NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDING SEPTEMBER 30, 2018

NOVEMBER 9, 2018

CEO'S MESSAGE

Paul Dalla Lana
Chief Executive Officer

Strong Results for Q3

Dear Fellow Unitholders,

The third quarter of 2018 was another active period for the REIT highlighted by the acquisition of Hospital Morumbi in Brazil and the successful closing of the Seed Portfolio into the REIT's $2.0 billion (debt & equity) institutional joint venture (the "JV"). During this particularly active moment in Australasian healthcare real estate, closing the JV is an important milestone, as it adds a deep new source of capital to allow the REIT to leverage its market leading platform to execute upon the extensive near-term pipeline of growth opportunities. Meanwhile in the REIT's other global markets, it continues to see significant opportunities to capitalize on its differentiated healthcare real estate platform to grow, particularly in Europe and increasingly within Brazil as the REIT looks to leverage the relative strength of the Canadian dollar to accretively deploy capital. To fully exploit the opportunity, the REIT anticipates attracting additional fee bearing institutional capital to support its growth pipeline. Taken together, these initiatives provide the REIT with significant runway and resources to continue to scale its business in both the near and long-term.

Financial and Operational Highlights

In addition to a very busy transactional quarter, the REIT continued to deliver stable financial and operational performance across an expanded 153 property (including subsequent events), 10.8 million square foot diversified healthcare real estate portfolio underpinned by long-term inflation indexed leases. Although the relative strength of the Canadian dollar in all of our international regions negatively impacted third quarter results, strong source currency SP NOI and higher ANZ management fees have resulted in a stable operating result, which is expected to translate into future growth given natural portfolio hedges including inflation indexation.

For the three and nine months ended September 30, 2018, the REIT delivered strong financial and operating results illustrated by the following:

- Total revenue increased 3.7% in Q3 2018 to $87.0 million from $83.9 million in Q3 2017 primarily driven by net acquisition in Germany, the Netherlands, Canada and Vital Trust;
- Total operating income[1] has increased by 11.7% to $70.9 million over the third quarter of 2017;
- Reported Net Loss of $28.5 million was driven by a one-time adjustment to write-off of $50.1 million of Goodwill related to the sale of the Seed Portfolio;
- Reported and Normalized AFFO per unit for the third quarter 2018 of $0.20 and $0.22 respectively;
- Source currency adjusted SPNOI growth of 4.0% in Q3 2018 as compared to Q3 2017;
- Recognition of a $43.5 million fair value gain in the REIT's total investment property portfolio, driven primarily by gains in Canada and Germany;
- Leverage of 49.4% (55.7% including convertible debentures) at the end of Q3 2018. The REIT continues to target a 40% leverage ratio and expects leverage to decline towards that target over the mid-term;
- Net asset value per unit of $11.09, representing a 7.6% decrease over Q2 2018 primarily driven by currency depreciation. Adjusting for currency appreciation post quarter end, September 30, 2018 NAV per unit would increase to $11.45;
- Strong portfolio occupancy of 96.3% rising 40 bps from Q4 2017 and the international portfolio holding stable above 99% occupancy;

- Weighted average lease expiry of 12.5 years increased by 0.4 years from Q4 2017, underpinned by the international portfolio with a weighted average lease expiry of 16.6 years; and
- The percentage of leases subject to annual indexation[2] is 72.5% and serves as a strong base to deliver organic growth and a natural hedge in a rising interest rate environment.

During both the third quarter and subsequent to quarter-end, the REIT has continued executing on its committed, low-risk development pipeline, completing accretive debt refinancing and pursuing select accretive acquisitions, including the addition of Hospital Morumbi in Brazil.

Key initiatives include:

- Completed $308 million of transactional activity:
  - C$88 million acquisition of Hospital Morumbi in Brazil from Rede D'Or, Brazil's leading private hospital operator. As part of the transaction the REIT agreed to acquire the hospital administration building at the REIT's existing HMB property the ongoing development of a new out-patient care building onsite for a combined $30M along with a renewed 25 year lease for the entire project upon completion. The acquisition of the hospital administration building is subject to normal course conditions and is expected to close in the first half of 2019;
  - C$12M acquisition of Australian development lands;
  - C$208 million sale of a 70% interest in three high quality income producing Australian healthcare assets and one development property to the REIT's institutional JV partner.

For the balance of 2018 and building upon on strong YTD results and portfolio improvements, the REIT will continue to drive internal growth through completion of its 9 active value-add development projects as well as execute on strategic growth initiatives in each of its regions. In support of the REIT's strategy, healthcare industry trends remain constructive globally with increasing levels of institutional investment validating the sector's defensive characteristics and growth opportunities.

I am pleased that the NorthWest global team has been able to advance a number of key, long-term strategic initiatives during and post quarter. Our bigger and better portfolio is supported by long-term, inflation indexed assets and, as a result, the REIT is even better positioned to deliver stable and growing returns to its unitholders. Further, we continue to be the real estate partner of choice to the healthcare industry which provides exceptional global opportunities to grow accretively and enhance unitholder value.

Sincerely,

Paul Dalla Lana
Chief Executive Officer

1 Defined as NOI plus (i) share of profit (loss) from associates; (ii) management fees; and (iii) interest income.

2 Percentage of NOI subject to annual inflationary or market based adjustments.

FINANCIAL AND OPERATIONAL SUMMARY

The following is a summary of key financial and operational information for the periods indicated:

FINANCIAL AND OPERATIONAL HIGHLIGHTS			
Expressed in thousands of Canadian dollars, except per unit amounts		As at September 30, 2018	As at December 31, 2017
Operational Information (1)			
Number of Properties - 100% of associates		153	146
Gross Leasable Area (sf) - 100% of associates		10,841,260	10,199,039
Occupancy % - 100% of associates		96.3%	95.9%
WALE (Years) - 100% of associates		12.5	12.1
Summary of Financial Information			
Gross Book Value (2)		$ 4,679,638	$ 4,684,028
Debt - Declaration of Trust (3)		$ 2,311,377	$ 2,190,179
Debt to Gross Book Value - Declaration of Trust		49.4%	46.8%
Debt - Including Convertible Debentures (3)		$ 2,606,685	$ 2,487,036
Debt to Gross Book Value - Including Convertible Debentures		55.7%	53.1%
Percentage of Mortgages and Loans Payable at Fixed Rates(9)		68.4%	41.0%
Weighted Average Interest Rate on Fixed Rate Mortgages and Loans Payable		4.25%	4.42%
Adjusted Units Outstanding - period end (5)			
Basic		121,051,515	120,037,252
	For the three months ended September 30, 2018	For the three months ended September 30, 2017	For the three months ended June 30, 2018
Operating Results			
Revenue from investment properties	$ 87,044	$ 83,932	$ 85,157
Net Income / (Loss)	$ (28,469)	$ (71,213)	$ 39,139
NOI (6)	$ 65,213	$ 61,805	$ 65,254
Funds From Operations ("FFO") (6)	$ 24,504	$ 24,123	$ 24,601
Adjusted Funds From Operations ("AFFO") (6)	$ 24,294	$ 23,308	$ 24,392
Distributions (7)	$ 24,196	$ 21,322	$ 24,038
Interest Coverage (4)	2.11	2.05	2.12
Per Unit Amounts (5)			
FFO per unit - Basic (8)	$ 0.20	$ 0.23	$ 0.20
FFO per unit - fully diluted (8)	$ 0.20	$ 0.22	$ 0.20
AFFO per unit - Basic	$ 0.20	$ 0.22	$ 0.20
AFFO per unit - fully diluted (8)	$ 0.20	$ 0.21	$ 0.20
Distributions per unit	$ 0.20	$ 0.20	$ 0.20
Adjusted Weighted Average Units Outstanding (5)			
Basic	120,955,418	106,585,010	120,551,483
Diluted - FFO (8)	141,337,742	126,946,696	141,071,688
Diluted - AFFO (8)	141,337,742	126,946,696	141,071,688

FINANCIAL AND OPERATIONAL HIGHLIGHTS CONT.

Notes

(1) Operational information includes 100% of Vital Trust and the Australia REIT (including Seed Portfolio). The REIT has an exposure to an approximate 25% interest in Vital Trust and 30% of the Seed Portfolio in Australia REIT.

(2) Gross Book Value is defined as total assets.

(3) As defined in Non-IFRS measures used in this MD&A.

(4) See Ratios and Covenants for the REIT's calculation of Interest Coverage.

(5) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 17,708,065 Class B LP Units outstanding as at September 30, 2018 and 18,998,065 outstanding as at December 31, 2017.

(6) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to IFRS-based amounts reported in the consolidated financial statements of the REIT. NOI is an additional IFRS measure and NOI as calculated by the REIT may not be comparable to similar titled measures reported by other issuers.

(7) Represents distributions to Unitholders and Class B LP Units on an accrual basis. Distributions are payable as at the end of the period in which they are declared by the Board of Trustees, and are paid on or around the 15th day of the following month.

(8) Diluted units includes vested but unissued deferred trust units and the conversion of the REIT's Convertible Debentures that would have a dilutive effect upon conversion at the holders' contractual conversion price. Convertible Debentures are dilutive if the interest (net of tax and other changes in income or expense) per unit obtainable on conversion is less than the basic per unit measure.

(9) The REIT classifies variable rate debt hedged with fixed rate swaps as fixed rate debt.

HIGHLIGHTS FOR THE QUARTER

Australian Healthcare Real Estate Joint Venture

On August 1, 2018, the REIT entered into a joint venture agreement ("**JV**") with an institutional investor, to acquire and develop Australian healthcare real estate which will be managed by affiliates of the REIT. The JV is 70% owned by an institutional investor, with the REIT owning the remaining 30% interest. As part of the JV commitment, the REIT also agreed to sell three Australian income-producing properties and one development property with an as-complete value of approximately $385 million (A$412 million) (collectively the "**Seed Portfolio**"), to the institutional investor.

On September 21, 2018, the REIT closed the sale of the Seed Portfolio. As part of the transaction, the JV also entered into a new $469 million (A$500 million) loan facility, of which an initial draw ($56 million (A$59 million) of which is attributable to the REIT) was made for financing of the Seed Portfolio, ongoing development, and future investments. The new JV facility bears interest at a rate approximately 100 basis points lower than the existing Australian term loan facility at the Australia REIT. Proceeds from the transaction of approximately $217 million (A$231 million) will be used for debt repayment, to fund future acquisitions, and for general corporate purposes.

Acquisition of Hospital Morumbi

On September 28, 2018, the REIT acquired Hospital Morumbi from Rede D'Or for $92 million (R$286 million). The property is a hospital with future development potential located in the Morumbi neighbourhood of Sao Paulo, Brazil's largest city. The property is 100% leased to Rede D'Or on a new fully net 25 year lease. The acquisition is the REIT's seventh with Brazil's leading private hospital operator - Rede D'Or.

Refinancing Activity

On July 13, 2018, the REIT extended terms of the Australasian secured debt maturing on April 28, 2019 and July 15, 2018, to July 15, 2019.

SUBSEQUENT EVENTS

Other

On October 15, 2018, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on October 31, 2018, will be payable on November 15, 2018.

PART I - BASIS OF PRESENTATION

This Management's Discussion and Analysis of the results of operations and financial condition ("**MD&A**") of NorthWest Healthcare Properties Real Estate Investment Trust ("**NorthWest**" or the "**REIT**") should be read in conjunction with the REIT's condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2018, prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are presented in thousands of Canadian dollars, except where otherwise stated. Per unit amounts are presented in Canadian dollars, and are calculated including Class B LP Units (as defined hereafter), except where otherwise stated.

This MD&A should also be read in conjunction with the Annual Information Form of the REIT dated March 28, 2018 (the "**Annual Information Form**") and the REIT's Management Information Circular dated April 5, 2018 (the "**Circular**"). This MD&A is current as of November 9, 2018 unless otherwise stated. Additional information relating to the REIT, including its continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and can be accessed electronically at www.sedar.com.

Throughout this MD&A the following terms have the meanings set forth below, unless otherwise indicated. Words importing the singular include the plural and vice versa:

- "**Convertible Debentures**" has the meaning set out in the Section "**CAPITAL STRUCTURE– Convertible Debentures**" and includes the following series of convertible debentures:
  a) NWH.DB;
  b) NWH.DB.C;
  c) NWH.DB.D;
  d) NWH.DB.E;
  e) NWH.DB.F.

- "**Class B LP Unit**" or "**Exchangeable Unit**" means a Class B limited partnership unit of NWI Healthcare Properties LP ("**NWI LP**"), exchangeable for Trust Units;
- "**Special Voting Unit**" means a special voting unit of the REIT attached to a Class B LP Unit;
- "**Trust Unit**" or "**REIT Trust Unit**" means a trust unit of the REIT; and
- "**Unitholder**" means a holder of Trust Units and any reference to a Unitholder in the context of such Unitholder's right to vote at a meeting of Unitholders also includes reference to a holder of Special Voting Units.

FORWARD-LOOKING INFORMATION ADVISORY

This MD&A contains forward-looking statements which reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the REIT. The words "plans", "expects", "does not expect", "scheduled", "estimates", "intends", "anticipates", "does not anticipate", "projects", "believes", "normalized", "run rate", "contracted", "stabilized", or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "might", "occur", "be achieved" or "continue" and similar expressions identify forward-looking statements. Some of the specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the following:

- the intention of the REIT to pay stable and growing distributions;
- the ability of the REIT to execute its growth strategies;
- the ability of the REIT to refinance maturing debt obligations;
- any projections of financial performance of the REIT for the periods set out herein; including normalized, run-rate, contracted or stabilized metrics ;
- development opportunities;
- the expected tax treatment of the REIT's distributions to Unitholders; and

- the expectations regarding real estate, the healthcare industry and demographic trends.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management of the REIT as of the date of this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The REIT's estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, the REIT's future growth potential, results of operations, future prospects and opportunities, demographic and industry trends remaining unchanged, future levels of indebtedness, the ability to access debt and capital markets, the tax laws as currently in effect remaining unchanged, the current economic and political conditions in the countries in which the REIT operates remaining unchanged, anticipated capital expenditures, future general and administrative expenses (including estimated synergies resulting therefrom) and contracted acquisition, disposition and development opportunities.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risks and Uncertainties" in this MD&A, as well as the section titled "Risk Factors" in the Annual Information Form and the Circular, which are hereby incorporated by reference in this MD&A.

These forward-looking statements are made as of the date of this MD&A and, except as expressly required by applicable law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

PERFORMANCE MEASUREMENT

The key performance indicators by which management measures the REIT's performance are as follows:

- Net income;
- Cash flows from operations;
- Funds from operations ("**FFO**");
- Adjusted funds from operations ("**AFFO**");
- Normalized AFFO;
- Weighted average lease expiry ("**WALE**");
- Weighted average interest rate;
- Occupancy levels;
- Debt - Declaration of Trust;
- Debt - Including Convertible Debentures;
- Adjusted EBITDA;
- Net operating income ("**NOI**"); and
- Net Asset Value ("**NAV**") and Net Asset Value per unit ("**NAV/unit**");
- Adjusted Liabilities;
- Same Property NOI ("**SPNOI**");
- Adjusted Same Property NOI ("**Adjusted SPNOI**").

"WALE" is a measurement of the average term (expressed in years) remaining in each of the REIT's leases, weighted by the size of the gross leasable area ("**GLA**") each lease represents of the total GLA of the REIT's portfolio. WALE is a common performance measure used in the real estate industry which is useful in measuring the vacancy risk and the stability of future cash flows of the REIT's properties.

"Occupancy levels" are presented in different manners depending on its context. It could be presented as a weighted average portfolio occupancy, based on the area weightings, when analyzing the overall operating performance of the REIT's portfolio, or as a point-in-time reference when analyzing future lease expiries, or as an assessment of the performance of each property period over period. Management considers this a useful measure in assessing the overall performance of its portfolio and is an essential tool to determine which properties require further investigation if performance lags.

Explanation of Non-IFRS measures used in this MD&A

FFO and AFFO are not measures recognized under International Financial Reporting Standards ("**IFRS**") and do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. FFO and AFFO are supplemental measures of a Canadian real estate investment trust's performance and the REIT believes that FFO and AFFO, while primarily earnings based measures, also provide relevant measures of its ability to earn and distribute cash returns to Unitholders. FFO and AFFO should not be construed as alternatives to net income (loss), or cash flow from operating activities, determined in accordance with IFRS as indicators of the REIT's performance. The IFRS measurement most directly comparable to FFO and AFFO is net income (loss). The REIT's method of calculating FFO and AFFO may differ from other issuers' methods and accordingly may not be comparable to measures used by other issuers.

In February 2018, the Real Property Association of Canada ("**REALpac**") issued white papers with recommendations for calculations of FFO and AFFO and introduced a new cash flow measure, Adjusted Cash Flow from Operations ("ACFO"). The REIT is currently reviewing the new guidance and therefore has not adopted the White Paper AFFO and ACFO for the current quarter.

"**FFO**" is defined as net income (computed in accordance with IFRS), excluding: (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments and other effects of redeemable units classified as liabilities; (v) revaluation adjustments of financial liabilities; (vi) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vii) deferred income tax expense; (viii) Convertible Debentures issuance costs; (ix) goodwill impairment; (x) internal leasing costs; (xi) transaction costs (xii) unrealized foreign exchange gains and losses; (xii) amortization of finance leases; and includes (xiii) the cash flow benefit to the REIT of certain ANZ Manager fees which are eliminated on consolidation but benefit the REIT to the extent of the non-controlling interest, all after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties.

"**AFFO**" is defined by management as FFO, subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired; (ii) amortization of transactional deferred financing charges; (iii) compensation expense related to deferred unit incentive plans; (iv) differences, if any, resulting from recognizing property revenues on a straight line basis as opposed to contractual rental amounts, (v) debt repayment costs; and (vi) deducting stabilized amounts for tenant inducements, leasing costs, and sustaining capital expenditures, as determined by the REIT. Other adjustments may be made to AFFO as determined by management at their discretion. Management's definition of AFFO is intended to reflect a stabilized business environment.

We have provided an analysis of FFO and AFFO under **PART III - RESULTS FROM OPERATIONS, FUNDS FROM OPERATIONS ("FFO")** and **ADJUSTED FUNDS FROM OPERATIONS ("AFFO")**.

"**Normalized AFFO"** is a non-IFRS measure which management believes is relevant in representing its ability to earn and distribute cash returns to Unitholders. In addition to the adjusting items to arrive at AFFO, Normalized AFFO also adjusts for the full year effect of transactions occurring in the reporting period, transactions that have occurred subsequent to the reporting period, and adjusts for other items management believes were non-recurring or seasonal in nature and estimated based on management's expectations on a normalized level of activity in a stabilized operating environment. The REIT considers Normalized AFFO to be a meaningful measure because it provides, in management's view, an estimate of AFFO reflecting the annualized results of the REIT's stabilized operations at a point in time. There is no standard industry-defined measure of Normalized AFFO. As such, the REIT's method of calculating Normalized AFFO will differ from other issuers' methods and, accordingly, will not be comparable to such amounts reported by other issuers. We have provided an analysis of Normalized AFFO under **NORMALIZED AFFO**.

The REIT's "**Weighted average interest rate**" includes secured debt with fixed interest rates and excludes secured debt with floating interest rates. This calculation is a useful measure because it allows management to compare movements in interest rates period over period and to compare the average rate to the current market rates at that point in time.

"**Debt - Declaration of Trust**" is a non-IFRS financial measure that represents the indebtedness definition outlined in the REIT's Declaration of Trust. It includes the sum of the principal balance of mortgages, securities lending agreements, margin facilities, term loans, line of credit, and deferred consideration and excludes the Class B LP Units and the REIT's Convertible Debentures. The Debt - Declaration of Trust is measured as a percentage of total assets or Gross Book Value. The REIT's Declaration of Trust provides an operating guideline that sets a maximum level of indebtedness relative to Gross Book Value of 65%. The REIT measures Debt-Declaration of Trust each reporting period to ensure that the REIT remains compliant with the operating guidelines of the REIT's Declaration of Trust in respect of indebtedness. The definition of indebtedness and maximum indebtedness ratio relative to Gross Book Value of the REIT's declaration of trust may differ from the declarations of trust of other issuers and accordingly may not be comparable to similar measures used by other issuers.

"**Debt - Including Convertible Debentures**" is a non-IFRS financial measure and represents the sum of the REIT's indebtedness as defined by the REIT's declaration of Trust (Debt - Declaration of Trust, defined above) plus the amount of Convertible Debentures outstanding stated at fair value. The Debt - Including Convertible Debentures amount is intended to measure total leverage which is commonly reported by other issuers in the industry and is used an important measure in the management of debt levels. The Debt - Including Convertible Debentures is also stated as a ratio to total assets or Gross Book Value. The ratio is an important measure in determining the REIT's capacity for incremental indebtedness to finance operations, maturing obligations or capital expenditures, as required. The definition of Debt - Including Convertible Debentures and its ratio relative to Gross Book Value of the REIT's Declaration of Trust may differ and may not be comparable to similar measures used by other issuers.

"**EBITDA**" is a non-IFRS measure that is comprised of income (loss) before taxes, excluding mortgage and loan interest expense, distributions on Exchangeable Units and depreciation expense and amortization expense. It is a metric that can be used to determine the REIT's ability to satisfy its obligations, including servicing its debt; but it may be affected by non-recurring items.

"**Adjusted EBITDA**" is a non-IFRS measure, defined by the REIT as, income (loss) before taxes excluding mortgage and loan interest expense, distributions on Exchangeable Units, other finance costs, depreciation expense and amortization expense, IFRS fair value changes associated with investment properties and financial instruments, DUP Compensation Expense, foreign exchange gains and losses, gains and losses on disposal of investment properties, adjustments for equity accounted associates, as well as, other items that management considers non-operating or non-recurring in nature. It is a metric that can be used to determine the REIT's ability to satisfy its obligations, including servicing its debt.

"**Net Asset Value**" or **("NAV")** is a non-IFRS measure, defined by the REIT as, total assets less total liabilities and less non-controlling interest, adjusted further to exclude the REIT's proportionate share of the following: goodwill, DUP Liability, deferred tax liability, accrued Ontario land transfer tax liability, derivative instruments, Class B LP Unit liability and the fair value increase of the ANZ Manager intangible asset. "**NAV per Unit"** or sometimes presented as "**NAV/unit**" is an extension of NAV and defined as NAV divided by the number of units outstanding at the end of the period. The REIT considers NAV and NAV per Unit to be meaningful measures because it provides, in management's view, an estimate of the underlying value of the REIT's units. There is no standard industry-defined measure of NAV per Unit. As such, the REIT's method of calculating NAV per Unit will differ from other issuers' methods, and accordingly, will not be comparable to such amounts reported by other issuers. We have provided an analysis of NAV under **PART XII - NET ASSET VALUE**.

"**Adjusted Liabilities**" is a non-IFRS measure, defined by the REIT as, total liabilities and non-controlling interest, excluding the REIT's proportionate share of DUP Liability, deferred tax liability, derivative instruments and Class B LP Unit liability. Adjusted Liabilities is deducted from total assets to calculate the REIT's non-IFRS measure, NAV per Unit, defined above. The REIT considers Adjusted Liabilities to be a meaningful measure because it provides, in management's view, an estimate of the REIT's liabilities that are expected to be settled in cash in the near term. Further, management views the Class B LP Unit liability to form part of the REIT's equity regardless of it being accounted for as a financial liability under IFRS. There is no standard industry-defined measure of Adjusted Liabilities. As such, the REIT's method of calculating Adjusted Liabilities will differ from other issuers' methods, and accordingly, will not be comparable to such amounts reported by other issuers.

"**Same Property NOI"** is a non-IFRS measure, defined by the REIT as, NOI for investment properties that were owned for a full quarterly reporting period in both the current and comparative year, and excludes properties held for redevelopment. Management considers Same Property NOI to be a key operating metric used to evaluate same property performance. There is no standard industry-defined measure of Same Property NOI. As such, the REIT's method of calculating Same Property NOI will differ from other issuers' methods, and accordingly, will not be comparable to such amounts reported by other issuers.

"Adjusted Same Property NOI" is a non-IFRS measure, defined by the REIT as Same Property NOI, subject to certain adjustments including: (i) straight-line rental revenue recognition; (ii) amortization of operating leases; (iii) lease termination fees; and (iv) one time transactions that are not expected to recur.

Explanation of additional IFRS measure used in this MD&A

"**NOI**" is an industry term in widespread use. NOI as calculated by the REIT may not be comparable to similar titled measures reported by other issuers. The REIT considers NOI a meaningful additional measure of operating performance of its property assets, prior to financing considerations. NOI is defined as income from properties after operating expenses have been deducted, but before deducting interest expense, finance costs, depreciation and amortization expense, general and administrative expenses, income taxes, leasehold improvement and external leasing costs, unrecoverable capital costs, and excluding fair value adjustment of investment properties.

We have provided an analysis of NOI under **PART III - RESULTS FROM OPERATIONS - NET OPERATING INCOME**.

KEY PERFORMANCE DRIVERS

In addition to monitoring and analyzing the performance of operations through such measures as NOI, FFO and AFFO, management considers the following to be key drivers of current and future financial performance:

- the ability to access equity capital at a competitive/reasonable cost;
- the ability to access debt with terms and conditions that are cost effective; and
- the ability to acquire new properties on a yield accretive basis that enhance the REIT's portfolio.

PART II – BUSINESS OVERVIEW

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

The REIT

The REIT is a Canadian open-ended trust created pursuant to an amended and restated Declaration of Trust dated May 15, 2015, under the laws of the Province of Ontario (the "**Declaration of Trust**" or "**DOT**"). The REIT completed its initial public offering ("**IPO**") on March 25, 2010. The REIT Trust Units are listed and publicly traded on the Toronto Stock Exchange ("**TSX**") under the symbol NWH.UN. The REIT's Convertible Debentures are listed and publicly traded on the TSX under the symbols NWH.DB, NWH.DB.C, NWH.DB.D, NWH.DB.E and NWH.DB.F. The REIT's objectives are to:

- provide sustainable and growing cash distributions through focused investment in healthcare real estate globally;
- build a diversified, growth-oriented global portfolio of healthcare properties concentrated initially in Australia/New Zealand, Brazil, Canada and Europe;
- capitalize on growth opportunities both within its existing portfolio and through accretive acquisitions in its target markets; and
- grow the value of its assets and maximize the long-term value of its Trust Units through active and efficient management.

Declaration of Trust

The investment guidelines of the REIT are outlined in the REIT's Declaration of Trust, a copy of which is filed on SEDAR. Further information regarding the Declaration of Trust can also be located in the REIT's Annual Information Form under the heading "Declaration of Trust". Some of the main investment guidelines and operating policies in the Declaration of Trust include the following:

Investment Guidelines (condensed summary)

1. The REIT may only invest directly or indirectly in interests in income–producing real estate and assets ancillary thereto necessary for the operation of such real estate;
2. Provided that the REIT may invest up to 25% of the Gross Book Value of the REIT in investments which do not comply with one or more of the specific investment guidelines set forth in Declaration of Trust; and
3. The REIT shall not hold any investment or take any action that would result in the REIT not qualifying as a "mutual fund trust" or "unit trust" both within the meaning of the Tax Act or the Units not qualifying as qualified investments for Exempt Plans.

Operating Policies (condensed summary)

1. The REIT shall not incur or assume any Indebtedness, as defined, if, after giving effect to the incurrence or assumption of such Indebtedness, the total Indebtedness of the REIT would be more than 65% of Gross Book Value;
2. Subsidiaries of the REIT may engage in construction or development of real property provided such real property meets the REIT's investment guidelines and operating policies; and
3. No guaranteeing of third-party debt outside its existing structure and potential joint venture partner structures, except under certain specific conditions and meeting certain defined criteria.

At September 30, 2018, the REIT was in compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

RELATIONSHIP WITH NWVP

As at September 30, 2018, NorthWest Value Partners Inc. ("**NWVP**") indirectly owned approximately 21% (approximately 17% on a fully-diluted basis assuming conversion of the REIT's Convertible Debentures and redemption of its deferred Trust Units) of the REIT through a combination of Trust Units of the REIT and Class B LP

Units. Established in 1994, Toronto-based NWVP is one of Canada's leading privately-owned real estate companies. The scope of its business includes real estate, ownership and management, in Canada and internationally with a significant focus on the healthcare sector. The Principal of NWVP serves as an officer and trustee of the REIT.

PORTFOLIO PROFILE

Summary

The REIT provides investors with access to a portfolio of high quality healthcare real estate comprised of interests in a diversified portfolio of 153 income-producing properties and 10.8 million square feet of gross leasable area located throughout major markets in Canada, Brazil, Europe (Germany and the Netherlands), Australia, and New Zealand.

Canada: The largest non-government owner/manager of medical office buildings ("MOBs") and healthcare related facilities comprised of high quality real estate with stable cash flow underpinned by tenancies supported by the Canadian publicly funded healthcare system.

Brazil: Institutional quality, core healthcare infrastructure assets located in strategic markets including São Paulo, Brasilia and Rio de Janiero delivering stable cash flow with long-term, triple-net, inflation-indexed leases, providing consistent organic growth.

Europe : High quality MOB assets and rehabilitation clinics located in the major markets including Berlin, Hamburg, Frankfurt, Ingolstadt, and Leipzig in Germany and Rotterdam and Brunssum in the Netherlands, and is supported by a fully integrated property management and asset management capabilities allowing for efficient operation and deal sourcing.

Australia/New Zealand: Direct exposure to a portfolio of hospital, medical centers and aged care facilities through Northwest Healthcare Properties Australia REIT ("Australia REIT"), an approximate 25% interest in New Zealand Stock Exchange ("NZX") listed Vital Healthcare Properties Trust ("Vital Trust"), and a 30% interest in a joint venture with an institutional investor. The Australasian portfolio generates stable and growing cash flows underpinned by tenancies of high quality hospital and healthcare operators with long-term, inflation-indexed leases. The ANZ Manager team, which provides services to all platforms, is a fully integrated operation with offices in Melbourne, Australia and Auckland, New Zealand comprised of leading investment, development, asset management and property operations professionals.

The following table summarizes the REIT's assets by region as at September 30, 2018:

SUMMARY OF ASSETS

	Canada	Brazil	Europe	Vital Trust [1]	Australia REIT [2]	Consolidated Total [3]
				(Australasia)	(Australasia)	
Number of Properties	56	8	30	45	14	153
Asset Mix	100% MOB	100% Hospital	93% MOB & 7% Hospitals & Healthcare Facilities	25% MOB/ 75% Hospital & Healthcare Facilities	36% MOB/64% Hospital & Healthcare Facilities	49% MOB/ 51% Hospital & Healthcare Facilities
Gross Leaseable Area ("GLA") (million sf)	3.5	1.7	1.8	2.6	1.2	10.8
Total Assets (Cdn$ millions)[2]	$1,104	$701	$534	$1,561	$667	$4,680
Occupancy	91.7%	100.0%	95.6%	99.4%	98.4%	96.3%
WALE (Years)	5.3	20.6	8.7	18.7	13.2	12.5
Average Building Age (Years)	30	14	24	21	12	23
Weighted Average Implied Cap Rate	6.5%	7.6%	5.9%	5.7%	5.8%	6.2%

Notes

(1) Shown on a 100% basis. The REIT has an approximate 25% interest in Vital Trust and consolidates its investment in Vital Trust.

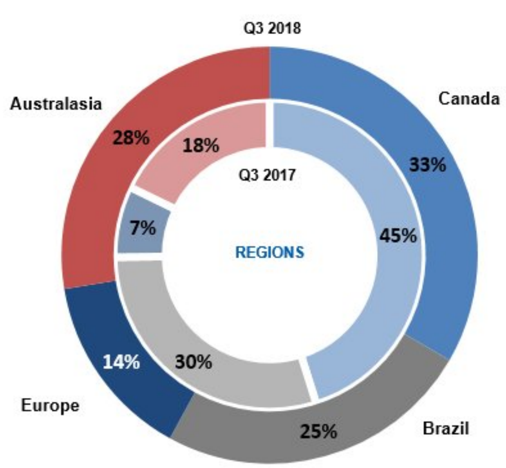
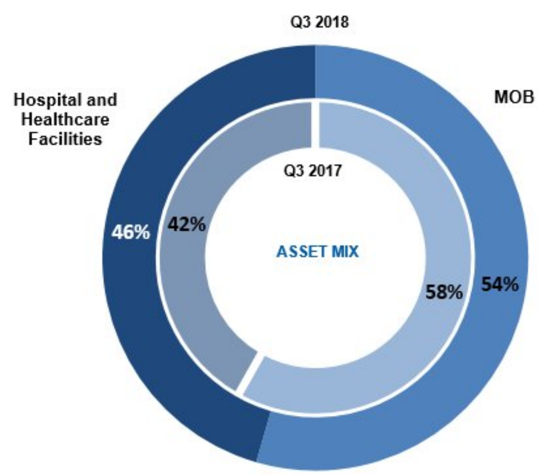
(2) Australia REIT is shown at proportionate ownership for the Seed Portfolio sold to an institutional investor as part of a Joint Venture Agreement ("JV") which closed on September 21, 2018. The REIT owns 30% interest in the JV.

(3) Consolidated Total includes corporate assets.

See **PART XI – PROPERTY TABLE** for additional property portfolio information.

Diversification of Assets

The REIT's assets are diversified geographically and by asset type as follows:

Geographic Profile by NOI (Year-over-Year)	Asset Mix by NOI (Year-over-Year)
	

Notes

(1) Based on Q3 2018 and Q3 2017 annualized NOI.

(2) Vital Trust shown on a 100% basis. The REIT has an approximate 25% ownership interest in Vital Trust and consolidates its investment in Vital Trust.

(3) Australia REIT is shown at proportionate ownership for the Seed Portfolio sold to an institutional investor as part of a Joint Venture Agreement ("JV") which closed on September 21, 2018. The REIT owns 30% interest in the JV.

Medical office buildings ("MOBs") are similar to commercial office buildings, are typically multi-tenant properties and are primarily leased to necessity based healthcare providers.

Hospital and other healthcare facilities are typically leased to a single tenant, hospital operators under long-term, inflation indexed, triple net lease structures in which the REIT does not absorb any material property operating cost risk.

Tenant Mix

The following table summarizes the REIT's 10 largest tenants by percentage of revenue for the three months ended September 30, 2018:

10 LARGEST TENANTS BY PERCENTAGE OF RENT

	Tenant	Country	%	# of locations
1	Rede D'Or	Brazil	12.1%	7
2	Healthe Care	Australia	3.6%	18
3	Epworth Foundation	Australia	1.4%	5
4	Healthscope Limited	Australia	1.0%	3
5	St John of God Healthcare Inc	Australia	0.9%	2
6	Bolton Clarke	Australia	1.2%	4
7	CISSS / CIUSSS	Canada	1.5%	5
8	Hospital Sabara	Brazil	1.1%	1
9	ARCBS	Australia	0.3%	1
10	Winnipeg Regional Health Authority	Canada	0.8%	3
			23.9%	49

Note:
(1) Vital Trust included on a proportionate ownership basis. The REIT has an approximate 25% interest in Vital Trust and consolidates its investment in Vital Trust.
(2) Revenues are included on a proportionate ownership basis for following tenants: Epworth Foundation, Bolton Clarke and ARCBS. The tenants are part of the Seed Portfolio which were sold to an institutional investor as part of a Joint Venture Agreement ("JV") which closed on September 21, 2018. The REIT owns 30% interest in the JV.

Further information on the REIT's three largest tenants is below:

Rede D'Or is the largest private hospital operator in Brazil. The company operates 36 hospitals and 40 specialized oncology outpatient clinics, comprising over 6,000 inpatient beds - an average of 172 beds per hospital. With more than 40 years of experience in the health care business, the company has solid business positions and operational scale in its strategically located key markets: Rio de Janeiro, Sao Paulo, Brasilia and Recife. Since 2005, the company has grown substantially through a series of acquisitions. Since 2015, Rede D'Or has added Carlyle Group and GIC Group as investors and in October, 2017 Fitch increased its credit rating to "AAA" on a national scale.

Healthe Care Australia was founded in 2005 and is now the third largest private hospital operator in Australia and one of the country's largest privately-owned healthcare organizations. Healthe Care Australia operates a network of 36 medical/surgical, rehabilitation and mental health hospitals and day surgeries throughout Queensland, New South Wales, Victoria Tasmania, and Western Australia. These include approximately 2,500 beds and 70 operating theatres. The company also provides a range of outpatient services including workplace rehabilitation and community nursing which offer patients flexibility and continuity of care beyond their hospital stay. Healthe Care is one of the largest private providers of mental health services, with more than 600 beds across Australia. The company is a subsidiary of Luye Medical, a leading healthcare service provider headquartered in Singapore.

Epworth Foundation opened in 1982 to raise funds to ensure patients at Epworth HealthCare receive the best possible care. Epworth HealthCare is Victoria's largest not-for-profit private health care group, with more than 4,500 employees, including nurses, doctors, allied health professionals and support services, at 10 hospitals and specialty centres, with over 1,200 beds, around the Melbourne metropolitan area. Epworth Foundation is investing heavily in the latest technology and innovation. They are also building some of Australia's leading facilities, with the redevelopment of Epworth Richmond and Epworth Camberwell, and the new teaching hospital in Geelong.

INVESTMENT PROPERTIES

The fair value of investment properties as at September 30, 2018 was $4.3 billion (December 31, 2017 - $4.1 billion) representing an implied weighted average capitalization rate of 6.2% (December 31, 2017 - 6.3%).

INVESTMENT PROPERTIES

Expressed in thousands of Canadian dollars	Three months ended September 30, 2018					
	Income Properties					
	Canada	**Brazil**	**Europe**	**Vital Trust[1]**	**Australia REIT**	**Total**
Opening Balance	**$ 1,045,482**	**$ 627,477**	**$ 521,102**	**$ 1,480,629**	**$ 715,495**	**$ 4,390,185**
Acquisitions of investment properties	—	92,329	354	256	—	92,939
Disposition of investment properties	—	—	—	—	(194,287)	(194,287)
Addition to investment properties	5,391	192	1,920	377	297	8,177
Increase in straight-line rents	286	—	—	—	451	737
Transfers from (to) properties under development	—	—	—	26,136	—	26,136
Fair value gain (loss)	30,785	3,562	8,723	3,377	(1,687)	44,760
Foreign currency translation	—	(34,649)	(10,227)	(57,882)	(27,468)	(130,226)
Closing Balance	**$ 1,081,944**	**$ 688,911**	**$ 521,872**	**$ 1,452,893**	**$ 492,801**	**$ 4,238,421**
	Properties Under Development					
	Canada	**Brazil**	**Europe**	**Vital Trust[1]**	**Australia REIT**	**Total**
Opening Balance	**$ 10,603**	**$ —**	**$ —**	**$ 67,179**	**$ 21,814**	**$ 99,596**
Acquisitions of investment properties	—	—	—	12,903	—	12,903
Disposition of investment properties	—	—	—	—	(12,960)	(12,960)
Addition to investment properties	114	—	—	6,645	5,621	12,380
Transfers from (to) income properties	—	—	—	(26,136)	—	(26,136)
Fair value gain (loss)	—	—	—	(453)	(857)	(1,310)
Foreign currency translation	—	—	—	(2,383)	(898)	(3,281)
Closing Balance	**$ 10,717**	**$ —**	**$ —**	**$ 57,755**	**$ 12,720**	**$ 81,192**
	Total					
	Canada	**Brazil**	**Europe**	**Vital Trust[1]**	**Australia REIT**	**Total**
Opening Balance	**$ 1,056,085**	**$ 627,477**	**$ 521,102**	**$ 1,547,808**	**$ 737,309**	**$ 4,489,781**
Acquisitions of investment properties	—	92,329	354	13,159	—	105,842
Disposition of investment properties	—	—	—	—	(207,247)	(207,247)
Addition to investment properties	5,505	192	1,920	7,022	5,918	20,557
Increase in straight-line rents	286	—	—	—	451	737
Fair value gain (loss)	30,785	3,562	8,723	2,924	(2,544)	43,450
Foreign currency translation	—	(34,649)	(10,227)	(60,265)	(28,366)	(133,507)
Closing Balance	**$ 1,092,661**	**$ 688,911**	**$ 521,872**	**$ 1,510,648**	**$ 505,521**	**$ 4,319,613**

[1] During the period, the REIT restated Vital Trust opening balances in accordance with its accounting policy to present strategically held lands as properties under development. The strategically held lands were previously reported as income properties. Total opening balance and closing balances of investment properties have not been impacted as a result of the restatement.

INVESTMENT PROPERTIES

Expressed in thousands of Canadian dollars	Nine months ended September 30, 2018					
	Income Properties					
	Canada	**Brazil**	**Europe**	**Vital Trust[1]**	**Australia REIT**	**Total**
Opening Balance	**$1,037,473**	**$ 676,403**	**$ 267,677**	**$1,443,374**	**$ 650,824**	**$4,075,751**
Acquisitions of investment properties	347	92,329	261,698	270	54,949	409,593
Disposition of investment properties	—	—	—	—	(194,287)	(194,287)
Addition to investment properties	18,661	192	3,701	551	1,051	24,156
Increase in straight-line rents	925	—	—	—	573	1,498
Transfers from (to) properties under development	—	—	—	26,225	—	26,225
Settlement of securitization	—	7,945	—	—	—	7,945
Fair value gain (loss)	24,538	18,984	(4,516)	41,707	12,039	92,752
Foreign currency translation	—	(106,942)	(6,688)	(59,234)	(32,348)	(205,212)
Closing Balance	**$1,081,944**	**$ 688,911**	**$ 521,872**	**$1,452,893**	**$ 492,801**	**$4,238,421**
	Properties Under Development					
	Canada	**Brazil**	**Europe**	**Vital Trust[1]**	**Australia REIT**	**Total**
Opening Balance	**$ 10,489**	**$ —**	**$ —**	**$ 45,860**	**$ 12,689**	**$ 69,038**
Acquisitions of investment properties	—	—	—	19,556	—	19,556
Disposition of investment properties	—	—	—	—	(12,960)	(12,960)
Addition to investment properties	228	—	—	23,132	14,878	38,238
Transfers from (to) income properties	—	—	—	(26,225)	—	(26,225)
Fair value gain (loss)	—	—	—	185	(857)	(672)
Foreign currency translation	—	—	—	(4,753)	(1,030)	(5,783)
Closing Balance	**$ 10,717**	**$ —**	**$ —**	**$ 57,755**	**$ 12,720**	**$ 81,192**
	Total					
	Canada	**Brazil**	**Europe**	**Vital Trust[1]**	**Australia REIT**	**Total**
Opening Balance	**$1,047,962**	**$ 676,403**	**$ 267,677**	**$1,489,234**	**$ 663,513**	**$4,144,789**
Acquisitions of investment properties	347	92,329	261,698	19,826	54,949	429,149
Disposition of investment properties	—	—	—	—	(207,247)	(207,247)
Addition to investment properties	18,889	192	3,701	23,683	15,929	62,394
Increase in straight-line rents	925	—	—	—	573	1,498
Settlement of securitization	—	7,945	—	—	—	7,945
Fair value gain (loss)	24,538	18,984	(4,516)	41,892	11,182	92,080
Foreign currency translation	—	(106,942)	(6,688)	(63,987)	(33,378)	(210,995)
Closing Balance	**$1,092,661**	**$ 688,911**	**$ 521,872**	**$1,510,648**	**$ 505,521**	**$4,319,613**

[1] During the period, the REIT restated Vital Trust opening balances in accordance with its accounting policy to present strategically held lands as properties under development. The strategically held lands were previously reported as income properties. Total opening balance and closing balances of investment properties have not been impacted as a result of the restatement.

See **LEASING COSTS AND CAPITAL EXPENDITURES** for additional information on additions to investment properties.

2018 Acquisitions

During the three and nine months ended September 30, 2018, the following acquisitions were completed by the REIT:

ACQUISITIONS						
	Quarter Acquired	Region	Location	GLA		Acquisition Cost (in millions) (1)
Fritz-Lang-Platz 6	Q1	Europe	Berlin, Germany	59,600	$	22.2
Clinic Bismarkstrasse 68	Q1	Europe	Bad Kissingen, Germany	79,500	$	22.4
Clinic Bremer Strasse 2	Q1	Europe	Wilhemshaven, Germany	151,000	$	35.1
Epworth Freemasons Private Hospital (remaining 50%)	Q1	Australasia	Melbourne, Australia	150,600	$	54.9
Landsberger Allee 44 / Matthiasstr 7	Q2	Europe	Berlin, Germany	66,300	$	39.3
Zuyderland Medical Center	Q2	Europe	Brunssum, the Netherlands	117,200	$	41.7
MediMall Rotterdam	Q2	Europe	Rotterdam, the Netherlands	347,400	$	101.4
Hospital São Luiz Morumbi	Q3	Brazil	São Paulo, Brazil	230,374	$	92.3
Other (2)	Q1/Q3		Various	—	$	19.8
Total				**1,201,974**	**$**	**429.1**

(1) Purchase price includes transaction costs.

(2) Other acquisitions include land and properties acquired for future developments.

2018 Dispositions

During the three and nine months ended September 30, 2018, the following dispositions were completed by the REIT:

DISPOSITIONS						
	Quarter Sold	Region	Location	GLA		Proceeds (in millions)
Dundas Edward Centre (1)	Q1	Canada	Toronto, Ontario	417,000	$	167.0
Epworth Freemasons Private Hospital(2)	Q3	Australia	Melbourne, Victoria	150,588	$	73.9
Epworth Freemasons Private Hospital and Medical Centre(2)	Q3	Australia	Melbourne, Victoria	92,398	$	61.4
Gray Street Centre and Albert Street Car Park(2)	Q3	Australia	Melbourne, Victoria	n/a	$	13.0
Australian Red Cross Blood Service (ARCBS) Facility(2)	Q3	Australia	Brisbane, Queensland	217,960	$	58.9
Total				**877,946**	**$**	**374.2**

(1) Proceeds excludes disposition costs of $1.8M.

(2) The REIT sold 70% interest in the Seed Portfolio properties to an institutional investor as part of a joint venture commitment. The REIT retains the remaining 30% interest.

Valuation of Investment Properties

The fair values of the investment properties at September 30, 2018 were determined based on a combination of internal valuation models incorporating available market evidence. The weighted average capitalization rate of the consolidated portfolio as at September 30, 2018 decreased to 6.2% from 6.3% as at December 31, 2017.

During the three and nine months ended September 30, 2018, the REIT recorded fair value gains on income producing property totaling $43.5 million and $92.1 million, respectively (excluding assets previously held for sale). The fair value gain was the result of modest capitalization rate compression on the Australasian portfolio, accrued rent adjustment for inflation on the Brazilian assets, recognition of the embedded density value at one property located in the Greater Toronto Area, and a recognition of the value of excess land in the European portfolio that was previously carried at cost, all partially offset by the write-off of non-recoverable capital and changes in market leasing assumptions.

During the three and nine months ended September 30, 2018, the REIT's portfolio weighted spot exchange rate decreased by 3.0% and 4.5%, respectively, with all foreign currencies depreciating relative to the Canadian dollar. As a result, for the three and nine months ended September 30, 2018, the REIT recorded a foreign currency translation adjustment on its investment properties of $133.5 million and $211.0 million, respectively.

DEVELOPMENT ACTIVITY

The REIT develops new properties and reinvests capital in its existing properties, through expansions and refurbishments, as a way to create value for our tenants and unitholders. It is expected that development activity will become a more important component of the REIT's growth over time, to help our tenants meet the growing healthcare needs of the populations they serve. Meeting these needs is largely contingent upon completing the development projects in the manner contemplated. The most important factor affecting completion will be the successful execution of construction plans, while meeting the timing and costs goals of each project.

The REIT is undertaking the following active development activities which are at various stages of execution ranging from planning to active development:

MAJOR DEVELOPMENT ACTIVITY BY REGION

Expressed in thousands of Canadian dollars, except percentage amounts

	Number of Projects	Estimated Completion Date	Estimated Project Costs	Estimated Costs to Complete	% Pre-leased	Anticipated Project Yield	Anticipated Stabilized NOI	Potential value accretion
Australiasia[1]	6	Q4 2018 to Q4 2022	201,122	177,473	100%	6.5%	13,061	32,702
Brazil	2	Q4 2019	46,777	46,777	100%	7.5%	3,508	3,341
Canada	1	Q1 2021	18,500	15,000	60%	7.0%	1,295	1,423
	9		$ 266,399	$ 239,250	97%	6.7%	$ 17,864	$ 37,466

[1] The REIT's interest in the Grey Street development in Australasia is limited to 30% of the presented amounts as a result of the development being included in sale of the Seed Portfolio assets.

Anticipated stabilized NOI is Management's estimate of the amount of annual NOI the development activity will generate upon substantial completion and the commencement of rent payments. Estimated total cost includes acquisition cost, estimated total construction and financing costs. The material assumption made in formulating the estimated total cost is that construction and financing costs remain stable for the remainder of the development period in each of the REIT's regions. Estimated project yield on cost is the estimated annual NOI as a percentage of the estimated total cost. Estimated cost to complete is the difference between the estimated total cost and the costs incurred to date. Value creation is based on stabilized value upon completion less project costs.

The reader is cautioned that the above information is forward-looking and actual results may vary materially. See **FORWARD-LOOKING INFORMATION ADVISORY.**

Within Australasia, Vital Trust has 5 expansion projects with completion dates ranging from the fourth quarter of 2018 to the fourth quarter of 2022. The projects include a mix of modernisation and expansion at acute surgical and mental health facilities to meet the growing demand for healthcare services. Expansion projects are primarily with Vital Trust's largest tenant, Healthe Care. The developments are expected to be funded through Vital Trust's existing resources and availability on existing debt facilities.

Expansion projects are fully leased at premium yields and expected to generate significant NAV growth on completion.

In addition to those projects included in the table above, Vital Trust has an active pipeline of potential expansions and developments that are expected to replace development completions over time.

Australasia also includes Australia REIT's 1 active development project, Grey Street Centre, with expected completion in second half of 2019. As part of the JV agreement, 70% of this development project was sold during the quarter as part of the Seed Portfolio. The project will add approximately 68,000 square feet of new specialist sites, multiple specialist consulting tenancies, a GP clinic, 12 hospital beds, 3 operating theatres plus a 330 bay underground parking facility. The project is 100% pre-leased to Epworth Foundation. Remaining development costs will be funded through the JV facility.

The Brazilian development activity relates to expansion planned for the REIT's Hospital e Maternidade Brasil ("**HMB**") and Coração Hospital and is expected to be funded through a combination of existing resources and property financing. The HMB development commitment was executed post quarter-end and the development will be phased with final completion expected in Q4-2019.

The Canadian development relates to an approximately 43,000 square foot MOB currently in pre-leasing. The project is located in St. Albert, Alberta and is well located adjacent to Sturgeon Community Hospital.

LEASING COSTS AND CAPITAL EXPENDITURES

LEASING COSTS AND CAPITAL EXPENDITURES						
Expressed in thousands of Canadian dollars	Three months ended September 30, 2018					
	Canada[4]	Brazil	Europe	Vital Trust	Australia REIT	Total
Additions to investment properties						
Leasing costs [1]	$ 426	$ —	$ —	$ —	$ 6	$ 432
Tenant improvements [2]	2,220	—	84	—	81	2,385
Maintenance capital expenditures	1,283	—	145	445	158	2,031
Other capital expenditures	1,462	192	1,692	(68)	52	3,330
	5,391	192	1,921	377	297	8,178
Internal leasing costs expensed	295	—	172	—	—	467
	5,686	192	2,093	377	297	8,645
Less:						
Recoverable maintenance capital expenditures	(1,283)	—	(145)	—	—	(1,428)
Other value enhancing and non-recurring capital expenditures	(1,384)	(192)	(1,440)	—	—	(3,016)
Leasing costs and non-recoverable maintenance capital expenditures	**$ 3,019**	**$ —**	**$ 508**	**$ 377**	**$ 297**	**$ 4,201**
AFFO adjustment for leasing costs and and non-recoverable maintenance capital expenditures [3]	**$ 1,762**	**$ —**	**$ 631**	**$ 377**	**$ 297**	**$ 3,067**
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	**$ 1,257**	**$ —**	**$ (123)**	**$ —**	**$ —**	**$ 1,134**
	Nine months ended September 30, 2018					
	Canada[4]	Brazil	Europe	Vital Trust	Australia REIT	Total
Additions to investment properties						
Leasing costs [1]	$ 1,688	$ —	$ —	$ —	$ 25	$ 1,713
Tenant improvements [2]	8,459	—	863	—	549	9,871
Maintenance capital expenditures	2,870	—	396	559	416	4,241
Other capital expenditures	5,820	192	2,441	(8)	62	8,507
	18,837	192	3,700	551	1,052	24,332
Internal leasing costs expensed	1,076	—	526	—	—	1,602
	19,913	192	4,226	551	1,052	25,934
Less:						
Recoverable maintenance capital expenditures	(2,870)	—	(396)	—	—	(3,266)
Other value enhancing and non-recurring capital expenditures	(6,411)	(192)	(2,285)	—	—	(8,888)
Leasing costs and non-recoverable maintenance capital expenditures	**$ 10,632**	**$ —**	**$ 1,545**	**$ 551**	**$ 1,052**	**$ 13,780**
AFFO adjustment for leasing costs and and non-recoverable maintenance capital expenditures [3]	**$ 5,521**	**$ —**	**$ 1,417**	**$ 551**	**$ 1,052**	**$ 8,541**
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	**$ 5,111**	**$ —**	**$ 128**	**$ —**	**$ —**	**$ 5,239**

Notes

(1) The leasing costs exclude base salary and benefits of the internal leasing department which have been expensed.

(2) Tenant improvements include tenant allowances and landlord's work.

(3) In Canada and Europe, due to the nature of the portfolios, on a quarterly basis and during portfolio repositioning, leasing costs, tenant improvements and maintenance capital expenditures can fluctuate and as such, should not be regarded as stabilized. As a result the REIT uses a reserve of 6% of revenue from investment properties in Canada and Europe when determining AFFO. In Brazil and Australasia due to the long term, triple net nature of the leases the REIT uses actual leasing costs and non-recoverable maintenance capital expenditures when determining AFFO.

(4) Leasing costs for the three months ended September 30, 2018 include $nil (nine months ended September 30, 2018 - $176) of additions related to assets held for sale.

The REIT's current leasing cost and capital expenditure reserves (the "**LC and CAPEX reserve**") are based on its views of stabilized, constant-occupancy leasing costs and maintenance capital expenditures. These views are underpinned by both the REIT's 10 plus years of experience as an owner and operator of healthcare real estate (including Canadian and Europe medical office buildings) as well as 5-year forecast expenditures, which incorporate a series of asset and space specific assumptions made by management supported by third party appraisers via valuation reports and engineers via building condition reports. The REIT's 6% LC and CAPEX reserves for Canadian and Europe medical office buildings are based on a 5 year forecast of leasing costs based on historic results, known leasing activity at constant occupancy levels and maintenance requirements as well as forecast market trends. Leases relating to the REIT's investments in Brazil and Australasia are typically structured on a long term (20+ year), triple net basis and as such leasing costs and maintenance capital expenditures are reported on an actual basis.

Canada

On a quarterly basis and during asset repositioning, leasing costs, tenant improvements and capital expenditures can fluctuate and as such, should not be regarded as stabilized. Further, in accordance with the REIT's strategy of extending average lease term whenever possible, especially for primary medical tenancies, often non - recurring leasing costs are involved.

During the three months ended September 30, 2018 additions for the Canadian investment properties totaled $5.4 million. During the quarter, leasing costs included costs attributable to nine transactions (including two initiated prior to the quarter), of which six are lease renewals or expansions, with an aggregate WALE of 11.2 years.

Included in other value enhancing and non-recurring capital expenditures for the quarter were primarily costs incurred for conversion of a single-tenant building into a multi-tenant property and non-recurring leasing costs to lease up never-before-occupied space at a recently developed building.

Brazil

All of the REIT's hospitals in Brazil are leased to single tenants, hospital operators under long-term, inflation indexed, triple net lease structures in which the REIT does not absorb any property operating cost risk. As a result the REIT does not incur any leasing or capital expenditures at the REIT's Brazil hospitals and therefore the REIT uses actual expenditures (if ever applicable) in determining AFFO.

Europe

On a quarterly basis leasing costs, tenant improvements and capital expenditures can fluctuate and as such, should not be regarded as stabilized. Additions to the European investment properties for the three months ended September 30, 2018 were $1.9 million. During the quarter, tenant improvements incurred were primarily in connection with leasing within the REIT's Leipzig portfolio with approximately 94% of the cost spent for leasing three previously vacant units. Included in the value enhancing and non-recurring capital expenditures for the quarter were primarily costs incurred in relation to the Berlin and Hamburg portfolios.

Vital Trust and Australia REIT

The majority of Vital Trust and Australia REIT's assets represent hospitals leased to single tenant, hospital operators under long-term, inflation indexed, triple net lease structures. As a result, Vital Trust and Australia REIT do not incur significant leasing or maintenance capital expenditures. For Vital Trust and Australia REIT's MOB portfolio and certain hospital assets, leasing costs, tenant improvements and maintenance capital expenditures can be incurred. The REIT has elected to recognize actual leasing and maintenance capital expenditures incurred by Vital Trust and Australia REIT in determining AFFO due to the significant proportion of Vital Trust's and Australia REIT's portfolio comprised of triple net leased hospitals.

PART III – RESULTS FROM OPERATIONS

NET INCOME

The following is a summary of selected financial information from the condensed consolidated interim statements of income and comprehensive income for the three and nine months ended September 30, 2018 and 2017:

RESULTS FROM OPERATIONS

Expressed in thousands of Canadian dollars	Three months ended September 30,			Nine months ended September 30,		
	2018	**2017**	**Variance**	**2018**	**2017**	**Variance**
Net Operating Income (1)						
Revenue from investment properties	$ 87,044	$ 83,932	$ 3,112	$ 260,449	$ 229,530	$ 30,919
Property operating costs	(21,831)	(22,127)	296	(63,805)	(60,700)	(3,105)
	65,213	**61,805**	**3,408**	**196,644**	**168,830**	**27,814**
Other income						
Share of profit (loss) from associates	—	—	—	—	43,681	(43,681)
Management fees	2,485	124	2,361	3,142	7,608	(4,466)
Interest and other	3,183	1,542	1,641	10,133	2,460	7,673
	5,668	**1,666**	**4,002**	**13,275**	**53,749**	**(40,474)**
	70,881	**63,471**	**7,410**	**209,919**	**222,579**	**(12,660)**
Other expenses						
Mortgage and loan interest expense	(31,435)	(28,422)	(3,013)	(92,127)	(71,043)	(21,084)
General and administrative expenses	(5,137)	(6,049)	912	(19,801)	(18,399)	(1,402)
Transaction costs	(4,140)	(557)	(3,583)	(9,103)	(12,433)	3,330
Other finance costs	(10,096)	(20,363)	10,267	(30,886)	(49,659)	18,773
Foreign exchange gain (loss)	783	3,075	(2,292)	(2,272)	69	(2,341)
Income (Loss) before the under noted items	**20,856**	**11,155**	**9,701**	**55,730**	**71,114**	**(15,384)**
Fair value adjustment of DUP Liability	4	(878)	882	290	(1,696)	1,986
Fair value adjustment of investment properties	43,451	13,744	29,707	89,916	206,460	(116,544)
Net loss on disposal of investment properties	(917)	—	(917)	(2,688)	—	(2,688)
Gain (loss) on business combination	—	(89,578)	89,578	—	(89,578)	89,578
Goodwill impairment loss	(50,096)	—	(50,096)	(50,096)	—	(50,096)
Gain (Loss) on derivative financial instruments	(12,727)	747	(13,474)	(17,339)	4,365	(21,704)
Income (Loss) before taxes	**571**	**(64,810)**	**65,381**	**75,813**	**190,665**	**(114,852)**
Income tax expense	(29,040)	(6,403)	(22,637)	(50,680)	(25,545)	(25,135)
Net income (loss)	**$ (28,469)**	**$ (71,213)**	**$ 42,744**	**$ 25,133**	**$ 165,120**	**$ (139,987)**
Net income (loss) attributable to:						
Unitholders	$ (29,290)	$ (80,713)	$ 51,423	$ (7,029)	$ 33,003	$ (40,032)
Non-controlling interest	821	9,500	(8,679)	32,162	132,117	(99,955)
	$ (28,469)	**$ (71,213)**	**$ 42,744**	**$ 25,133**	**$ 165,120**	**$ (139,987)**

Notes

(1) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income".

See **PART XI – SUPPLEMENTAL DISCLOSURE** for additional information on the components of net income.

Revenue from investment properties

Revenue from investment properties for the three months ended September 30, 2018 was $87.0 million which is $3.1 million higher than the three months ended September 30, 2017. The increase is primarily due European revenue improvements of $5.7 million driven by source currency rent from acquisitions and a strengthening of the Euro relative to the Canadian dollar; and a $3.1 million increase in Australasian revenues primarily as a result of acquisition and development activity. These improvements were partially offset by a decrease in revenue in the Canadian region of $4.5 million driven by disposition of the Dundas Edward Centre in the first quarter of 2018; and a Brazilian revenue decrease of $1.2 million driven by a weakening of the Brazilian Real against the Canadian dollar.

Revenue from investment properties for the nine months ended September 30, 2018 was $260.4 million as compared to $229.5 million for the nine months ended September 30, 2017. The increase of $30.9 million is primarily due to the consolidation of the Australia REIT starting in the third quarter of 2017 which increased revenue by $24.0 million; European revenue improvements of $10.0 million driven by source currency rent from acquisition activity and further compounded by a strengthening of the Euro; and Vital Trust revenue improvements of $9.5 million primarily a result of acquisition and development activity. These improvements were partially offset by a decrease in revenue in the Canadian region of $10.8 million, driven by the disposition of the Dundas Edward Centre in the first quarter of 2018; and a decrease in Brazil revenue of $1.8 million driven by a weakening of the Brazilian Real against the Canadian dollar.

See also **NET OPERATING INCOME**.

Property operating costs

In Canada, Europe and Australasia, property operating costs are comprised of amounts recoverable from tenants (including property taxes, maintenance, utilities and insurance) and non-recoverable expenses including certain property management costs. The nature of the leases in Brazil is such that the tenant is responsible for all operating costs of the property.

Property operating costs for the three months ended September 30, 2018 were $21.8 million as compared to $22.1 million for the three months ended September 30, 2017. Of the $0.3 million decrease, $1.9 million is driven by dispositions in Canada; $0.2 million is related to Australasia due to weakening of the New Zealand and Australian dollars against the Canadian dollar. These increases are partially offset by an increase in German operation costs by $1.8 million driven by acquisitions and a strengthening of the Euro.

Property operating costs for the nine months ended September 30, 2018 were $63.8 million as compared to $60.7 million for the nine months ended September 30, 2017. Of the increase of $3.1 million, $3.5 million is related to the consolidation of the Australia REIT starting in the third quarter of 2017, and operating cost increases at Vital Trust and Europe of $0.4 million and $2.7 million respectively, driven by acquisitions. These increases were partially offset by a decrease in Canadian operation costs by $3.5 million driven by dispositions.

See also **NET OPERATING INCOME**.

Share of profit (loss) of associate

The REIT's share of profit (loss) of associate represents the REIT's share of profit (loss) of the Australia REIT up until 100% acquisition. In July 2017, the REIT completed the compulsory acquisition of all outstanding units of the Australia REIT and as a result accounts for the Australia REIT as a subsidiary.

Management Fees

In exchange for its services, the ANZ Manager earns management fees, activity-based fees for acquisitions and development activity, as well as an incentive fee from both Vital Trust and the JV.

Management fees are calculated at 0.75% of the monthly average of the gross value of the assets of Vital Trust for the quarter ended on the last day of the month. Incentive fees are earned when there is an average annual increase in the gross value of the assets of Vital Trust over the relevant financial year and the two preceding years. The incentive fee is 10% of the amount of the increase with payment being received by way of subscribing for new units of Vital Trust. The management and incentive fees shall not exceed an amount equal to 1.75% per annum of the gross value of the trust. In addition, the ANZ Manager earns management fees in its capacity as manager, with an Australian Financial Services License, of both of Vital Trust's Australian subsidiary trusts.

With respect to investment and property management services rendered to the JV, the REIT is entitled to various market-based fees.

The following table summarizes the management fees earned by ANZ Manager for the three and nine months ended September 30, 2018 and 2017:

ANZ MANAGER MANAGEMENT FEES

Expressed in thousands of Canadian dollars	Three months ended September 30,			Nine months ended September 30,		
	2018	**2017**	**Variance**	**2018**	**2017**	**Variance**
Base fee	$ 3,098	$ 2,502	$ 596	$ 8,915	$ 8,360	$ 555
Incentive and performance fee	3,043	3,118	(75)	8,793	21,313	(12,520)
Trustee fees	185	170	15	553	387	166
Project and Acquisition fees	1,416	93	1,323	8,449	3,633	4,816
Other fees	106	124	(18)	287	843	(556)
Total Management Fees	**$ 7,848**	**$ 6,007**	**$ 1,841**	**$ 26,997**	**$ 34,536**	**$ (7,539)**
less: inter-company elimination (1)	(5,363)	(5,883)	520	(23,855)	(26,928)	3,073
Consolidated Management Fees (2)	**$ 2,485**	**$ 124**	**$ 2,361**	**$ 3,142**	**$ 7,608**	**$ (4,466)**
add: fees charged to non-controlling interest	3,668	4,423	(755)	17,536	20,207	(2,671)
Proportionate Management Fees (3)	**$ 6,153**	**$ 4,547**	**$ 1,606**	**$ 20,678**	**$ 27,815**	**$ (7,137)**

Notes

(1) The ANZ Manager fees charged to Vital Trust and the Australian REIT are eliminated on consolidation as an inter-company transaction.

(2) Represents the reported consolidated management fees, which are primarily property management fees earned from third parties and management fees charged to the JV.

(3) Represents the REIT's total exposure to management fees.

The ANZ Manager fees charged to Vital Trust are eliminated on consolidation as inter-company transactions but the REIT receives the benefit of approximately 75% of the fees; representing the non-controlling interest ownership in Vital Trust. The ANZ Manager fees charged to the JV are eliminated to the extent of the REIT's 30% interest in the JV.

Interest and other

For the three months ended September 30, 2018 and 2017, the REIT recorded interest and other income of $3.2 million and $1.5 million, respectively. The increase from the comparable prior year quarter is primarily related to a commitment fee of $1.3 million earned in Brazil related to acquisition of Hospital Morumbi, which closed in the third quarter of 2018. The remaining increase of $0.2 is attributable to loans receivable at Australia REIT.

For the nine months ended September 30, 2018 and 2017, the REIT recorded interest income of $10.1 million and $2.5 million, respectively. The increase from the comparable prior year period is attributable to a commitment fee of $4.9 million earned in Brazil related to acquisition of Hospital Morumbi, which closed in the third quarter of 2018. The remaining increase is primarily related to the consolidation of the Australia REIT for the complete nine month period ending September 30 ,2018, compared to consolidation beginning in July 2017 in prior period, which accounts for $2.7 million of the increase in interest income for the period.

Mortgage and loan interest expense

The mortgage and loan interest expense for the three months ended September 30, 2018 was $31.4 million, an increase of $3.0 million over the prior year period. The mortgage and loan interest expense for the nine months ended September 30, 2018 was $92.1 million, an increase of $21.1 million over the prior year period.

The composition of mortgage and loan interest expense for the three and nine months ended September 30, 2018 and 2017 is as follows:

MORTGAGE AND LOAN INTEREST EXPENSE

Expressed in thousands of Canadian dollars	Three months ended September 30,			Nine months ended September 30,		
	2018	**2017**	**Variance**	**2018**	**2017**	**Variance**
Canada						
Mortgages[1]	$ 5,092	$ 6,143	$ 1,051	$ 15,791	$ 18,837	$ 3,046
Brazil						
Brazil debt	3,210	2,689	(521)	10,689	8,551	(2,138)
Europe						
Mortgages	1,574	592	(982)	3,566	1,645	(1,921)
Australasia						
Term loans	12,644	7,133	(5,511)	36,228	14,639	(21,589)
Corporate						
Australasian Secured Financing	1,652	4,353	2,701	4,966	8,465	3,499
Acquisition Facility	662	662	—	1,070	1,345	275
Revolving Credit Facility	3,339	2,667	(672)	7,453	4,174	(3,279)
Other	2	(1)	(3)	2	5	3
Convertible Debentures	4,027	4,731	704	11,953	14,039	2,086
	9,682	12,412	2,730	25,444	28,028	2,584
less: capitalized interest	(767)	(547)	220	(2,097)	(832)	1,265
add: prepayment penalties	—	—	—	2,506	175	(2,331)
Total mortgage and loan interest expense	**$ 31,435**	**$ 28,422**	**$ (3,013)**	**$ 92,127**	**$ 71,043**	**$ (21,084)**

Notes

(1) Includes interest from the non-revolving secured credit facility.

For additional information on the REIT's debt see **CAPITAL STRUCTURE – Debt**.

Canada

Mortgage interest expense for the three months ended September 30, 2018 has decreased $1.1 million over the three months ended September 30, 2017 (nine months ended September 30, 2018 - $3.0 million). The decrease in mortgage interest expense over the comparable prior year quarter primarily reflects a lower average mortgage balance due to the sale of the Dundas Edward Centre. The weighted average interest rate of the Canadian mortgage portfolio as at September 30, 2018 was stable at 3.75% compared to September 30, 2017.

Brazil

The increase in interest expense for the three and nine months ended September 30, 2018 over the comparable prior year periods, primarily reflects the higher level of debt in Brazil in 2018 as a result of the long term financing of Hospital Santa Helena in October 2017 which resulted in gross proceeds of approximately $83.5 million. The increase was partially offset by the decrease in the weighted average interest rate of the Brazilian debt from September 30, 2017 (7.84%) to September 30, 2018 (7.28%) and the weakening of the Brazilian Real against the Canadian dollar by approximately 16.4% as compared to the prior period.

Europe

Mortgage interest expense increased for the three and nine months ended September 30, 2018 over the comparable prior year due to interest on the mortgage associated with property acquisitions that occurred throughout 2017 and 2018, further compounded by a strengthening of the Euro by approximately 3.2% against the Canadian dollar over the prior period.

The weighted average interest rate of the German mortgages was 2.23% as at September 30, 2018, which is an increase from 1.89% as at September 30, 2017.

Australasia

The interest expense over the comparable prior quarter by $5.4 million for the three months ended September 30, 2018 (nine months ended September 30, 2018 - $21.6 million). The increase is attributable to the incremental debt related to the REIT's investment in the Australia REIT, which was refinanced as part of the Australia REIT's syndicated term loan facility in December of 2017. The remaining increase for the quarter to date period reflects increased borrowings related to development and acquisition activity, further increased by slightly higher interest rates. The weighted average interest rate of the Vital Trust term loans was 4.55% as at September 30, 2018, an increase from 4.22% as at September 30, 2017.

Corporate

The decrease in the interest expense for the three and nine months ended September 30, 2018 over the comparable prior year period is primarily due to the repayment of two series of Convertible Debenture in the fourth quarter of 2017 and refinancing of the Australasian secured financing, slightly offset by an increase in corporate borrowings on the REIT's credit facilities.

For additional information on the REIT's Convertible Debentures and associated interest rates see **CAPITAL STRUCTURE - Debt.**

General and administrative expenses ("G&A")

G&A expenses for the three months ended September 30, 2018 were $5.1 million as compared to $6.0 million in the prior year quarter. G&A for the three months ended September 30, 2018 includes DUP Compensation Expense (as defined under ADJUSTED FUNDS FROM OPERATIONS ("AFFO") - DUP Compensation Expense) of $0.6 million (three months ended September 30, 2017 - $0.7 million). G&A, excluding amounts associated with DUP Compensation Expenses, decreased $0.8 million over the prior year quarter primarily as a result of the recovery of costs incurred by the REIT with respect to Vital Trust transactions.

G&A expenses for the nine months ended September 30, 2018 were $19.8 million as compared to $18.4 million for the nine months ended September 30, 2017. G&A for the nine months ended September 30, 2018 includes DUP Compensation Expense (as defined under **ADJUSTED FUNDS FROM OPERATIONS ("AFFO") - DUP Compensation Expense**) of $3.6 million (nine months ended September 30, 2017 - $3.7 million). G&A, excluding amounts associated with DUP Compensation Expenses, increased $1.5 million over the prior year period primarily as a result of G&A associated with the 100% acquisition of Australia REIT in July 2017 and the growth of the portfolio and related platform costs.

DUP expense for the three and nine months ended September 30, 2018 has decreased over the prior year period; which is primarily a result of adjustments made to the Vital Trust DUP plan resulting in lower amortization expense during the three and nine months ended September 30, 2018.

Transaction costs

For the three and nine months ended September 30, 2018 the REIT incurred transaction costs of $4.1 million and $9.1 million, respectively (three and nine months ended September 30, 2017 - $0.6 million and $12.4 million, respectively). Transaction costs during the three months ended September 30, 2018 primarily consisted of costs related to acquisition opportunities being explored by the REIT and Vital Trust. Included in the year to date period are transaction costs of $3.4 million related to the HSO derivative contracts. In accordance with Vital Trust's conflict policy, Vital Trust has agreed to jointly pay the transaction costs related to the HSO derivative contracts. The comparable period costs in 2017 are primarily related to the Australia REIT acquisition and related integration.

Other Finance costs

Other finance costs for the three and nine months ended September 30, 2018 and 2017 consisted of the following:

OTHER FINANCE COSTS

	Three months ended September 30,			Nine months ended September 30,		
	2018	**2017**	**Variance**	**2018**	**2017**	**Variance**
Distributions on Exchangeable Units	$ 3,541	$ 3,799	$ 258	$ 10,625	$ 11,399	$ 774
Loss on revaluation of financial liabilities	2,740	1,134	(1,606)	17,504	3,109	(14,395)
Amortization of deferred financing costs	3,800	2,470	(1,330)	8,454	5,554	(2,900)
Amortization of marked to market adjustment	(500)	(731)	(231)	(1,590)	(2,276)	(686)
Fair value adjustment of Convertible Debentures	1,932	1,342	(590)	(1,480)	10,405	11,885
Fair value adjustment of Exchangeable Units	(1,417)	12,349	13,766	(2,627)	21,468	24,095
Total Finance Costs	**$ 10,096**	**$ 20,363**	**$ 10,267**	**$ 30,886**	**$ 49,659**	**$ 18,773**

Loss on revaluation of financial liabilities

The outstanding balances of the Brazil Securitization Financings are adjusted by the inflation rate (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy ("**IPCA**").

For the three and nine months ended September 30, 2018, accretion expense of $2.7 million and $17.5 million (for the three and nine months ended September 30, 2017 - $1.1 million and $3.1 million, respectively) was recorded to account for the related IPCA adjustments on the Brazil debt and deferred consideration. The annual inflation rate for September 30, 2018 was 4.53% as compared to 2.54% for September 30, 2017.

During the nine months ended September 30, 2018, the REIT repurchased the rental stream from its Hospital Sabara property that was securitized (the "Sabara Securitization Facility") which had a fair value at the time of payment of $19.7 million (R$50.4 million). The unamortized accounting balance of the securitized rental stream recorded at the time of repayment was $8.3 million (R$21.1 million), which resulted in a revaluation adjustment of $11.4 million (R$29.2 million) being recorded upon repayment.

Amortization of deferred financing costs

For the three and nine months ended September 30, 2018, the REIT recorded amortization of deferred financing fees of $3.8 million and $8.5 million respectively (for the three and nine months ended September 30, 2017 - $2.5 million and $5.6 million). The increase in amortization during both the three and nine months ended September 30, 2018 was primarily attributable to accelerated amortization of deferred financing fees related to the permanent repayment of the Australia REIT syndicated term loan facility using net proceeds from the Seed Portfolio sale.

Fair value adjustment of Convertible Debentures

Under IFRS, the REIT has elected to measure Convertible Debentures at fair value. The fair value of the Convertible Debentures is based on the closing trading price of the REIT's Convertible Debentures as at the reporting date. The following table summarizes the closing prices of the REIT's Convertible Debentures at each quarter end for the last six quarters:

CLOSING PRICE OF CONVERTIBLE DEBENTURES

	Sep-18	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17
Month-end closing price (Canadian $)						
NWH.DB	1,015.80	1,000.50	1,020.00	1,030.00	1,040.00	1,025.00
NWH.DB.A (redeemed December 11, 2017)	N/A	N/A	N/A	N/A	1,010.00	1,003.00
NWH.DB.B (redeemed December 11, 2017)	N/A	N/A	N/A	N/A	1,030.00	1,022.50
NWH.DB.C	1,011.00	1,020.00	1,017.50	1,037.50	1,050.00	1,050.60
NWH.DB.D	1,040.00	1,054.80	1,043.50	1,050.00	1,064.60	1,042.50
NWH.DB.E	1,030.80	1,015.30	1,020.00	1,027.00	1,050.00	1,060.00
NWH.DB.F	1,035.00	1,019.00	1,020.00	1,030.50	1,042.60	1,042.00

An increase in the price of a convertible debenture results in a fair value loss to the REIT and a decrease in the price of a convertible debenture results in a fair value gain to the REIT.

Foreign exchange gain (loss)

The REIT's financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. For the three months ended September 30, 2018, the REIT recorded a foreign exchange gain of $0.8 million, which includes unrealized exchange gain of $0.9 million. The REIT's unrealized foreign exchange gain (loss) for the period relates primarily to the revaluation of intercompany loans between subsidiaries of the REIT that are denominated in foreign currencies. For the three months ended September 30, 2018, the REIT recorded a realized foreign exchange loss of $0.1 million related to settlement of intercompany loans and accrued interest between New Zealand and Canadian subsidiaries.

For the nine months ended September 30, 2018, the REIT recorded a foreign exchange loss of $2.3 million, including unrealized exchange loss of $2.2 million. The unrealized foreign exchange loss relates primarily to the $2.2 million loss in Brazil incurred on translation of intercompany loans with a Canadian subsidiary which are denominated in Canadian dollars.

See also **FOREIGN EXCHANGE AND CURRENCY MANAGEMENT.**

Fair value adjustment of DUP Liability

Under IFRS, the REIT's unit-based deferred unit compensation liability ("**DUP Liability**") is measured at fair value each reporting period. The fair value of the DUP Liability mirrors the trading price of the REIT Trust Units for deferred units exchangeable into REIT Trust Units, and the trading price of Vital Trust units for deferred units exchangeable into Vital Trust units.

The fair value adjustment on revaluation of the DUP Liability for the three and nine months ended September 30, 2018 was a gain of $nil and $0.3 million, respectively, as compared to a loss of $0.9 million and loss of $1.7 million for the three and nine months ended September 30, 2017, respectively. The increase in the fair value adjustment related to the DUP liability over the comparable prior year period reflects changes in the trading price of the REIT's Trust Units and Vital Trust's units during the period.

Fair value adjustment of investment properties

For the three months ended September 30, 2018, the REIT recorded a fair value gain on investment properties of $43.5 million consisting of a $30.8 million revaluation gain related to the Canadian portfolio, a $3.6 million revaluation increase of the Brazil portfolio, a $2.9 million increase in the Vital Trust investment properties, a $2.5 million revaluation loss in the Australia REIT portfolio and a $8.7 million revaluation gain of the European portfolio. The revaluation of the Canadian portfolio is primarily related to recognition of embedded density value at one property in the REIT's Toronto, Canada portfolio, partially offset by the write-off of non-recoverable capital and changes in market leasing assumptions. The revaluation of the Brazil portfolio during the three months ended September 30, 2018 relates to the actual and estimated increases in rents for inflation, increasing the portfolio's net operating income, partially offset by write off of transaction costs associated with acquisition of Hospital Morumbi. The increase in the Vital Trust assets reflects capitalization rate compression in both the New Zealand and Australian markets during the quarter. The revaluation loss in the Australia REIT is primarily related to fair value adjustments on the sale of the Seed Portfolio assets in current period related to purchase price adjustments. The revaluation gain on the European portfolio during the three months ended September 30, 2018 primarily reflects a fair value gain on excess land previously carried at cost partially offset by a write off of non-recoverable capital.

For the nine months ended September 30, 2018, the REIT recorded a fair value gain on investment properties of $89.9 million consisting of a $22.4 million revaluation gain related to the Canadian properties, a $19.0 million revaluation increase of the Brazil portfolio, a $4.5 million revaluation loss of the European portfolio, a $41.7 million increase in the Vital Trust investment properties and a $11.2 million revaluation increase in the Australia REIT portfolio. The revaluation of the Canadian portfolio during the nine months ended September 30, 2018 is primarily driven by recognition of embedded density value at one property in the REIT's Toronto, Canada portfolio, partially offset by the revaluation of assets held for sale to adjust for purchase price adjustments and the write-off of non-recoverable capital and changes in market leasing assumptions. The revaluation of the Brazil portfolio during the nine months ended September 30, 2018 is driven exclusively by rent growth resulting from the change in the IPCA index across all assets, offset partially by write off of transaction costs associated with acquisition of Hospital Morumbi. The revaluation loss on the European portfolio during the nine months ended September 30, 2018 resulted from the write off of transaction costs related to acquisition activity in the first and second quarters, partially offset by fair value gain on excess land previously carried at cost. The increase in the Vital Trust assets reflects capitalization rate compression in both the New Zealand and Australian markets during the year to date period. The revaluation increase in the Australia REIT is primarily related to fair value gains on the Seed Portfolio assets that were sold in the third quarter, partially offset by a fair value loss related to the write off of transaction costs from the acquisition of Epworth Freemasons Private Hospital (remaining 50%).

See also **INVESTMENT PROPERTIES**.

Net loss on disposal of investment properties

During the three months ended September 30, 2018, the REIT recognized a loss on a sale of $0.9 million related to the sale of 70% interest in the Seed Portfolio assets in Australia REIT. During the nine months ended September 30, 2018, the REIT recognized a loss on sale of $2.7 million (three and nine months ended September 30, 2017 - $nil) related to the sale of the Dundas Edward Centre in Canada and the sale of 70% interest in the Seed Portfolio assets in Australia REIT.

Goodwill impairment loss

In accordance with the REIT's accounting policies, goodwill is tested for impairment annually and whenever there is an indication of impairment. For the three and nine months ended September 30, 2018, the REIT recognised a goodwill impairment loss of $50.1 million related to Australia REIT (formerly Generation Helthcare Properties) (three and nine months ended September 30, 2017 - $nil).

The goodwill impairment loss principally results from sale of 70% interest in the Seed Portfolio assets. Management further believes that the goodwill impairment write down has been offset by fair value gains in the Australia REIT portfolio since acquisition.

For the purpose of this impairment test, management used projected financial forecasts and key assumptions included growth rate, discount rate and terminal rate.

Gain/Loss on derivative financial instruments

Gain/loss on derivative financial instruments for the three and nine months ended September 30, 2018 and 2017 consisted of the following:

GAIN (LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS

Expressed in thousands of Canadian dollars	Three months ended September 30,			Nine months ended September 30,		
	2018	**2017**	**Variance**	**2018**	**2017**	**Variance**
Canada						
Interest rate swaps	$ 495	$ 410	$ 85	$ 2,561	$ 789	$ 1,772
Europe						
Interest rate swaps	645	(45)	690	(21)	336	(357)
Australasia						
Interest rate swaps	324	1,924	(1,600)	(2,325)	2,828	(5,153)
Foreign exchange contracts	76	(1,542)	1,618	303	(1,179)	1,482
Performance fee receivable	—	—	—	—	1,473	(1,473)
Gain (loss) on HSO derivative	(14,267)	—	(14,267)	(17,842)	—	(17,842)
Corporate						
Australia REIT put/call option and units	—	—	—	—	(548)	548
Australia REIT future contract	—	—	—	—	666	(666)
Total gain (loss) on derivative financial instruments	**$ (12,727)**	**$ 747**	**$ (13,474)**	**$ (17,339)**	**$ 4,365**	**$ (21,704)**

Income tax expense

The combined current tax and deferred tax expense of the REIT for the three months ended September 30, 2018 was $29.0 million.

For the three months ended September 30, 2018, the REIT recognized current income tax expense of $2.3 million (For the three months ended September 30, 2017 - $(1.3) million current income tax gain). The current taxes relate primarily to the income taxes payable by the ANZ Manager of $0.8 million and $1.4 million by Vital Trust. The income tax expense generated for the ANZ Manager is largely driven by the level of management fees earned. Current tax for Vital Trust can fluctuate period over period depending on the settlement of foreign currency derivatives utilized in Vital Trust's hedging program.

The REIT records deferred tax liabilities in Europe, Brazil, Vital Trust and the Australia REIT arising primarily due to the difference between the carrying value and tax cost of its investment properties. The deferred tax expense of the REIT for the three months ended September 30, 2018 of $26.7 million (For the three months ended

September 30, 2017 - $7.7 million) was primarily comprised of the deferred tax expense of Australia REIT of $19.7 million, deferred tax expense of Brazil of $5.2 million and deferred tax expense for Europe of $1.8 million. The Australian REIT deferred tax expense primarily relates to higher expected effective tax rates applicable to certain Australian investments of the REIT. Brazil's deferred tax expense includes the expected withholding tax on certain dividend distribution.

For the nine months ended September 30, 2018, the REIT recognized current income tax expense of $6.0 million (nine months ended September 30, 2017 - $3.8 million). The current taxes relate primarily to the income taxes payable by the ANZ Manager on management fees earned and taxes payable by Vital Trust on foreign currency derivatives utilized in Vital Trust's hedging program. The deferred tax expense of the REIT for the nine months ended September 30, 2018 of $44.7 million (nine months ended September 30, 2017 - $21.8 million) was comprised of deferred tax liabilities in Europe, Brazil, Vital Trust and the Australia REIT arising due to the difference between the carrying value and tax cost of its investment properties. The Australian REIT deferred tax expense of $23.6 million also includes adjustments for higher expected effective tax rates applicable to certain Australian investments of the REIT. Brazil's deferred tax expense of $12.8 million includes the expected withholding tax on certain dividend distribution. Europe and Vital Trust accounted for $0.3 million and $7.9 million of the deferred tax expense for the nine months ended September 30, 2018.

NET OPERATING INCOME

NOI is an additional IFRS measure of the REIT's operating performance. NOI is defined as income from properties after operating expenses have been deducted, computed in accordance with IFRS, but before deducting interest expense, finance costs, depreciation and amortization expense, general and administrative expenses, income taxes, leasehold improvement and leasing costs, and unrecoverable capital costs. The REIT uses NOI to assess its property operating performance on an unleveraged basis. Same property NOI for the three and nine months ended September 30, 2018 represents income from currently owned investment properties, excluding properties held for redevelopment, acquired prior to July 1, 2017 and January 1, 2017, respectively. The same property NOI analysis below has included the Australia REIT in acquisitions as the portfolio was only consolidated from July 2017.

The REIT's same property NOI for the three and nine months ended September 30, 2018 and 2017 is summarized in the tables below in Canadian dollars and in source currency:

SAME PROPERTY NOI

In thousands of CAD	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Var %	2018	2017	Var %
Same property NOI [1]						
Canada	$ 15,625	$ 16,216	(3.6)%	$ 47,606	$ 49,521	(3.9)%
Brazil	11,455	12,731	(10.0)%	37,885	39,699	(4.6)%
Europe	3,386	3,330	1.7 %	9,425	8,522	10.6 %
Vital Trust	19,145	18,826	1.7 %	53,098	52,173	1.8 %
Australia REIT	n/a	n/a	— %	n/a	n/a	— %
Same property NOI [1]	**$ 49,611**	**$ 51,103**	**(2.9)%**	**$ 148,014**	**$ 149,915**	**(1.3)%**
Developments	(2)	(3)		(6)	(8)	
Acquisitions [2]	16,003	9,152		48,640	13,615	
Dispositions	19	1,995		1,281	6,657	
Intercompany/Elimination	(418)	(442)		(1,285)	(1,349)	
NOI [1]	**$ 65,213**	**$ 61,805**	**5.5 %**	**$ 196,644**	**$ 168,830**	**16.5 %**

Notes:
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.
(2) Includes $9.9 million ($29.4 million YTD) of NOI related to Australia REIT acquisition effective July 1, 2017.

ADJUSTED SAME PROPERTY NOI

In thousands of CAD	Three months ended September 30,				Nine months ended September 30,			
	2018	2017	Var $	Var %	2018	2017	Var $	Var %
Same property NOI [1]	$49,611	$51,103	$(1,492)	(2.9)%	$148,014	$149,915	$(1,901)	(1.3)%
Adjustments								
Straight-line rental revenue recognition	(69)	146	(215)		(262)	(220)	(42)	
Amortization of operating leases	266	245	21		490	713	(223)	
Lease termination fees	(2)	(32)	30		(45)	(63)	18	
Other one-time transactions	483	(228)	711		(127)	(2,671)	2,544	
Adjusted same property NOI [2]	**$50,289**	**$51,234**	**$ (945)**	(1.8)%	**$148,070**	**$147,674**	**$ 396**	**0.3 %**

Notes:
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.

(2) Adjusted same property NOI is a non-IFRS measure defined in this MD&A.

CONSTANT CURRENCY ADJUSTED SAME PROPERTY NOI

In constant currency (000s)	Three months ended September 30,			Nine months ended September 30,		
	2018	**2017**	**Var %**	**2018**	**2017**	**Var %**
Adjusted same property NOI (1)						
Canada	$ 16,073	$ 15,957	0.7%	$ 47,954	$ 46,764	2.5%
Brazil	11,455	10,639	7.7%	37,322	34,681	7.6%
Europe	3,579	3,434	4.2%	9,537	9,042	5.5%
Vital Trust	19,182	18,336	4.6%	53,256	50,720	5.0%
Australia REIT	n/a	n/a	—%	n/a	n/a	—%
Constant currency Adjusted SPNOI (2)	**$ 50,289**	**$ 48,366**	4.0%	**$ 148,069**	**$ 141,207**	**4.9%**

Notes:
(1) These include straight-line rental revenue recognition, amortization of operating leases, lease termination fees and other one time transactions that are not expected to recur.
(2) The constant currency adjusted same property NOI change is calculated by converting the comparative same property NOI at current FX rates.

Canada

Same property NOI for the three months ended September 30, 2018 decreased by 3.6% over the comparable prior year period, mainly due to a non-medical tenant contraction of 65,000 square feet upon renewal in Western Canada in the third quarter of 2017.

Adjusted same property NOI for the three months ended September 30, 2018, increased by 0.7% over the comparable prior year period, mainly due to an improvement in occupancy.

Same property NOI for the nine months ended September 30, 2018 decreased by 3.9% over the comparable prior year period, mainly due to the non-medical tenant contraction of 65,000 square feet upon renewal in Western Canada mentioned above.

Adjusted same property NOI for the nine months ended September 30, 2018 increased by 2.5% over the comparable prior year period, mainly due to an improvement in occupancy.

Brazil

Same property NOI and Adjusted same property NOI for the three months ended September 30, 2018 in BRL, increased by 7.7% (decreased by 10.0% in C$) over the comparable prior year period, mainly driven by Sabara higher rent as a result of the CRI repayment in March 2018 and inflationary adjustment on rents approximately 3.1%.

Same property NOI for the nine months ended September 30, 2018 in BRL, increased by 9.2% (decreased by 4.6% in C$) over the comparable prior year period. The increase is mainly driven by Sabara rental revenue catch up adjustment in March 2018 and higher rent as a result of the CRI repayment in March 2018 and inflationary adjustment on rents by approximately 2.9%. Adjusted same property NOI in BRL for the nine months ended September 30, 2018, increased by 7.6% (decreased by 6.0% in C$), over the comparable prior year period, mainly driven by Sabara higher rent as a result of the CRI repayment in March 2018 and inflationary adjustment on rents approximately 2.9%.

Europe

Same property NOI for the three months ended September 30, 2018, in Euros, increased by 1.5% (1.7% in C$) over the comparable prior year period, mainly driven by net adjustments to prior year tenant recoveries offset by new leasing and higher renewals in Leipzig and Brandenburg regions as well as inflationary rental increases. Adjusted same property NOI, in Euros, for the three months ended September 30, 2018 increased by 4.2% (7.5% in C$) over the comparable prior year period, mainly driven by new leasing and higher renewals in Leipzig and Brandenburg regions as well as inflationary rental increases.

Same property NOI for the nine months ended September 30, 2018 in Euros increased by 4.8% (10.6% in C$) over the comparable prior year period, mainly driven by new leasing and higher renewals in Leipzig and Brandenburg regions as well as inflationary rental increases, partially offset by net adjustments to prior year tenant recoveries. Adjusted Same property NOI for the nine months ended September 30, 2018, in Euros, increased by 5.5% (11.3% in C$) over the comparable prior year period, mainly driven by new leasing and higher renewals in Leipzig and Brandenburg regions as well as inflationary rental increases.

Vital Trust

Same property NOI for the three months ended September 30, 2018 in NZ$ increased by 6.6% (1.7% in C$) over the comparable prior year period, mainly driven by development led rent increases, higher rent review increases, and positive FX movement due to the weakening of the Australian dollar relative to the New Zealand dollar.

Adjusted same property NOI, in New Zealand dollars, for the three months ended September 30, 2018 increased by 4.6% (decreased by 0.2% in C$) over the comparable prior year period.

Same property NOI for the nine months ended September 30, 2018 in NZ$ increased by 5.6% (1.8% in C$) over the comparable prior year period, mainly driven by development led rent increases, higher rent review increases and positive FX increase due to the weakening of the Australian dollar relative to the New Zealand dollar.

Adjusted same property NOI for the nine months ended September 30, 2018 in NZ$ over the comparable prior year period increased by 5.0% (increased by 1.2% in C$).

LEASING

Lease Maturities

The REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 12.5 years as at September 30, 2018. Below is a table of the percentage of leases of expiring by year by region.

	2018	2019	2020	2021	2022	2023	2024	2025	Thereafter	**Total**
Canada	1.9%	10.3%	10.9%	9.5%	13.3%	14.1%	7.6%	6.7%	25.7%	**100.0%**
Brazil	—%	—%	—%	—%	—%	6.1%	—%	—%	93.9%	**100.0%**
Europe	8.3%	9.8%	11.4%	6.1%	5.6%	4.5%	1.8%	1.5%	51.0%	**100.0%**
Australasia	1.9%	3.4%	2.1%	2.7%	7.4%	2.7%	0.9%	8.2%	70.7%	**100.0%**
Total Portfolio	2.6%	6.0%	5.9%	4.9%	7.6%	7.0%	2.9%	5.2%	57.9%	**100.0%**

Notes:
- As at September 30, 2018.
- Australasia Includes 100% of Vital Trust and the proportionate ownership for the Seed Portfolio sold to an institutional investor as part of a Joint Venture Agreement ("JV") which closed on September 21, 2018. The REIT owns 30% interest in the JV.

The REIT's expiry profile benefits from its Brazilian properties which are subject to long term leases. The eight Brazil hospitals are each occupied by single tenants that are leading hospital operators, and have leases expiring between September 30, 2024 and November 14, 2043. The expiry profile also reflects the longer term nature of many of the hospital tenants within the Vital Trust portfolio which has a WALE of 18.7 years and the Australia REIT which has a WALE of 13.2 years.

The below table summarizes the REIT's WALE allocated by asset type as at September 30, 2018:

	Asset Mix		WALE		
	MOB	**Hospitals & Healthcare Facilities**	**MOB**	**Hospitals & Healthcare Facilities**	**Total**
Canada[1]	100%	—%	5.3	—	**5.3**
Brazil	—%	100%	—	20.6	**20.6**
Europe	93%	7%	6.2	26.5	**8.7**
Vital[1]	22%	78%	5.4	20.4	**18.7**
Australia REIT[1]	36%	64%	8	16.0	**13.2**

Notes

1 Excluding development projects.

Lease Indexation

As at September 30, 2018, over 72.5% of the REIT's revenue (95.2% of the International Portfolio) is subject to inflationary adjustments and market reviews. The below table summarizes the percentage of revenue by region which receives the benefit of regular inflationary adjustments:

Revenue Subject to Inflationary/Market Based Adjustments	
As at September 30, 2018	**% of Revenue** [(1)]
Canada	—%
Brazil	100.0%
Europe	91.1%
Vital	92.6%
Australia REIT	98.1%
International Total/Weighted Average	**95.2%**
Portfolio Total / Weighted Average	**72.5%**

Notes

(1) Includes revenue which is subject to inflationary adjustments and market reviews.

Leasing Activity

LEASING ACTIVITY

in thousands of square feet	Canada	Brazil	Europe	Vital Trust [1]	Australia REIT [2]	Total
	Three months ended September 30, 2018					
Opening Occupancy	92.1%	100.0%	95.7%	99.4%	98.5%	96.4%
Opening Balance	3,145	1,493	1,740	2,560	1,235	10,173
Acquisition	—	230	—	—	—	230
Expiries and Early Terminations	(104)	—	(23)	—	(37)	(164)
Renewal	61	—	12	5	9	87
New Leasing	26	—	9	3	29	67
Other [3]	7	—	—	—	—	7
Closing Balance	3,135	1,723	1,738	2,568	1,236	10,400
Closing Occupancy	**91.7%**	**100.0%**	**95.6%**	**99.4%**	**98.4%**	**96.3%**

in thousands of square feet	Canada	Brazil	Europe	Vital Trust [1]	Australia REIT [2]	Total
	Nine months ended September 30, 2018					
Opening Occupancy	91.2%	100.0%	96.1%	99.3%	98.5%	95.9%
Opening Balance	3,491	1,493	957	2,556	1,235	9,732
Acquisition	2	230	778	—	—	1,010
Disposition	(381)	—	—	—	—	(381)
Expiries and Early Terminations	(311)	—	(117)	(185)	(46)	(659)
Renewal	238	—	90	191	15	534
New Leasing	122	—	30	5	32	189
Other [3]	(26)	—	—	1	—	(25)
Closing Balance	3,135	1,723	1,738	2,568	1,236	10,400
Closing Occupancy	**91.7%**	**100.0%**	**95.6%**	**99.4%**	**98.4%**	**96.3%**

Notes

(1) Shown on a 100% basis. The REIT has an approximate 25% interest in Vital Trust and acts as manager of Vital Trust, it therefore consolidates Vital Trust.

(2) Australia REIT is shown at proportionate ownership for the Seed Portfolio sold to an institutional investor as part of a Joint Venture Agreement ("JV") which closed on September 21, 2018. The REIT owns 30% interest in the JV.

(3) Other includes remeasurements and month-to-month leases.

Canada

During the quarter, the REIT completed 61 thousand square feet of renewal leasing. The REIT completed the renewals at an initial net rent of $16.26 per square foot versus an expiring net rent per square foot of $15.80 per square foot, an increase of $0.46 per square foot or 2.9%.

Year to date, the REIT completed 238 thousand square feet of renewal leasing, representing a 85% renewal rate. The REIT completed the renewals at an initial net rent of $18.82 per square foot versus an expiring net rent per square foot of $19.03, a 1.1% decrease. Excluding two non-medical tenant renewals in the first quarter, the initial renewing net rent versus expiring rent per square foot was broadly flat, at $19.19 per square foot versus $19.12 per square foot respectively.

During the quarter, the REIT also completed 26 thousand square feet of new leasing at an initial net rent of $15.43 per square foot. Year to date the REIT completed 122 thousand square feet of new leasing at an initial net rent of $14.61 per square foot.

As at September 30, 2018, the REIT had 89 thousand square feet of committed leasing against future expiries at an initial net rent of $19.14 per square foot versus expiring net rent per square foot of $17.55, an increase of $1.59 per square foot or 9.0%. The REIT also had 51 thousand square feet of committed leasing against vacant space at an initial net rent of $17.38 per square foot.

Expiring net rent increased slightly to $17.82 per square foot in the third quarter 2018, from $17.80 per square foot in the second quarter mainly due to rent step-up of renewals.

EXPIRING NET RENT ($PSF)		
September 30, 2018		
		Canada
Month-to-Month	$	13.27
2018	$	17.51
2019	$	15.96
2020	$	17.65
2021	$	18.15
2022	$	16.07
2023+	$	18.75
Total Expires	$	17.82

Brazil

The REIT's Brazil properties are subject to long term leases (portfolio WALE of 20.6 years). With the exception of the Hospital São Luiz Morumbi acquisition, there was no leasing activity during the quarter.

Europe

During the quarter, the REIT completed 12 thousand square feet of renewal leasing. These renewals were completed at an initial net rent of €9.69 per square foot versus an expiring net rent per square foot of €9.56, a 1.4% increase.

Year to date, the REIT has completed 90 thousand square feet of renewal leasing representing an 82% renewal rate. Taking into consideration new leasing due to succession and takeover of practices, the renewal rate moves up to 88%. The REIT completed the renewals at an initial net rent of €9.93 per square foot versus an expiring net rent per square foot of €9.94, a 0.1% decrease.

During the quarter, the REIT completed 9 thousand square feet of new leasing at an initial average net rent of €9.76 per square foot. The lower rental rate this quarter is the result of higher weighting of new leasing in our Leipzig portfolio.

Year to date, the REIT also completed 30 thousand square feet of new leasing at an initial net rent of €8.98 per square foot, which is lower than the renewal leasing rate because of a high weighting of the Leipzig leasing.

EXPIRING NET RENT (€PSF)	
September 30, 2018	
	Europe
Month-to-Month	€ 11.46
2018	€ 10.49
2019	€ 11.71
2020	€ 11.93
2021	€ 14.05
2022	€ 11.77
2023+	€ 11.65
Total Expires	€ 11.79

Vital Trust

Vital Trust's properties are generally subject to long term leases, and as such there was no material leasing activity. During the quarter, Vital Trust completed 5 thousand square feet of renewal leasing by exercising renewal options. These renewals were completed at an initial net rent per square foot of NZ$40.67 versus expiring net rent of NZ $40.66, an increase of 0.01% due to the positive FX movement of the Australian dollar in relation to the New Zealand dollar. The renewals of the leases in Australia in A$ remained stable at A$35.48 per square foot.

Year to date, Vital Trust completed 191 thousand square feet of renewal leasing at an initial net rent of NZ$39.46 versus an expiring net rent per square foot of NZ$39.67, a 0.5% decrease.

Australia REIT

During the quarter, Australia REIT completed 7 renewal leasing deals totaling 9 thousand square feet. These renewals were completed at an initial rent of A$45.60 per square foot versus an expiring rent of A$44.55 per square foot, a 2.4% increase.

Year to date, Australia REIT completed 12 renewal leasing totaling 17 thousand square feet. These renewals were completed at an initial rent of A$48.98 versus an expiring rent of A$47.80 per square foot, a 2.5% increase.

During the quarter, the REIT also completed 29 thousand square feet of new leasing at an initial net rent of A$18.64.

FUNDS FROM OPERATIONS ("FFO")

FFO is a supplemental non-IFRS industry wide financial measure of a REIT's operating performance. The REIT calculates FFO based on certain adjustments to net income (computed in accordance with IFRS) as detailed below. Other adjustments may be made to FFO as determined by management at their discretion. REALpac has established a standardized definition of FFO in a White Paper dated February 2018 ("**REALpac Guidance**"). The REIT's FFO definition differs from the REALpac Guidance in that the REIT excludes the revaluation of financial liabilities in its calculation of FFO.

FUNDS FROM OPERATIONS

Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Net income (loss) attributable to unitholders	**$ (29,290)**	**$ (80,713)**	**$ 51,423**	**$ (7,029)**	**$ 33,003**	**$ (40,032)**
Add / (Deduct):						
(i) Fair market value losses (gains)	(30,213)	78	(30,291)	(76,974)	(177,256)	100,282
Less: Non-controlling interests' share of fair market value losses (gains)	(2,935)	6,332	(9,267)	21,119	118,839	(97,720)
(ii) Finance cost - Exchangeable Unit distributions	3,541	3,799	(258)	10,625	11,399	(774)
(iii) Revaluation of financial liabilities	2,740	1,134	1,606	17,504	3,109	14,395
(iv) Unrealized foreign exchange loss (gain)	(913)	(3,075)	2,162	2,182	(36)	2,218
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	55	(944)	999	57	990	(933)
(v) Deferred taxes	26,728	7,654	19,074	44,727	21,758	22,969
Less: Non-controlling interests' share of deferred taxes	(113)	(867)	754	(5,952)	(4,341)	(1,611)
(vi) Transaction costs	4,140	557	3,583	9,103	12,433	(3,330)
Less: Non-controlling interests' share of transaction costs	(1,788)	—	(1,788)	(3,229)	—	(3,229)
(vii) Net adjustments for equity accounted entities	—	—	—	—	(38,943)	38,943
(viii) Internal leasing costs	467	489	(22)	1,602	1,443	159
(ix) Net loss on disposal of investment properties	917	—	917	2,688	—	2,688
(x) Gain on business combination	—	89,578	(89,578)	—	89,578	(89,578)
(xi) Goodwill impairment loss	50,096	—	50,096	50,096	—	50,096
(xii) Amortization of finance leases	(70)	(77)	7	(226)	(77)	(149)
(xiii) Other FFO adjustments	1,142	178	964	5,999	2,660	3,339
Funds From Operations ("FFO") (1)	**$ 24,504**	**$ 24,123**	**$ 381**	**$ 72,292**	**$ 74,559**	**$ (2,267)**
FFO per Unit - Basic	$ 0.20	$ 0.23	$ (0.03)	$ 0.60	$ 0.73	$ (0.13)
FFO per Unit - fully diluted (3)	$ 0.20	$ 0.22	$ (0.02)	$ 0.58	$ 0.69	$ (0.11)
Adjusted weighted average units outstanding (2)						
Basic	120,955,418	106,585,010	14,370,408	120,345,879	102,316,561	18,029,318
Diluted (3)	141,337,742	126,946,696	14,391,046	140,957,349	128,874,931	12,082,418

Notes

(1) FFO is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO as reported by other such issuers. FFO is defined in this MD&A and reconciled to the consolidated financial statements of the REIT.

(2) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 17,708,065 Class B LP Units outstanding as at September 30, 2018 and 18,998,065 outstanding as at December 31, 2017.

(3) Diluted units includes vested but unissued deferred trust units and the conversion of the REIT's Convertible Debentures that would have a dilutive effect upon conversion at the holders' contractual conversion price. Convertible Debentures are dilutive if the interest (net of tax and other changes in income or expense) per unit obtainable on conversion is less than the basic per unit measure.

Additional details on the adjustments to the REIT's net income to arrive at FFO are below:

(i) **Fair market value losses (gains)**

FAIR MARKET VALUE LOSSES (GAINS)						
Expressed in thousands of Canadian dollars	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Fair market value losses (gains)						
Fair value adjustment of Convertible Debentures	$ 1,932	$ 1,342	$ 590	$ (1,480)	$ 10,405	$ (11,885)
Fair value adjustment of Exchangeable Units	(1,417)	12,349	(13,766)	(2,627)	21,468	(24,095)
Fair value adjustment of investment properties	(43,451)	(13,744)	(29,707)	(89,916)	(206,460)	116,544
Loss (Gain) on derivative financial instruments	12,727	(747)	13,474	17,339	(4,365)	21,704
Fair value adjustment of DUP liability	(4)	878	(882)	(290)	1,696	(1,986)
Total	**$ (30,213)**	**$ 78**	**$ (30,291)**	**$ (76,974)**	**$ (177,256)**	**$ 100,282**

Additional details are below:

(a) Convertible Debentures

Under IFRS the REIT's Convertible Debentures are classified as financial liabilities measured at fair value through profit and loss and any related unrealized fair value changes in re-measuring the financial liability impact net income. Consistent with the REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to the Convertible Debentures have been added back to the REIT's net income.

(b) Exchangeable Units and DUP Liability

Under IFRS the REIT's Exchangeable Units and DUP Liability are classified as financial liabilities and any related unrealized fair value changes in re-measuring the financial liability impact net income. Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to Exchangeable Units and DUP Liability have been added back to the REIT's net income.

(c) Investment properties

Under IFRS the REIT has elected to use the fair value model to account for its investment properties. Under the fair value model, investment properties are carried on the consolidated balance sheet at fair value. The properties are not depreciated and changes in the fair value of the investment properties are recognized in income in the period in which they occur. Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to investment properties have been added back to the REIT's net income.

(d) Derivative financial instruments

Under IFRS derivative financial instruments are measured at fair value and any related unrealized fair value changes in re-measuring the derivative financial instrument impact net income. Consistent with the REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, unrealized fair value changes related to derivative financial instruments have been added back to the REIT's net income.

(ii) **Finance cost - Exchangeable Unit distributions**

Under IFRS the REIT's Exchangeable Units are classified as financial liabilities and any related distributions on the Exchangeable Units are regarded as finance costs. Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, distributions related to the Exchangeable Units have been added back to the REIT's net income.

(iii) **Revaluation of financial liabilities**

Over the term of the loan, the Brazil Securitization Financings are adjusted by the inflation rate (IPCA) from the date of inception of these liabilities to their respective maturities. The accretion expense is treated as a fair value adjustment to the Brazil Securitization Financings and therefore adjusted for when calculating FFO. Although this adjustment is not consistent with REALpac Guidance, the REIT believes the adjustment is consistent with industry practice.

During the nine months ended September 30, 2018, the REIT repurchased the rental stream from its Hospital Sabara property that was securitized (the "Sabara Securitization Facility") which had a fair value at the time of payment of $19.7 million (R$50.4 million). The unamortized accounting balance of the securitized rental stream recorded at the time of repayment was $8.3 million (R$21.1 million), which resulted in a revaluation adjustment of $11.4 million (R $29.2 million) being recorded upon repayment.

(iv) **Unrealized foreign exchange loss (gain)**

Under IFRS, financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. The REIT's unrealized foreign exchange movements for the periods relate primarily to the revaluation of the Australasian debt which are denominated in Australian and/or New Zealand dollars and held by a Canadian and/or New Zealand subsidiary of the REIT. Consistent with REALpac Guidance, the foreign exchange movements on the indebtedness associated with the REIT's investment in Vital Trust has been added back to the REIT's net income, as it relates to borrowings that arise due to the REIT's interest in a foreign operation (Vital Trust).

(v) **Deferred taxes**

Under IFRS, the REIT has recorded deferred tax liabilities in Europe, Brazil, Vital Trust and the Australia REIT arising primarily due to the difference between the book value and tax cost of its investment properties. Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, deferred taxes have been added back to its net income.

(vi) **Transaction costs**

Under IFRS the REIT expensed transaction costs related to acquisitions which have been determined to be business combinations. In accordance with the REALpac Guidance, to allow for consistent treatment of transaction costs incurred whether a transaction is recorded as an asset acquisition or business combination, and to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, costs related to the REIT's strategic transactions have been added back to net income.

(vii) **Net adjustments for equity accounted entities**

In July 2017, the REIT completed the 100% acquisition of the Australia REIT, therefore beginning in the third quarter of 2017, the REIT consolidates the Australia REIT into its results. Up until June 30, 2017, under IFRS the REIT's investment in associate was accounted for using the equity method of accounting. As such, the REIT's share of its associate's post acquisition net income (loss) was recognized in its net income (loss), and its share of post-acquisition movements in other comprehensive income (loss) was recognized in other comprehensive income (loss). Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, the REIT's share of its associate's post acquisition net income (loss) is added/(deducted) to/(from) net income and FFO is presented after including the REIT's proportionate share of the associate's FFO.

(viii) **Internal leasing costs**

In accordance with IFRS, internal leasing costs that aren't incremental are expensed. These amounts include the base salary and benefits of the internal leasing department. Consistent with REALpac Guidance these costs that can be reasonably and directly attributed to signed leases, and that would otherwise be capitalized if incurred from external sources, are added back to net income in determining FFO.

(ix) **Net loss on disposal of investment properties**

Consistent with REALpac Guidance the REIT has adjusted FFO for the net loss on disposal of investment properties.

(x) **Gain on business combination**

Consistent with REALpac Guidance the REIT has adjusted FFO for the gain recognized on acquisitions accounted for as a business combination.

(xi) **Goodwill impairment loss**

Consistent with REALpac Guidance the REIT has adjusted FFO for the goodwill impairment loss.

(xii) **Amortization of finance leases**

The Australia REIT has one long term lease receivable and one long term ground lease payable which have been recorded, in accordance with IFRS, as a finance lease payable and receivable respectively. An adjustment has been made to FFO to adjust for the net cash impact of the finance leases.

(xiii) **Other FFO adjustments**

Other FFO adjustments include the amortization of the free rent asset associated with the sale and lease back of the mid-town Toronto parking garage as well as the amortization intangibles recognized on the acquisition of the ANZ Manager that impact profit and loss but are non-cash in nature. Consistent with REALpac Guidance the REIT has adjusted FFO for these amounts. Also included in other FFO adjustments are amounts that represent the impact of certain ANZ Manager fees that are capitalized by Vital Trust. The adjustments reflect the cash flow benefit to the REIT of the capitalized fees funded by the non-controlling interest of Vital Trust.

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

AFFO is a supplemental non-IFRS financial measure of a REIT's operating performance and is intended to reflect a stabilized business environment. The REIT calculates AFFO as FFO, plus/minus certain adjustments as detailed below. Other adjustments may be made to AFFO as determined by management at their discretion.

In February 2018, REALpac issued a White Paper with recommendations for the calculation of AFFO. The REIT's AFFO definition differs from the recently-issued REALpac Guidance in that the REIT excludes the revaluation of financial liabilities, amortization of transactional deferred financing charges, debt mark-to-market adjustments, DUP compensation expense, and debt repayment costs in its AFFO calculations.

ADJUSTED FUNDS FROM OPERATIONS

Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Funds From Operations ("FFO") [1]	**$ 24,504**	**$ 24,123**	**$ 381**	**$ 72,292**	**$ 74,559**	**$ (2,267)**
Add / (Deduct):						
(i) Amortization of marked to market adjustment	(500)	(731)	231	(1,590)	(2,276)	686
(ii) Amortization of transactional deferred financing charges	2,673	1,693	980	5,384	3,232	2,152
(iii) Straight-line revenue	(157)	82	(239)	84	651	(567)
Less: non-controlling interests' share of straight-line revenue	(112)	(129)	17	(421)	(785)	364
(iv) Leasing costs and non-recoverable maintenance capital expenditures	(3,067)	(2,902)	(165)	(8,541)	(9,185)	644
Less: non-controlling interests' share of actual capex and leasing costs	306	437	(131)	438	1,616	(1,178)
(v) DUP Compensation Expense	647	735	(88)	3,603	3,728	(125)
(vi) Debt repayment costs	—	—	—	2,506	175	2,331
(vii) Net adjustments for equity accounted entities	—	—	—	—	(750)	750
Adjusted Funds From Operations ("AFFO") [1]	**$ 24,294**	**$ 23,308**	**$ 986**	**$ 73,755**	**$ 70,965**	**$ 2,790**
AFFO per Unit - Basic	$ 0.20	$ 0.22	$ (0.02)	$ 0.61	$ 0.69	$ (0.08)
AFFO per Unit - fully diluted [3]	$ 0.20	$ 0.21	$ (0.01)	$ 0.59	$ 0.66	$ (0.07)
Distributions per Unit - Basic	$ 0.20	$ 0.20	$ —	$ 0.60	$ 0.40	$ 0.20
Adjusted weighted average units outstanding: [2]						
Basic	120,955,418	106,585,010	14,370,408	120,345,879	102,316,561	18,029,318
Diluted [3]	141,337,742	126,946,696	14,391,046	140,957,349	124,125,296	16,832,053

Notes

(1) FFO and AFFO are not measures recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.

(2) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 17,708,065 Class B LP Units outstanding as at September 30, 2018 and 18,998,065 outstanding as at December 31, 2017.

(3) Diluted units includes vested but unissued deferred trust units and the conversion of the REIT's Convertible Debentures that would have a dilutive effect upon conversion at the holders' contractual conversion price. Convertible Debentures are dilutive if the interest (net of tax and other changes in income or expense) per unit obtainable on conversion is less than the basic per unit measure.

Additional details on the adjustments to the REIT's net income to arrive at AFFO are below:

(i) **Amortization marked to market adjustment**

Under IFRS, the REIT has amortized the debt premium on mortgages assumed at fair value on acquisition. As the amortization is a non-cash item, the REIT has included an adjustment in AFFO.

(ii) **Amortization of transactional deferred financing charges**

Under IFRS, the REIT has recorded amortization of deferred financing charges. The REIT believes the amortization of deferred financing charges to be a proxy for the financing fees incurred over the term of the related debt and thus does not make an adjustment to AFFO for amortization financing charges, except for the amortization of fees related to short-term transaction related financings and the write off of financing fees for which debt has been repaid in advance of its maturity, which the REIT adds back to AFFO to reflect a stabilized business environment.

(iii) **Straight-line revenue**

Under IFRS rental revenue from operating leases is recognized over the lease term on a straight-line basis. The difference between rental revenue recognized and cash flows is recorded as straight-line rent receivable or payable. Consistent with the REALpac Guidance, to account for the non-cash nature of these differences the REIT has included an adjustment in AFFO.

(iv) **Leasing costs and non-recoverable maintenance capital expenditures**

In Canada and Europe, due to the nature of the portfolios, on a quarterly basis and during portfolio repositioning, leasing costs, tenant improvements and maintenance capital expenditures can fluctuate and as such, should not be regarded as stabilized. As a result the REIT uses a reserve of 6% of revenue from investment properties in Canada and Europe when determining AFFO. In Brazil and Australasia due to the long term, triple net nature of the leases in those regions the REIT uses actual leasing costs and non-recoverable maintenance capital expenditures when determining AFFO.

For additional information see **Leasing Costs and Capital Expenditures.**

(v) **DUP Compensation Expense**

The REIT's unit-based deferred unit compensation expense is measured at the service commencement date, based on the fair market value of a REIT Trust Unit or Vital Trust unit, as applicable, and this value is amortized to income over the vesting period ("DUP Compensation Expense"). Unit-based compensation does not qualify as an equity award and is classified as a liability. As a result the DUP Liability is measured at fair-value every reporting period, based on the fair market value of a REIT Trust Unit or Vital Trust unit at the reporting date, and the change in fair value is also recognized in income.

The period over period change in fair value of the DUP Liability is added back to income when determining FFO in accordance with REALpac Guidance. However, as the DUP Compensation Expense may be equity settled, at the REIT's option, the REIT has added back DUP Compensation Expense to income when determining AFFO.

(vi) **Debt repayment costs**

For the three months ended September 30, 2018 and September 30, 2017, the REIT did not incur any debt repayment costs. During the nine months ended September 30, 2018 the REIT incurred debt repayment costs of $2.5 million related to the early repayment of the mortgage related to Dundas Edward Centre in Canada which was sold in the first quarter. During the nine months ended September 30, 2017 the REIT incurred debt repayment costs of $0.2 million of fees costs related to refinancing of certain German mortgages.

NORMALIZED AFFO

In the schedule below we present the REIT's reported AFFO as well as the REIT's Normalized AFFO (both defined in **PART I - BASIS OF PRESENTATION - PERFORMANCE MEASUREMENT**). Normalized AFFO provides, in management's view, an annualized view of the REIT's AFFO, adjusted for the full year effect of transactions occurring in the current quarter, transactions that have occurred subsequent to the quarter, and adjusted for other items management believes are non-recurring or seasonal in nature and estimated based on management's expectations on a normalized level of activity.

The below Normalized AFFO information is not necessarily indicative of what the REIT's financial position or results of operations will be in future periods. Certain of the adjustments in the table above may be considered to be forward-looking in nature, including, without limitation, the estimated impact of increased revenues due to accrued indexation on Brazil leases, increased management fees expected to be earned by the ANZ Manager, interest savings resulting from debt optimization both during and subsequent to quarter end, and items relating to expected amounts for normalized revenues and general and administrative expenses. As a result, the discussion in this section is qualified in its entirety by the forward-looking statements set out under **PART I - BASIS OF PRESENTATION - FORWARD-LOOKING INFORMATION ADVISORY**.

Expressed in thousands of Canadian dollars, except per unit amounts		Q3 2018	Q3 2018 Per Unit	Q3 2018 Annualized	Annualized Per Unit
AFFO as reported		**$ 24,294**	**$ 0.20**	**$ 97,176**	
Normalization adjustments [1]:					
(2)	Acquisition and disposition activities			(5,072)	
(3)	Accrued indexation related to Brazil leases			997	
(4)	ANZ manager base management fee			186	
(5)	Interest expenses on completed financing activities during the quarter			5,604	
(6)	Potential debt optimization post quarter			6,356	
(7)	One-time items			777	
(8)	On-going developments			1,188	
Normalized AFFO on an annualized basis				**$ 107,212**	**$ 0.88**
Weighted average units outstanding for the Q3 2018 period (000s)					120,955
(9)	Normalization adjustment				191
Normalized Units Outstanding (000s) - September 30, 2018					121,146

Details of adjustments from AFFO to Normalized AFFO are as follows:

(1) Represents the full year effect of items recognized in the quarter that are seasonal; the full year effect of transactions that have closed during the quarter; and the full year effect of transactions that have closed in the subsequent quarter; all that will have an impact on future quarters.

(2) To reflect the impact of the REIT's net investment activity completed during and post quarter as disclosed in **HIGHLIGHTS FOR THE QUARTER**, **SUBSEQUENT EVENTS** and **INVESTMENT PROPERTIES,** and investments activity for which close was still pending at reporting date as summarized below:

Investment Activity

Expressed in thousands of Canadian dollars, except per unit amounts

Annualized, Q3 2018	Value	NOI	Implied capitalization rate	Normalized AFFO	Reported AFFO	Adjustment
Dispositions	(216,451)	(11,345)	5.2%	(11,345)	(617)	(10,728)
Acquisitions	108,127	6,575	6.1%	5,656	—	5,656
Total	**$ (108,324)**	**$ (4,770)**		**$ (5,689)**	**$ (617)**	**$ (5,072)**

(3) To reflect the estimated impact of contracted inflation (IPCA) indexation on current net rents of Brazilian leases based on the actual YTD IPCA of 1.9% and Q3 2018 average exchange rates.

(4) To reflect the estimated increase in the ANZ Manager's base management fees net of non-controlling interests and taxes, converted at Q3 2018 average foreign exchange rates assuming a total gross asset value ("GAV") of $1.5 billion representing the GAV of Vital Trust as at September 30, 2018.

(5) To reflect the impact of the REIT's net financing activity completed during and post quarter as disclosed in **HIGHLIGHTS FOR THE QUARTER**, **SUBSEQUENT EVENTS** and **CAPITALIZATION AND LIQUIDITY** as summarized below:

Financing Activity

Expressed in thousands of Canadian dollars

	Value	Interest Rate %	Normalized interest expense	Reported interest expense	Quarterly interest savings	Annualized interest savings
Adjustments to reflect full quarter activity:						
Corporate credit facility repayment	(9,000)	4.00%	—	84	84	336
Australia REIT facility repayments	(162,535)	5.00%	—	1,934	1,934	7,736
New JV financing	79,238	4.20%	824	208	(616)	(2,464)
Total	**$ (92,297)**		**$ 824**	**$ 2,226**	**$ 1,402**	**$ 5,608**

(6) To reflect the estimated impact of potential debt optimization post-quarter as summarized below:

Debt Optimization						
Expressed in thousands of Canadian dollars						
	Value	Interest Rate %	Normalized interest expense	Reported interest expense	Quarterly interest savings	Annualized interest savings
Adjustments to reflect potential debt optimization post quarter:						
Repayment of high cost debt	(189,462)	8.10%	—	3,835	3,835	15,340
Potential debt optimization - refinancing (incl. transaction costs)	176,135	5.10%	2,246	—	(2,246)	(8,984)
Total	**$ (13,327)**		**$ 2,246**	**$ 3,835**	**$ 1,589**	**$ 6,356**

(7) To eliminate the annualized impact of one-time, non-recurring items during the quarter related to (i) activity based fees recorded at the ANZ Manager and (ii) general and administrative expenses.

(8) To reflect the estimated impact of the completion of Canadian and Australia REIT's $99.2 million of development activity as discussed under **DEVELOPMENT ACTIVITY.**

(9) To adjust unit count to period end number of units outstanding and units issued for DRIP.

DISTRIBUTIONS

For the three and nine months ended September 30, 2018, the REIT declared a total of $24.2 million and $72.4 million, respectively, in distributions, including distributions on Exchangeable Units. These distributions reflect an annualized distribution rate of $0.80 per unit per annum.

For the three and nine months ended September 30, 2017, the REIT declared a total of $21.3 million and $62.0 million, respectively, in distributions, including distributions on Exchangeable Units. These distributions reflect an annualized distribution rate of $0.80 per unit per annum.

Distribution Reinvestment Plan

Participants in the REIT's distribution reinvestment plan (the "**DRIP**") have their distribution entitlement used to purchase Trust Units and also receive a "bonus distribution" of Trust Units equal in value to 3% of each distribution.

During the three and nine months ended September 30, 2018, a total of 192,019 and 555,639, respectively trust units were issued under the DRIP (three and nine months ended September 30, 2017, a total of 307,766 and 450,057 trust units, respectively).

For the three and nine months ended September 30, 2018 the REIT's DRIP participation rate was 10.3% and 10.0%, respectively (three and nine months ended September 30, 2017 - 9.6% and 9.1%, respectively).

As required by National Policy 41-201 "Income Trusts and Other Indirect Offerings", the following table outlines the differences between cash flow from operating activities and cash distributions, as well as the differences between net income and cash distributions, in accordance with the guidelines:

DIFFERENCES BETWEEN CASH FLOW FROM OPERATIONS/NET INCOME AND CASH DISTRIBUTIONS				
Expressed in thousands of Canadian dollars	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income (loss) attributable to unitholders	$ (29,290)	$ (80,713)	$ (7,029)	$ 33,003
Add: Finance cost - Exchangeable Unit distributions	3,541	3,799	10,625	11,399
Adjusted net income (loss)	$ (25,749)	$ (76,914)	$ 3,596	$ 44,402
Cash flow from operating activities attributable to unitholders	$ 35,250	$ 19,371	$ 72,576	$ 56,898
Distributions paid and payable				
Trust Units	$ 20,655	$ 17,523	$ 61,737	$ 50,633
Exchangeable Units	3,541	3,799	10,625	11,399
	$ 24,196	$ 21,322	$ 72,362	$ 62,032
Surplus (shortfall) of adjusted net income (loss) attributable to unitholders over distributions paid and payable	$ (49,945)	$ (98,236)	$ (68,766)	$ (17,630)
Surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	$ 11,054	$ (1,951)	$ 214	$ (5,134)
Value of Trust Units issued pursuant to the DRIP	$ 2,130	$ 1,672	$ 6,065	$ 4,590

During the three and nine months ended September 30, 2018, the REIT's cash flow from operating activities attributable to unitholders were sufficient to pay distributions as the REIT had a surplus over distributions paid and payable of $11.1 million and $0.2 million, respectively.

For the three and nine months ended September 30, 2018, the REIT had a shortfall between adjusted net income and distributions paid to unitholders of $(49,945) and $(68,766), respectively. Adjusted net income attributable to unitholders for the period reflects material non-cash items such as fair value adjustments to investment properties, goodwill impairment, financial instruments and deferred taxes, which do not impact cash flow and are not considered in the REIT's distribution policy. In establishing distribution payments, the REIT does not take fluctuations in working capital into consideration.

Participants in the REIT's DRIP have their distribution entitlement used to purchase Trust Units and also receive a "bonus distribution" of Trust Units equal in value to 3% of each distribution. During the three and nine months ended September 30, 2018, there was $2.1 million and $6.1 million in value of Trust Units issued respectively, under the DRIP (three and nine months ended September 30, 2017, there was $1.7 million and $4.6 million in value of Trust Units, respectively). While reducing the cash required to settle the REIT's distributions, the Trust Units issued, pursuant to the DRIP, may in future result in additional cash distributions, should the holders of these Trust Units opt out of the DRIP.

See section **PART IV - CAPITALIZATION AND LIQUIDITY**.

In assessing its distribution policy, the REIT considers not only cash flows from operating activities (attributable to unitholders) but also AFFO. Due to the timing of cash receipts relating to certain adjustments affecting AFFO and the fact that certain AFFO adjustments are non-cash, a portion of the 2018 distributions were funded by financing activities. The REIT believes that it is able to sustain distributions in the near term as the REIT measures distributions in relation to AFFO and the REIT believes it will be able to obtain new financing to meet its cash flow requirements due to the timing of cash receipts relating to certain adjustments affecting AFFO.

REIT's distributions during 2017 were deemed a 100% return of capital for tax purposes. The composition for tax purposes may change over time thus affecting the after-tax return to a Unitholder. The REIT has chosen to make distributions partly representing an economic return on capital for tax purposes as its distribution policy is based on AFFO earned rather than the expected tax attributes of the distributions.

The REIT believes that distributions can continue to be funded from a combination of cash flows from operations, the cash distributions received from Vital Trust, future financing activities or asset sales. However, the REIT has at times paid cash distributions which exceed cash flow from operating activities and distribution income earned from its strategic investments in Vital Trust. Distributions paid at times to unitholders have therefore been an economic return of capital. At times the REIT may be required to use additional debt capacity to finance its distributions, which would represent a further economic return of capital, or alternatively reduce distributions. The REIT's distribution policy is based on the REIT's AFFO. AFFO has exceeded actual cash flows from operations available to the REIT from time to time because of the recognition of certain items in AFFO that provide an economic benefit to the REIT but the timing of the realization of the cash flow associated with such economic benefit differs, such as the recognition of the REIT's proportionate share of Vital Trust's AFFO which is less than cash distributions received, and the exclusion of certain cash items in AFFO that affects cash flows from operations but to which management does not consider part of AFFO, such as debt repayment costs and the amortization of financing fees, as well as other items such as tenant allowances, leasing costs and capital expenditures in excess of stipulated reserves identified by the REIT in its calculation of AFFO. The REIT may be required to use part of its debt capacity, issue new equity or to reduce distributions in order to accommodate such items in the future. The REIT anticipates temporarily funding such items, if necessary, through new financing or asset sales.

The REIT's Board of Trustees has targeted payment of distributions at: (i) 80-95% of the REIT's AFFO; and (ii) an amount at least equal to the net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for ordinary income taxes on such income. The amount of future distributions and the declaration and payment thereof is at the discretion of the Board of Trustees and will be based upon the REIT's financial position, results of operations, cash flow, capital requirements and restrictions under the REIT's debt obligations, as well as broader market and economic conditions, among other factors, and shall be in compliance with applicable Law.

Pursuant to National Policy 41-201 "Income Trusts and Other Indirect Offerings", the following table, Table 12, reconciles the REIT's cash flow from operations to AFFO:

RECONCILIATION OF CASH FLOW FROM OPERATIONS TO AFFO

Expressed in thousands of Canadian dollars	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Cash flow from operating activities	**$ 38,537**	**$ 23,774**	**$ 14,763**	**$ 75,604**	**$ 70,330**	**$ 5,274**
Add (deduct):						
Non-cash interest expense	(5,130)	(2,858)	(2,272)	(9,296)	(6,588)	(2,708)
Non-cash current taxes	1,225	1,395	(170)	6,684	134	6,550
Changes in non-cash working capital balances	(9,124)	5,242	(14,366)	5,713	9,004	(3,291)
AFFO of equity accounted entities	—	—	—	—	(39,693)	39,693
Other FFO adjustments	1,142	178	964	5,999	2,660	3,339
Internal leasing costs	467	489	(22)	1,602	1,443	159
Amortization of recurring financing charges	(1,126)	(777)	(349)	(3,070)	(2,322)	(748)
Non-recurring transaction costs	4,140	557	3,583	9,103	12,433	(3,330)
Leasing costs and non-recoverable maintenance capital expenditures	(3,067)	(2,902)	(165)	(8,541)	(9,185)	644
Interest income and other	3,183	1,542	1,641	6,627	2,460	4,167
Amortization of deferred revenue	—	226	(226)	—	874	(874)
Straight-line revenue	(157)	82	(239)	84	651	(567)
Redemption of units issued under the DUP	2	1,355	(1,353)	2,133	1,811	322
Amortization of furniture and office equipment	(312)	(324)	12	(938)	(1,105)	167
Foreign exchange	(78)	—	(78)	(305)	—	(305)
Debt repayment costs	—	—	—	2,506	175	2,331
Share of profit (loss) from associates	—	—	—	—	43,681	(43,681)
AFFO attributable to non-controlling interest	(5,408)	(4,671)	(737)	(20,150)	(15,798)	(4,352)
	$ (14,243)	$ (466)	$ (13,777)	$ (1,849)	$ 635	$ (2,484)
AFFO	**$ 24,294**	**$ 23,308**	**$ 986**	**$ 73,755**	**$ 70,965**	**$ 2,790**

QUARTERLY PERFORMANCE

The following is a summary of results for each of the last eight quarterly periods.

QUARTERLY PERFORMANCE								
Expressed in thousands of Canadian dollars except per unit amounts	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16
Summary of Financial Information								
Gross Book Value ("GBV") (1)	$ 4,679,638	$ 4,940,139	$ 4,758,598	$ 4,684,028	$ 4,454,086	$ 4,161,721	$ 3,645,527	$ 3,328,533
Debt - Declaration of Trust (2)	$ 2,311,377	$ 2,478,536	$ 2,230,749	$ 2,190,179	$ 2,079,307	$ 1,810,466	$ 1,480,961	$ 1,382,785
Debt to GBV - Declaration of Trust	49.4%	50.2%	46.9%	46.8%	46.7%	43.5%	40.6%	41.5%
Debt - Including Convertible Debentures (2)	$ 2,606,685	$ 2,771,924	$ 2,524,660	$ 2,487,036	$ 2,421,546	$ 2,151,363	$ 1,819,363	$ 1,714,619
Debt to GBV - Incl. Convertible Debentures	55.7%	56.1%	53.1%	53.1%	54.4%	51.7%	49.9%	51.5%
Operating Results								
Revenue from investment properties	$ 87,044	$ 85,157	$ 88,248	$ 84,436	$ 83,932	$ 73,134	$ 72,464	$ 81,783
Net income (loss)	$ (28,469)	$ 39,139	$ 14,463	$ 60,119	$ (71,213)	$ 161,799	$ 74,534	$ 100,846
NOI (3)	$ 65,213	$ 65,254	$ 66,177	$ 63,229	$ 61,805	$ 54,131	$ 52,894	$ 63,557
FFO (3)	$ 24,504	$ 24,601	$ 23,187	$ 23,009	$ 24,123	$ 25,912	$ 24,524	$ 21,354
AFFO (3)	$ 24,294	$ 24,392	$ 25,070	$ 22,403	$ 23,310	$ 25,154	$ 22,504	$ 18,641
Distributions (4)	$ 24,196	$ 24,128	$ 24,038	$ 23,990	$ 21,322	$ 21,291	$ 19,419	$ 17,674
Per Unit Amounts (5)								
FFO per unit - Basic	$ 0.20	$ 0.20	$ 0.19	$ 0.19	$ 0.23	$ 0.24	$ 0.26	$ 0.24
AFFO per unit - Basic	$ 0.20	$ 0.20	$ 0.21	$ 0.19	$ 0.22	$ 0.24	$ 0.24	$ 0.21
Distributions	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Adjusted Weighted Average Units Outstanding (5)								
Basic	120,955,418	120,551,483	120,137,990	118,191,998	106,585,010	106,015,975	94,212,738	88,366,983

Notes

(1) Gross Book Value is defined as total assets.

(2) As defined in Non-IFRS measures used in this MD&A.

(3) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to IFRS-based amounts reported in the consolidated financial statements of the REIT. NOI is an additional IFRS measure and NOI as calculated by the REIT may not be comparable to similar titled measures reported by other issuers.

(4) Represents distributions to Unitholders and Class B LP Units on an accrual basis. Distributions are payable as at the end of the period in which they are declared by the Board of Trustees, and are paid on or around the 15th day of the following month.

(5) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding.

PART IV – CAPITALIZATION AND LIQUIDITY

CAPITAL STRUCTURE

The REIT, as is common in the real estate industry, considers its capitalization to consist of debt and equity capital. The REIT actively manages both its debt and equity capital with the objective of ensuring that the REIT can continue to grow and operate its business.

The REIT monitors its debt regularly for compliance with debt covenants contained in its loan agreements. At the date of this MD&A, the REIT is in compliance with its loan covenants.

The following table shows the REIT's total capital as at September 30, 2018 and December 31, 2017:

CAPITAL STRUCTURE

Expressed in thousands of Canadian dollars	As at September 30, 2018	As at December 31, 2017
Mortgages and loans payable	$ 2,311,377	$ 2,132,356
Deferred consideration	—	38
Mortgages related to assets held for sale	—	57,785
Debt - Declaration of Trust (1)	**2,311,377**	**2,190,179**
Convertible Debentures at Fair Value	295,308	296,857
Debt - Including Convertible Debentures (1)	**2,606,685**	**2,487,036**
Mortgages and loans payable - marked to market	3,786	5,376
Mortgages and loans payable - unamortized financing costs	(16,142)	(22,765)
Total Debt	2,594,329	2,469,647
DUP Liability	14,174	18,009
Class B LP Exchangeable Units	198,507	216,008
Unitholders' equity	796,213	947,670
Total Capitalization	**$ 3,603,223**	**$ 3,651,334**

Notes

(1) As defined in Non-IFRS measures used in this MD&A.

Unitholders' Equity

The following table reconciles the movements in the units outstanding for the three and nine months ended September 30, 2018:

UNITS OUTSTANDING	
Trust Units outstanding, December 31, 2017	**101,039,187**
Issuance of Trust Units under the DRIP	180,057
Issuance of Trust Units under the DUP	78,200
Issuance of Trust Units pursuant to conversion of Convertible Debentures	4,800
Issuance of Trust Units pursuant to conversion of Exchangeable Units	1,290,000
Trust Units outstanding, March 31, 2018	**102,592,244**
Issuance of Trust Units under the DRIP	183,563
Cancellation of Trust Units pursuant to NCIB	374,558
Trust Units outstanding, June 30, 2018	**103,150,365**
Issuance of Trust Units under the DRIP	192,019
Issuance of Trust Units under the DUP	1,066
Trust Units outstanding, September 30, 2018	**103,343,450**

Class B LP Units

Under IFRS the REIT's Exchangeable Units are treated as a financial liability rather than equity. As the Exchangeable Units are convertible into Trust Units at the option of the holder, the REIT considers the Exchangeable Units equity for capital management purposes.

On January 31, 2018, the REIT converted 1,290,000 Class B units to Trust units. There were 17,708,065 Exchangeable Units outstanding as at September 30, 2018 (December 31, 2017 - 18,998,065).

Debt

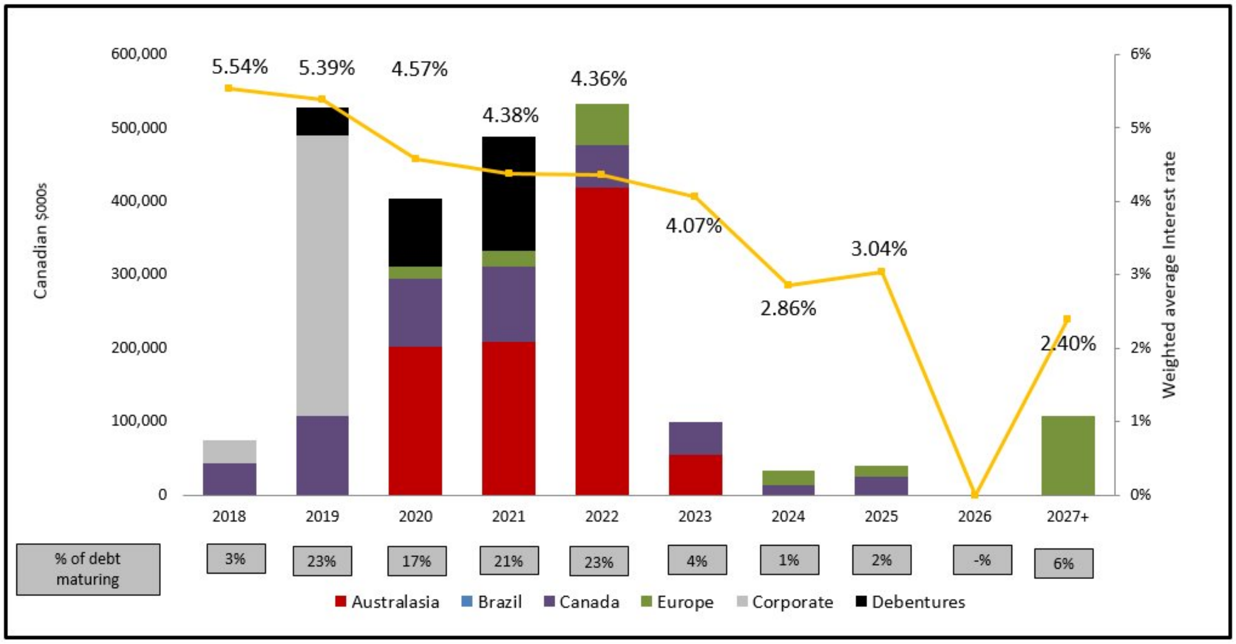
DEBT						
Expressed in thousands of Canadian dollars						
	As at September 30, 2018					
	Weighted Average Interest Rate (1)	Outstanding Balance	Marked to Market	Unamortized Financing Costs	Balance	Maturity
Canada mortgages	3.75% $	539,135 $	3,786 $	(1,153) $	541,768	December 2018 - January 2029
Brazil debt (2)	7.28%	181,669	—	(8,005)	173,664	May 2026 - November 2027
Europe mortgages	2.23%	288,243	—	(1,687)	286,556	August 2020 - July 2028
Australasia term loans	4.61%	885,379	—	(3,372)	882,007	March 2021 - September 2023
Corporate debt	5.84%	414,042	—	(1,925)	412,117	January 2019 - November 2019
	4.54% $	**2,308,468 $**	**3,786 $**	**(16,142) $**	**2,296,112**	
Finance Lease	7.00%	2,909	—	—	2,909	February 2088
Total Mortgages and Loans Payable	**4.54% $**	**2,311,377 $**	**3,786 $**	**(16,142) $**	**2,299,021**	
Deferred consideration	n/a	—	—	—	—	n/a
Total Debt excluding Convertible Debentures	**4.54% $**	**2,311,377 $**	**3,786 $**	**(16,142) $**	**2,299,021**	
Convertible Debentures (Corporate)	5.57%	287,029	8,279	—	295,308	October 2019 - December 2021
Total Debt	**4.66% $**	**2,598,406 $**	**12,065 $**	**(16,142) $**	**2,594,329**	
	As at December 31, 2017					
	Weighted Average Interest Rate (1)	Outstanding Balance	Marked to Market	Unamortized Financing Costs	Balance	Maturity
Canada mortgages	3.83% $	582,684 $	5,376 $	(1,344) $	586,716	July 2018 - January 2029
Brazil debt (2)	7.28%	221,208	—	(10,803)	210,405	May 2026 - November 2027
Europe mortgages	1.91%	137,608	—	(1,458)	136,150	August 2020 - December 2027
Australasia term loans	3.96%	897,672	—	(4,725)	892,947	July 2018 - November 2021
Corporate debt	5.26%	293,184	—	(4,435)	288,749	July 2018 - November 2019
	4.31% $	**2,132,356 $**	**5,376 $**	**(22,765) $**	**2,114,967**	
Finance Lease	7.00%	9,802	—	—	9,802	February 2088
Total Mortgages and Loans Payable	**4.33% $**	**2,142,158 $**	**5,376 $**	**(22,765) $**	**2,124,769**	
Deferred consideration	n/a	38	—	—	38	n/a
Total Debt excluding Convertible Debentures	**4.33% $**	**2,142,196 $**	**5,376 $**	**(22,765) $**	**2,124,807**	
Convertible Debentures (Corporate)	5.57%	287,083	9,774	—	296,857	October 2019 - December 2021
Total Debt	**4.47% $**	**2,429,279 $**	**15,150 $**	**(22,765) $**	**2,421,664**	

Notes

(1) Weighted average interest rate of total debt has been calculated excluding deferred consideration.

(2) The Brazil debt fully amortizes over a ten year period.

The following chart summarizes, as at September 30, 2018, the REIT's debt maturities:



Additional details on the maturities of the REIT's mortgages and loans payables are detailed below:

DEBT MATURITIES

	Canada		Brazil		Europe		Australasia		Corporate	
Expressed in thousands of Canadian dollars	**Total debt payable**	**WAIR**	**Total debt payable**	**WAIR**	**Total debt payable**	**WAIR**	**Total debt payable**	**WAIR**	**Total debt payable**	**WAIR**
2018	$ 46,993	3.57 %	$ 4,038	—%	$ 2,403	—%	$ —	—%	$32,000	8.20%
2019	120,453	3.79 %	16,883	—%	7,662	—%	—	—%	382,042	5.65%
2020	104,790	4.22 %	18,122	—%	23,799	1.42%	201,743	4.55%	—	—%
2021	109,432	3.12 %	19,453	—%	29,545	2.46%	209,435	4.55%	—	—%
2022	65,032	3.81 %	20,883	—%	61,400	2.10%	418,614	4.74%	—	—%
2023	47,584	4.16 %	22,420	—%	4,961	—%	55,587	4.00%	—	—%
2024	16,452	4.30 %	24,072	—%	23,723	1.80%	—	—%	—	—%
2025	26,628	3.50 %	25,847	—%	18,424	2.21%	—	—%	—	—%
2026	541	— %	20,694	—%	3,981	—%	—	—%	—	—%
2027 and thereafter	1,230	— %	9,257	—%	112,345	2.48%	—	—%	—	—%
	$ 539,135	3.75 %	$ 181,669	7.28%	$ 288,243	2.23%	$ 885,379	4.61%	$ 414,042	5.83%
Marked to market premium	3,786	(1.0)%	—	—	—	—	—	—	—	—
	$ 542,921	2.76 %	$ 181,669	7.28%	$ 288,243	2.23%	$ 885,379	4.61%	$ 414,042	5.83%
Unamortized financings costs	(1,153)		(8,005)		(1,687)		(3,372)		(1,925)	
Total	$ 541,768		$ 173,664		$ 286,556		$ 882,007		$ 412,117	

The table below summarizes the movements in the REIT's mortgages and loans during the three and nine months ended September 30, 2018:

DEBT CONTINUITY

	Canada Mortgages	Brazil Debt	Europe Mortgages	Australasia Term Loans	Corporate Debt	Total
Opening balance, July 1, 2018	**$ 545,854**	**$ 184,608**	**$ 293,900**	**$ 1,002,395**	**$ 425,818**	**$ 2,452,575**
Principal amortization	(3,737)	—	(1,751)	—	—	(5,488)
Repayments	—	(3,920)	—	(172,160)	(9,000)	(185,080)
Advances	—	—	—	90,302	—	90,302
Additional financing fees incurred	(15)	—	(8)	(157)	(97)	(277)
Amortization of finance fees	166	430	122	2,704	379	3,801
Amortization of mark-to-market	(500)	—	—	—	—	(500)
Inflation adjustment	—	2,739	—	—	—	2,739
Foreign exchange adjustment	—	(10,193)	(5,707)	(41,077)	(4,983)	(61,960)
Ending balance, September 30, 2018	**$ 541,768**	**$ 173,664**	**$ 286,556**	**$ 882,007**	**$ 412,117**	**$ 2,296,112**

	Canada Mortgages	Brazil Debt	Europe Mortgages	Australasia Term Loans	Corporate Debt	Total
Opening balance, January 1, 2018	**$ 586,716**	**$ 210,405**	**$ 136,150**	**$ 892,947**	**$ 288,749**	**$ 2,114,967**
Principal amortization	(11,801)	—	(4,236)	—	—	(16,037)
Assumed debt	—	—	34,786	—	—	34,786
Repayments	(31,751)	(12,533)	—	(430,317)	(110,000)	(584,601)
Refinancing	—	—	—	—	85,500	85,500
Advances	—	—	123,887	464,174	151,000	739,061
Additional financing fees incurred	(259)	—	(504)	(1,730)	(960)	(3,453)
Amortization of finance fees	453	1,428	269	4,675	1,630	8,455
Amortization of mark-to-market	(1,590)	—	—	—	—	(1,590)
Inflation adjustment	—	6,118	—	—	—	6,118
Foreign exchange adjustment	—	(31,754)	(3,796)	(47,742)	(3,802)	(87,094)
Ending balance, September 30, 2018	**$ 541,768**	**$ 173,664**	**$ 286,556**	**$ 882,007**	**$ 412,117**	**$ 2,296,112**

During the three months ended September 30, 2018, the REIT paid down $9.0 million of the revolving credit facility and $172.2 million of the ANZ facility using the proceeds from the sale of the Seed Portfolio. The REIT also drew an additional $90.3 million on the Australian term loans.

Finance Lease Payable

The lease of land on which one of Australia REIT's investment properties is built is accounted for as a finance lease. The remaining term of the lease at September 30, 2018 was 69 years. There is no purchase option. On September 21, 2018, the REIT sold 70% of the finance lease as part of the disposition of the Seed Portfolio.

Convertible Debentures

The following table summarizes, as at September 30, 2018, the REIT's Convertible Debentures:

CONVERTIBLE DEBENTURES

Expressed in thousands of Canadian dollars	Fair Value [1]	Face Value	Interest Rate	Conversion Price per Unit	Maturity Date	Interest Payment Dates
As at September 30, 2018						
Series NWH.DB	40,886	40,250	5.25%	$ 14.20	**September 30, 2020**	**March 31, September 30**
Series NWH.DB.C	39,175	38,750	7.25%	$ 12.50	**October 31, 2019**	**April 30, October 31**
Series NWH.DB.D	54,877	52,767	5.50%	$ 11.25	**October 31, 2020**	**April 30, October 31**
Series NWH.DB.E	77,052	74,750	5.25%	$ 12.75	**July 31, 2021**	**January 31, July 31**
Series NWH.DB.F	83,318	80,500	5.25%	$ 12.80	**December 31, 2021**	**June 30, December 31**
	$ 295,308	**$ 287,017**	**5.57%**			

Notes

(1) The fair value of the Convertible Debentures is based on the closing trading price of the REIT's Convertible Debentures as at the reporting date.

During the nine months ended September 30, 2018, $0.1 million of the NWH.DB.D debentures were converted to REIT units (nine months ended September 30, 2017 - $nil).

DUP Liability

Under IFRS, the REIT's DUP Liability is measured at fair value each reporting period. The fair value of the DUP Liability mirrors the trading price of the REIT Trust Units. As at September 30, 2018 the DUP Liability is $14.2 million (December 31, 2017 - $18.0 million) representing 3,522,813 deferred units of which 930,125 are vested but not exercised (December 31, 2017 -3,755,443 deferred units of which 1,433,183 are vested but not exercised).

RATIOS AND COVENANTS

Pursuant to the Declaration of Trust the REIT shall not incur or assume any indebtedness, as defined, if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the REIT would be more than 65% of GBV.

The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with a term to maturity that is appropriate having regard to the lease maturity profile for each property and which allows the REIT to (i) achieve and maintain staggered debt maturities to lessen exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix the rates and extend loan terms as long as possible when borrowing conditions are favourable. The following summarizes the status of these key ratios as at and for the three and nine months ended September 30, 2018 and 2017:

RATIOS [1]		
Expressed in thousands of Canadian dollars	As at September 30, 2018	As at December 31, 2017
Gross book value [1]	$ 4,679,638	$ 4,684,028
Debt - declaration of trust [1]	$ 2,311,377	$ 2,190,179
Debt to Gross Book Value - Declaration of Trust	**49.4%**	**46.8%**
Debt - including convertible debentures [1]	$ 2,606,685	$ 2,487,036
Debt to Gross Book Value - Including Convertible Debentures	**55.7%**	**53.1%**

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Income (Loss) before taxes	$ 571	$(64,810)	$ 65,381	$ 75,813	$ 190,665	$ (114,852)
Add (deduct):						
Mortgage and loan interest expense	31,435	28,422	3,013	92,127	71,043	21,084
Distributions on Exchangeable Units	3,541	3,799	(258)	10,625	11,399	(774)
Amortization of deferred financing costs	3,800	2,470	1,330	8,454	5,554	2,900
Amortization of marked to market adjustment	(500)	(731)	231	(1,590)	(2,276)	686
EBITDA	$ 38,847	$(30,850)	$ 69,697	$ 185,429	$ 276,385	$ (90,956)
Loss on revaluation of financial liabilities	2,740	1,134	1,606	17,504	3,109	14,395
Fair market value losses (gains)	(30,213)	78	(30,291)	(76,974)	(177,256)	100,282
DUP compensation expense	647	735	(88)	3,603	3,728	(125)
Foreign exchange loss (gain)	(783)	(3,075)	2,292	2,272	(69)	2,341
Net loss on disposal of investment properties	917	—	917	2,688	—	2,688
Gain on business combination	—	89,578	(89,578)	—	89,578	(89,578)
Transaction costs	4,140	557	3,583	9,103	12,433	(3,330)
Impairment loss on Goodwill	50,096	—	50,096	50,096	—	50,096
Less: share of (profit) loss of associates	—	—	—	—	(43,681)	43,681
Add: distribution income from equity accounted associates	—	—	—	—	1,898	(1,898)
Adjusted EBITDA	$ 66,391	$ 58,157	$ 8,234	$ 193,721	$ 166,125	$ 27,596
Mortgage and loan interest expense	$ 31,435	$ 28,422	$ (3,013)	$ 92,127	$ 71,043	$ (21,084)
Less: debt repayment costs	—	—	—	(2,506)	(175)	2,331
Adjusted mortgage and loan interest expense	$ 31,435	$ 28,422	$ (3,013)	$ 89,621	$ 70,868	$ (18,753)
Interest coverage	**2.11**	**2.05**	**0.06**	**2.16**	**2.34**	**(0.18)**

Notes

(1) As defined in Non-IFRS measures used in this MD&A.

LIQUIDITY AND CASH RESOURCES

Cash Resources and Liquidity

CASH AND LIQUIDITY		
Expressed in thousands of Canadian dollars		
	As at September 30, 2018	**As at December 31, 2017**
Cash	$ 54,126	$ 71,704
Restricted Cash	307	363
Total	**$ 54,433**	**$ 72,067**

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil long- term financings.

The REIT also has a Revolving Credit Facility that provides for additional liquidity. As at September 30, 2018, the drawn balance on the Revolving Credit Facility was $241.0 million of the $250.0 million available to be drawn. The liquidity of the Australasian Secured Financing fluctuates based on the market price (as defined in the agreement) of the pledged units securing the facilities and is currently fully drawn.

On the assumption that occupancy levels remain strong, and that the REIT will be able to obtain financing on reasonable terms, the REIT anticipates meeting all current and future obligations as they come due. Management expects to refinance maturing debt and finance future acquisitions from: (i) existing cash balances, and (ii) a mix of mortgage debt secured by investment properties, acquisition facilities, operating facilities, issuance of equity and convertible/unsecured debentures, and select asset sales. Cash flow generated from operating activities and distribution income received from the REIT's investment in Vital Trust are sources of liquidity to service debt (except maturing debt), sustain maintenance capital expenditures, leasing costs and unit distributions.

Contractual cash flows

Liquidity risk arises from the REIT's financial obligations and in the management of its assets, liabilities and capital structure. This risk is managed by regularly evaluating the liquid financial resources available to fund current and long-term obligations and to meet the REIT's capital commitments in a cost-effective manner. The REIT expects to be able to meet all of its obligations as they become due and have sufficient liquidity from the following sources: (i) cash flow from operating activities; (ii) distribution income received from its investment in Vital Trust; (iii) financing available through both conventional mortgage debt secured by income producing properties, as well as unsecured debt; (iv) the issuance of new equity and debt securities; and (v) to the extent necessary, the sale of assets.

The following table sets out the REIT's contractual cash flows as at September 30, 2018:

CONTRACTUAL CASH FLOWS

Expressed in thousands of Canadian dollars	Carrying amount	Contractual cash flow	2018	2019	2020	2021	2022	Thereafter
Accounts payable and accrued liabilities	$ 74,951	$ 74,951	$ 74,951	$ —	$ —	$ —	$ —	$ —
Distributions payable	6,890	6,890	6,890	—	—	—	—	—
Income tax payable	5,210	5,210	5,210	—	—	—	—	—
Convertible debentures	295,308	329,291	4,969	54,726	106,196	163,400	—	—
Finance lease payable	2,909	2,909	30	487	379	364	350	1,299
Mortgages and loans payable	2,296,112	2,459,977	98,547	560,558	377,666	389,590	583,615	450,001
Total	**$2,681,380**	**$ 2,879,228**	**$190,597**	**$615,771**	**$484,241**	**$553,354**	**$583,965**	**$451,300**

The REIT currently intends to distribute a high percentage of its AFFO to Unitholders. As such, the REIT will not retain a material amount, or possibly none of operating cash flows or any cash distributions received from its investments in Vital Trust and the Australia REIT, to finance other capital requirements, such as acquisitions, maturing debt principal and significant capital expenditures. Instead, the REIT intends to finance such initiatives through the issuance of additional equity or debt securities. From time to time, the REIT may also consider other financing initiatives, such as the refinancing of mortgages on existing properties and entering into additional credit facilities.

The REIT's current liabilities totaled $561.1 million, exceeding current assets of $137.6 million, resulting in a working capital deficiency of $423.5 million as at September 30, 2018.

Current liabilities include:

- The Canadian Non-Revolving Secured Credit Facility with a balance of $51.2 million which matures in May 2019. The REIT currently expects to refinance the facility on or before its maturity.

- Australasian Secured Financing facilities of $94.2 million and $46.8 million which both mature in July 2019. The REIT currently expects to repay or renew the facilities on or before their maturity.

- The Acquisition Facility with an outstanding balance of $32.0 million which matures in December 2018. The REIT currently expects to refinance the facility on or before its maturity.

- Revolving Credit Facility tranche totaling $125.0 million that matures in January 2019. The REIT currently expects to refinance the facility on or before its maturity.

- $86.5 million of Canadian mortgage maturities that the REIT expects to refinance in the normal course as they mature.

There are no assurances that the timing, amounts and/or terms of any refinancing, or other efforts will be on terms favourable or otherwise satisfactory to the REIT. If the terms of any such refinancing or other efforts are less favourable than the terms of the existing loans, then the financial condition of the REIT, as well as the REIT's ability to continue to meet required interest and principal payments, meet capital commitments, or to continue to make distributions at current levels, may be materially adversely affected.

Changes in Cash

The following table sets out the REIT's net change in cash:

NET CHANGE IN CASH [1]

Expressed in thousands of Canadian dollars	Three months ended September 30, 2018			Nine months ended September 30, 2018		
	2018	**2017**	**Variance**	**2018**	**2017**	**Variance**
Cash provided by / (used in):						
Operating activities	$ 38,537	$ 23,774	$ 14,763	$ 75,604	$ 70,330	$ 5,274
Investing activities	82,843	(85,587)	168,430	(156,528)	(620,093)	463,565
Financing activities	(128,141)	45,105	(173,246)	63,536	570,342	(506,806)
Net increase / (decrease) in cash during the period	**(6,761)**	**(16,708)**	**9,947**	**(17,388)**	**20,579**	**(37,967)**
Effect of foreign currency translation	1,187	(1,077)	2,264	(190)	(6,067)	5,877
Net increase / (decrease) in cash during the period	**$ (5,574)**	**$ (17,785)**	**$ 12,211**	**$ (17,578)**	**$ 14,512**	**$ (32,090)**

Operating activities

Cash generated by operating activities totaled $38.5 million for the three months ended September 30, 2018 as compared to $23.8 million for the three months ended September 30, 2017, an increase of $14.8 million. This increase is primarily related to a $3.4 million increase in NOI and positive working capital movement of $14.4 million, partially offset by an increase in mortgage and loan interest paid of $0.7 million.

Cash generated by operating activities totaled $75.6 million for the nine months ended September 30, 2018 as compared to $70.3 million for the nine months ended September 30, 2017, a increase of $5.3 million. This increase is primarily related to a $27.8 million improvement in NOI and a increase in transaction costs of $3.3 million, offset by an $18.4 million increase in mortgage and loan interest paid and an increase to taxes paid of $8.7 million.

Investing activities

Cash generated by investing activities totaled $82.8 million for the three months ended September 30, 2018, which is related to the net proceeds from disposal of investment properties of $214.4 million; offset by acquisitions of investment properties of $105.8 million and additions to investment properties of $24.0 million.

Cash used by investing activities totaled $156.5 million for the nine months ended September 30, 2018, which is primarily due to $385.3 million related to acquisitions of investment properties, $59.9 million of additions to investment properties and the prepayment of the HSO forward contract of $87.4 million; offset by the net proceeds from disposal of investment properties of $376.9 million.

Financing activities

Cash used in financing activities totaled $128.1 million for the three months ended September 30, 2018 as compared to cash provided by financing activities totaling $45.1 million during the three months ended September 30, 2017.

During the three months ended September 30, 2018 the REIT made net repayments of mortgages, loans payable and credit facilities of $100.3 million, paid financing fees of $0.3 million, paid distributions to REIT unitholders of $22.1 million and paid distributions to non-controlling unitholders of Vital Trust and the Australia REIT of $5.5 million.

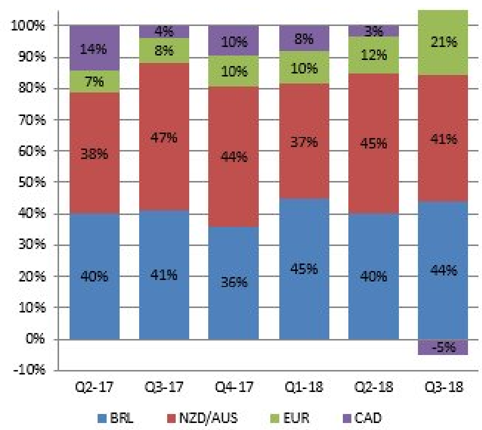
Cash provided by financing activities totaled $63.5 million for the nine months ended September 30, 2018 as compared to $570.3 million during the nine months ended September 30, 2017.

During the nine months ended September 30, 2018 the REIT received net advances from mortgages, loans payable and credit facilities of $170.0 million, paid financing fees of $3.5 million, paid distributions to REIT unitholders of $66.2 million, paid distributions to non-controlling unitholders of Vital Trust and the Australia REIT of $17.0 million and settled securitization repayment of $19.6 million related to Hospital Sabara in Brazil.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months ended September 30, 2018, the majority of the REIT's AFFO was conducted in currencies other than Canadian dollars, while its distributions to Unitholders, certain general and administrative expenses, interest expenses and interest income were denominated in Canadian dollars. A summary of the REIT's currency exposure by quarter for the last five quarters is presented below:

AFFO by Currency by Quarter [1]



Trading Range

(Against CAD)	BRL	EUR	NZD	AUD
Three months ended September 30, 2018:				
High	0.3517	1.5419	0.8967	0.9786
Low	0.3104	1.4853	0.8515	0.9298
Average	0.3310	1.5203	0.8737	0.9555
Balance Sheet:				
September 30, 2018	0.3226	1.5072	0.8585	0.9368
December 31, 2017	0.3809	1.5084	0.8900	0.9805
Profit & Loss:				
Q3 2018 Average Rate	0.3310	1.5203	0.8737	0.9555
Q2 2018 Average Rate	0.3587	1.5389	0.9092	0.9767
Q1 2018 Average Rate	0.3893	1.5543	0.9194	0.9937
Q4 2017 Average Rate	0.3909	1.4965	0.8850	0.9766
Q3 2017 Average Rate	0.3961	1.4729	0.9157	0.9897

Notes

(1) Canadian Dollar AFFO represents the Canadian region AFFO and Corporate interest income less interest expense paid on Canadian-denominated debt and certain general and administrative expenses.

For the three months ended September 30, 2018, a portion of the AFFO generated in foreign currencies was retained in those foreign currencies to provide funds for operations, future investments in those foreign jurisdictions and to minimize currency conversion costs, while a portion has been repatriated back to Canada to fund distributions, interest payments and other corporate expenses.

For the three months ended September 30, 2018, Canadian dollar AFFO was a loss of $0.1 million while Canadian dollar distributions paid in cash to unitholders totaled $24.2 million. Deficiencies were funded from cash repatriated to Canada from Brazil, Europe, Australia, and New Zealand and the draws on the Revolving Credit Facility.

As at September 30, 2018, the REIT held approximately $6.4 million of cash and receivables denominated in Canadian Dollars.

The REIT monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. The REIT has not executed any derivative foreign currency hedging arrangements in the past year; however, Vital Trust has in place a proactive currency management policy which aims to reduce volatility in the Australian dollar relative to the New Zealand dollar. Vital Trust's transaction hedging policy framework minimizes earnings volatility by means of coverage on forecasted Australian dollar profits. Vital Trust's translation hedging is managed both through natural hedges as Vital Trust has Australian based investment properties and Australian denominated borrowings and through rolling foreign exchange contracts.

The REIT intends to implement its formal hedging policy, when necessary, practicable and economically feasible to do so, to mitigate the impact of foreign currency fluctuations and to provide more certainty regarding the payment of distributions to unitholders if the Canadian dollar increases in value compared to foreign currencies. The REIT's current hedging arrangements include natural currency hedges through local-currency denominated debt, inflation- indexed leases that provide protection against currency devaluation, and exposure to a diversified basket of currencies. Future hedging arrangements may include implementing specific foreign currency hedging derivatives.

The REIT (with the exception of Vital Trust) does not currently have any specific foreign currency hedging derivatives in place.

Among the REIT's global currencies, compared to December 31, 2017, the BRL, AUD, EUR and NZD are all down 15.3%, 4.5%, 0.1% and 3.5%, respectively.

PART V – RELATED PARTY TRANSACTIONS

a) As at September 30, 2018, NWVP indirectly owned approximately 21% of the outstanding Trust Units (approximately 17% on a fully-diluted basis assuming conversion of the REIT's Convertible Debentures and redemption of its deferred units) of the REIT through a combination of Trust Units of the REIT and Class B LP Units. Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer ("**CEO**") of the REIT, is the sole shareholder, sole director and President of NWVP.

b) The following table summarizes the related party transactions with NWVP and its affiliates related to cost reimbursements (advances), and the Cost-Sharing and Sublease Agreements during the period:

RELATED PARTY TRANSACTIONS

Expressed in thousands of Canadian dollars	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Out-of-pocket costs	$ 335	$ —	$ 335	$ 492	$ 794	$ (302)
Cost-sharing and sublease amounts	(10)	14	(24)	(10)	141	(151)

c) The following table summarizes the balance owing from NWVP and its subsidiaries:

RELATED PARTY BALANCE SHEET AMOUNTS

Expressed in thousands of Canadian dollars	As at September 30, 2018	As at December 31, 2017	Variance
Amounts receivable (payable)			
Out-of-pocket costs advanced (paid)	$ 328	$ 60	$ 268
Amounts payable			
Class B Exchangeable Unit distributions	$ 1,181	$ 1,267	$ (86)

Transactions with related parties disclosed above are recorded at the transaction amount, being the price agreed between the parties.

PART VI – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies is described in note 2 of the REIT's condensed consolidated interim financial statements for the three and nine months ended September 30, 2018, and audited consolidated financial statements and accompanying notes for the year ended December 31, 2017.

The preparation of financial statements in conformity with IFRS requires the REIT to make judgments, estimates, and assumptions that affect the reported amounts recognized in the financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the financial statements. Actual results could differ from estimates. Please refer to note 1 in the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2017.

PART VII – RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Trust Units and the Convertible Debentures and in the activities of the REIT which current and prospective Unitholders and current or prospective investors in Convertible Debentures should carefully consider. The REIT's Annual Information Form, which can be found on SEDAR at www.sedar.com., contains a detailed summary, under "Risk Factors", of the risk factors pertaining to the REIT and its business.

PART VIII – CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's disclosure controls and procedures (as defined by National Instrument 52 - 109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators ("NI 52 - 109")) to provide reasonable assurance that: (i) material information relating to the REIT, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the filings are being prepared; and (ii) material information required to be disclosed in the fillings or other reports filed or submitted by the REIT under securities legislation is recorded, processed, summarized and reported on a timely basis and within the time period specified by securities legislation.

Changes in Internal Controls Over Financial Reporting

There were no significant changes made in internal controls over financial reporting during the three months ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

PART IX – OUTLOOK

During the last quarter of 2018, the REIT will continue to focus on lowering its cost of capital through debt refinancings and repayments, and new financing; continue to pursue new acquisitions and accretive development opportunities in the REIT's existing markets; and continue to execute on a focused investor relations outreach program.

Looking forward, the REIT remains committed to its key initiatives as outlined below:

1. Continue to enhance its management platform and operational performance where possible;
2. Expand the portfolio and augment its quality through reinvestment in existing assets and acquiring new assets in each of our core markets;
3. Continue to achieve maximum returns and drive unitholder value through optimal capital allocation within the REIT's global markets;
4. Optimize its capital structure;
5. Increase investor liquidity by raising new capital and broadening its investor base; and
6. Increase its profile through measured investor relations and communication strategies.

PART X – PROPERTY TABLE

As at September 30, 2018

PROPERTY TABLE

	Property	Location	Date Acquired	Year Built [1]	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE[2]
	Canada							
1	Glenmore Professional Centre	Calgary, AB	Dec 31, 2010	2007	137,821	2	62.6%	4.5
2	Sunridge Professional Centre	Calgary, AB	Mar 25, 2010	1985	132,848	35	98.1%	4.3
3	Riley Park Health Centre (6)	Calgary, AB	Mar 25, 2010	1956	72,801	9	100.0%	4.7
4	Rockyview Health Centre I	Calgary, AB	Mar 25, 2010	1977	68,481	31	93.5%	4.6
5	Foothills Professional Building	Calgary, AB	Mar 25, 2010	1980	58,607	21	94.7%	3.2
6	Sunpark Plaza	Calgary, AB	Dec 7, 2011	2005	53,209	8	67.2%	3.0
7	Rockyview Health Centre II	Calgary, AB	Mar 25, 2010	1992	53,126	6	85.5%	6.0
8	Willow Brook Medical Centre	Airdrie, AB	Apr 10, 2012	2010	34,680	5	100.0%	5.3
9	Hys Centre	Edmonton, AB	Feb 1, 2011	1978	182,373	35	88.7%	4.1
10	Tawa Centre	Edmonton, AB	May 31, 2011	1986	87,649	24	97.5%	4.0
11	Mira Health Centre	Edmonton, AB	Mar 25, 2010	1992	69,685	18	91.2%	6.4
12	Garneau Professional Building	Edmonton, AB	Mar 25, 2010	1980	58,327	14	64.2%	3.7
13	Queen Street Place	Spruce Grove, AB	Jul 7, 2010	2007	75,029	14	80.8%	5.6
14	WRHA Downtown West Community	Winnipeg, MB	May 16, 2013	1974	43,685	3	95.8%	10.2
15	Hargrave Place	Winnipeg, MB	Jul 31, 2013	1977	71,154	3	100.0%	11.1
16	Davisville Medical Dental Centre	Toronto, ON	Mar 25, 2010	1964	95,778	82	90.4%	3.4
17	Fairview Health Centre	Toronto, ON	Mar 25, 2010	1971	87,260	53	99.0%	5.8
18	North York Medical Arts Building	Toronto, ON	Mar 25, 2010	1969	75,866	60	100.0%	4.8
19	The Stewart Building	Toronto, ON	Mar 25, 2010	1892	43,118	1	100.0%	0.8
20	Malvern Medical Arts	Toronto, ON	Apr 1, 2011	1987	40,584	17	90.7%	4.7
21	Albany Medical Clinic	Toronto, ON	Sep 27, 2012	2010	42,582	1	100.0%	11.8
22	One Medical Place	Toronto, ON	Mar 25, 2010	1964	41,129	21	94.5%	6.4
23	Danforth Health Centre	Toronto, ON	Mar 25, 2010	1991	29,496	9	100.0%	4.0
24	Bathurst Health Centre	Toronto, ON	Mar 25, 2010	1984	29,082	15	100.0%	7.2
25	81 The East Mall (6)	Toronto, ON	Jan 16, 2015	1994	35,998	6	87.1%	13.4
	85 The East Mall (6)	Toronto, ON	Jan 16, 2015	2016	46,448	8	93.2%	13.9
26	Queensway Professional Centre	Mississauga, ON	Mar 25, 2010	1977	169,991	69	90.1%	5.8
27	Trafalgar Professional Centre	Oakville, ON	Mar 25, 2010	1985	66,084	30	97.8%	4.7
28	Dundas-Centre Medical	Whitby, ON	Oct 1, 2012	1987	34,526	23	96.4%	5.3
29	Wentworth?Limeridge Medical Centre	Hamilton, ON	Mar 25, 2010	1989	40,716	21	96.8%	4.1
30	Queenston Medical-Dental Centre	Hamilton, ON	Oct 1, 2012	1992	18,687	15	100.0%	3.3
31	Oxford Health Centre	London, ON	Mar 25, 2010	1994	39,184	21	86.3%	3.1
32	Springbank Medical Centre	London, ON	Mar 30, 2012	2011	53,822	29	97.9%	5.1
33	Canamera Medical Centre	Cambridge, ON	Sep 15, 2011	2007	86,283	20	100.0%	5.2
34	Guelph Medical Place I	Guelph, ON	Oct 1, 2012	1991	36,063	16	100.0%	4.9
35	Guelph Medical Place II	Guelph, ON	Oct 1, 2012	2011	27,950	12	83.9%	5.0
36	Collingwood Health Centre	Collingwood, ON	Mar 25, 2010	1995	26,354	13	93.5%	3.8
37	Owen Sound Family Health Centre	Owen Sound, ON	Feb 9, 2015	2011	77,542	13	94.2%	5.5
38	Smyth Medical Centre	Ottawa, ON	Sep 10, 2012	1983	24,391	17	87.7%	3.6
39	Barrie Primary Care Campus	Barrie, ON	Feb 9, 2015	2016	79,229	10	77.2%	11.4
40	CSSS Haut-Richelieu	Richelieu, QC	Sep 1, 2010	2009	54,659	1	100.0%	5.6
41	Le Carrefour Medical	Laval, QC	Mar 25, 2010	1990	118,573	35	85.5%	4.6
42	Clinique Bleue	Longueuil, QC	Mar 25, 2010	1988	25,633	7	100.0%	6.1
43	2924 Taschereau Boulevard	Longueuil, QC	Mar 25, 2010	1988	24,644	1	100.0%	2.3

PART X – PROPERTY TABLE (CON'T.)

PROPERTY TABLE

	Property	Location	Date Acquired	Year Built (1)	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE (2)
44	CLSC Saint-Hubert	Saint Hubert, QC	Mar 25, 2010	1991	49,323	2	100.0%	9.2
45	950 Montee des Pionniers	Lachenaie, QC	Mar 25, 2010	2004	64,516	15	98.0%	4.3
46	Agence Lanaudiere	Joliette, QC	Dec 20, 2012	1994	53,771	1	100.0%	5.0
47	CSSS Grand Littoral	Levis, QC	Sep 1, 2010	2008	64,563	2	100.0%	4.4
48	Polyclinique Val-Belair	Quebec City, QC	Jul 22, 2011	2009	46,053	12	100.0%	3.6
49	Centre Medicale de L'Hetriere	Quebec City, QC	Jan 19, 2012	2007	36,619	6	90.5%	5.2
50	Fredericton Medical Centre	Fredericton, NB	Mar 25, 2010	1985	70,569	38	87.0%	4.1
51	Moncton Medical Clinic	Moncton, NB	Jan 23, 2012	1984	40,576	17	100.0%	5.6
52	Cobequid Centre	Lower Sackville, NS	Mar 25, 2010	2006	30,009	1	100.0%	4.2
53	Halifax Professional Centre	Halifax, NS	Mar 25, 2010	1972	115,831	76	86.6%	4.4
54	Gladstone Professional Centre	Halifax, NS	Mar 25, 2010	1985	41,860	12	98.2%	1.9
55	New Glasgow Medical Centre	New Glasgow, NS	Dec 21, 2011	2009	33,800	1	100.0%	6.4
					3,418,637	**1,037**	**91.7%**	**5.3**
	Redevelopment Properties:							
56	490 Harwood Boulevard	Vaudreuil-Dorion, QC	Mar 25, 2010	1985	24,457	n/a	—%	n/a
	Parkwood (6)	Calgary, AB	Mar 25, 2010	1956	20,271	n/a	—%	n/a
					44,728	**n/a**	**n/a**	**n/a**
	Development Land:							
	St. Albert Land	St. Albert, AB	Feb 9, 2015	n/a	n/a	n/a	n/a	n/a
	479 Hume	Collingwood, ON	Jan 26, 2017	n/a	n/a	n/a	n/a	n/a

PART X – PROPERTY TABLE (CON'T.)

PROPERTY TABLE

	Property	Location	Date Acquired	Year Built [1]	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE [2]
	Brazil							
57	Sabará Children's Hospital	São Paulo	Nov 16, 2012	2010	104,915	1	100.0%	6.0
	Rede D'Or Hospital Portfolio:							
58	Hospital e Maternidade Brasil ("HMB")	São Paulo	Dec 27, 2012	1970 - 2007	342,000	1	100.0%	19.3
59	Hospital Santa Luzia	Brasilia's South Wing	Dec 23, 2013	2003	185,139	1	100.0%	20.3
60	Hospital Do Coracao	Brasilia's South Wing	Dec 23, 2013	2007	96,875	1	100.0%	20.3
61	Hospital Caxias	Rio de Janeiro	Dec 23, 2013	2013	290,626	1	100.0%	20.3
62	Hospital IFOR	São Paulo	Jul 19, 2016	2001	150,000	1	100.0%	22.8
63	Hospital Santa Helena	Brasilia - DF	Oct 24, 2016	2006	323,774	1	100.0%	23.1
64	Hospital São Luiz Morumbi	São Paulo	Sep 28, 2018	2000	230,374	1	100.0%	25.1
					1,723,703	**8**	**100.0%**	**20.6**
	Europe							
	Germany							
65	Adlershof 1	Berlin	Nov 16, 2012	2004	55,291	53	95.1%	4.5
66	Adlershof 2	Berlin	Nov 16, 2012	2010	47,507	46	100.0%	2.4
67	Berlin Neukölln	Berlin	Nov 16, 2012	2000	33,991	16	99.8%	4.5
68	Königs Wusterhausen 1	Königs Wusterhausen	Nov 16, 2012	2001	35,693	25	89.0%	2.9
69	Fulda - 3-5flem	Fulda	Mar 31, 2013	2010	111,205	30	97.2%	2.1
70	Polimedica Centre	Berlin	Jun 25, 2014	2007	113,937	34	97.2%	8.2
71	Hollis Centre	Ingolstadt	Jun 25, 2014	1996	99,651	35	95.3%	3.6
72	Leipzig am Park	Leipzig	Jun 25, 2014	1977	19,048	10	100.0%	8.5
73	Leipzig Baestlein	Leipzig	Jun 25, 2014	1975	19,163	11	93.4%	4.7
74	Leipzig Gruenauer	Leipzig	Jun 25, 2014	1980	15,932	9	96.8%	9.4
75	Leipzig Karlsruher	Leipzig	Jun 25, 2014	1982	19,013	7	91.4%	6.9
76	Leipzig Lidicestrasse	Leipzig	Jun 25, 2014	1975	19,201	13	100.0%	5.5
77	Leipzig Pfaffensteinstrasse	Leipzig	Jun 25, 2014	1985	18,277	8	79.5%	3.9
78	Leipzig Plovdiver	Leipzig	Jun 25, 2014	1975	18,217	4	93.6%	3.4
79	Leipzig Schlehenweg	Leipzig	Jun 25, 2014	1989	18,625	11	99.5%	2.6
80	Leipzig Stuttgarter	Leipzig	Jun 25, 2014	1978	18,047	9	83.6%	3.4
81	Leipzig Tauchaer Strasse	Leipzig	Jun 25, 2014	1982	18,877	11	100.0%	5.1
82	Leipzig Yorckstrasse	Leipzig	Jun 25, 2014	1975	11,624	6	94.5%	4.0
83	Hohenschonhausen	Berlin	Aug 30, 2014	1996	64,640	38	94.1%	2.2
84	Mehrower Allee	Berlin	Apr 14, 2016	2006	82,242	59	97.0%	3.9
85	Alstadt-Caree Fulda Medical Centre	Fulda	Feb 1, 2017	2017	30,638	12	100.0%	7.0
86	Medical Care Centre Hamburg-Bergedorf	Hamburg	Feb 1, 2017	1989	60,453	31	92.8%	4.6
87	Praxis-Klinik Bergedorf	Hamburg	Dec 18, 2017	1994	66,699	30	99.8%	7.1
88	Clinic Bismarkstr68	Bad Kissingen	Feb 22, 2018	1996	79,502	1	100.0%	26.4
89	Clinic Bremerstr2	Wilhelmshaven	Mar 15, 2018	1994	150,964	1	100.0%	26.5
90	Fritz-Lang-Platz 6	Berlin	Feb 1, 2018	2005	59,664	11	100.0%	4.5
91	Landsberger Allee 44	Berlin	April 27, 2018	1994	32,052	26	97.5%	4.2
92	Matthiasstr. 7	Berlin	April 27, 2018	1995	34,296	36	90.1%	4.3
					1,354,449	**583**	**96.7%**	**8.3**
	Development Land:							
	Rubensstr Land	Berlin	Apr 1, 2015	n/a	n/a	n/a	n/a	n/a
	Mehrower Land	Berlin	Jan 30, 2017	n/a	n/a	n/a	n/a	n/a
	Netherlands							
93	Maastadweg 2-144	Rotterdam	June 29, 2018	2011	347,383	17	92.8%	9.5
94	Prins Berhardplein 200	Brunssum	June 29, 2018	2016	117,234	17	91.0%	11.6
					464,617	**34**	**92.4%**	**10.0**
	Europe Total				**1,819,066**	**617**	**95.6%**	**8.7**

PART X – PROPERTY TABLE (CON'T)

PROPERTY TABLE

	Property	Location	Date Acquired	Year Built [1]	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE [2]
	Vital Trust							
	Australia							
95	The Southport Private Hospital	Southport, Queensland	Dec 22, 2010	1979	318,776	1	100.0%	19.4
96	Belmont Private Hospital	Carina, Queensland	Dec 22, 2010	1973/2015	94,024	1	100.0%	17.4
97	Clover-Lea Residential Aged Care	Sydney, New South Wales	Mar 1, 2016	1919/1960/ 2003	16,146	1	100.0%	17.4
98	Dubbo Private Hospital	Dubbo, New South Wales	Dec 22, 2010	1994	60,144	1	100.0%	13.3
99	Epworth Eastern Hospital	Melbourne, Victoria	Mar 30, 1999	2005	136,610	6	100.0%	21.5
100	Epworth Eastern Medical Centre	Melbourne, Victoria	Mar 30, 1999	1986	33,421	24	100.0%	9.0
101	Epworth Rehabilitation	Melbourne, Victoria	Feb 1, 1999	1971	37,136	1	100.0%	5.4
102	Fairfield Residential Aged Care	Sydney, New South Wales	Mar 1, 2016	1968/2009	31,000	1	100.0%	17.4
103	Gold Coast Surgery Centre	Southport, Queensland	Dec 22, 2010	1999	29,506	7	69.2%	1.4
104	Hamersley Residential Aged Care	Perth, Western Australia	Mar 1, 2016	1971	20,279	1	100.0%	17.4
105	Hurstville Private Hospital	Sydney, New South Wales	Apr 30, 2012	1894/2015	135,239	1	100.0%	23.6
106	Lingard Private Hospital	Merewether, New South Wales	Dec 22, 2010	1975/2015	99,567	1	100.0%	22.4
107	Maitland Private Hospital	Maitland, New South Wales	Dec 22, 2010	2001/2015	127,435	2	100.0%	19.3
108	Marian Centre	Perth, Western Australia	Aug 12, 2014	1965	38,212	1	100.0%	15.9
109	Mayo Private Hospital	Taree, New South Wales	Dec 16, 2011	1997	62,700	1	100.0%	13.2
110	North West Private Hospital	Burnie, Tasmania	Dec 22, 2010	1988	87,361	2	100.0%	18.1
111	Palm Beach Currumbin Clinic	Currumbin, Queensland	Dec 22, 2010	1980	53,443	1	100.0%	13.4
112	Rockingham Residential Aged Care	Perth, Western Australia	Mar 1, 2016	1968/1992	14,596	1	100.0%	17.4
113	South Eastern Private Hospital	Melbourne, Victoria	Dec 22, 2010	1970	91,462	1	100.0%	22.4
114	Sportsmed Private Hospital	Adelaide, South Australia	Dec 3, 2012	1990/2008	56,608	2	100.0%	16.7
115	Sportsmed Consulting (8)	Adelaide, South Australia	Jan 20, 2016	1990	9,074	1	100.0%	17.3
116	Sportsmed Office (8)	Adelaide, South Australia	Jan 20, 2016	1988	15,253	1	100.0%	17.3
117	Toronto Private Hospital	Toronto, New South Wales	Dec 22, 2010	1988	55,682	2	100.0%	24.3
118	Mons Road	Westmead, New South Wales	Sep 30, 2016	2010	31,179	5	100.0%	4.4
119	Ekera Medical Centre	Box Hill, Victoria	Nov 17, 2016	2014	30,753	12	94.2%	2.2
120	Abbotsford Private Hospital	West Leederville, WA	Feb 24, 2017	2012	16,695	1	100.0%	23.4
121	Grafton Aged Care Home	South Grafton, NSW	Mar 31, 2017	1940	37,674	1	100.0%	18.5
122	Hirondelle Private Hospital	Chatswood, NSW	May 31, 2017	2013	34,402	1	100.0%	23.7
123	The Hills Clinic	Kellyville, NSW	Jul 31, 2017	2011	31,797	1	100.0%	28.8
124	Eden Rehabilitation Hospital	Cooroy, Queensland	Dec 8, 2017	1979	40,171	1	100.0%	19.2
					1,846,345	**83**	**99.4%**	**18.2**
	Development Land:							
125	25 Nelson Road(9)	Box Hill, Victoria	Nov 28, 2014	n/a	n/a	n/a	n/a	n/a
126	142 Brighton Avenue(10)	Toronto, New South Wales	Jul 22, 2015	n/a	n/a	n/a	n/a	n/a
127	27 Hopkins Street (11)	Merewether, New South Wales	Nov 25, 2015	n/a	n/a	n/a	n/a	n/a
128	6 Lingard Street (11)	Merewether, New South Wales	Dec 4, 2015	n/a	n/a	n/a	n/a	n/a
	New Zealand							
129	Apollo Health and Wellness Centre	Albany, Auckland	Sep 1, 2008	2005	52,807	21	91.5%	6.8
130	Ascot Central	Greenlane East, Auckland	May 1, 2008	2008	51,437	18	100.0%	3.8
131	Ascot Central Car Park	Greenlane East, Auckland	ground lease	1999	4,833	16	100.0%	12.6
132	Ascot Hospital	Greenlane East, Auckland	Mar 25, 1999	1999	122,497	20	100.0%	18.3
133	Kensington Hospital	Whangarei, Northland	Mar 12, 2001	2001	25,371	1	100.0%	27.8
134	Napier Health Centre	Napier, Hawke's Bay	Dec 23, 1999	1999	46,231	1	100.0%	1.2
135	Boulcott Private Hospital	Lower Hutt	Jul 1, 2016	1985	45,672	1	100.0%	19.8
136	Ormiston Hospital	Flatbush, South Auckland	Apr 4, 2017	2008	53,805	8	100.0%	4.0
137	Royston Hospital	Hastings, Hawke's Bay	Dec 12, 2017	1931	63,723	1	100.0%	29.2
138	Wakefield Hospital	Newtown, Wellington	Dec 12, 2017	1910	155,626	1	100.0%	29.2
139	Bowen Hospital	Crofton Downs, Wellington	Dec 12, 2017	1971	114,777	1	100.0%	29.2
					736,779	**89**	**99.4%**	**19.7**
	Development Land:							
	678 High Street	Lower Hutt	Jul 1, 2016	n/a	n/a	n/a	n/a	n/a
	Australasia - Vital Trust (3)				**2,583,124**	**172**	**99.4%**	**18.7**

PART X – PROPERTY TABLE (CON'T.)

PROPERTY TABLE

	Property	Location	Date Acquired	Year Built (1)	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE(2)
	Australia REIT							
140	Epworth Freemasons Private Hospital (13)	East Melbourne,Victoria	Jun 1, 2006	1935/1950/1960 /1970/1990/ 2007/2014/2015	150,588	1	100.0%	15.7
141	Epworth Freemasons Private Hospital and Medical Centre (13)	East Melbourne, Victoria	Jun 1, 2006	1980	92,398	32	100.0%	6.1
142	Pacific Private Clinic	Southport ,Queensland	Jun 1, 2007	2000	85,580	24	78.6%	3.5
143	Frankston Private Hospital	Frankston,Victoria	Jun 1, 2007	2006	127,665	9	100.0%	15.2
144	ARCBS (Australian Red Cross Blood Service) Facility (13)	Brisbane, Queensland	Jun 1, 2008	2008	217,960	11	100.0%	11.8
145	Westmead Rehabilitation Hospital	Merrylands ,New South Wales	Apr 19, 2013	2005	30,699	1	100.0%	19.7
146	Spring Hill	Brisbane ,Queensland	May 23, 2014	1988	90,321	11	97.6%	4.2
147	Frankston Specialist Centre	Frankston ,Victoria	Nov 3, 2014	1989	6,458	1	100.0%	6.1
148	St John Of God Berwick Specialist Centre	Berwick,Victoria	Jun 1, 2015	2015	38,502	13	100.0%	5.8
149	Bolton Clarke Tantula Rise Aged Care Facility	Alexandra Headland, Queensland	Jun 25, 2015	2005/2007	83,615	1	100.0%	17.8
150	Bolton Clarke Baycrest Aged Care Facility	Pialba, Queensland	Jun 25, 2015	1990/2006	71,860	1	100.0%	17.7
151	Bolton Clarke Darlington Aged Care Facility	Banora Point, New South Wales	Jun 25, 2015	2005/2007	67,695	1	100.0%	18.1
152	Waratah Private Hospital Ground Floor Suites	Hurstville,New South Wales	Sep 11, 2015	2010	7,933	1	100.0%	17.3
153	St John of God Private Hospital (Casey Stage 2)	Berwick,Victoria	Mar 21, 2013	2017	180,728	1	100.0%	19.1
	Development Property:							
	Gray Street Centre and Albert Street Car Park (12) (13)	East Melbourne,Victoria	Jun 1, 2006	n/a	n/a	n/a	n/a	n/a
	St John of God Private Hospital (Casey Stage 3)	Berwick,Victoria	Mar 21, 2013	n/a	n/a	n/a	n/a	n/a
					1,252,002	**108**	**98.4%**	**13.2**
	Portfolio Totals / Weighted Averages (5)				**10,841,260**	**1,942**	**96.3%**	**12.5**
	Portfolio Totals / Weighted Averages-at ownership interest (4)(5)				**8,903,918**		**95.6%**	**11.1**

Notes

(1) Blended between year built/renovated or expanded, as applicable.

(2) As at September 30, 2018 weighted average lease expiry in years.

(3) Represents 100% of Vital Trust. The REIT has an exposure to an approximate 25% interest in Vital Trust. The property count for Vital includes four properties representing development land.

(4) Calculation is based on the REIT's ownership interest in Vital Trust.

(5) Weighted Average Occupancy and WALE excluding Redevelopment Properties.

(6) One of two buildings on a two building campus.

(7) Adjacent to South Eastern Private Hospital.

(8) Adjacent Sportsmed Private Hospital.

(9) Adjacent to Epworth Eastern Hospital.

(10) Adjacent to Toronto Private Hospital.

(11) Adjacent Lingard Private Hospital.

(12) Adjoining the Epworth Freemasons Private Hospital.

(13) Seed Assets sold to an institutional investor as part of a Joint Venture Agreement ("JV") which closed on September 21, 2018. The REIT owns 30% interest in the JV.

PART XI – SUPPLEMENTAL DISCLOSURE

SUPPLEMENTAL DISCLOSURE

Unaudited	Three months ended September 30, 2018									
Expressed in thousands of Canadian dollars	Canada	Brazil	Europe	Australia/New Zealand					Corporate [3]	Consolidated
				Vital Trust	Australia REIT	ANZ Manager	Elimination	Total		
Net Operating Income [1]										
Revenue from investment properties	$ 29,373	$ 11,489	$ 10,516	$ 24,373	$ 11,759	$ —	$ (466)	$ 35,666	$ —	$ 87,044
Property operating costs	(13,731)	—	(3,311)	(2,970)	(1,867)	—	48	(4,789)	—	(21,831)
	15,642	**11,489**	**7,205**	**21,403**	**9,892**	**—**	**(418)**	**30,877**	**—**	**65,213**
Other Income										
Share of profit (loss) from associates	—	—	—	—	—	808	(808)	—	—	—
Management fees	—	—	—	—	—	7,848	(5,363)	2,485	—	2,485
Interest and other	3	1,671	76	18	1,304	66	1	1,389	44	3,183
	3	**1,671**	**76**	**18**	**1,304**	**8,722**	**(6,170)**	**3,874**	**44**	**5,668**
	15,645	**13,160**	**7,281**	**21,421**	**11,196**	**8,722**	**(6,588)**	**34,751**	**44**	**70,881**
Other Expenses										
Mortgage and loan interest expense	(5,092)	(3,210)	(1,574)	(6,512)	(5,366)	—	—	(11,878)	(9,681)	(31,435)
General and administrative expenses	(550)	(390)	(804)	(6,794)	(65)	(3,015)	7,111	(2,763)	(630)	(5,137)
Transaction costs	(152)	(92)	(8)	(2,381)	(5)	(8)	—	(2,394)	(1,494)	(4,140)
Other finance costs	334	(3,170)	(122)	(127)	(2,577)	—	—	(2,704)	(4,434)	(10,096)
Foreign exchange gain (loss)	4	596	(21)	73	—	(101)	—	(28)	232	783
Income / (Loss) before the under noted items	**10,189**	**6,894**	**4,752**	**5,680**	**3,183**	**5,598**	**523**	**14,984**	**(15,963)**	**20,856**
Fair value adjustment of DUP liability	—	—	—	—	—	(50)	—	(50)	54	4
Fair value adjustment of investment properties	30,785	3,562	8,724	2,773	(2,544)	—	151	380	—	43,451
Net loss on disposal of investment properties	—	—	—	—	(917)	—	—	(917)	—	(917)
Goodwill impairment loss	—	—	—	—	(50,096)	—	—	(50,096)	—	(50,096)
Gain / (Loss) on derivative financial instruments	495	—	645	(8,157)	(5,950)	240	—	(13,867)	—	(12,727)
Income / (Loss) before taxes	**41,469**	**10,456**	14,121	**296**	**(56,324)**	**5,788**	**674**	**(49,566)**	**(15,909)**	**571**
Income tax expense	—	(5,243)	(1,828)	(1,566)	(19,665)	(627)	—	(21,858)	(111)	(29,040)
Net Income (loss)	**$ 41,469**	**$ 5,213**	**$ 12,293**	**$ (1,270)**	**$ (75,989)**	**$ 5,161**	**$ 674**	**$ (71,424)**	**$ (16,020)**	**$ (28,469)**
Non-Controlling Interest	—	—	1	332	724	—	(236)	820	—	821
Income attributable to Unitholders	**$ 41,469**	**$ 5,213**	**$ 12,292**	**$ (1,602)**	**$ (76,713)**	**$ 5,161**	**$ 910**	**$ (72,244)**	**$ (16,020)**	**$ (29,290)**
Add / (Deduct):										
Fair market value losses (gains)	(31,280)	(3,562)	(9,369)	5,384	8,494	(190)	(151)	13,537	461	(30,213)
Less: Non-controlling interests' share of fair market value losses (gains)	—	—		(3,039)	(9)		113	(2,935)	—	(2,935)
Finance cost - Exchangeable Unit distributions	—	—	—	—	—	—	—	—	3,541	3,541
Revaluation of financial liabilities	—	2,740	—	—	—	—	—	—	—	2,740
Unrealized foreign exchange loss (gain)	(4)	(598)	25	(73)	—	101	—	28	(364)	(913)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	—	—		55	—	—	—	55	—	55
Deferred taxes	—	5,240	1,825	150	19,665	(152)	—	19,663	—	26,728
Less: Non-controlling interests' share of deferred taxes	—	—	—	(113)	—	—	—	(113)	—	(113)
Transaction costs	152	92	8	2,381	5	8	—	2,394	1,494	4,140
Less: Non-controlling interests' share of transaction costs	—	—	—	(1,788)	—	—	—	(1,788)	—	(1,788)
Internal leasing costs	295		172	—	—	—	—	—	—	467
Net loss on disposal of investment properties	—			—	917	—	—	917	—	917
Impairment loss	—	—	—	—	50,096	—	—	50,096	—	50,096
Amortization of finance leases	—	—	—	—	(70)	—	—	(70)	—	(70)
Other FFO adjustments	144			—	—	—	998	998	—	1,142
Funds From Operations ("FFO") [2]	**$ 10,776**	**$ 9,125**	**$ 4,953**	**$ 1,355**	**$ 2,385**	**$ 4,928**	**$ 1,870**	**$ 10,538**	**$ (10,888)**	**$ 24,504**

SUPPLEMENTAL DISCLOSURE (CON'T)

Unaudited	Three months ended September 30, 2018									
Expressed in thousands of Canadian dollars	Canada	Brazil	Europe	Australia/New Zealand					Corporate[3]	Consolidated
				Vital Trust	Australia REIT	ANZ Manager	Elimination	Total		
Funds From Operations ("FFO") [2]	**$ 10,776**	**$ 9,125**	**$ 4,953**	**$ 1,355**	**$ 2,385**	**$ 4,928**	**$ 1,870**	**$ 10,538**	**$ (10,888)**	**$ 24,504**
Add / (Deduct):										
Amortization of marked to market adjustment	(500)	—	—	—	—	—	—	—	—	(500)
Amortization of transactional deferred financing charges	—	—	—	—	2,345	—	—	2,345	328	2,673
Straight line revenue	98	—	—	127	(382)	—	—	(255)	—	(157)
Less: Non-controlling interests' share of straight-line revenue	—		—	(98)	(14)	—	—	(112)	—	(112)
Leasing costs and non-recoverable maintenance capital expenditures	(1,762)	—	(631)	(377)	(297)	—	—	(674)	—	(3,067)
Less: Non-controlling interests' share of actual capex and leasing costs	—		—	283	23	—	—	306	—	306
DUP compensation expense	—	—	—	—	—	241	—	241	406	647
Debt repayment costs	—	—	—	—	—	—	—	—	—	—
Adjusted Funds From Operations ("AFFO") [2]	**$ 8,612**	**$ 9,125**	**$ 4,322**	**$ 1,290**	**$ 4,060**	**$ 5,169**	**$ 1,870**	**$ 12,389**	**$ (10,154)**	**$ 24,294**

Unaudited	As at September 30, 2018									
Expressed in thousands of Canadian dollars	**Canada**	**Brazil**	**Europe**	**Australia/New Zealand**					**Corporate** (3)	**Consolidated**
				Vital Trust	**Australia REIT**	**ANZ Manager**	**Elimination**	**Total**		
Assets										
Investment properties	$ 1,092,662	$ 688,911	$ 521,872	$ 1,509,890	$ 504,272	$ —	$ 2,006	$ 2,016,168	$ —	$ 4,319,613
Intangible asset	—	—	—	—	—	47,277	—	47,277	—	47,277
Goodwill	—	—	—	—	38,719	—	—	38,719	41,671	80,390
Financial instruments	1,467	—	—	36,034	33,672	—	—	69,706	—	71,173
Other assets	10,282	11,643	11,790	15,266	89,171	16,207	(5,473)	115,171	12,299	161,185
	$ 1,104,411	**$ 700,554**	**$ 533,662**	**$ 1,561,190**	**$ 665,834**	**$ 63,484**	**$ (3,467)**	**$ 2,287,041**	**$ 53,970**	**$ 4,679,638**
Liabilities										
Mortgages and loans payable	541,768	173,664	286,556	597,455	287,461	—	—	884,916	412,117	2,299,021
Convertible debentures	—	—	—	—	—	—	—	—	295,308	295,308
Deferred tax liability	—	91,427	14,368	79,950	64,117	(520)	—	143,547	—	249,342
Financial instruments	—	—	892	13,015	784	—	—	13,799	—	14,691
Exchangeable Units	65,321	—	—	—	—	—	—	—	133,186	198,507
Other liabilities	25,138	3,707	12,476	21,080	8,930	9,540	(8,444)	31,106	28,798	101,225
	$ 632,227	**$ 268,798**	**$ 314,292**	**$ 711,500**	**$ 361,292**	**$ 9,020**	**$ (8,444)**	**$ 1,073,368**	**$ 869,409**	**$ 3,158,094**
Net assets	**472,184**	**431,756**	**219,370**	**849,690**	**304,542**	**54,464**	**4,977**	**1,213,673**	**(815,439)**	**1,521,544**
Less: Non-controlling interest	—	—	(455)	(670,086)	(51,121)	—	(3,669)	(724,876)	—	(725,331)
Unitholders' Equity	**$ 472,184**	**$ 431,756**	**$ 218,915**	**$ 179,604**	**$ 253,421**	**$ 54,464**	**$ 1,308**	**$ 488,797**	**$ (815,439)**	**$ 796,213**

Notes

(1) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"

(2) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.

(3) Includes cost of corporate borrowings including the REIT's Secured Revolving Credit Facility, Convertible Debentures, Australasian Secured Financing and distributions paid on Class B LP Units, treated as finance costs. Includes general and administrative costs of the REIT's head office.

SUPPLEMENTAL DISCLOSURE

Unaudited	Nine months ended September 30, 2018									
Expressed in thousands of Canadian dollars	Canada	Brazil	Europe	Australia/New Zealand					Corporate [3]	Consolidated
				Vital Trust	Australia REIT	ANZ Manager	Elimination	Total		
Net Operating Income [1]										
Revenue from investment properties	$ 92,017	$ 37,922	$ 23,617	$ 73,747	$ 34,571	$ —	$ (1,425)	$ 106,893	$ —	$ 260,449
Property operating costs	(43,136)	—	(6,727)	(8,910)	(5,171)	—	139	(13,942)	—	(63,805)
	$ 48,881	**$ 37,922**	**$ 16,890**	**$ 64,837**	**$ 29,400**	**$ —**	**$ (1,286)**	**$ 92,951**	**$ —**	**$ 196,644**
Other Income										
Share of profit (loss) from associates	—	—	—	—	—	(19)	19	—	—	—
Management fees	—	—	—	—	—	26,997	(23,855)	3,142	—	3,142
Interest and other	76	5,886	77	59	3,832	102	—	3,993	101	10,133
	76	**5,886**	**77**	**59**	**3,832**	**27,080**	**(23,836)**	**7,135**	**101**	**13,275**
	48,957	**43,808**	**16,967**	**64,896**	**33,232**	**27,080**	**(25,122)**	**100,086**	**101**	**209,919**
Other Expenses										
Mortgage and loan interest expense	(18,297)	(10,689)	(3,566)	(17,828)	(16,305)	—	—	(34,133)	(25,442)	(92,127)
General and administrative expenses	(1,571)	(1,513)	(2,393)	(19,745)	(217)	(7,961)	20,086	(7,837)	(6,487)	(19,801)
Transaction costs	(258)	(740)	(8)	(4,299)	(1,820)	(132)	—	(6,251)	(1,846)	(9,103)
Other finance costs	1,137	(18,931)	(268)	(357)	(4,318)	—	—	(4,675)	(8,149)	(30,886)
Foreign exchange gain (loss)	4	(2,183)	(22)	78	—	(168)	—	(90)	19	(2,272)
Income / (Loss) before the undernoted items	**29,972**	**9,752**	**10,710**	**22,745**	**10,572**	**18,819**	**(5,036)**	**47,100**	**(41,804)**	**55,730**
Fair value adjustment of DUP liability	—	—	—	—	—	66	—	66	224	290
Fair value adjustment of investment properties	22,374	18,984	(4,516)	41,687	11,182	—	205	53,074	—	89,916
Net loss on disposal of investment properties	(1,770)	—	—	—	(918)	—	—	(918)	—	(2,688)
Goodwill impairment loss	—	—	—	—	(50,096)	—	—	(50,096)	—	(50,096)
Gain / (Loss) on derivative financial instruments	2,561	—	79	(10,683)	(9,536)	240	—	(19,979)	—	(17,339)
Income / (Loss) before taxes	**53,137**	**28,736**	6,273	**53,749**	**(38,796)**	**19,125**	**(4,831)**	**29,247**	**(41,580)**	**75,813**
Income tax expense	—	(13,127)	(347)	(10,188)	(23,645)	(2,843)	—	(36,676)	(530)	(50,680)
Net Income (loss)	**$ 53,137**	**$ 15,609**	**$ 5,926**	**$ 43,561**	**$ (62,441)**	**$ 16,282**	**$ (4,831)**	**$ (7,429)**	**$ (42,110)**	**$ 25,133**
Non-Controlling Interest	—	—	16	33,206	(144)	—	(916)	32,146	—	32,162
Income attributable to Unitholders	**$ 53,137**	**$ 15,609**	**$ 5,910**	**$ 10,355**	**$ (62,297)**	**$ 16,282**	**$ (3,915)**	**$ (39,575)**	**$ (42,110)**	**$ (7,029)**
Add / (Deduct):										
Fair market value losses (gains)	(24,935)	(18,984)	4,437	(31,004)	(1,646)	(306)	(205)	(33,161)	(4,331)	(76,974)
Less: Non-controlling interests' share of fair market value losses (gains)	—	—	—	23,301	(2,335)	—	153	21,119	—	21,119
Finance cost - Exchangeable Unit distributions	—	—	—	—	—	—	—	—	10,625	10,625
Revaluation of financial liabilities	—	17,504	—	—	—	—	—	—	—	17,504
Unrealized foreign exchange loss (gain)	(4)	2,179	25	(78)	—	169	—	91	(109)	2,182
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	—	—	—	57	—	—	—	57	—	57
Deferred taxes	—	12,809	342	7,922	23,644	10	—	31,576	—	44,727
Less: Non-controlling interests' share of deferred taxes	—	—	—	(5,952)	—	—	—	(5,952)	—	(5,952)
Transaction costs	258	742	8	4,299	1,818	132	—	6,249	1,846	9,103
Less: Non-controlling interests' share of transaction costs	—	—	—	(3,229)	—	—	—	(3,229)	—	(3,229)
Internal leasing costs	1,077	—	525	—	—	—	—	—	—	1,602
Net loss on disposal of investment properties	1,770	—	—	—	918	—	—	918	—	2,688
Impairment loss	—	—	—	—	50,096	—	—	50,096	—	50,096
Amortization of finance leases	—	—	—	—	(226)	—	—	(226)	—	(226)
Other FFO adjustments	432	—	—	—	—	—	5,567	5,567	—	5,999
Funds From Operations ("FFO") [2]	**$ 31,735**	**$ 29,859**	**$ 11,247**	**$ 5,671**	**$ 9,972**	**$ 16,287**	**$ 1,600**	**$ 33,530**	**$ (34,079)**	**$ 72,292**

PART XI – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited	Nine months ended September 30, 2018									
Expressed in thousands of Canadian dollars	Canada	Brazil	Europe	Australia/New Zealand					Corporate [3]	Consolidated
				Vital Trust	Australia REIT	ANZ Manager	Elimination	Total		
Funds From Operations ("FFO") [2]	**$ 31,735**	**$ 29,859**	**$ 11,247**	**$ 5,671**	**$ 9,972**	**$ 16,287**	**$ 1,600**	**$ 33,530**	**$ (34,079)**	**$ 72,292**
Add / (Deduct):										
Amortization of marked to market adjustment	(1,590)	—	—	—	—	—	—	—	—	(1,590)
Amortization of transactional deferred financing charges	26	188	—	—	3,639	—	—	3,639	1,531	5,384
Straight-line revenue	220	—	—	499	(635)	—	—	(136)	—	84
Less: Non-controlling interests' share of straight-line revenue	—	—	—	(378)	(43)	—	—	(421)	—	(421)
Leasing costs and non-recoverable maintenance capital expenditures	(5,521)	—	(1,417)	(551)	(1,052)	—	—	(1,603)	—	(8,541)
Less: Non-controlling interests' share of actual capex and leasing costs	—	—	—	413	25	—	—	438	—	438
DUP compensation expense	—	—	—	—	—	410	—	410	3,193	3,603
Debt repayment costs	2,506	—	—	—	—	—	—	—	—	2,506
Adjusted Funds From Operations ("AFFO") [2]	**$ 27,376**	**$ 30,047**	**$ 9,830**	**$ 5,654**	**$ 11,906**	**$ 16,697**	**$ 1,600**	**$ 35,857**	**$ (29,355)**	**$ 73,755**

SUPPLEMENTAL DISCLOSURE

Unaudited	**Three months ended September 30, 2017**									
Expressed in thousands of Canadian dollars	**Canada**	**Brazil**	**Europe**	**Australia/New Zealand**					**Corporate** [3]	**Consolidated**
				Vital Trust	**Vital Manager**	**Elimination**	**Australia REIT** [4]	**Total**		
Net Operating Income [1]										
Revenue from investment properties	$ 33,857	$ 12,731	$ 4,852	$ 22,460	$ —	$ (488)	$ 10,520	$ 32,492	$ —	$ 83,932
Property operating costs	(15,650)	—	(1,522)	(3,377)	—	46	(1,624)	(4,955)	—	(22,127)
	18,207	**12,731**	**3,330**	**19,083**	**—**	**(442)**	**8,896**	**27,537**	**—**	**61,805**
Other Income										
Share of profit (loss) from associates	—	—	—	—	(106)	106	—	—	—	—
Management fees	—	—	—	—	5,883	(5,883)	124	124	—	124
Interest and other	1	352	—	22	44	—	1,115	1,181	8	1,542
	1	**352**	**—**	**22**	**5,821**	**(5,777)**	**1,239**	**1,305**	**8**	**1,666**
	18,208	**13,083**	**3,330**	**19,105**	**5,821**	**(6,219)**	**10,135**	**28,842**	**8**	**63,471**
Other Expenses										
Mortgage and loan interest expense	(6,143)	(2,689)	(592)	(4,263)	—	—	(2,323)	(6,586)	(12,413)	(28,423)
General and administrative expenses	(511)	(522)	(730)	(6,263)	(1,202)	5,991	(844)	(2,318)	(1,969)	(6,050)
Transaction costs	—	—	(16)	—	—	—	(562)	(562)	21	(557)
Other finance costs	616	(1,555)	(71)	(107)	—	—	(705)	(812)	(18,541)	(20,363)
Foreign exchange gain (loss)	(53)	117	—	(1,257)	(138)	—	(1)	(1,396)	4,407	3,075
Income / (Loss) before the undernoted items	**12,117**	**8,434**	**1,921**	**7,215**	**4,481**	**(228)**	**5,700**	**17,168**	**(28,487)**	**11,153**
Fair value adjustment of DUP liability	—	—	—	—	74	—	—	74	(952)	(878)
Fair value adjustment of investment properties	2,164	2,992	(538)	8,342	—	45	738	9,125	—	13,743
Gain on business combination	—	—	—	—	—	—	(91,420)	(91,420)	1,842	(89,578)
Gain / (Loss) on derivative financial instruments	410	—	(45)	(430)	(37)	—	849	382	—	747
Income / (Loss) before taxes	**14,691**	**11,426**	**1,338**	**15,127**	**4,518**	**(183)**	**(84,133)**	**(64,671)**	**(27,597)**	**(64,813)**
Income tax expense	—	(6,211)	(203)	(2,472)	(862)	—	2,983	(351)	363	(6,402)
Net Income (loss)	**$ 14,691**	**$ 5,215**	**$ 1,135**	**$ 12,655**	**$ 3,656**	**$ (183)**	**$ (81,150)**	**$ (65,022)**	**$ (27,234)**	**$ (71,215)**
Non-Controlling Interest	—	—	—	9,460	—	(334)	373	9,499	—	9,499
Income attributable to Unitholders	**$ 14,691**	**$ 5,215**	**$ 1,135**	**$ 3,195**	**$ 3,656**	**$ 151**	**$ (81,523)**	**$ (74,521)**	**$ (27,234)**	**$ (80,714)**
Add / (Deduct):										
Fair market value losses (gains)	(2,574)	(2,992)	583	(7,912)	(37)	(45)	(1,587)	(9,581)	14,643	79
Less: Non-controlling interests' share of fair market value losses (gains)	—	—		6,298		34		6,332	—	6,332
Finance cost - Exchangeable Unit distributions	—	—	—	—	—	—	—	—	3,799	3,799
Revaluation of financial liabilities	—	1,134	—	—	—	—	—	—	—	1,134
Unrealized foreign exchange loss (gain)	53	(116)	—	1,257	138	—	1	1,396	(4,408)	(3,075)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	—	—	—	(944)	—	—	—	(944)	—	(944)
Deferred taxes	—	6,147	261	1,154	420	—	(328)	1,246	—	7,654
Less: Non-controlling interests' share of deferred taxes	—	—	—	(867)	—	—	—	(867)	—	(867)
Non-recurring transaction costs	—	—	16	—	—	—	562	562	(21)	557
Convertible Debenture issuance costs	—	—	—	—	—	—	—	—	—	—
Net adjustments for equity accounted entities	—	—	—	—	—	—	—	—	—	—
Internal leasing costs	359	—	130	—	—	—		—	—	489
Net loss on disposal of investment properties	—	—	—	—	—	—	—	—	—	—
Gain on business combination	—	—	—	—	—	—	91,420	91,420	(1,842)	89,578
Amortization of finance leases	—	—	—	—		—	(77)	(77)	—	(77)
Other FFO adjustments	144			—	—	34	—	34	—	178
Funds From Operations ("FFO") [2]	**$ 12,673**	**$ 9,388**	**$ 2,125**	**$ 2,181**	**$ 4,177**	**$ 174**	**$ 8,468**	**$ 15,000**	**$ (15,063)**	**$ 24,123**

SUPPLEMENTAL DISCLOSURE (CON'T)

Unaudited	Three months ended September 30, 2017									
Expressed in thousands of Canadian dollars	Canada	Brazil	Europe	Australia/New Zealand					Corporate [3]	Consolidated
				Vital Trust	Vital Manager	Elimination	Australia REIT [4]	Total		
Funds From Operations ("FFO") [2]	$ 12,673	$ 9,388	$ 2,125	$ 2,181	$ 4,177	$ 174	$ 8,468	$ 15,000	$ (15,063)	$ 24,123
Add / (Deduct):										
Amortization of marked to market adjustment	(731)	—	—	—	—	—	—	—	—	(731)
Amortization of transactional deferred financing charges	115	421	71	107	—	—	705	812	1,051	2,470
Less: Non-controlling interests' share of amortization of deferred financing charges	—	—	—	(80)	—	—	75	(5)	—	(5)
Straight line revenue	(60)	59	—	154	—	—	(70)	84	—	83
Less: Non-controlling interests' share of straight-line revenue	—	—	—	(116)	—	—	(13)	(129)	—	(129)
Leasing costs and non-recoverable maintenance capital expenditures	(2,031)	(31)	(291)	(40)	—	—	(508)	(548)	—	(2,901)
Less: Non-controlling interests' share of actual capex and leasing costs	—	—	—	30	—	—	407	437	—	437
DUP compensation expense	—	—	—	—	119	—	—	119	616	735
Debt repayment costs	—	—	—	—	—	—	—	—	—	—
Net adjustments for equity accounted entities	—	—	—	—	—	—	—	—	—	—
Adjusted Funds From Operations ("AFFO") [2]	$ 9,966	$ 9,837	$ 1,905	$ 2,236	$ 4,296	$ 174	$ 9,064	$ 15,770	$ (13,396)	$ 24,082

Notes

(1) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"

(2) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.

(3) Includes cost of corporate borrowings including the REIT's Secured Revolving Credit Facility, Convertible Debentures, Vital Margin Facilities, Australasian Secured Financing and distributions paid on Class B LP Units, treated as finance costs. Includes general and administrative costs of the REIT's head office.

(4) Includes Generation Manager, which in 2017 has been reclassified to ANZ Manager.

SUPPLEMENTAL DISCLOSURE										
Unaudited	**Nine months ended September 30, 2017**									
Expressed in thousands of Canadian dollars	**Canada**	**Brazil**	**Europe**	**Australia/New Zealand**					**Corporate** (3)	**Consolidated**
				Vital Trust	**Vital Manager**	**Elimination**	**Australia REIT**	**Total**		
Net Operating Income (1)										
Revenue from investment properties	$ 102,842	$ 39,699	$ 13,620	$ 64,350	$ —	$ (1,501)	$ 10,520	$ 73,369	$ —	$ 229,530
Property operating costs	(46,673)	—	(3,985)	(8,569)	—	151	(1,624)	(10,042)	—	(60,700)
	56,169	**39,699**	**9,635**	**55,781**	**—**	**(1,350)**	**8,896**	**63,327**	**—**	**168,830**
Other Income										
Share of profit (loss) from associates	—	—	—	—	774	42,907	—	43,681	—	43,681
Management fees	—	—	—	—	21,473	(26,928)	13,063	7,608	—	7,608
Interest and other	52	1,011	2	46	48	—	1,119	1,213	182	2,460
	52	**1,011**	**2**	**46**	**22,295**	**15,979**	**14,182**	**52,502**	**182**	**53,749**
	56,221	**40,710**	**9,637**	**55,827**	**22,295**	**14,629**	**23,078**	**115,829**	**182**	**222,579**
Other Expenses										
Mortgage and loan interest expense	(18,837)	(8,551)	(1,820)	(11,484)	(4)	—	(2,323)	(13,811)	(28,025)	(71,044)
General and administrative expenses	(1,503)	(1,470)	(1,967)	(19,913)	(5,450)	19,572	(2,294)	(8,085)	(5,375)	(18,400)
Transaction costs	—	—	(84)	—	—	—	(694)	(694)	(11,655)	(12,433)
Other finance costs	1,854	(4,538)	(423)	(288)	—	—	(705)	(993)	(45,559)	(49,659)
Foreign exchange gain (loss)	(35)	111	(5)	1,316	(144)	—	(1)	1,171	(1,173)	69
Income / (Loss) before the undernoted items	**37,700**	**26,262**	**5,338**	**25,458**	**16,697**	**34,201**	**17,061**	**93,417**	**(91,605)**	**71,112**
Fair value adjustment of DUP liability	—	—	—	—	(60)	—	—	(60)	(1,636)	(1,696)
Fair value adjustment of investment properties	14,213	39,197	(4,353)	154,053	—	2,611	738	157,402	—	206,459
Gain on business combination	—	—	—	—	—	—	(91,420)	(91,420)	1,842	(89,578)
Gain / (Loss) on derivative financial instruments	789	—	336	838	(37)	—	2,321	3,122	118	4,365
Income / (Loss) before taxes	**52,702**	**65,459**	**1,321**	**180,349**	**16,600**	**36,812**	**(71,300)**	**162,461**	**(91,281)**	**190,662**
Income tax expense	—	(14,796)	(228)	(6,236)	(3,367)	—	(937)	(10,540)	570	(24,994)
Net Income (loss)	**$ 52,702**	**$ 50,663**	**$ 1,093**	**$ 174,113**	**$ 13,233**	**$ 36,812**	**$ (72,237)**	**$ 151,921**	**$ (90,711)**	**$ 165,668**
Non-Controlling Interest	—	—	—	130,910	—	833	373	132,116	—	132,116
Income attributable to Unitholders	**$ 52,702**	**$ 50,663**	**$ 1,093**	**$ 43,203**	**$ 13,233**	**$ 35,979**	**$ (72,610)**	**$ 19,805**	**$ (90,711)**	**$ 33,552**
Add / (Deduct):										
Fair market value losses (gains)	(15,003)	(39,197)	4,017	(154,891)	97	(2,611)	(3,059)	(160,464)	33,392	(177,255)
Less: Non-controlling interests' share of fair market value losses (gains)	—	—	—	116,874	—	1,965	—	118,839	—	118,839
Finance cost - Exchangeable Unit distributions	—	—	—	—	—	—	—	—	11,399	11,399
Revaluation of financial liabilities	—	3,109	—	—	—	—	—	—	—	3,109
Unrealized foreign exchange loss (gain)	35	(110)	5	(1,316)	144	—	1	(1,171)	1,205	(36)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	—	—	—	990	—	—	—	990	—	990
Deferred taxes	—	14,596	269	5,773	510	—	60	6,343	—	21,208
Less: Non-controlling interests' share of deferred taxes	—	—	—	(4,341)	—	—	—	(4,341)	—	(4,341)
Non-recurring transaction costs	—	—	84	—	—	—	694	694	11,655	12,433
Net adjustments for equity accounted entities	—	—	—	—	—	(38,943)	—	(38,943)	—	(38,943)
Internal leasing costs	1,058	—	385	—	—	—	—	—	—	1,443
Net loss on disposal of investment properties	—	—	—	—	—	—	—	—	—	—
Gain on business combination	—	—	—	—	—	—	91,420	91,420	(1,842)	89,578
Other FFO adjustments	432	—	—	—	—	1,965	186	2,151	—	2,583
Funds From Operations ("FFO") (2)	**$ 39,224**	**$ 29,061**	**$ 5,853**	**$ 6,292**	**$ 13,984**	**$ (1,645)**	**$ 16,692**	**$ 35,323**	**$ (34,902)**	**$ 74,559**

PART XI – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited	**Nine months ended September 30, 2017**									
Expressed in thousands of Canadian dollars	**Canada**	**Brazil**	**Europe**	**Australia/New Zealand**					**Corporate** (3)	**Consolidated**
				Vital Trust	**Vital Manager**	**Elimination**	**Australia REIT** (4)	**Total**		
Funds From Operations ("FFO") (2)	**$ 39,224**	**$ 29,061**	**$ 5,853**	**$ 6,292**	**$ 13,984**	**$ (1,645)**	**$ 16,692**	**$ 35,323**	**$ (34,902)**	**$ 74,559**
Add / (Deduct):										
Amortization of marked to market adjustment	(2,276)	—	—	—	—	—	—	—	—	(2,276)
Amortization of transactional deferred financing charges	422	1,430	423	288	—	705	—	993	2,286	5,554
Less: Non-controlling interests' share of amortization of deferred financing charges	—	—	—	(216)	—	75	—	(141)	—	(141)
Straight-line revenue	(490)	183	—	1,029	—	(70)	—	959	—	652
Less: Non-controlling interests' share of straight-line revenue	—	—	—	(772)	—	(13)	—	(785)	—	(785)
Leasing costs and non-recoverable maintenance capital expenditures	(6,170)	(82)	(817)	(1,607)	—	(508)	—	(2,115)	—	(9,184)
Less: Non-controlling interests' share of actual capex and leasing costs	—	—	—	1,209	—	407	—	1,616	—	1,616
DUP compensation expense	—	—	—	—	1,608	—	—	1,608	2,120	3,728
Debt repayment costs	—	—	175	—	—	—	—	—	—	175
Net adjustments for equity accounted entities	—	—	—	—	—	—	(750)	(750)	—	(750)
Adjusted Funds From Operations ("AFFO") (2)	**$ 30,710**	**$ 30,592**	**$ 5,634**	**$ 6,223**	**$ 15,592**	**$ (1,049)**	**$ 16,692**	**$ 36,708**	**$ (30,496)**	**$ 73,148**

Notes

(1) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income".

(2) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.

(3) Includes cost of corporate borrowings including the REIT's Secured Revolving Credit Facility, Convertible Debentures, Vital Margin Facilities, Australasian Secured Financing and distributions paid on Class B LP Units, treated as finance costs. Includes general and administrative costs of the REIT's head office.

(4) Includes Generation Manager, which in 2018 has been reclassified to ANZ Manager.

PART XII – NET ASSET VALUE

Expressed in thousands of Canadian dollars, except per unit amounts			
			Q3 2018
Total Assets		**$**	**4,679,638**
less Total Liabilities			(3,158,094)
less Non-controlling interest			(725,331)
Unitholders' equity			**796,213**
Add/(deduct):			
Goodwill			(80,390)
Deferred unit plan liability			14,174
Deferred tax liability	249,342		
less NCI	(60,002)		189,340
Financial instruments - net [2]	10,862		
less NCI	(7,995)		2,867
Exchangeable Units			198,507
ANZ Manager valuation adjustment			220,509
Other			1,337
Net Asset Value ("NAV")		**$**	**1,342,557**
Adjusted Units Outstanding (000s)- period end [1]			121,052
NAV per Unit		**$**	**11.09**

Notes

(1) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic per unit measure that includes the Class B LP Units in basic units outstanding/weighted average units outstanding.

(2) Excludes the fair value of the HSO derivatives which the REIT considers a net investment.

CORPORATE INFORMATION

Head Office
NorthWest Healthcare Properties Real Estate Investment Trust
180 Dundas Street West, Suite 1100
Toronto, Ontario
M5G 1Z8
Phone: 416-366-2000
Fax: 416-366-2433

Transfer Agent
Computershare Trust Company of Canada
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1

Auditors
KPMG LLP
333 Bay Street, Suite 4600
Bay Adelaide Centre
Toronto, Ontario
M5H 2S5

Corporate Counsel
Goodmans LLP
333 Bay St, Suite 3400
Toronto ON M5H 2S7

Investor Relations
Shailen Chande, Chief Financial Officer
Phone: 416-366-2000 X1002
E-mail: shailen.chande@nwhreit.com
Website: www.nwhreit.com

Stock Exchange Listing
Toronto Stock Exchange (TSX)
Listing symbols:
- REIT Trust Units - NWH.UN
- 5.25% convertible debentures - NWH.DB
- 7.25% convertible debentures - NWH.DB.C
- 5.50% convertible debentures - NWH.DB.D
- 5.25% convertible debentures - NWH.DB.E
- 5.25% convertible debentures - NWH.DB.F

Distribution Reinvestment Plan

Participants in the REIT's distribution reinvestment plan may elect to have all cash distributions of the REIT automatically reinvested in additional Trust Units at a price per Trust Unit calculated by reference to the weighted average of the trading price for the Trust Units on the TSX for the five trading days immediately preceding the relevant distribution date. Unitholders who so elect will receive a further distribution of Trust Units equal to 3% of each distribution that was reinvested by them. To enroll individuals should contact their broker.

NORTHWEST HEALTHCARE PROPERTIES

NorthWest Healthcare Properties
Real Estate Investment Trust
180 Dundas Street West, Suite 1100
Toronto, Ontario
M5G 1Z8
Phone 416 366 2000
Fax 416 366 2433