paul C. Pringle, a partner of Sidley Austin Brown & Wood LLP, owns 16,271 shares of our common stock.

### EXPERTS

The financial statements incorporated by reference into the accompanying prospectus and elsewhere in the registration statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are incorporated by reference therein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

Arthur Andersen provided its written consent to the incorporation by reference of its report with respect to the financial statements incorporated by reference in the initial filing of the registration statement and in the first amendment thereto. However, we were not able to obtain, after reasonable efforts, the written consent of Arthur Andersen to our inclusion of its report with respect to the financial statements included in the subsequent amendments to the registration statement or in this prospectus supplement or the accompanying prospectus, as required by Section 7 of the Securities Act. Accordingly, Arthur Andersen may not have any liability under Section 11 of the Securities Act of 1933 for false and misleading statements and omissions contained in this prospectus supplement or the accompanying prospectus, including the financial statements, and any claims against Arthur Andersen related to any such false and misleading statements and omissions may be limited.

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### PROSPECTUS

\$975,000,000  
HEALTH CARE PROPERTY INVESTORS, INC.

DEBT SECURITIES  
PREFERRED STOCK  
COMMON STOCK

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WE MAY FROM TIME TO TIME OFFER AND SELL IN ONE OR MORE SERIES OR CLASSES:

- . debt securities;
- . shares of our preferred stock;
- . shares of our common stock; and
- . rights to acquire Junior Participating Preferred Stock that are attached to, and trade with, our common stock.

The securities offered by this prospectus will have an aggregate public offering price of \$975,000,000. We will provide the specific terms of these

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securities in prospectus supplements to this prospectus prepared in connection with each offering. The debt securities may be convertible into preferred stock, common stock or debt securities of another series. The preferred stock may be convertible into common stock or preferred stock of another series. No securities may be sold under this prospectus without delivery of the applicable prospectus supplement. You should read this prospectus and the prospectus supplements carefully before you invest in the securities.

Securities may be sold directly, through agents from time to time or through underwriters or dealers, which may include Merrill Lynch, Pierce, Fenner & Smith Incorporated. If any of our agents or any underwriter is involved in the sale of the securities, the name of the agent or underwriter and any applicable commission or discount will be set forth in the accompanying prospectus supplement. The net proceeds to us from the sale also will be set forth in the applicable prospectus supplement.

INVESTING IN THE SECURITIES INVOLVES RISKS THAT ARE DESCRIBED IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE 5 OF THIS PROSPECTUS AND, IF APPLICABLE, IN THE "RISK FACTORS" SECTION OF THE APPLICABLE PROSPECTUS SUPPLEMENT.

Our common stock is traded on the New York Stock Exchange under the symbol "HCP". On June 7, 2002, the closing price of our common stock was \$42.65

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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The date of this prospectus is June 10, 2002.

### ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the SEC utilizing a "shelf" registration process. Under this shelf registration process, we may sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of \$975,000,000. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add or update information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading "Where You Can Find More Information."

As allowed by SEC rules, this prospectus does not contain all the information you can find in the registration statement or the exhibits to the registration statement. For further information, we refer you to the registration statement, including its exhibits and schedules. Statements contained in this prospectus about the provisions or contents of any contract, agreement or any other document referred to are not necessarily complete. For each of these contracts, agreements or documents filed as an exhibit to the registration statement, we refer you to the actual exhibit for a more complete description of the matters involved. You should not assume that the information in this prospectus or any applicable prospectus supplement is accurate as of any date other than the date on the front of those documents. For further

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information about us or the securities offered under this prospectus, you should refer to that registration statement, which you can obtain from the SEC as described below under the heading "Where You Can Find More Information."

All references to "HCPI," "our" and "we" in this prospectus mean Healthcare Property Investors, Inc. and 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.

### WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that we have filed at the SEC's public reference rooms. You may read and copy any document we file with the SEC at its public reference facilities at 450 Fifth Street, N.W., Washington, D.C. 20549. You may also obtain copies of this information by mail from the public reference section of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. Our SEC filings are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at <http://www.sec.gov>. You may inspect information that we file with The New York Stock Exchange at the offices of The New York Stock Exchange at 20 Broad Street, New York, New York 10005.

The SEC allows us to "incorporate by reference" the information we file with the SEC, which means that we can disclose important information to you by referring to the other information we have filed with the SEC. The information that we incorporate by reference is considered a part of this prospectus and information that we file later with the SEC will automatically update and supersede the information contained in this prospectus. We incorporate by reference the following documents we filed with the SEC pursuant to Section 13 of the Securities Exchange Act of 1934, as amended:

- . our Current Report on Form 8-K dated May 14, 2002;
- . our Quarterly Report on Form 10-Q/A for the fiscal quarter ended March 31, 2002;
- . our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2001;
- . our Proxy Statement dated March 27, 2002;
- . 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 Report on Form 10-Q for the quarter ended June 30, 2001; and
- . the description of our preferred share purchase rights (which were issued pursuant to our Stockholder Rights Plan dated June 20, 2000) contained in our Form 8-A dated July 28, 2000 (File No. 1-08895).

We are also incorporating by reference additional documents that we may file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and before we stop

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offering the securities described in this prospectus. These documents include periodic reports, such as annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as proxy statements. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

If you are a stockholder, we may have sent you some of the documents incorporated by reference, but you can obtain any of them through us or the SEC. Documents incorporated by reference are available from us without charge, excluding all exhibits unless we have specifically incorporated by reference the exhibit in this prospectus. Stockholders may obtain documents incorporated by reference in this prospectus by requesting them in writing or by telephone from the appropriate party at the following address:

James G. Reynolds  
Executive Vice President and Chief Financial Officer  
Health Care Property Investors, Inc.  
4675 MacArthur Court, 9th Floor  
Newport Beach, California 92660  
(949) 221-0600

### CAUTIONARY LANGUAGE REGARDING FORWARD LOOKING STATEMENTS

Statements in this prospectus and the information incorporated by reference in this prospectus or any prospectus supplement that are not historical factual statements are "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward looking statements to be covered by the safe harbor provisions for forward looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this section for purposes of complying with these safe harbor provisions. The statements include, among other things, statements regarding the intent, belief or expectations of HCPI and its officers and can be identified by the use of terminology such as "may," "will," "expect," "believe," "intend," "plan," "estimate," "should" and other comparable terms or the negative thereof. In addition, we, through our senior management, from time to time make forward looking oral and written public statements concerning our expected future operations and other developments. You are cautioned that, while forward looking statements reflect our good faith belief and best judgment based upon current information, they are not guarantees of future performance and are subject to known and unknown risks and uncertainties. Actual results may differ materially from the expectations contained in the forward looking statements as a result of various factors. In addition to the factors set forth in our annual report on Form 10-K for the fiscal year ended December 31, 2001, you should consider the following:

- . Legislative, regulatory, or other changes in the health care industry at the local, state or federal level which increase the costs of or otherwise affect the operations of our lessees or mortgagors;

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- . Changes in the reimbursement available to our lessees and mortgagors by governmental or private payors, including changes in Medicare and Medicaid payment levels and the availability and cost of third party insurance coverage;

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- . Competition for lessees and mortgagors, including with respect to new leases and mortgages and the renewal or rollover of existing leases;
- . Availability of suitable health care facilities to acquire at a favorable cost of capital and the competition for such acquisition and financing of health care facilities;
- . The ability of our lessees and mortgagors to operate our properties in a manner sufficient to maintain or increase revenues and to generate sufficient income to make rent and loan payments;
- . The financial weakness of operators in the long-term care and assisted living sectors, which results in uncertainties in our ability to continue to realize the full benefit of such operators' leases;
- . Changes in national or regional economic conditions, including changes in interest rates and the availability and cost of capital for HCPI; and
- . The risk that we will not be able to sell or lease facilities that are currently vacant.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward looking events discussed in this prospectus or discussed in or incorporated by reference in this prospectus or any prospectus supplement may not occur.

### NOTICE REGARDING ARTHUR ANDERSEN LLP

Section 11(a) of the Securities Act provides that if any part of a registration statement at the time it becomes effective contains an untrue statement of a material fact or an omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring a security pursuant to such registration statement (unless it is proved that at the time of such acquisition such person knew of such untruth or omission) may sue, among others, every accountant who has consented to be named as having prepared or certified any part of the registration statement or as having prepared or certified any report or valuation which is used in connection with the registration statement with respect to the statement in such registration statement, report or valuation which purports to have been prepared or certified by the accountant. On May 14, 2002, we announced that we appointed Ernst & Young LLP to replace Arthur Andersen LLP as our independent accountants. Prior to the date of this prospectus, the Arthur Andersen partners who reviewed our most recent audited financial statements have resigned from Arthur Andersen. As a result, after reasonable efforts, we have been unable to obtain Arthur Andersen's written consent to the incorporation by reference into this registration statement of its audit reports with respect to our financial statements. Under these circumstances, Rule 437a under the Securities Act permits us to file this registration statement without a written consent from Arthur Andersen. Accordingly, Arthur Andersen will not be liable to you under Section 11(a) of the Securities Act because it has not consented to being named as an expert in the registration statement.



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We were organized in 1985 to qualify as a real estate investment trust, or a REIT. We invest in health care related real estate located throughout the United States. We commenced business nearly 17 years ago, making us the second oldest REIT specializing in health care real estate. Since 1986, the debt rating agencies have rated our debt investment grade. As of April 1, 2002, Moody's Investors Service, Standard & Poor's and Fitch rate our senior debt at Baa2, BBB+ and BBB+, respectively. The market value of our common stock was approximately \$2.3 billion as of May 15, 2002.

As of March 31, 2002, our gross investment in our properties, including partnership interests and mortgage loans, was approximately \$2.8 billion. As of March 31, 2002, our portfolio of 425 properties in 42 states consisted of:

- . 172 long-term care facilities;
- . 90 assisted living facilities;
- . 85 medical office buildings;
- . 37 physician group practice clinics;
- . 21 acute care hospitals;
- . Nine rehabilitation hospitals;
- . Six health care laboratory and biotech research facilities; and
- . Five retirement living communities.

Our principal offices are located at 4675 MacArthur Court, Suite 900, Newport Beach, California 92660, and our telephone number is (949) 221-0600.

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### RISK FACTORS

SET FORTH BELOW ARE THE RISKS THAT WE BELIEVE ARE MATERIAL TO INVESTORS WHO PURCHASE THE SECURITIES. IN ADDITION TO OTHER INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS AND THE APPLICABLE PROSPECTUS SUPPLEMENT, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS BEFORE INVESTING IN THE SECURITIES.

DECLINE IN THE ASSISTED LIVING SECTOR AND THE LONG-TERM CARE INDUSTRY MAY HAVE SIGNIFICANT ADVERSE CONSEQUENCES TO US.

**ASSISTED LIVING INDUSTRY.** The assisted living industry, from which we currently derive 13% of our revenue, has been challenged by overbuilding in certain areas, slower than projected fill-up rates, margin pressure from lower than projected rents and shortage of capital. Various assisted living companies continue their efforts to restructure their capital, debt and lease structures.

**LONG-TERM CARE INDUSTRY.** We currently derive 26% of our revenue from the long-term care industry. Certain long-term care operators and facilities continue to experience operating problems in part due to low levels of Medicaid reimbursements in certain states. In addition, if the most recent Medicare reimbursement increase is not extended beyond October 1, 2002 and various states institute Medicaid rate cuts to reduce budget shortfalls, additional operators may begin feeling the strain of inadequate reimbursement.

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We cannot assure you that the trouble experienced by assisted living operators and long-term care operators will not have a material adverse effect on our net income, funds from operations or the value of the securities.

THE HEALTH CARE INDUSTRY IS HEAVILY REGULATED BY THE GOVERNMENT, WHICH MAY ADVERSELY AFFECT OUR RENTAL AND DEBT PAYMENT REVENUES.

The health care industry is heavily regulated by federal, state and local laws. This government regulation of the health care industry affects us because:

- . the financial ability of lessees to make rent and debt payments to us may be affected by governmental regulations such as licensure, certification for participation in government programs, and government reimbursement; and
- . our additional rents are based on our lessees' gross revenue from operations in many instances, which in turn are affected by the amount of reimbursement such lessees receive from the government.

The failure of any borrower of funds from us or lessee of any of our properties to comply with such laws and regulations could affect its ability to operate its facility or facilities and could adversely affect such borrower's or lessee's ability to make debt or lease payments to us.

FRAUD AND ABUSE. Various federal and state governments have considered or passed laws that attempt to eliminate fraud and abuse by prohibiting payment arrangements that include compensation for patient referrals. We cannot assure you that the operators are in compliance or will remain in compliance in the future with these laws.

LICENSURE RISKS. Most health care facilities must obtain a license to operate. Failure to obtain licensure or loss of licensure would prevent a facility from operating which could adversely affect the facility operator's ability to make rent and debt payments.

ENVIRONMENTAL MATTERS. A wide variety of federal, state and local environmental and occupational health and safety laws and regulations affect health care facility operations. Under various federal, state and local environmental laws, ordinances and regulations, an owner of real property or a secured lender (such as us) may be liable for the costs of removal or remediation of hazardous or toxic substances at, under or disposed of in connection with such property, as well as other potential costs relating to hazardous or toxic substances (including government fines and damages for injuries to persons and adjacent property). The presence of such

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substances, or the failure to properly dispose of or remediate such substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral which, in turn, would reduce our revenue.

MEDICARE AND MEDICAID PROGRAMS. Sources of revenue for lessees and mortgagors may include the federal Medicare program, state Medicaid programs, private insurance carriers, health care service plans and health maintenance organizations, among others. Efforts to reduce costs by these payors will likely continue, which may result in reduced or slower growth in reimbursement for certain services provided by some of our operators. In addition, the failure of any of our operators to comply with various laws and regulations could jeopardize their ability to continue participating in the Medicare and

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Medicaid programs.

COST CONTROL. The healthcare industry has continually faced various challenges, including increased government and private payor pressure on health care providers to control costs, the migration of patients from acute care facilities into extended care and home care settings and the vertical and horizontal consolidation of health care providers. Changes in the law, new interpretations of existing laws, and changes in payment methodology may have a dramatic effect on the definition of permissible or impermissible activities, the relative costs associated with doing business and the amount of reimbursement furnished by both government and other third-party payors. These changes may be applied retroactively. The ultimate timing or effect of legislative efforts cannot be predicted and may impact us in different ways.

LOSS OF OUR TAX STATUS AS A REAL ESTATE INVESTMENT TRUST WOULD HAVE SIGNIFICANT ADVERSE CONSEQUENCES TO US AND THE VALUE OF OUR SECURITIES.

We currently operate and have operated commencing with our taxable year ended December 31, 1985 in a manner that is intended to allow us to qualify as a real estate investment trust for federal income tax purposes under the Internal Revenue Code of 1986, as amended.

Qualification as a real estate investment trust involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial and administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a real estate investment trust. For example, in order to qualify as a real estate investment trust, at least 95% of our gross income in any year must be derived from qualifying sources, and we must satisfy a number of requirements regarding the composition of our assets. Also, we must make distributions to stockholders aggregating annually at least 90% of our net taxable income, excluding capital gains. In addition, new legislation, regulations, administrative interpretations or court decisions may adversely affect our investors or our ability to qualify as a REIT for tax purposes. Although we believe that we are organized and have operated in such manner, we can give no assurance that we have qualified or will continue to qualify as a REIT for tax purposes.

If we lose our real estate investment trust status, we will face serious tax consequences that will substantially reduce the funds available to make payments of principal and interest on the debt securities we issue and to make distributions to our stockholders. If we fail to qualify as a real estate investment trust:

- . we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- . we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and
- . unless we are entitled to relief under statutory provisions, we could not elect to be subject to tax as a real estate investment trust for four taxable years following the year during which we were disqualified.

In addition, if we fail to qualify as a real estate investment trust, all distributions to stockholders would be subject to tax as ordinary income to the extent of our current and accumulated earnings and profits, we will not be required to make distributions to stockholders.

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As a result of all these factors, our failure to qualify as a real estate investment trust also could impair our ability to expand our business and raise capital, and would adversely affect the value of our securities.

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### RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratios of earnings to fixed charges for the periods indicated. In computing the ratios of earnings to fixed charges, earnings have been based on consolidated income from operations before fixed charges (exclusive of capitalized interest). Fixed charges consist of interest on debt, including amounts capitalized, and the pro rata share of the fixed charges of the partnerships and limited liability companies in which we hold an interest. In computing the ratios of earnings to combined fixed charges and preferred stock dividends, preferred stock dividends consist of dividends on our 7 7/8% Series A cumulative redeemable preferred stock, 8.70% Series B cumulative redeemable preferred stock and 8.60% Series C cumulative redeemable preferred stock.

	FOR THE THREE MONTHS ENDED					
	YEAR ENDED DECEMBER 31,					MARCH 31,
	1997	1998	1999	2000	2001	2002
Ratio of Earnings to Fixed Charges.....	3.03	2.91	2.50	2.45	2.59	2.86
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.....	2.92	2.40	1.93	1.91	1.97	2.12

### USE OF PROCEEDS

Unless we indicate otherwise in the applicable prospectus supplement, we intend to use a portion of the net proceeds from the sale of the securities offered from time to time hereby to repay all or a portion of our outstanding indebtedness under our revolving lines of credit. Borrowings under our revolving lines of credit averaged \$184,000,000 for the quarter ended March 31, 2002 at a rate of 2.74%. The remaining proceeds will be used for general corporate purposes, including strategic acquisitions, the acquisition of health care related properties and the construction of health care related properties. Based upon our historical investment trends, including investments totaling approximately \$125 million during the quarter ended March 31, 2002 and approximately \$240 million during 2001, as of the date of this prospectus, we expect our investments for 2002 to total approximately \$400 million. Achievement of our 2002 investment goal is predicated on the availability of suitable health care facilities to acquire at reasonable prices, and our ability to obtain favorable financing terms. If we do not meet our 2002 investment goal, we may experience slower than expected growth in net income and cash flows from operating activities. As of the date of this prospectus, we have commitments to invest approximately \$165 million of health care facilities. However, we cannot assure you that we will complete any investment on a timely basis, or at all.

DESCRIPTION OF THE DEBT SECURITIES

This prospectus describes certain general terms and provisions of our debt securities. When we offer to sell a particular series of debt securities, we will describe the specific terms of the series in a prospectus supplement or a pricing supplement.

The debt securities are to be issued under an existing indenture dated as of September 1, 1993 between us and The Bank of New York, as trustee, which has been filed with the SEC and incorporated by reference in the registration statement of which this prospectus is a part. We have summarized the material provisions of the indenture and general provisions of the debt securities below.

GENERAL

The indenture does not limit the aggregate principal amount of debt securities that may be issued under the indenture and provides that the debt securities may be issued from time to time in one or more series. All securities issued under the indenture will rank equally and ratably with all other securities issued under the indenture.

The debt securities will be unsecured and will rank on a parity with all of our other unsecured and unsubordinated indebtedness. The debt securities are not, by their terms, subordinate in right of payment to any of our other indebtedness.

The prospectus supplement and any related pricing supplement will describe certain terms of the debt securities offered by that prospectus supplement, including:

- . the title of the debt securities;
- . any limit on the aggregate principal amount of the debt securities and their purchase price;
- . the date or dates on which the debt securities will mature;
- . the rate or rates per annum (or manner in which interest is to be determined) at which the debt securities will bear interest, if any, and the date from which the interest, if any, will accrue;
- . the dates on which interest, if any, on the debt securities will be payable and the regular record dates for these interest payment dates;
- . any mandatory or optional sinking fund or analogous provisions;
- . additional provisions, if any, for the defeasance of the debt securities;
- . the date, if any, after which and the price or prices at which the debt securities may, pursuant to any optional or mandatory redemption or repayment provisions, be redeemed and the other detailed terms and provisions of any optional or mandatory redemption or repayment provisions;
- . whether the debt securities are to be issued in whole or in part in registered form represented by one or more registered global securities and, if so, the identity of the depositary for the

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registered global securities;

- . any applicable material United States federal income tax consequences; and
- . any other specific terms of the debt securities, including any additional events of default or covenants provided for with respect to the debt securities, and any terms that may be required by or advisable under applicable laws or regulations.

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Principal of, premium, if any, and interest, if any, on the debt securities will be payable at the place or places designated by us and set forth in the applicable prospectus supplement. Interest, if any, on the debt securities will be paid, unless otherwise provided in the applicable prospectus supplement, by check mailed to the person in whose name the debt securities are registered at the close of business on the record dates designated in the applicable prospectus supplement at the address of the related holder appearing on the register of debt securities. The trustee will maintain at an office in the Borough of Manhattan, The City of New York, a register for the registration of transfers of debt securities, subject to any restrictions set forth in the applicable prospectus supplement relating to the debt securities.

Unless otherwise provided in the applicable prospectus supplement or pricing supplement, the debt securities will be issued only in fully registered form without coupons and in denominations of \$1,000 or any larger amount that is an integral multiple of \$1,000. Debt securities may be presented for exchange and transfer in the manner, at the places and subject to the restrictions set forth in the indenture, the debt securities and the prospectus supplement. These services will be provided without charge, other than any tax or other governmental charge payable in connection with the exchange or transfer, but subject to the limitations provided in the indenture.

Debt securities will bear interest at a fixed rate or a floating rate. The debt securities may be issued at a price less than their stated redemption price at maturity, resulting in the debt securities being treated as issued with original issue discount for federal income tax purposes. Any original issue discount debt securities may currently pay no interest or interest at a rate which at the time of issuance is below market rates. Special federal income tax and other considerations applicable to any of these discounted notes will be described in the prospectus supplement or pricing supplement.

The indenture provides that all debt securities of any one series need not be issued at the same time and we may, from time to time, issue additional debt securities of a previously issued series. In addition, the indenture provides that we may issue debt securities with terms different from those of any other series of debt securities and, within a series of debt securities, certain terms (such as interest rate or manner in which interest is calculated and maturity date) may differ.

### CONVERSION RIGHTS

The terms, if any, on which debt securities of a series may be exchanged for or converted into shares of our common stock, preferred stock or debt securities of another series will be set forth in the prospectus supplement relating to the series. To protect our status as a REIT, a holder may not convert any debt security, and the debt security is not convertible by any holder, if as a result of the conversion any person would then be deemed to beneficially own, directly or indirectly, 9.9% or more of our common stock.

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### GLOBAL DEBT SECURITIES

The registered debt securities of a series may be issued in the form of one or more fully registered global securities that will be deposited with a depository or with a nominee for a depository identified in the prospectus supplement relating to the series and registered in the name of the depository or a nominee of the depository. In these cases, one or more registered global securities will be issued in a denomination or aggregate denominations equal to the portion of the aggregate principal amount of outstanding registered debt securities of the series to be represented by the registered global security or securities. Unless and until it is exchanged in whole for debt securities in definitive registered form, a registered global security may not be transferred except as a whole by the depository for such registered security to a nominee of the depository or by a nominee of the depository to the depository or another nominee of the depository or by the depository or any nominee to a successor of the depository or a nominee of the successor.

The specific terms of the depository arrangement with respect to any portion of a series of debt securities to be represented by a registered global security will be described in the prospectus supplement relating to the series. We anticipate that the following provisions will apply to all depository arrangements.

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Ownership of beneficial interests in a registered global security will be limited to persons, or participants, that have accounts with the depository for the registered global security or persons that may hold interests through participants. Upon the issuance of a registered global security, the depository for the registered global security will credit, on its book-entry registration and transfer system, the participants' accounts with the respective principal amounts of the debt securities represented by the registered global security beneficially owned by the participants. The accounts to be credited will be designated by any dealers, underwriters or agents participating in the distribution of the debt securities. Ownership of beneficial interests in the registered global security will be shown on, and the transfer of the ownership interests will be effected only through, records maintained by the depository for the registered global security (with respect to interests of participants) and on the records of participants (with respect to interests of persons holding through participants). The laws of some states may require that certain purchasers of securities take physical delivery of the securities in definitive form. These limits and laws may impair the ability to own, transfer or pledge beneficial interests in registered global securities.

So long as the depository for a registered global security, or its nominee, is the registered owner of the registered global security, the depository or its nominee will be considered the sole owner or holder of the debt securities represented by the registered global security for all purposes under the indenture. Except as set forth below, owners of beneficial interests in a registered global security will not be entitled to