NORTHWEST HEALTHCARE PROPERTIES

NorthWest Healthcare Properties Real Estate Investment Trust

Management Discussion and Analysis

For the years ended
December 31, 2021 and 2020

March 14, 2022

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 (unaudited)		As at December 31, 2021	As at December 31, 2020
Operational Information [1]			
Number of Properties		197	188
Gross Leasable Area (sf)		16,391,724	15,498,485
Occupancy %		97 %	97 %
WALE (Years)		14.5	14.5
Summary of Financial Information			
Assets Under Management [3]		$ 9,201,419	$ 7,847,121
Gross Book Value [2]		$ 7,064,401	$ 5,845,238
Debt - Declaration of Trust [3]		$ 2,820,602	$ 2,510,310
Debt to Gross Book Value - Declaration of Trust [3]		39.9 %	42.9 %
Debt - Including Convertible Debentures [3]		$ 2,957,827	$ 2,803,131
Debt to Gross Book Value - Including Convertible Debentures [3]		41.9 %	48.0 %
Percentage of Mortgages and Loans Payable at Fixed Rates [9]		48.8 %	62.6 %
Weighted Average Interest Rate on Fixed Rate Mortgages and Loans Payable [9]		3.48 %	3.54 %
NAV per Unit [3]		$ 14.47	$ 13.27
Adjusted Units Outstanding - period end [5]			
Basic		225,837,135	177,687,780
	For the three months ended December 31, 2021	**For the three months ended December 31, 2020**	**For the three months ended September 30, 2021**
Operating Results			
Revenue from investment properties	$ 96,368	$ 92,845	$ 95,554
Net Income / (Loss)	$ 233,050	$ 200,249	$ 173,293
NOI [6]	$ 74,436	$ 71,007	$ 74,694
Funds From Operations ("FFO") [6]	$ 49,376	$ 40,252	$ 47,645
Adjusted Funds From Operations ("AFFO") [6]	$ 50,436	$ 38,539	$ 47,264
Distributions [7]	$ 44,773	$ 35,520	$ 43,881
Interest Coverage [4]	3.50	3.04	3.45
Per Unit Amounts			
FFO per unit - Basic [6]	$ 0.22	$ 0.23	$ 0.22
FFO per unit - diluted [6]	$ 0.22	$ 0.22	$ 0.21
AFFO per unit - Basic [6]	$ 0.23	$ 0.22	$ 0.22
AFFO per unit - diluted [6]	$ 0.22	$ 0.21	$ 0.21
Distributions per unit [8]	$ 0.20	$ 0.20	$ 0.20
AFFO Payout Ratio [6]	88%	92%	93%
AFFO Payout Ratio - fully diluted [6]	90%	95%	95%
Adjusted Weighted Average Units Outstanding [5]			
Basic	222,600,122	177,563,647	218,843,204
Diluted	234,287,101	201,349,114	237,163,092

FINANCIAL AND OPERATIONAL HIGHLIGHTS CONT.

Notes

(1) Operational information includes 100% of Vital Trust and joint venture ("JV") investments. The REIT owns an approximate 27.4% interest in Vital Trust and 30% - 33.57% of the JV investments.

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

(3) As defined in **Performance Measurement** 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, which is on a non-IFRS basis. There were 1,710,000 Class B LP Units outstanding as at December 31, 2021 (December 31, 2020 - 1,710,000 Class B LP Units).

(6) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. See **Performance Measurement** in this MD&A

(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) Distributions per units is a non-IFRS ratio calculated as sum of the distributions on the REIT's units and finance costs on Class B LP Units. Management does not consider finance costs on Class B LP units to be an financing cost of the REIT but rather component of the REIT's total distributions. Distributions per unit is not defined by IFRS and does not have a standard meaning and may not be comparable with similar measures presented by other issuers.

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

HIGHLIGHTS FOR THE QUARTER

Acquisition and Sale of UK Hospital Operators

As previously disclosed, on August 6, 2021, the REIT completed the acquisition of NWI Apex UK Limited (formerly NMC Healthcare UK Limited) ("Aspen Group") for the purchase price of approximately $38.8 million. The Aspen Group is an independent healthcare provider situated in the UK and was tenant of the REIT at four of its UK investment properties immediately prior to the acquisition. The REIT assumed interest in Aspen Group's two hospital properties located in Sheffield and Edinburgh with an acquisition date value of $41.3 million and obtained control over the operations of eight hospitals located throughout the UK ("OpCos")

As at December 31, 2021, The REIT had completed the sale of all eight OpCos for gross proceeds of $73.5 million, consisting of cash consideration of $56.4 million and transfer of an investment property with a fair value of $17.1 million which resulted in gain on sale for the three months and year-ended December 31, 2021 of $28.3 million and $39.6 million, respectively.

The operating results between the date of acquisition and the date of sale have been presented as discontinued operations in the consolidated statements of income (loss) and comprehensive income (loss).

The REIT recorded total gains of $150.0 million for the year ended December 31, 2021, including acquisition of the Aspen Group, disposal of the OpCos, and investment properties valuations with respect to the REIT's entire portfolio leased to Aspen.

Vital Trust's Equity Raise

On October 20, 2021, Vital Trust completed an equity placement of 39,655,172 units at a price of $2.50 (NZ$2.90) per unit for gross proceeds of approximately $100.7 million (NZ$115.0 million). The REIT participated in the equity placement by buying 16,551,724 units of Vital Trust for a total of $42.0 million (NZ$48.0 million), increasing the REITs investment interest in Vital Trust to approximately 27.4%. The REIT partially funded its investment through $21.7 million (NZ$25.0 million) draw on corporate facilities and using cash on hand.

Acquisition of UK Hospital

On December 21, 2021, the REIT completed the acquisition of a medical centre property in the UK for a purchase price of approximately $153.3 million (£89.7 million). The acquisition was partially financed by the REIT's revolving credit facility and cash on hand.

Other Financing and Investment Activity

i. On October 12, 2021, subsidiaries of the REIT amended the New Zealand Dollar denominated secured term credit facility and increased it by $21.7 million (NZ$25.0 million) from a total of $151.9 million (NZ $175.0 million) to $173.6 million (NZ$200.0 million) by securing additional 16,551,724 units of Vital Trust owned indirectly by the REIT. All other terms remained unchanged.

ii. On November 8, 2021, a subsidiary of the REIT entered into a term facility agreement with respect to its investment in unlisted securities on the amount of $115.3 million (A$125.0 million). The term facility bears interest rate of BBSY plus a margin ranging from 4.5% to 6.25% with term to maturity of 12 months.

iii. On November 11, 2021, the REIT amended and refinanced the terms of one of its revolving credit facility tranches by $60.0 million from a total of $336.0 million to $396.0 million. On December 21, 2021, the REIT further amended the same revolving credit facility tranche to increase by $76.5 million for a total of $472.5 million.

iv. On November 25, 2021, $77.5 million of the $80.5 million principal amount 5.25% NWH.DB.F convertible debenture series were converted into 5,771,865 Trust units by the debenture holders. The REIT repaid $6.6 million remaining principal balance in cash.

v. On December 20, 2021, the REIT amended the terms of one of its revolving credit facilities with a total capacity of $79.0 million by extending the term to maturity from January 1, 2022 to January 1, 2023.

vi. During the three months ended December 31, 2021, the REIT sold a portion of its investment in unlisted securities to its Australian JV partner for total consideration of $66.5 million.

SUBSEQUENT EVENTS

Acquisition of US Portfolio

Subsequent to December 31, 2021, the REIT entered into a binding agreement to purchase a property portfolio comprised of 27 healthcare properties in the United States of America (the "US Portfolio") for approximately $764.3 million (USD $601.9 million). The US Portfolio consists of 15 MOBs and 12 Hospitals, located across 10 states and comprised of total gross leasable area of 1.2 million square feet. The US acquisition is expected to be fully funded through combination of new corporate and property financings, existing cash resources including credit facilities and cash on hand. The acquisition is expected to be completed during second quarter of 2022, subject to customary closing conditions.

New Australian JV

The REIT and its JV partner have reached an agreement to form a second Australian JV on a 70% JV partner / 30% NWH basis with a total initial commitment of $2.2 billion (A$2.4 billion) of debt and equity. The key financial terms are broadly consistent with the first Australian JV and final fund documentation and close is expected in second quarter of 2022.

UK Financing

The REIT received a term sheet for a new $454.6 million (£265 million), non-recourse debt facility led by a local UK lender to refinance its existing UK debt with a facility that is portable into a planned joint venture structure. The new facility is interest only and at a rate approximately 100 bp lower than the existing facility. The facility is expected to close in second quarter of 2022, subject to typical closing conditions.

Financing Activity

On March 7, 2022, subsidiaries of the REIT entered into a term loan agreement on the amount of $12.2 million (€8.8 million) by securing an investment property. The term loan bears interest rate of EURIBOR plus a margin ranging from 1.95% to 2.45% with term to maturity of three years.

Other

On January 14, 2022, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on January 31, 2022, to be paid and settled on February 15, 2022. On February 15, 2022, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on February 28, 2022, and paid on March 15, 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The REIT's Board of Trustees and its management are committed to sustainability through the environment, social, and governance policies and practices of the organization. In support of this commitment, the REIT issued its inaugural Sustainability report in 2021.

Also in 2021, the REIT participated in the GRESB (formerly Global Real Estate Sustainability Benchmark) Assessment and do so again in 2022. On behalf of Vital Healthcare Trust ("Vital Trust"), for which the REIT provides management and advisory services, a submission was also made in 2021 to CDP (formerly Carbon Disclosure Project).

Although the REIT formalized its sustainability program with the issuance of its 2021 report, environmental, social, and governance sensitivities have long been part of the REIT's culture and ethos. This comes from being a real estate partner to healthcare providers across seven countries. Sustainability is an important aspect of how we drive our business forward and increase long-term value for all of our stakeholders.

The REIT's sustainability program is founded on four pillars representing our key stakeholders. Each pillar has specific 2022 initiatives:

<u>Thriving Partners</u>

- In support of taking care of our tenant partners and stewarding the resilient spaces that help facilitate their ability to serve others, we will formalize a globally consistent survey for all tenants with an ambition to achieve top quartile performance on tenant Net Promoter Score ("NPS").
- Define a three-year schedule to complete air quality and wellness reviews for 100% of our landlord-controlled properties, in continuation of our commitment to providing high-quality properties that support wellness for patients and healthcare workers.

Inclusive Company

- Establish a globally consistent employee experience with an ambition to achieve top quartile NPS performance.
- For every open senior leadership position and for as many other open positions as possible, with a goal of 90%, NorthWest will consider at least one woman or one minority in the slate of candidates, in support of our broad commitment to building teams that represent the communities we serve.

Healthy Planet

- Over the next 12 to 24 months, as we round out our baseline on emissions, advance our 2050 commitment to Net-Zero GHG emissions and establish a science-based 2030 reduction target.
- Conduct energy audits across 100% of landlord-controlled properties, helping to further inform actions in our facilities.

Strong Communities

- Pledge a contribution of $5M in support of research about the impacts of the pandemic on health systems across the world.
- Launch an employee volunteer program providing two days per year of paid time off to further support the communities we serve.

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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 audited consolidated financial statements and accompanying notes for the year ended December 31, 2021, 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 using an aggregate of REIT Units and 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 29, 2021 (the "**Annual Information Form**") and the REIT's Management Information Circular dated May 31, 2021 (the "**Circular**"). This MD&A is current as of March 14, 2022 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 series NWH.DB.F and NWH.DB.G.
- "**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 duration and impact of the COVID-19 pandemic on the business, operations and financial condition of the REIT
- 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 including estimated complition date, estimated project cost, estimated project cost to complete and anticipated project yield;
- 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, (i) the REIT's properties continuing to perform as they have recently, (ii) development opportunities being completed on time and on-budget, (iii) demographic and industry trends remaining unchanged, (iv) future levels of indebtedness remaining stable, (v) the ability to access debt and equity capital, (vi) the tax laws as currently in effect remaining unchanged, (vii) the current economic and political conditions in the countries in which the REIT operates remaining unchanged (including exchange rates remaining constant, local real estate conditions remaining strong, interest rates remaining at current levels and the impacts of COVID-19 on the REIT's business ameliorating or remaining stable), (viii) anticipated capital expenditures, (ix) future general and administrative expenses (including estimated synergies resulting therefrom) and (x) 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, 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.

MARKET AND INDUSTRY DATA

This MD&A includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information.

Although the third-party sources believe it to be reliable, we have not independently verified any of the data from third-party sources referred to in this MD&A, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

PERFORMANCE MEASUREMENT

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

- Net income (loss);
- Cash flows from operations;
- Funds from operations ("**FFO**");
- Adjusted funds from operations ("**AFFO**");
- Weighted average lease expiry ("**WALE**");
- Weighted average interest rate;
- Occupancy levels;
- Assets Under Management ("**AUM**")
- Debt - Declaration of Trust;
- Debt - Including Convertible Debentures;
- Adjusted EBITDA;

- Net operating income ("**NOI**");
- Net Asset Value ("**NAV**") and Net Asset Value per unit ("**NAV/unit**");
- Constant Currency Same Property NOI ("**SPNOI**")

Explanation of Non Financial Information used in this MD&A

"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.

The REIT's "**Weighted average interest rate**" includes secured debt with fixed interest rates, including variable rate debt hedged with fixed rate swaps, 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.

"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.

"**AUM**" is key to evaluating trends in earnings. AUM is the main driver for investment property income and management fees. Growth in AUM is driven by the REIT's direct investments and investments managed on behalf of third-party investors. For reporting purposes, the REIT calculates AUM as the sum of fair value of investment properties and properties under development, loans receivables, finance lease assets, real estate related financial instruments, assets held for sale and the third-party share of investment in the aforementioned.

Explanation of certain IFRS and supplementary financial measures used in this MD&A

This MD&A contains the supplementary financial measures described below.

"**NOI**" is an industry term in widespread use. NOI as calculated by the REIT based on its IFRS financial statements may not be comparable to similar titled measures reported by other issuers. The REIT considers NOI a meaningful measure of operating performance of its property assets, prior to financing considerations. NOI is defined as income from properties after operating expenses and is the same as Net Property Operating Income on the REIT's IFRS financial statements.

"**Debt - Declaration of Trust**" is a supplementary 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, as reported in the consolidated financial statements and excludes the Class B LP Units and the REIT's Convertible Debentures. The Debt - Declaration of Trust is used to measure a ratio based on total assets (or sometimes referred to as 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 supplementary 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 as reported in the consolidated financial statements. 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. 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.

Explanation of non-IFRS financial measures and non-IFRS financial ratios used in this MD&A

This MD&A contains the non-IFRS financial measures and non-IFRS ratios described below. These non-IFRS financial measures and non-IFRS ratios are not standardized financial measures under International Financial Reporting Standards ("**IFRS**") and might not be comparable to similar financial measures disclosed by other publicly traded companies

"**FFO**" and "**AFFO**" are 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 flows 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.

"**FFO**" is a non-IFRS financial measure 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) fair value adjustments and other effects of redeemable units classified as liabilities; (iv) revaluation adjustments of financial liabilities; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vi) deferred income tax expense; (vii) convertible debentures issuance costs; (viii) Results of discontinued operations; (ix) internal leasing costs; (x) transaction costs; (xi) unrealized foreign exchange gains and losses; (xii) amortization of finance leases; (xiii) amortization on Right of Use ('ROU') assets, net of payments on leases where the REIT is a lessee; and includes (xiv) 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 interests, all after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties.

"**FFO per Unit**" or sometimes presented as "**FFO/unit**" is a non-IFRS ratio defined as FFO divided by the weighted average number of units outstanding during the period. **"FFO per Unit - fully diluted"** sometimes presented as"**FFO/unit - fully diluted**" is a non-IFRS ratio defined as FFO divided by the diluted weighted average number of units outstanding during the period. 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.

"**AFFO**" is a non-IFRS financial measure defined 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) differences, if any, resulting from recognizing property revenues on a straight line basis as opposed to contractual rental amounts; (iv) stabilized amounts for tenant inducements, leasing costs, and sustaining capital expenditures; (v) compensation expense related to deferred unit incentive plans; (vi) debt repayment costs; and (vii) net adjustments for equity accounted investments, as determined by the REIT. Other adjustments may be made to AFFO as determined by management at its discretion. Management's definition of AFFO is intended to reflect a stabilized business environment.

"**AFFO per Unit**" or sometimes presented as "**AFFO/unit**" is a non-IFRS ratio defined as AFFO divided by the weighted average number of units outstanding during the period. **"AFFO per Unit - fully diluted"** sometimes presented as"**AFFO/unit - fully diluted**" is a non-IFRS ratio defined as FFO divided by the diluted weighted average number of units outstanding during the period, calculated using same methodology as 'FFO/unit- fully diluted'.

In January 2022, the Real Property Association of Canada ("**REALpac**") issued amendments to white papers with recommendations for calculations of FFO and AFFO. The REIT reviewed the REALpac white papers and determined its FFO and AFFO definitions are substantially aligned with the white paper guidelines with some exceptions, which are outlined in PART III - RESULTS FROM OPERATIONS. We have provided an analysis of FFO and AFFO (including reconciliations to net income) under **PART III - RESULTS FROM OPERATIONS, FUNDS FROM OPERATIONS ("FFO")** and **ADJUSTED FUNDS FROM OPERATIONS ("AFFO")**.

"**AFFO Payout Ratio**" is a non-IFRS ratio used by management to assess the sustainability of the REIT's distribution payments. The ratio is calculated using cash distributions declared divided by AFFO.

"**EBITDA**" is a non-IFRS financial measure defined as 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 financial measure defined as EBITDA excluding, 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 investments, 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. For a reconciliation of EBITDA and Adjusted EBITDA to income (Loss) before taxes, please see "**PART IV – CAPITALIZATION AND LIQUIDITY – RATIOS AND COVENANTS**".

"Investment Properties on a proportionate basis" is a non-IFRS financial measure defined as the REIT's total investment properties balance adjusted to be reflected on a proportionately consolidated basis at the REIT's ownership percentage. We have provided an analysis of investment properties on a proportionate basis (including a reconciliation to consolidated investment properties) under "**PART II – BUSINESS OVERVIEW – INVESTMENT PROPERTIES**".

"**Proportionate Management Fees**" is a non-IFRS financial measure defined as the REIT's total management fees earned from third parties adjusted to be reflected on a proportionately consolidated basis at the REIT's ownership percentage. We have provided an analysis of proportionate management fees (including a reconciliation to consolidated management fees) under "**PART III – RESULTS FROM OPERATIONS – NET INCOME**".

"**Interest Coverage**" is a non-IFRS ratio calculated as Adjusted EBITDA divided by mortgage and loan interest expense less debt repayment costs ("**Adjusted mortgage and loan interest expense**"). The interest coverage ratio is useful in determining the REIT's ability to service the interest requirements of its outstanding debt. Please see "**PART IV – CAPITALIZATION AND LIQUIDITY – RATIOS AND COVENANTS**".

"**Cash Flows from Operating Activities Attributable to Unitholders**" is a non-IFRS financial measure define as cash generated from operations after providing for operating capital requirements, and is useful to evaluate the REIT's ability to fund distributions to Unitholders. We have provided an analysis of cash flows from operating activities attributable to unitholders (including a reconciliation to cash flow from operating activities) under "**PART III – RESULTS FROM OPERATIONS – DISTRIBUTIONS**".

"**Distributions**" is a non-IFRS financial measure defined as 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. We have provided an analysis of distributions (including a reconciliation to distributions to trust unitholders) under "**PART III – RESULTS FROM OPERATIONS – DISTRIBUTIONS**".

"**Net Asset Value**" or (**"NAV"**) is a non-IFRS financial measure, defined 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, derivative instruments (except financial instruments related to investment interest in real estate assets), Class B LP Unit liability and adjusted to reflect the fair value increase of the ANZ Manager intangible asset. "**NAV per Unit"** or sometimes presented as "**NAV/unit**" is a non-IFRS ratio 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 intrinsic value of the REIT's units. We have provided an analysis of NAV (including a reconciliation to total assets) under **PART IX - NET ASSET VALUE**.

"**Constant Currency Same Property NOI**", sometimes also presented as"**Same Property NOI"** or **"SPNOI",** is a non-IFRS financial measure, defined as NOI for investment properties that were owned for a full reporting period in both the current and comparative year, subject to certain adjustments including: (i) straight-line rental revenue recognition; (ii) amortization of operating leases; (iii) lease termination fees; and (iv) non-recurring transactions that are not expected to recur (v) excluding properties held for redevelopment and (vi) excluding impact of foreign currency translation by converting the foreign currency denominated SPNOI from comparative period at current period average exchange rates. Management considers Same Property NOI to be a key operating metric useful in understanding period-over-period changes in NOI due to occupancy, rental rates, operating costs and realty taxes, before considering the changes in NOI that can be attributed to the transactions and development activities.

We have provided an analysis of NOI (including reconciliations of SPNOI to NOI) under **PART III - RESULTS FROM OPERATIONS - NET OPERATING INCOME**.

KEY PERFORMANCE DRIVERS

In addition to monitoring and analyzing the performance of operations through the measures outlined above, 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, including mortgages, credit facilities, and term 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.G.

The REIT's strategic objectives are to:

- provide sustainable and growing cash distributions through investment in healthcare real estate globally;
- build a diversified global portfolio of healthcare properties concentrated in Australia/New Zealand, Brazil, North America 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.

<u>Declaration of Trust</u>

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 December 31, 2021, the REIT was in compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

RELATIONSHIP WITH NWVP

As at December 31, 2021, NorthWest Value Partners Inc. and affiliates ("**NWVP**") indirectly owned approximately 12.2% (approximately 11.7% 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 the Chief Executive Officer and Chairman 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 197 income-producing properties and 16.4 million square feet of gross leasable area located throughout major markets in Canada, Brazil, Europe, 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: The REIT's investment in Europe consists of:

i. 30% interest in a joint venture ("European JV") with a third party institutional partner that is equity accounted for under IFRS and has initial seed investments in hospitals and rehabilitation clinics located in the major markets.

ii. Direct interest in high quality MOBs, hospitals, medical clinics and life sciences assets located in the major markets including Berlin, and Frankfurt in Germany; Netherlands; and Greater London and Birmingham in the United Kingdom.

iii. On August 6, 2021, the REIT acquired Aspen, an UK based hospital operator. As result of the transaction, the REIT assumed Aspen Group's interest in two hospital properties located in Sheffield and Edinburgh, and obtained control over the operations of eight hospitals located throughout the UK. As at December 31, 2021, the REIT has completed the sale of the eight hospital operations (see **Highlights for the Quarter**).

The assets are supported by fully integrated property management and asset management capabilities allowing for efficient operation and deal sourcing.

Australia/New Zealand: The REIT has exposure to a portfolio of hospitals, medical centers, life sciences assets and aged care facilities through:

i. an approximate 27% interest in New Zealand Stock Exchange ("NZX") listed Vital Healthcare Properties Trust ("Vital Trust") which is consolidated by the REIT for financial reporting purposes,

ii. 30% interest in joint ventures ("JV") with a third party institutional investor that is equity accounted for under IFRS (certain investments proportionately consolidated).

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.

Global Asset Manager:

The REIT's Global Asset Manager is a fully integrated operation comprised of leading investment, development, asset management and property operations professionals, with offices located in Canada, Brazil, Europe, Australia and New Zealand. The Global Asset Manager derives fees from $5.5 billion of third-party assets under management (December 31, 2020 - $4.8 billion), and is scaled to support the over $4.8 billion of further capital commitments.

Below summarizes the REIT's managed funds as at December 31, 2021:

FUNDS UNDER MANAGEMENT AND CAPITAL COMMITMENTS

Cdn$ Billions	Total Commitment	Capital Deployed	Capital Allocated	Available Capacity	REIT Ownership	Term
Australian Core Hospital JV	3.4	2.4	0.8	0.2	30%	Perpetuity
Australian Core Hospital JV 2 [1]	2.2	—	—	2.2	30%	Perpetuity
Vital Trust	2.9	2.6	0.3	Open	27%	Perpetuity
European JV	2.9	0.5	—	2.4	30%	12 Years
Total	**11.4**	**5.5**	**1.1**	**4.8**		

(1) Subsequently to December 31, 2021, the REIT its JV partner have reached to an agreement to form a second Australian JV (see **Subsequent Events**).

The following table summarizes the REIT's assets by region as at December 31, 2021:

SUMMARY OF ASSETS

	Canada	Brazil	Europe [1]	Vital Trust [2] (Australasia)	Australia[3] (Australasia)	Consolidated Total [4]
Number of Properties	57	8	63	44	25	197
Asset Mix	84% MOB & 12% Hospitals & Healthcare Facilities & 4% Life Sciences	100% Hospital	56% MOB & 43% Hospitals & Healthcare Facilities & 2% Life Sciences	21% MOB & 79% Hospitals & Healthcare Facilities	24% MOB & 68% Hospitals & Healthcare Facilities & 8% Life Sciences	50% MOB & 47% Hospitals & Healthcare Facilities & 3% Life Sciences
Gross Leaseable Area ("GLA") (million sf)	3.6	1.9	4.8	3.0	3.1	16.4
Total Assets (Cdn$ millions)	$1,228	$668	$1,823	$2,599	$613	$7,064
Occupancy	91%	100%	97%	98%	100%	97%
WALE (Years)	5.1	18.6	15.7	18.3	16.5	14.5
Average Building Age (Years)	32	16	24	15	15	22
Weighted Average Implied Cap Rate	6.2%	6.8%	4.6%	4.7%	4.9%	5.2%

Notes

(1) Shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 33.57% and 30% interest, respectively in these JV portfolios.

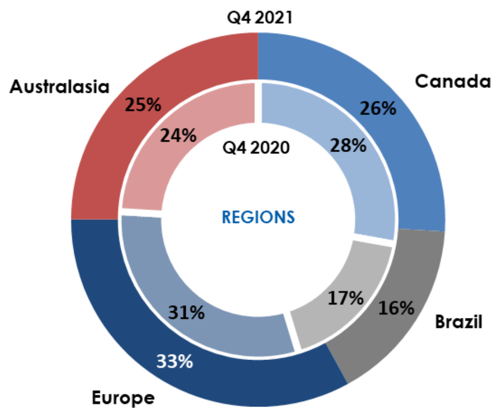
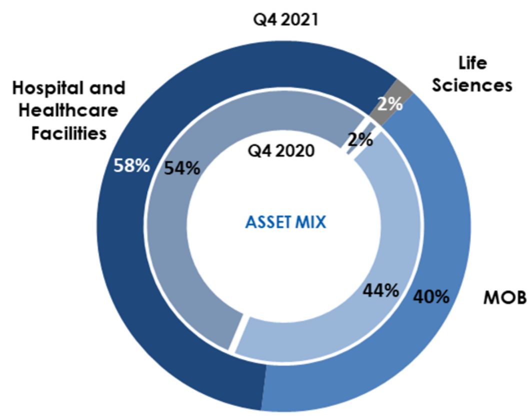
(2) Shown on a 100% basis. The REIT has an approximate 27.4% interest in Vital Trust and consolidates its investment in Vital Trust.

(3) Shown at 100% ownership for assets held as part of Joint venture Agreements ("JV"). The REIT owns 30% interest in these JV portfolios.

(4) Consolidated Total includes corporate assets, and Global Manager.

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 Q4 2021 and Q4 2020 actual NOI.

(2) Vital Trust shown on a proportionate basis. The REIT has an approximate 27.4% ownership interest in Vital Trust and consolidates its investment in Vital Trust.

(3) The European JV and Australian JVs are shown on a proportionate basis. The REIT owns 30% - 33.57% interest in its JV portfolios.

(4) The Asset Mix for prior year is restated as per ESG property classification.

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 or hospital operator under long-term, inflation indexed, triple net lease structures in which the REIT does not absorb any material property operating cost or CAPEX risk.

Life Sciences are an emerging class of assets that are primarily leased to life science users with a focus on research and development, under long-term leases.

Tenant Mix

The following table summarizes the REIT’s 10 largest tenants by percentage of proportionate revenue for the three months ended December 31, 2021:

10 LARGEST TENANTS BY PERCENTAGE OF RENT

	Tenant	Region	%	# of locations
1	Rede D'Or	Brazil	9.0 %	7
2	Nuffield Health	Europe	6.1 %	6
3	Healthscope Limited (1)	Australia	5.3 %	13
4	BMI Healthcare	Europe	3.0 %	6
5	Epworth Foundation (1)	Australia	1.9 %	9
6	Aurora Healthcare (1)	Australia	1.7 %	11
7	CISSS / CIUSSS	Canada	1.3 %	5
8	Healthe Care Surgical Pty Ltd (1)	Australia	1.2 %	4
9	Stichting Albert Schweitzer Ziekenhuis	Europe	1.1 %	4
10	Alberta Health Services	Canada	0.8 %	5
			31.4 %	70

Notes:
(1) Australia and Europe are shown at proportionate ownership basis for assets held as part of Joint Venture Agreements ("JV"). The REIT owns a 30% interest in the JV within Australia and Europe, which are reflected on a proportionate ownership basis. The REIT has an approximate 27.4% interest in Vital Trust and consolidates its investment in Vital Trust.

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

Rede D'Or is the largest private hospital operator in Brazil. The company operates 52 hospitals, with 32 under construction, and more than 40 specialized oncology outpatient clinics, comprising over 7,200 inpatient beds - an average of 153 beds per hospital. With more than 40 years of experience in the healthcare business, the company has solid business positions and operational scale in its strategically located key states: Rio de Janeiro, Sao Paulo, Pernambuco, Brasilia, Maranhao and Bahia. Since 2004, the company has grown substantially through a series of strategic partnerships and acquisitions. Since 2015, Rede D'Or has added Carlyle Group and GIC Group as investors. Rede D’or was valued at 112.5 billion reais ($22 billion) in an initial public offering priced on December 8 2020, placing it among Brazil’s 10 biggest companies by market capitalization.

Nuffield Health is the REIT's second largest tenant in six directly held properties, accounting in total for 6.1% of the REIT's proportionate revenues. Nuffield Health, the UK's largest healthcare charity, was formed in 1957 and is a leading corporate healthcare services provider in the UK and thorough a network of 36 hospitals, 113 fitness & well-being centers and healthcare clinics, Nuffield Health is able to offer a complete range of private healthcare and clinical services.

Healthscope Limited ("HSO") is currently the REIT's third largest tenant in three directly held properties and occupying the HSO Portfolio, accounting in total for 5.3% of the REIT's proportionate revenues, consistent with the REIT’s ownership level of 30%. HSO, formed in 1985, is a leading private healthcare provider in both Australia and New Zealand. With a portfolio of 43 private hospitals in Australia and 24 laboratories in New Zealand, comprising a market-leading international pathology operation, Healthscope has a presence in every Australian state and territory. Specializing in medical and surgical, mental health, rehabilitation and maternity services, its hospitals are concentrated in large metropolitan centres, constituting 30 acute, 7 mental health and 6 rehabilitation hospitals. In New Zealand, it is the largest provider of human pathology services to New Zealand’s District Health Boards and provides veterinary and analytical pathology services though the Gribbles brand. In 2018, Healthscope divested its 39 pathology laboratories in Asia for $279 million, allowing the company to redirect its focus to its core hospital and pathology operations.

BMI Healthcare is the largest independent acute hospital operator in the UK measured by bed-count (~2,400) and 3rd largest measured by revenue, representing 15.8% share of the independent acute market. BMI operates 51 hospitals throughout the UK, and provides surgical, diagnostic and rehabilitative care on an in-patient and out-patient basis to self-payors, those with private medical insurance and those whose treatments are publicly funded by the National Health Service ("NHS"). BMI's revenues are split roughly 50/50 between private (self-pay and PMI) and public funding (NHS).

Epworth Foundation is currently the REIT's fifth largest tenant accounting in total for 1.9% of the REIT's proportionate revenues, consistent with the REIT's ownership level of approximately 27.4%. Epworth Foundation was 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 7,100 employees, including nurses, doctors, allied health professionals and support services, at our nine hospitals and specialty centres around the Melbourne metropolitan area. Epworth Foundation is investing heavily in the latest technology and innovation.

INVESTMENT PROPERTIES

The estimated fair value of investment properties as at December 31, 2021 was $6.3 billion (December 31, 2020 - $5.3 billion) representing an implied weighted average capitalization rate of 5.2% (December 31, 2020 - 5.8%).

INVESTMENT PROPERTIES

Expressed in thousands of Canadian dollars Unaudited	Three months ended December 31, 2021					
	Income Properties					
	Canada	**Brazil**	**Europe**	**Vital Trust**	**Australia**	**Total**
Opening Balance	**$1,191,766**	**$ 661,575**	**$1,469,803**	**$2,059,880**	**$ 165,429**	**$5,548,453**
Acquisitions of investment properties	—	—	153,263	75,765	—	229,028
Disposition of investment properties	—	—	1	(1,076)	—	(1,075)
Addition to investment properties	4,801	—	2,421	3,636	154	11,012
Increase in straight-line rents	(366)	—	—	—	476	110
Transfers from (to) properties under development	(9,000)	—	—	32,375	—	23,375
Fair value gain (loss)	(5,371)	18,868	44,480	124,694	5,772	188,443
Foreign currency translation	—	(17,632)	(11,844)	13,356	1,042	(15,078)
Closing Balance	**$1,181,830**	**$ 662,811**	**$1,658,124**	**$2,308,630**	**$ 172,873**	**$5,984,268**
	Properties Under Development					
	Canada	**Brazil**	**Europe**	**Vital Trust**	**Australia**	**Total**
Opening Balance	**$ 23,116**	**$ —**	**$ 31,656**	**$ 237,230**	**$ —**	**$ 292,002**
Acquisitions of investment properties	—	—	—	13,643	—	13,643
Addition to investment properties	4,764	—	2,393	26,814	—	33,971
Transfers from (to) income properties	9,000	—	—	(32,375)	—	(23,375)
Fair value gain (loss)	—	—	(4,201)	6,423	—	2,222
Foreign currency translation	—	—	(704)	(7,722)	—	(8,426)
Closing Balance	**$ 36,880**	**$ —**	**$ 29,144**	**$ 244,013**	**$ —**	**$ 310,037**
	Total					
	Canada	**Brazil**	**Europe**	**Vital Trust**	**Australia**	**Total**
Opening Balance	**$1,214,882**	**$ 661,575**	**$1,501,459**	**$2,297,110**	**$ 165,429**	**$5,840,455**
Acquisitions of investment properties	—	—	153,263	89,408	—	242,671
Disposition of investment properties	—	—	1	(1,076)	—	(1,075)
Addition to investment properties	9,565	—	4,814	30,450	154	44,983
Increase in straight-line rents	(366)	—	—	—	476	110
Fair value gain (loss)	(5,371)	18,868	40,279	131,117	5,772	190,665
Foreign currency translation	—	(17,632)	(12,548)	5,634	1,042	(23,504)
Closing Balance	**$1,218,710**	**$ 662,811**	**$1,687,268**	**$2,552,643**	**$ 172,873**	**$6,294,305**

INVESTMENT PROPERTIES

Expressed in thousands of Canadian dollars	Year ended December 31, 2021					
	Income Properties					
	Canada	**Brazil**	**Europe**	**Vital Trust**	**Australia**	**Total**
Opening Balance	**$1,189,145**	**$ 648,226**	**$1,132,055**	**$1,943,553**	**$ 170,226**	**$5,083,205**
Acquisitions of investment properties	15,588	—	428,745	149,999	—	594,332
Right of use asset	108	—	—	—	—	108
Disposition of investment properties	(19,120)	—	(16,656)	(11,670)	—	(47,446)
Addition to investment properties	17,990	(2,003)	6,331	13,526	706	36,550
Increase in straight-line rents	(94)	—	—	—	2,028	1,934
Transfers from (to) properties under development	(9,000)	—	—	43,746	—	34,746
Fair value gain (loss)	(12,787)	63,893	162,361	285,224	10,408	509,099
Foreign currency translation	—	(47,305)	(54,712)	(115,748)	(10,495)	(228,260)
Closing Balance	**$1,181,830**	**$ 662,811**	**$1,658,124**	**$2,308,630**	**$ 172,873**	**$5,984,268**
	Properties Under Development					
	Canada	**Brazil**	**Europe**	**Vital Trust**	**Australia**	**Total**
Opening Balance	**$ 15,712**	**$ —**	**$ 40,421**	**$ 122,725**	**$ —**	**$ 178,858**
Acquisitions of investment properties	—	—	—	80,255	—	80,255
Disposition of investment properties	—	—	(9,131)	—	—	(9,131)
Addition to investment properties	12,168	—	5,256	92,073	—	109,497
Transfers from (to) income properties	9,000	—	—	(43,746)	—	(34,746)
Fair value gain (loss)	—	—	(4,738)	9,625	—	4,887
Foreign currency translation	—	—	(2,664)	(16,919)	—	(19,583)
Closing Balance	**$ 36,880**	**$ —**	**$ 29,144**	**$ 244,013**	**$ —**	**$ 310,037**
	Total					
	Canada	**Brazil**	**Europe**	**Vital Trust**	**Australia**	**Total**
Opening Balance	**$1,204,857**	**$ 648,226**	**$1,172,476**	**$2,066,278**	**$ 170,226**	**$5,262,063**
Acquisitions of investment properties	15,588	—	428,745	230,254	—	674,587
Right of use asset	108	—	—	—	—	108
Disposition of investment properties	(19,120)	—	(25,787)	(11,670)	—	(56,577)
Addition to investment properties	30,158	(2,003)	11,587	105,599	706	146,047
Increase in straight-line rents	(94)	—	—	—	2,028	1,934
Fair value gain (loss)	(12,787)	63,893	157,623	294,849	10,408	513,986
Foreign currency translation	—	(47,305)	(57,376)	(132,667)	(10,495)	(247,843)
Closing Balance	**$1,218,710**	**$ 662,811**	**$1,687,268**	**$2,552,643**	**$ 172,873**	**$6,294,305**

Investment Properties on Proportionate Basis[1]	
Expressed in thousands of Canadian dollars	**December 31, 2021**
Total reported investment properties	6,294,305
Proportionate share of the JV investments[2]	800,525
NCI share of investment properties	(1,873,089)
Total investment properties at proportionate share	**5,221,741**

Notes:

(1) See **Performance Measurement** in this MD&A.

(2) Proportionate share of jointly owned investments where the REIT's interest is equity accounted. The JV includes properties that are accounted both on a proportionate basis and using equity accounting method.

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

2021 Acquisitions

During the year ended December 31, 2021, the following investment property acquisitions were completed by the REIT including properties interest acquired in joint ventures with third-parties:

ACQUISITIONS					
Region	**Quarter**	**Ownership Interest**	**GLA**	**Acquisition Cost (in millions)** [1]	
Australasia [2]	Q1	27 %	—	$	30.2
Europe [3]	Q1	100 %	195,913	$	33.9
Australasia [4]	Q2	27 %	161,459	$	85.0
Europe	Q2	100 %	316,073	$	186.6
Canada	Q2	100 %	40,918	$	15.6
Europe [5]	Q3	100 %	118,036	$	61.9
Australasia	Q3	27 %	—	$	25.6
Europe	Q4	100 %	49,622	$	153.3
Australasia [3] [4]	Q4	27%-30%	203,328	$	126.7
Total			**1,085,349**	**$**	**718.8**

(1) Acquisition costs includes purchase price of properties and related transaction costs.

(2) On February 2, 2021, Vital Trust completed an acquisition of a strategic development site located in Australia.

(3) Represents 100% GLA related to properties owned through joint venture but managed by the REIT, whereas acquisition costs are shown at the REIT's share of the gross value of the properties.

(4) Acquisitions in Australasia for Q2 and Q4 includes development lands for approximately $11.0 million and $3.6 million, respectively, located in Australia.

(5) During the second half os 2021, the REIT assumed interest in three hospital properties as part of the Aspen Group acquisition and the disposal of all eight OpCos (see Highlights for the Quarter).

2021 Dispositions

During the year ended December 31, 2021, the following dispositions of investment properties were completed by the REIT including properties interests that were sold to joint ventures the REIT has with institutional partners that are third-parties:

DISPOSITIONS					
Region	Quarter	Disposition Proceeds (in millions)		Property Specific Debt (in millions)	
Europe	Q1	$	25.8	$	—
Canada	Q1	$	12.0	$	—
Canada	Q2	$	7.1	$	2.1
Australasia	Q4	$	11.7	$	—
Total		**$**	**56.6**	**$**	**2.1**

Valuation of Investment Properties

The estimated fair values of the investment properties at December 31, 2021 were determined either on internal valuation models incorporating available market evidence or on valuations performed by independent third party appraisers. During the year ended December 31, 2021, investment properties with an aggregate estimated fair value of $6.1 billion, representing approximately 96.2% of its portfolio, (for the year ended December 31, 2020 - $4.2 billion, 79.0%) were valued by independent third party appraisers.

As at December 31, 2021, the weighted average capitalization rate decreased slightly to 5.2% for the consolidated portfolio as compared to 5.8% as at December 31, 2020.

During the three months and year ended December 31, 2021, the REIT recorded a fair value gain on income producing property of $190.7 and $514.0 million, respectively. The fair value gains for the three months and year ended December 31, 2021, were mainly attributable to rental growth and improvement in valuation based on appraised values at Vital Trust, inflation indexation of rents in Brazil and a revaluation of the UK portfolio driven primarily by market rent review, which were partially offset by transaction costs incurred related to European acquisitions.

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 cost goals of each project.

The REIT is undertaking the following active development projects 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
Australasia	11	Q1 2022 - Q4 2024	267,254	141,132	100 %	6.0 %
Europe	3	Q1 2022 - Q2 2022	24,417	6,724	92 %	5.2 %
Brazil	2	Q1 2022 - Q4 2022	25,058	25,058	100 %	7.5 %
Canada	1	Q2 2022	24,000	9,000	53 %	7.1 %
	17		$ 340,729	$ 181,914	96 %	6.1 %

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.

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

Australasia

The REIT currently has a total of eleven active expansion projects in Australasia with completion dates ranging from the first quarter of 2022 to the fourth quarter of 2024. Projects include a mix of modernisation and expansion projects at acute surgical and mental health facilities to meet the growing demand for healthcare services. Expansion projects are with Vital Trust's existing tenants, Healthe Care, Acurity and Epworth and Australian JV tenant Healthscope and Evolution. The developments are expected to be funded through existing resources. Expansion projects are 100% 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.

Europe

Europe currently has one German project and two Netherlands projects. The Netherlands projects are being developed in conjunction with a developer. The properties are held under the European JV, 100% pre-leased and development overages, if any, will be the responsibility of the property developer. The REIT is responsible for completion of the development projects and accordingly has recognized development income from the European JV and expenses paid to property developer as development costs.

Brazil

The Brazilian development activity relates to expansion planned for the REIT's Hospital e Maternidade Brasil ("**HMB**") and Hospital Sao Luiz Morumbi and is expected to be funded through a combination of existing resources and property financing.

Canada

The Canadian development is located in Pickering, Ontario and commenced in the fourth quarter of 2020. The development is financed with an at-market construction loan.

LEASING COSTS AND CAPITAL EXPENDITURES

LEASING COSTS AND CAPITAL EXPENDITURES

Expressed in thousands of Canadian dollars	Three months ended December 31, 2021					
	Canada	**Brazil**	**Europe**	**Vital Trust**	**Australia**	**Total**
Additions to investment properties						
Leasing costs (1)	$ 69	$ —	$ —	$ 1,644	$ 11	$ 1,724
Tenant improvements (2)	767	—	479	1,953	46	3,245
Maintenance capital expenditures	2,039	—	1,635	48	97	3,819
Other capital expenditures	1,926	—	307	(9)	—	2,224
	4,801	—	2,421	3,636	154	11,012
Internal leasing costs expensed	475	—	144	—	—	619
	5,276	—	2,565	3,636	154	11,631
Less:						
Recoverable maintenance capital expenditures	(2,039)	—	(565)	—	—	(2,604)
Other value enhancing and non-recurring capital expenditures	(508)	—	(844)	(3,598)	(97)	(5,047)
Leasing costs and non-recoverable maintenance capital expenditures	**$ 2,729**	**$ —**	**$ 1,156**	**$ 38**	**$ 57**	**$ 3,980**
AFFO adjustment for leasing costs and non-recoverable maintenance capital expenditures (3)	**$ 1,927**	**$ —**	**$ 705**	**$ 38**	**$ 57**	**$ 2,727**
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	**$ 802**	**$ —**	**$ 451**	**$ —**	**$ —**	**$ 1,253**

	Year ended December 31, 2021					
	Canada	**Brazil**	**Europe**	**Vital Trust**	**Australia**	**Total**
Additions to investment properties						
Leasing costs (1)	$ 691	$ —	$ —	$ 4,449	$ 28	$ 5,168
Tenant improvements (2)	4,581	—	2,409	8,085	133	15,208
Maintenance capital expenditures	5,886	—	2,874	917	544	10,221
Other capital expenditures	6,832	49	1,048	75	—	8,004
	17,990	49	6,331	13,526	705	38,601
Internal leasing costs expensed	1,958	—	810	—	—	2,768
	19,948	49	7,141	13,526	705	41,369
Less:						
Recoverable maintenance capital expenditures	(5,886)	—	(774)	—	—	(6,660)
Other value enhancing and non-recurring capital expenditures	(2,292)	(49)	(2,988)	(12,535)	(535)	(18,399)
Leasing costs and non-recoverable maintenance capital expenditures	**$ 11,770**	**$ —**	**$ 3,379**	**$ 991**	**$ 170**	**$ 16,310**
AFFO adjustment for leasing costs and and non-recoverable maintenance capital expenditures (3)	**$ 7,540**	**$ —**	**$ 2,316**	**$ 991**	**$ 170**	**$ 11,017**
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	**$ 4,230**	**$ —**	**$ 1,063**	**$ —**	**$ —**	**$ 5,293**

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 MOBs 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.

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% per annum 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 December 31, 2021 additions for the Canadian investment properties totaled $4.8 million. During the quarter leasing costs of $0.8 million included costs attributable to eight new lease transactions with an aggregate WALE of 7.4 years.

Included in other value enhancing and non-recurring capital expenditures for the quarter were one-time capital expenditures incurred and leasing costs to lease up never-before-occupied space at developed buildings.

Brazil

All of the REIT's hospitals in Brazil are leased to single tenant, 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 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 December 31, 2021 were $2.4 million.

Included in the value enhancing and non-recurring capital expenditures for the quarter were primarily (i) tenant fit-out in the Brandenburg, Hamburg and Berlin MOB-portfolios and (ii) non-recurring capex in the Berlin, Hamburg and Luebeck portfolio for fire safety systems.

Australasia

The majority of Australasian assets, including Vital Trust, represent hospitals leased to single tenant, hospital operators under long-term, inflation indexed, triple net lease structures. As a result, Australasian portfolio does not incur significant leasing or maintenance capital expenditures. For Australasian 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 in determining AFFO due to the significant proportion of Australasian portfolio comprised of triple net leased hospitals.

During the three months ended December 31, 2021, additions to the Australasian investment properties totaled $3.8 million which were largely attributable to updating façades and exterior cladding, at various properties.

PART III – RESULTS FROM OPERATIONS

NET INCOME (LOSS)

The following is a summary of selected financial information from the consolidated statements of income (loss) and comprehensive income (loss) for the three months and year ended December 31, 2021 and 2020:

RESULTS FROM OPERATIONS

Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2021	**2020**	**Variance**	**2021**	**2020**	**Variance**
Net Operating Income						
Revenue from investment properties	$ 96,368	$ 92,845	$ 3,523	$ 374,613	$ 373,818	$ 795
Property operating costs	(21,932)	(21,838)	(94)	(85,093)	(88,024)	2,931
Net Operating Income (NOI)	**74,436**	**71,007**	**3,429**	**289,520**	**285,794**	**3,726**
Other income						
Share of profit (loss) from equity accounted investments	51,930	34,831	17,099	107,483	52,091	55,392
Management fees	3,396	4,241	(845)	16,545	11,666	4,879
Development revenue	4,608	—	4,608	10,350	—	10,350
Interest and other	1,068	302	766	4,597	1,947	2,650
	61,002	**39,374**	**21,628**	**138,975**	**65,704**	**73,271**
	135,438	**110,381**	**25,057**	**428,495**	**351,498**	**76,997**
Expenses and Other						
Mortgage and loan interest expense	(22,299)	(23,893)	1,594	(90,461)	(97,748)	7,287
General and administrative expenses	(10,426)	(7,516)	(2,910)	(40,203)	(29,439)	(10,764)
Transaction costs	(7,652)	(3,309)	(4,343)	(37,984)	(34,933)	(3,051)
Other finance costs	(13,094)	(14,943)	1,849	(30,872)	66,383	(97,255)
Foreign exchange gain (loss)	5,716	(6,872)	12,588	14,735	(20,508)	35,243
Development costs	(4,437)	—	(4,437)	(9,441)	—	(9,441)
Income (loss) before the under noted items	**83,246**	**53,848**	**29,398**	**234,269**	**235,253**	**(984)**
Fair value adjustment of DUP Liability	(2,060)	(2,373)	313	(2,672)	(1,673)	(999)
Fair value adjustment of investment properties	190,665	179,346	11,319	513,986	174,415	339,571
Gain (loss) on derivative financial instruments	(22,488)	6,956	(29,444)	(9,515)	(11,759)	2,244
Income (loss) before taxes	**249,363**	**237,777**	**11,586**	**736,068**	**396,236**	**339,832**
Income tax expense	(42,001)	(37,528)	(4,473)	(124,229)	(14,822)	(109,407)
Net income (loss)	**$ 207,362**	**$ 200,249**	**$ 7,113**	**$ 611,839**	**$ 381,414**	**$ 230,425**
Net income from discontinued operations	$ 25,688	$ —	$ 25,688	$ 51,346	$ —	$ 51,346
Total net income (loss)	**$ 233,050**	**$ 200,249**	**$ 32,801**	**$ 663,185**	**$ 381,414**	**$ 281,771**
Net income (loss) attributable to:						
Unitholders	$ 139,452	$ 143,763	$ (4,311)	$ 434,879	$ 314,355	$ 120,524
Non-controlling interests	93,598	56,486	37,112	228,306	67,059	161,247
	$ 233,050	**$ 200,249**	**$ 32,801**	**$ 663,185**	**$ 381,414**	**$ 281,771**

Revenue from investment properties

Revenue from investment properties for the three months ended December 31, 2021 was $96.4 million which is $3.5 million higher than the three months ended December 31, 2020. The increase is primarily due to a $1.4 million increase in revenue at Vital Trust as a result of acquisition and leasing activity, $1.7 million increase in Europe mainly attributable to the UK acquisitions and $0.5 million increase in Canada driven by higher recoverable costs.

Revenue from investment properties for the year ended December 31, 2021 was $374.6 million as compared to $373.8 million for the year ended December 31, 2020. The increase of $0.8 million is primarily attributable to an increase in Canadian and Vital Trust revenues of $0.9 million and $10.5 million, respectively, as a result of acquisitions, developments and leasing activities and by net increase of $3.5 million for the European portfolio attributable to increased rents for the Netherlands and UK acquisitions partially offset by properties vended into the European JV. These were partially offset by a $3.2 million decrease in Brazilian revenues as a result of the weakening of the Brazilian Real, and a decrease in Australian revenues of $10.9 million as a result of disposition activity.

The REIT has chosen to reflect the transactions between the REIT and its segment classified as discontinued operations, Aspen Group, on the basis of continuance as the REIT will continue to own and lease the investment properties after hospital operations have been sold. Accordingly, the REIT recorded $5.7 million of rents charged to the Aspen group for the period of August 6, 2021 to December 31, 2021, as rental income and the related rent expense is presented within income from discontinued operations.

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 December 31, 2021 were $21.9 million as compared to $21.8 million for the three months ended December 31, 2020. The $0.1 million increase is primarily the result of increase in operating costs due to completion of acquisitions and developments partially offset by decreases in operating costs related to the Australasian portfolio.

Property operating costs for the year ended December 31, 2021 were $85.1 million as compared to $88.0 million for the year ended December 31, 2020. The $2.9 million decrease in operating costs is mainly related to Australasian portfolio due to the sale of 70% interest in Northwest Healthcare Properties Australia REIT ("AREIT"), and a decrease in European portfolio due to property dispositions to the European JV, partially offset by acquisitions and development completions.

See also **NET OPERATING INCOME**.

Share of profit (loss) of equity accounted investments

SHARE OF PROFIT/LOSS IN EQUITY ACCOUNTED INVESTMENTS

For the three months ended December 31,	2021			2020			
	Australia	Europe	Total	Australia	Europe	Total	Variance
Total revenues	**$ 25,100**	**$ 7,894**	**$ 32,994**	$24,888	$ 6,573	$ 31,461	**$ 1,533**
Expenses							
Operating costs	**1,703**	**1,323**	**3,026**	1,912	823	2,735	**291**
Mortgage and loan interest expense	**3,424**	**1,374**	**4,798**	3,833	1,068	4,901	**(103)**
General and administrative expenses	**(5)**	**1,157**	**1,152**	73	286	359	**793**
Other	**(105)**	**—**	**(105)**	146	—	146	**(251)**
Fair value (gain) loss adjustments and transaction costs	**(141,123)**	**(13,397)**	**(154,520)**	(92,048)	(3,540)	(95,588)	**(58,932)**
Income tax expense	**—**	**1,943**	**1,943**	—	1,663	1,663	**280**
Net income (loss)	**$161,206**	**$ 15,494**	**$176,700**	110,972	6,273	117,245	**59,455**
Non-controlling interest	**5,254**	**—**	**5,254**	3,048	—	3,048	**2,206**
Net profit attributable to unitholders	**$155,952**	**$ 15,494**	**$171,446**	107,924	6,273	114,197	**57,249**
Weighted average share of profits (loss)	**30.0%**	**30.0% to 33.6%**		30.0 %	N/A		
REIT's share of income (loss)	**$ 46,786**	**$ 5,144**	**$ 51,930**	32,377	2,454	34,831	**17,099**

For the year ended December 31,	2021			2020			
	Australia	Europe	Total	Australia	Europe	Total	Variance
Total revenues	**$102,709**	**$ 31,088**	**$133,797**	$ 85,616	$ 6,573	$ 92,189	**$ 41,608**
Expenses							
Operating costs	**9,357**	**5,161**	**14,518**	6,147	823	6,970	**7,548**
Mortgage and loan interest expense	**13,649**	**5,137**	**18,786**	15,571	1,068	16,639	**2,147**
General and administrative expenses	**453**	**3,958**	**4,411**	362	286	648	**3,763**
Other	**380**	**—**	**380**	525	—	525	**(145)**
Fair value (gain) loss adjustments and transaction costs	**(250,635)**	**(22,891)**	**(273,526)**	(107,222)	(3,540)	(110,762)	**(162,764)**
Income tax expense	**—**	**6,254**	**6,254**	—	1,663	1,663	**4,591**
Net income (loss)	**$329,505**	**$ 33,469**	**$362,974**	$170,233	$ 6,273	$176,506	**$186,468**
Non-controlling interest	**8,116**	**—**	**8,116**	4,776	—	4,776	**3,340**
Net profit attributable to unitholders	**$321,389**	**$ 33,469**	**$354,858**	$165,457	$ 6,273	$171,730	**$183,128**
Weighted average share of profits (loss)	**30.0%**	**30.0% to 33.6%**		30.0%	N/A		
REIT's share of income (loss)	**$ 96,417**	**$ 11,066**	**$107,483**	$ 49,637	$ 2,454	$ 52,091	**$ 55,392**

Share of profit (loss) of associate for the three months and year ended December 31, 2021 represents the REIT's share of profit (loss) in the Australasian and European JVs with an institutional partner. The REIT's share of profit (loss) of associate increased by $17.1 million and $55.4 million for the three months and year ended December 31, 2021, compare to the respective period in 2020. The increases were mainly attributable to the formation of the European JV on September 30, 2020, a higher revaluation of investment properties related to changes in valuation parameters and an increase in rents in the Australian joint ventures during the three months and year ended December 31, 2021.

Management Fees

In exchange for its services, the Global Asset Manager earns management fees, activity-based fees for acquisitions and development activity, as well as an incentive fee from Vital Trust and joint arrangements.

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

The following table summarizes the management fees earned by Global Asset Manager for the three months and year ended December 31, 2021 and 2020:

GLOBAL MANAGER FEES

Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2021	**2020**	**Variance**	**2021**	**2020**	**Variance**
Base fee	$ 7,143	$ 6,416	$ 727	$ 27,645	$ 23,158	$ 4,487
Incentive and performance fee	6,336	1,830	4,506	17,155	5,324	11,831
Trustee fees	253	221	32	944	828	116
Project and Acquisition fees	4,341	5,734	(1,393)	14,485	10,888	3,597
Other fees	191	—	191	4,411	—	4,411
Total Management Fees	**$ 18,264**	**$ 14,201**	**$ 4,063**	**$ 64,640**	**$ 40,198**	**$ 24,442**
less: inter-company elimination (1)	(14,868)	(9,960)	(4,908)	(48,095)	(28,532)	(19,563)
Consolidated Management Fees (2)	**$ 3,396**	**$ 4,241**	**$ (845)**	**$ 16,545**	**$ 11,666**	**$ 4,879**
add: fees charged to non-controlling interests	9,931	6,648	3,283	32,133	19,011	13,122
Proportionate Management Fees (3)	**$ 13,327**	**$ 10,889**	**$ 2,438**	**$ 48,678**	**$ 30,677**	**$ 18,001**

Notes

(1) Management fees charged to Vital Trust and to the JVs are eliminated on consolidation as an inter-company transaction.

(2) Represents the reported consolidated management fees.

(3) See **Performance Measurements** in this MD&A.

Consolidated management fees for the three months ended December 31, 2021, decreased by $0.8 million due to lower acquisition fees, partially offset by higher incentive and performance fees and base fees.

Consolidated management fees for the year ended December 31, 2021, increased by $4.9 million mainly due to base fees from the REIT's joint venture agreements, incentive fees from Vital Trust and acquisition fees (including cost reimbursements related to investment activity) with a third party JV partner compared to the year ended December 31, 2020.

Incentive and performance fees for the three months and year ended December 31, 2021, increased by $4.5 million and $11.8 million, respectively. The increases in both periods were driven by net tangible asset growth at Vital Trust.

The Global Asset Manager fees to Vital Trust are eliminated on consolidation as inter-company transactions but the REIT receives the benefit of approximately 73%% of the fees; representing the non-controlling interest - ownership in Vital Trust. Management fees charged to the JV are eliminated to the extent of the REIT's 30% interest in the JV.

Development Revenue and Costs

During the first quarter of 2021, the REIT entered into an agreement with the European JV partner to develop for two investment properties for the European JV. For the three months and year ended December 31, 2021, the REIT has recognized development profit of $0.2 million and $0.9 million, respectively, net of its 30% interest in the European JV.

Interest and other

For the three months ended December 31, 2021 and 2020, the REIT recorded interest and other income of $1.1 million and $0.3 million, respectively.

For the year ended December 31, 2021 and 2020, the REIT recorded interest and other income of $4.6 million and $1.9 million, respectively.

The increase during the three months and year ended December 31, 2021 period mainly relates to distribution income earned on the REIT's investment in unlisted securities.

Mortgage and loan interest expense

The mortgage and loan interest expense for the three months ended December 31, 2021 was $22.3 million, a decrease of $1.6 million over the prior year period. The mortgage and loan interest expense for the year ended December 31, 2021 was $90.5 million, a decrease of $7.3 million over the prior year period.

The composition of mortgage and loan interest expense for the three months and year ended December 31, 2021 and 2020 is as follows:

MORTGAGE AND LOAN INTEREST EXPENSE

Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2021	**2020**	**Variance**	**2021**	**2020**	**Variance**
Canada						
Mortgages[1]	$ 4,060	$ 3,558	$ (502)	$ 16,231	$ 16,860	$ 629
Brazil						
Brazil debt	1,756	1,922	166	7,227	8,550	1,323
Europe						
Mortgages	1,318	3,069	1,751	8,477	11,596	3,119
Australasia						
Term loans	9,325	6,645	(2,680)	32,546	33,210	664
Corporate						
Australasian Secured Financing	1,491	1,056	(435)	4,935	3,899	(1,036)
Corporate credit facilities	4,809	4,180	(629)	15,592	12,001	(3,591)
Convertible Debentures	2,295	3,776	1,481	11,951	15,278	3,327
	8,595	9,012	417	32,478	31,178	(1,300)
less: capitalized interest	(2,764)	(313)	2,451	(6,537)	(3,665)	2,872
add: prepayment penalties	9	—	(9)	39	19	(20)
Total mortgage and loan interest expense	**$ 22,299**	**$ 23,893**	**$ 1,594**	**$ 90,461**	**$ 97,748**	**$ 7,287**

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 December 31, 2021, has increased by $0.5 million due to acquisition activity, partially offset by a lower weighted average interest rate. For the year ended December 31, 2021, the interest expense has decreased by $0.6 million over the comparable prior year period primarily reflects a lower weighted average interest rate. The weighted average interest rate of the Canadian mortgage portfolio as at December 31, 2021 decreased to 3.16% compared to 3.25% as at December 31, 2020.

Brazil

Mortgage interest expense for the three months and year ended December 31, 2021 decreased by $0.2 million and $1.3 million compared to prior periods, respectively. The decrease in interest expense over comparable prior year period is primarily due to the weakening of the BRL relative to the Canadian dollar by approximately 7% as compared to the prior period.

Europe

Mortgage interest expense for the three months and year ended December 31, 2021 has decreased by $1.8 million and $3.1 million compare to prior periods, respectively. The decrease over the comparable prior year periods is mainly due to a lower weighted average interest rate, property dispositions to the European JV and by the weakening of the Euro by approximately 7.3% against the Canadian dollar compare to prior periods which was partially offset by the acquisition activity of four properties in the UK in the second half of 2021 and 2020.

The weighted average interest rate of the European mortgages was 1.96% as at December 31, 2021, which is a decrease from 2.10% as at December 31, 2020.

Australasia

Mortgage interest expense for the three months ended December 31, 2021, has increased by $2.7 million compare to prior periods. The increase is mainly attributable to acquisition activity partially offset by a lower weighted average interest rate. For the year ended December 31, 2021, the interest expense has decreased by $0.7 million over the comparable prior year period is attributable to the sale of 70% interest in AREIT as well as a decrease in weighted average interest rates. Those were partially offset by acquisition activity during 2021.

The weighted average interest rate as at December 31, 2021 decreased to 3.04% compared to 3.46% as at December 31, 2020.

Corporate

The increase in the interest expense for the year ended December 31, 2021, over the comparable prior year period is primarily due to refinancing and expansion in corporate credit facilities to fund acquisition and investment activities, partially offset by redemption and conversion of NWH.DB.E and NWH.DB.F convertible debentures series. For the three months ended December 31, 2021, the interest expense decreased by $0.4 million due to redemption and conversion of NWH.DB.E and NWH.DB.F convertible debentures series, partially offset by expansion in corporate credit facilities to fund acquisition and investment activities.

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 December 31, 2021 were $10.4 million as compared to $7.5 million in the prior year quarter. G&A for the three months ended December 31, 2021 includes DUP Compensation Expense (as defined under **ADJUSTED FUNDS FROM OPERATIONS ("AFFO") - DUP Compensation Expense**) of $1.8 million (three months ended December 31, 2020 - $1.1 million). G&A, excluding amounts associated with DUP Compensation Expenses, increased by approximately $2.2 million over the prior year quarter.

G&A expenses for the year ended December 31, 2021 were $40.2 million as compared to $29.4 million for the year ended December 31, 2020. G&A for the year ended December 31, 2021 includes DUP Compensation Expense (as defined under **ADJUSTED FUNDS FROM OPERATIONS ("AFFO") - DUP Compensation Expense**) of $9.0 million (year ended December 31, 2020 - $7.4 million). G&A, excluding amounts associated with DUP Compensation Expenses, increased $9.2 million over the prior year period. The increase in G&A for the three months and year ended December 31, 2021, was primarily as a result of growth and scaling of the REIT's platform.

Transaction costs

For the three months and year ended December 31, 2021, the REIT incurred transaction costs of $7.7 million and $38.0 million, respectively, (three months and year ended December 31, 2020 - $3.3 million and $34.9 million respectively). For the three months and year ended December 31, 2021, transaction costs includes $1.3 million and $10.9 million, respectively, with respect to the REIT's investment in unlisted securities and $13.6 million for the year ended December 31, 2021, relating to the acquisition of the Aspen Group. Transaction costs also include third party costs and internal allocations, including associated DUP, related to acquisition and disposition activities, investment opportunities, capital raising initiatives, and JV formation, being explored by the REIT. Included in transaction cost for year ended December 31, 2021 are CEO management services (See **RELATED PARTY TRANSACTIONS**) as well as cost reimbursements in relation to exploring investment opportunities, capital raising initiatives, and formation of new JVs.

Other finance costs

Other finance costs for the three months and year ended December 31, 2021 and 2020 consisted of the following:

OTHER FINANCE COSTS

	Three months ended December 31,			Year ended December 31,		
	2021	2020	Variance	2021	2020	Variance
Distributions on Exchangeable Units	$ 342	$ 342	$ —	$ 1,368	$ 3,501	$ 2,133
Loss (gain) on revaluation of financial liabilities	4,276	2,264	(2,012)	11,707	5,585	(6,122)
Amortization of deferred financing costs	2,135	4,179	2,044	12,189	11,051	(1,138)
Amortization of marked to market adjustment	(102)	(106)	(4)	(416)	(866)	(450)
Fair value adjustment of Convertible Debentures	4,938	6,144	1,206	3,989	(2,330)	(6,319)
Fair value adjustment of Exchangeable Units	1,505	2,120	615	2,035	(83,324)	(85,359)
Total Finance Costs	**$ 13,094**	**$ 14,943**	**$ 1,849**	**$ 30,872**	**$ (66,383)**	**$ (97,255)**

Loss on revaluation of financial liabilities

The outstanding balances of the Brazilian term debt 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 months and year ended December 31, 2021, accretion expense of $4.3 million and $11.7 million, respectively, (for the three months and year ended December 31, 2020 - expense of $2.3 million and $5.6 million, respectively). The increase in accretion expense for the three months and year ended December 31, 2021, is related to the increase in the annual inflation rates in Brazil. The annual inflation rate for December 31, 2021 was 10.06% as compared to 4.52% for December 31, 2020.

Amortization of deferred financing costs

For the three months and year ended December 31, 2021, the REIT recorded amortization of deferred financing fees of $2.1 million and $12.2 million, respectively (for the year ended December 31, 2020 - $4.2 million and $11.1 million, respectively). The decrease in amortization during the three months ended December 31, 2021, is mainly attributable to European debt assumed by the European JV. The increase in amortization during the year ended December 31, 2021, is primarily attributable to amortization on the UK debt which was assumed in August 2020 and was repaid by the REIT on June 23, 2021.

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

	Dec-21	Sept-21	Jun-21	Mar-21	Dec-20	Sept-20
Month-end closing price (Canadian $)						
NWH.DB.G	1,097.8	1,075.0	1,069.8	1,055.0	1,060.0	1,030.0

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 and its subsidiaries 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 and year ended December 31, 2021, the REIT recorded a foreign exchange gain of $5.7 million and $14.7 million, respectively, which is net of a realized exchange loss of $2.6 million mainly related to refinancing activities in Vital Trust. The REIT's unrealized foreign exchange gain (loss) for the three months and year ended December 31, 2021, relates primarily to revaluation of third-party debt and intercompany loans between subsidiaries of the REIT that are denominated in foreign currencies.

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 months and year ended December 31, 2021 was a loss of $2.1 and $2.7 million, respectively, as compared to a loss of $2.4 million and $1.7 million for the three months and year ended December 31, 2020, respectively. The change in the fair value adjustment related to the DUP liability over the comparable prior year periods 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 December 31, 2021, the REIT recorded a fair value gain on investment properties of $190.7 million consisting of a $40.3 million revaluation gain of the European portfolio driven primarily by improvement in valuation parameters for the German and Netherlands properties and asset management initiatives resulting in improved operator covenants and related decrease in capitalization rates for the UK portfolio, a $18.9 million revaluation gain in the Brazil portfolio due to the estimated changes to prospective rents based on positive inflation rates during the period, a $131.1 million and a $5.8 million revaluation increase, respectively, in both Vital Trust's investment properties and the Australian portfolio mainly attributable to rental growth and improvement in valuation parameters. These gains were partially offset by a $5.4 million revaluation loss related to the Canadian portfolio primarily driven by changes in market leasing assumptions.

For the year ended December 31, 2021, the REIT recorded a fair value gain on investment properties of $514.0 million consisting of a $157.6 million revaluation gain of the UK portfolio driven primarily by rental growth, change in valuation parameter and leasing initiatives, a $63.9 million revaluation increase of the Brazil portfolio driven by rental growth resulting from the change in the IPCA index across the portfolio, a $294.8 million increase in the Vital Trust investment properties and a revaluation gain of $10.4 million in the Australian portfolio both mainly attributable to improvement in valuation parameters. These gains were partially offset by and a $12.8 million loss related to the Canadian portfolio primarily driven by changes in market leasing assumptions.

See also **INVESTMENT PROPERTIES**.

Gain/Loss on derivative financial instruments

Gain/loss on derivative financial instruments for the three months and year ended December 31, 2021 and 2020 consisted of the following:

GAIN (LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS

Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2021	2020	Variance	2021	2020	Variance
Canada						
Interest rate swaps	$ 245	$ 205	$ 40	$ 943	$ (1,276)	$ 2,219
Europe						
Interest rate swaps	1,356	187	1,169	3,302	(1,357)	4,659
Australasia						
Interest rate swaps	11,783	7,117	4,666	31,707	(8,585)	40,292
Option contracts	(35,992)	—	(35,992)	(45,887)	—	(45,887)
Foreign exchange contracts	120	(553)	673	420	(541)	961
Total gain (loss) on derivative financial instruments	**$ (22,488)**	**$ 6,956**	**$ (29,444)**	**$ (9,515)**	**$ (11,759)**	**$ 2,244**

During the year ended December 31, 2021, the REIT invested $47.5 million into call and put agreements to acquire units in unquoted equity instruments with its Australian JV partner. The payment made was initially recognized as a derivative financial instrument.

In December 2021, the call and put arrangement was amended to specify a completion date of March 2022. The REIT provided a guarantee to purchase the remaining units by the completion date and paid a deposit against the acquisition of $0.3 million in December 2021. Therefore, as at December 31, 2021, the derivative financial instrument was effectively valued at nil resulting in a $36.0 million and $45.9 million fair value adjustment for the three months and year ended December 31, 2021, respectively.

Income tax expense

The combined current tax and deferred tax expense of the REIT for the three months and year ended December 31, 2021, was $42.0 million and $124.2 million, respectively.

For the three months ended December 31, 2021, the REIT recognized a current income tax expense of $2.6 million (for the three months ended December 31, 2020 - expense of $8.2 million). The current taxes during the quarter primarily relate to $1.4 million at Vital Trust primarily related to normal course income taxes payable, $0.7 million in Europe primarily related to the UK portfolio and withholding tax in Brazil of $0.3 million.

For the year ended December 31, 2021, the REIT recognized current income tax expense of $13.2 million (year ended December 31, 2020 - expense of $20.5 million). The current taxes relate primarily to $4.9 million in Europe related to the UK portfolio, withholding tax in Brazil of $1.4 million, $3.2 million at Vital Trust primarily related to normal course income taxes payable and $5.2 million by Global Asset Manager on management fees earned.

The REIT records deferred tax assets and liabilities in Europe, Brazil, Vital Trust and Australia arising primarily due to the difference between the carrying value for accounting purposes and tax cost of its investment properties. The deferred tax expense for the three months ended December 31, 2021, of $39.4 million (for the three months ended December 31, 2020 - an expense of $29.4 million) was primarily comprised of the deferred tax expenses in Australia $11.6 million, $1.9 million related to Europe, $6.5 million related to Brazil, $18.3 million related to Vital Trust primarily as a result of fair value adjustments net of the effect from the recognition of previously unrecognized tax losses in Europe and a deferred tax expense of $1.0 million related to the Global Asset Manager.

The deferred tax expense for the year ended December 31, 2021, of $111.0 million (for the year ended December 31, 2020 - a recovery of $5.6 million) was primarily comprised of the deferred tax expense in Australia of $17.8 million and $45.0 million at Vital Trust as a result of fair value adjustments and movement in interest rate derivatives and a deferred tax expense related to Europe and Brazil $22.4 million and $25.2 million, respectively, related to fair value adjustments net of the effect from the recognition of previously unrecognized tax losses in Europe.

Discontinued operations

The REIT acquired the Aspen Group's OpCos exclusively with a view of subsequent sale. Accordingly, upon acquisition of the Aspen Group on August 6 ,2021, all assets and liabilities relating to the acquired OpCos were reclassified as assets and associated liabilities as held for sale, respectively, and operating results were presented as part of discontinued operations. As at December 31, 2021, Aspen Group's assets and associated liabilities classified as held for sale were sold (**See Highlights for the Quarter**). During the three months and year ended December 31, 2021, the REIT recorded a net gain from discontinued operations of $25.7 million and $51.3 million, respectively, related to the Aspen Group (**See Highlights for the Quarter**).

NET OPERATING INCOME

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 months and year ended December 31, 2021 represents net operating income from properties currently owned by the REIT that were acquired prior to January 1, 2020, adjusted for straight-line rental revenue recognition, lease termination fees and allowance for doubtful accounts, and excluding properties held for redevelopment and impact of foreign currency translation.

See **Performance Measurement.**

The REIT's same property NOI for the three months and year ended December 31, 2021 and 2020 is summarized in the tables below in Canadian dollars and in constant currency:

SAME PROPERTY NOI						
In thousands of CAD	**Three months ended December 31,**			**Year ended December 31,**		
	2021	**2020**	**Var %**	**2021**	**2020**	**Var %**
Same property NOI [1]						
Canada	$ 16,757	$ 16,475	1.7 %	$ 65,552	$ 64,751	1.2 %
Brazil	10,353	9,686	6.9 %	41,524	39,620	4.8 %
Europe	14,531	15,136	(4.0)%	20,297	20,082	1.1 %
Vital Trust - New Zealand	23,423	22,487	4.2 %	90,135	85,458	5.5 %
Australia	2,097	2,010	4.3 %	8,482	8,253	2.8 %
Same property NOI [1]	**$ 67,161**	**$ 65,794**	**2.1 %**	**$ 225,990**	**$ 218,164**	**3.6 %**
Impact of foreign currency translation on Same Property NOI	—	1,768		—	4,019	
Straight-line rental revenue recognition	153	223		1,011	2,189	
Amortization of operating leases	(533)	(279)		(1,787)	(1,107)	
Lease termination fees	11	11		617	156	
Other transactions	(88)	135		887	(692)	
Developments	170	366		941	1,233	
Acquisitions	7,072	239		59,756	24,370	
Dispositions	(6)	2,412		329	36,060	
Intercompany/Elimination	496	338		1,776	1,402	
NOI	**$ 74,436**	**$ 71,007**	**4.8 %**	**$ 289,520**	**$ 285,794**	**1.3 %**

Notes:
(1) Same property NOI is a non-IFRS financial measure. See **Performance Measurement.**.

Consolidated

The REIT's Same Property NOI for the three months and year ended December 31, 2021 increased by 2.1% and 3.6% respectively over the comparable prior year period mainly due to inflationary adjustments on rents and rentalization of development activity reflecting a steady growth in our underlying lease rentals additionally supported by a long term wale of 14.5 years offset by lower renegotiated rents for longer term on renewal in our Aspen portfolio in the United Kingdom.

Canada

Same property NOI for the three months ended December 31, 2021 increased by 1.7% and 1.2% over the comparable prior year periods mainly due to higher tenant supervisory, administrative fee income, higher rental and recovery revenues, respectively, driven by rate and occupancy improvement across various properties.

Brazil

Same Property NOI for the three months and year ended December 31, 2021 increased by 6.9% and increased by 4.8% respectively over the comparable prior year period mainly due to inflationary adjustment on rents and Sabara prior year rent increase received in Q1 2021.

Europe

Same Property NOI for the three months and year ended December 31, 2021 decreased by (4.0)% and increased by 1.1% over the comparable prior year period reflecting lower rent for some UK leases moving from Aspen to Nuffield secured by valued added longer term partly offset by growth in rental revenue and indexation increases.

Vital Trust

Same Property NOI for the three months and year ended December 31, 2021 over the comparable prior year period increased by 4.2% and 5.5% respectively over the comparable prior year period driven by indexed rental increases and development rentalization.

Australia

Same Property NOI for the three months and year ended December 31, 2021 over the comparable prior year period increased by 4.3% and 2.8% driven mainly by leasing of long-term vacancies (Epping) and indexed rental increases.

LEASING

Lease Maturities

The REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 14.5 years as at December 31, 2021. Below is a table of the percentage of leases of expiring by year by region.

	2022	2023	2024	2025	2026	2027	2028	2029	Thereafter	**Total**
Canada	10.0%	15.0%	10.2%	9.2%	10.7%	9.9%	6.0%	5.7%	23.3%	**100.0%**
Brazil	—%	—%	8.4%	—%	—%	—%	—%	—%	91.6%	**100.0%**
Europe (1)	3.4%	4.7%	3.2%	5.1%	4.9%	1.8%	2.1%	1.6%	73.2%	**100.0%**
Australasia (2)	0.6%	3.8%	2.5%	1.8%	5.0%	0.8%	2.9%	0.7%	81.9%	**100.0%**
Total Portfolio	3.3%	5.9%	5.0%	4.1%	5.5%	2.8%	2.9%	1.9%	68.6%	**100.0%**

(1) Europe is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30%-33.57% interest in the JV.

(2) Australia is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30% interest in the JV.

The REIT's expiry profile benefits from its Brazilian Hospitals, Australian Hospitals and European Clinic 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 January 5, 2045. The European Clinic properties are occupied by single tenants with an average WALE of 12.5 years. 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 18.3 years and the Australian portfolio which has a WALE of 16.5 years.

The below table summarizes the REIT's WALE allocated by asset type as at December 31, 2021:

	Asset Mix			**WALE (in years)**			
	MOB	**Hospitals & Healthcare Facilities**	**Life Sciences**	**MOB**	**Hospitals & Healthcare Facilities**	**Life Sciences**	**Total**
Canada[1]	84 %	12 %	4 %	4.8	6.6	8.6	**5.1**
Brazil	— %	100 %	— %	—	18.6	—	**18.6**
Europe[2]	56 %	43 %	1 %	6.5	22.4	18.3	**15.7**
Vital[1]	21 %	79 %	— %	7.3	19.6	—	**18.3**
Australia[3]	24 %	68 %	8 %	13.5	17.5	12.8	**16.5**

Notes

1 Excluding development projects.

2 Europe is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30%-33.57% interest in the JV.

3 Australia is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30% interest in the JV.

Lease Indexation

As at December 31, 2021, over 76.5% of the REIT's rental income (97.8% of the International Portfolio) is subject to inflationary adjustments, certain of which are fixed or capped, 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 December 31, 2021	**% of Revenue** [1]
Canada	3.9%
Brazil	100.0%
Europe [2]	95%
Vital	98.9%
Australia [3]	99.6%
International Total/Weighted Average	**97.8%**
Portfolio Total / Weighted Average	**76.5%**

Notes

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

(2) Europe is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30%-33.57% interest in the JV.

(3) Australia is shown at proportionate share ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30% interest in the JV.

Leasing Activity

LEASING ACTIVITY

	Three months ended December 31, 2021					
in thousands of square feet	**Canada**	**Brazil**	**Europe** [1]	**Vital Trust** [2]	**Australia**	**Total**
Opening Occupancy	91%	100%	97%	99%	99%	97%
Opening Balance	3,289	1,879	4,642	2,853	2,978	15,641
Acquisition	—	—	—	77	133	210
Disposition	—	—	—	(15)	—	(15)
Transfers to Properties under Development	(22)	—	—	13	—	(9)
Expiries and Early Terminations	(151)	—	(44)	(3)	—	(197)
Renewal	100	—	40	2	—	143
New Leasing	30	—	51	—	2	83
Other [3]	7	—	—	3	—	10
Closing Balance	3,254	1,879	4,690	2,930	3,113	15,866
Closing Occupancy	**91%**	**100%**	**97%**	**98%**	**100%**	**97%**

	Year ended December 31, 2021					
in thousands of square feet	**Canada**	**Brazil**	**Europe** [1]	**Vital Trust** [2]	**Australia**	**Total**
Opening Occupancy	92%	100%	98%	99%	99%	97%
Opening Balance	3,347	1,879	4,160	2,675	2,974	15,035
Acquisition	—	—	360	239	133	732
Disposition	(63)	—	—	(15)	—	(78)
Transfers from/(to) Properties under Development	19	—	—	36	—	56
Expiries and Early Terminations	(441)	—	(409)	(238)	(7)	(1,095)
Renewal	316	—	357	208	2	883
New Leasing	90	—	218	14	13	335
Other [3]	(15)	—	3	12	(3)	(3)
Closing Balance	3,254	1,879	4,689	2,930	3,112	15,865
Closing Occupancy	**91%**	**100%**	**97%**	**98%**	**100%**	**97%**

Notes

(1) Europe is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"), including both German and Netherlands Seed Portfolios. The REIT owns 33.57% and 30% interest, respectively in these JV portfolios.

(2) Shown on a 100% basis. The REIT has an approximate 27.4% interest in Vital Trust and acts as manager of Vital Trust, it therefore consolidates Vital Trust.

(3) Other includes Remeasurements and Month-to-Month leases.

Canada

During the quarter, the REIT completed 100,224 square feet of renewal leasing representing a 71% renewal rate. The REIT completed the renewals at an initial net rent of $13.35 per square foot versus an expiring net rent per square foot of $12.33 per square foot, an increase of $1.02 per square foot or 8.3%. The large increase was mainly attributable to net rental rate increase resulting from a renewal and expansion in Quebec region.

During the quarter, the REIT also completed 30,104 square feet of new leasing at an initial net rent of $12.92 per square foot. The low rate was the result of new leases completed in lower rent market in Atlantic.

Year to date, the REIT completed 316,657 square feet of renewal leasing representing a 81% renewal rate. The REIT completed the renewals at an initial net rent of $16.12 per square foot versus an expiring net rent per square foot of $15.66, an increase of $0.45 per square foot or 2.9%.

Year to date, the REIT also completed 90,156 square feet of new leasing at an initial net rent of $13.64 per square foot.

Expiring net rent increased to $18.65 per square foot in the fourth quarter 2021, from $18.56 per square foot in the third quarter of 2021.

EXPIRING NET RENT ($PSF)		
December 31, 2021		
		Canada
Month-to-Month	$	14.66
2022	$	15.51
2023	$	15.47
2024	$	17.26
2025	$	20.14
2026	$	20.04
2027+	$	16.55
Total Expires	**$**	**18.65**

Brazil

The REIT's Brazil properties are subject to long term leases (portfolio WALE of 18.6 years). There was no leasing activity during the quarter.

Europe

During the quarter, the REIT completed 40,355 square feet of renewal leasing representing a 92.0% renewal rate. These renewals were completed at an initial net rent of €12.47 per square foot versus an expiring net rent per square foot of €12.00, an increase of 3.9%.

During the quarter, the REIT completed 51,448 square feet of new leasing at an initial net rent of £75.87 per square foot for UK acquisition.

Year to date, the REIT has completed 357,190 square feet of renewal leasing representing an 87.1% renewal rate. The REIT completed the renewals at an initial net rent of €12.52 per square foot versus an expiring net rent per square foot of €12.33, a 1.5% increase.

Year to date the REIT also completed 218,316 square feet of new leasing at an initial net rent of €16.21 per square foot for Germany and Netherlands and £36.83 per square foot for UK acquisition.

EXPIRING NET RENT (€PSF)		
December 31, 2021		
	Europe	
Month-to-Month	€	5.50
2022	€	13.15
2023	€	14.14
2024	€	12.21
2025	€	14.30
2026	€	13.69
2027+	€	9.28
Total Expires	**€**	**10.13**

Vital Trust

Vital Trust's properties are generally subject to long term leases.

During the quarter, Vital Trust completed 2,410 square feet representing an 88.9% renewal rate. The renewals were a result of tenants exercising their renewal options and were completed at an initial net rent per square foot of NZ$56.31 versus expiring net rent of NZ$55.09, an increase of 2.2%.

There was no new leasing during the quarter.

During the twelve months ended December 31, 2021, Vital Trust completed 207,788 square feet representing 87.2% renewal rate. These renewals were completed at an initial rent of NZ$62.88 versus an expiring rent of NZ$62.27 per square foot, a 1.0% increase. Noting 191,027 thousand square feet related to a 5-year renewal secured with Healthe Care at South Eastern Private Hospital and Lingard Private Hospital.

During the twelve months ended December 31, 2021, Vital Trust completed 13,654 square feet of new leasing at an initial net rent of NZ$16.04.

Australia

The Australian portfolio is generally subject to long term leases, and as such there was no material leasing activity.

There was no renewal leasing during the quarter.

During the quarter, the REIT completed 1,792 square feet of new leasing at an initial net rent of A$55.74.

During the twelve months ended December 31, 2021, the REIT completed 2,151 square feet of renewal representing a 31.2% renewal rate at an initial net rent of A$64.39 per square foot with no change versus existing rent per square foot.

During the twelve months ended December 31, 2021, the REIT completed 13,475 thousand square feet of new leasing at an initial net rent of A$29.79.

FUNDS FROM OPERATIONS ("FFO")

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.

FUNDS FROM OPERATIONS

Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended December 31,			Year ended December 31,		
	2021	**2020**	**Variance**	**2021**	**2020**	**Variance**
Net income (loss) attributable to unitholders	**$ 139,452**	**$ 143,763**	**$ (4,311)**	**$ 434,879**	**$ 314,355**	**$ 120,524**
Add / (Deduct):						
(i) Fair market value losses (gains)	(159,674)	(175,665)	15,991	(495,775)	(246,637)	(249,138)
Less: Non-controlling interests' share of fair market value losses (gains)	104,784	53,766	51,018	242,976	46,955	196,021
(ii) Finance cost - Exchangeable Unit distributions	342	342	—	1,368	3,501	(2,133)
(iii) Revaluation of financial liabilities	4,276	2,264	2,012	11,707	5,585	6,122
(iv) Unrealized foreign exchange loss (gain)	(5,326)	5,621	(10,947)	(17,339)	21,311	(38,650)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	(81)	2,029	(2,110)	1,317	(104)	1,421
(v) Deferred taxes	39,375	29,372	10,003	111,033	(5,644)	116,677
Less: Non-controlling interests' share of deferred taxes	(13,306)	(3,599)	(9,707)	(33,039)	(1,809)	(31,230)
(vi) Transaction costs	8,287	11,141	(2,854)	45,213	47,921	(2,708)
Less: Non-controlling interests' share of transaction costs	(795)	(3,737)	2,942	(962)	(8,703)	7,741
(vii) Net adjustments for equity accounted investments	(44,705)	(27,898)	(16,807)	(78,743)	(32,134)	(46,609)
(viii) Internal leasing costs	619	497	122	2,768	2,364	404
(ix) Net adjustment for discontinued operations	(24,144)	—	(24,144)	(49,056)	—	(49,056)
(x) Net adjustment for lease amortization	(33)	(131)	98	(231)	(354)	123
(xi) Other FFO adjustments	305	2,487	(2,182)	1,529	5,684	(4,155)
Funds From Operations ("FFO") (1)	**$ 49,376**	**$ 40,252**	**$ 9,124**	**$ 177,645**	**$ 152,291**	**$ 25,354**
FFO per Unit - Basic	$ 0.22	$ 0.23	$ (0.01)	$ 0.86	$ 0.86	$ —
FFO per Unit - fully diluted (3)	$ 0.22	$ 0.22	$ —	$ 0.84	$ 0.83	$ 0.01
Adjusted weighted average units outstanding (2)						
Basic	222,600,122	177,563,647	45,036,475	206,844,980	177,207,485	29,637,495
Diluted (3)	234,287,101	201,349,114	32,937,987	218,777,321	200,831,556	17,945,765

Notes

(1) FFO is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. See **Performance Measurements**.

(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 1,710,000 Class B LP Units outstanding as at December 31, 2021 and 1,710,000 outstanding as at December 31, 2020.

(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.

REALpac has established a standardized definition of FFO in a White Paper dated January 2022 ("**REALpac Guidance**"). The REIT's FFO definition differs from the REALpac Guidance in that the REIT excludes the revaluation of financial liabilities, convertible debenture issuance costs, all transaction costs, and other FFO adjustments discussed in (xii) below in its calculation of FFO.

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 December 31,			Year ended December 31,		
	2021	2020	Variance	2021	2020	Variance
Fair market value losses (gains)						
Fair value adjustment of Convertible Debentures	$ 4,938	$ 6,144	$ (1,206)	$ 3,989	$ (2,330)	$ 6,319
Fair value adjustment of Exchangeable Units	1,505	2,120	(615)	2,035	(83,324)	85,359
Fair value adjustment of investment properties	(190,665)	(179,346)	(11,319)	(513,986)	(174,415)	(339,571)
Loss (Gain) on derivative financial instruments	22,488	(6,956)	29,444	9,515	11,759	(2,244)
Fair value adjustment of DUP liability	2,060	2,373	(313)	2,672	1,673	999
Total	**$ (159,674)**	**$ (175,665)**	**$ 15,991**	**$ (495,775)**	**$ (246,637)**	**$ (249,138)**

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 (loss).

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 (loss).

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 (loss).

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 (loss).

(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 (loss).

(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.

(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, and revaluation of short-term loans with subsidiaries of the REIT that are denominated in a different source currency than the functional currency of the subsidiary. Consistent with REALpac Guidance, the unrealized foreign exchange movements on the indebtedness and intercompany transactions have been added back to the REIT's net income.

(v) **Deferred taxes**

Under IFRS, the REIT has recorded deferred taxes in Europe, Brazil, Australian and Vital Trust 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 (loss).

(vi) **Transaction costs**

Under IFRS the REIT expenses transaction costs related to acquisitions which have been determined to be business combinations and business development costs. 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 transactions have been added back to net income (loss). In addition to transaction costs related to business combinations, the REIT also adds back to net income (loss) third party transaction and internally allocated costs related to disposition activities, investment opportunities, establishment of joint arrangements, including those incurred with respect to building relationships with healthcare operators and institutional investors, tax on profits or losses on disposals of properties and other capital raising initiatives being explored by the REIT, which are not contemplated in the REALpac Guidance.

(vii) Net adjustments for equity accounted investments

Under IFRS the REIT's investment in joint ventures is accounted for using the equity method of accounting. As such, the REIT's share of post acquisition net income (loss) was recognized in its net 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 equity accounted investment'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 equity accounted investment's FFO.

Funds From Operations of Equity Accounted Investments

Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2021	2020	Variance	2021	2020	Variance
Share of profit (loss) of Equity Accounted Investments	$ 51,930	$ 34,831	$ 17,099	$ 107,483	$ 52,091	$ 55,392
Add/(Deduct):						
Fair market value losses (gains)	(45,297)	(28,473)	(16,824)	(80,863)	(32,709)	(48,154)
Deferred taxes	592	575	17	1,921	575	1,346
Non-recurring transaction costs	—	—	—	199	—	199
Net FFO Adjustment for Equity Accounted Investments	**$ (44,705)**	**$ (27,898)**	**$ (16,807)**	**$ (78,743)**	**$ (32,134)**	**$ (46,609)**
FFO of Equity Accounted Investments	**$ 7,225**	**$ 6,933**	**$ 292**	**$ 28,740**	**$ 19,957**	**$ 8,783**

(viii) Internal leasing costs

In accordance with IFRS, internal leasing costs that are not incremental are expensed. These amounts include the base salary and benefits of the internal leasing department. Consistent with REALpac Guidance, 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) Results of discontinued operations

Consistent with REALpac Guidance, FFO related to non-cash items impacting profit or loss included in results of discontinued operations should be adjusted for in arriving at FFO. The REIT has adjusted FFO to reflect the amortization of lessee arrangements, gain on bargain purchase of the Aspen Group of $21.3 million and a gain on disposition of the OpCos of $28.3 million and $39.6 million for the three months and year ended December 31, 2021, respectively. These were partially offset by transaction costs included in results of discontinued operations of $4.0 million and $10.5 million for the three months and year ended December 31, 2021, respectively (**see Highlights for the Quarter**).

(x) Amortization of finance leases

Consistent with REALpac Guidance, where the REIT is accounting for operating leases under IFRS 16, the REIT has adjusted FFO to reflect the principal payments that are amortized against the lease liability. For Right of Use ("ROU") assets that are being measured at cost and amortized, the amortization is added back as prescribed by the REALpac Guidance.

Australia 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.

(xi) Other FFO adjustments

For the year ended December 31, 2021, other FFO adjustments relate to non-recurring withholding taxes related to transactional activities.

The above adjustments are not contemplated in the REALpac Guidance for FFO.

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.

ADJUSTED FUNDS FROM OPERATIONS

Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended December 31,			Year ended December 31,		
	2021	2020	Variance	2021	2020	Variance
FFO [1]	**$ 49,376**	**$ 40,252**	**$ 9,124**	**$ 177,645**	**$ 152,291**	**$ 25,354**
Add / (Deduct):						
(i) Amortization of marked to market adjustment	(102)	(106)	4	(416)	(866)	450
(ii) Amortization of transactional deferred financing charges	2,005	364	1,641	3,198	4,125	(927)
(iii) Straight-line revenue	761	354	407	2,101	198	1,903
Less: non-controlling interests' share of straight-line revenue	(475)	(449)	(26)	(1,666)	(1,145)	(521)
(iv) Leasing costs and non-recoverable maintenance capital expenditures	(2,727)	(2,982)	255	(11,017)	(12,325)	1,308
Less: non-controlling interests' share of actual capex and leasing costs	27	289	(262)	731	1,004	(273)
(v) DUP Compensation Expense	1,771	1,063	708	8,980	7,374	1,606
(vi) Debt repayment costs	9	—	9	39	19	20
(vii) Net adjustments for equity accounted investments	(209)	(246)	37	(634)	(406)	(228)
Adjusted Funds From Operations ("AFFO") [1]	**$ 50,436**	**$ 38,539**	**$ 11,897**	**$ 178,961**	**$ 150,269**	**$ 28,692**
AFFO per Unit - Basic	$ 0.23	$ 0.22	$ 0.01	$ 0.87	$ 0.85	$ 0.02
AFFO per Unit - fully diluted	$ 0.22	$ 0.21	$ 0.01	$ 0.85	$ 0.82	$ 0.03
Distributions per Unit - Basic [3]	$ 0.20	$ 0.20	$ —	$ 0.80	$ 0.80	$ —
Adjusted weighted average units outstanding: [2]						
Basic	222,600,122	177,563,647	45,036,475	206,844,980	177,207,485	29,637,495
Diluted	234,287,101	201,349,114	32,937,987	218,777,321	200,831,556	17,945,765

Notes

(1) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. See **Performance Measurement**.

(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 1,710,000 Class B LP Units outstanding as at December 31, 2021 and 1,710,000 outstanding as at December 31, 2020.

(3) Distributions per units is a non-IFRS ratio calculated as sum of the distributions on the REIT's units and finance costs on Class B LP Units. Management does not consider finance costs on Class B LP units to be an financing cost of the REIT but rather component of the REIT's total distributions. Distributions is not defined by IFRS and does not have a standard meaning and may not be comparable with similar measures presented by other issuers.

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% per annum of revenue from the medical office 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 settled units, at the REIT's option, the REIT has added back DUP Compensation Expense to income when determining AFFO.

(vi) **Debt repayment costs**

Under IFRS, the REIT has recorded debt repayment costs. The REIT adds back to AFFO the write off of financing fees for which debt has been repaid in advance of its maturity to reflect a stabilized business environment. For the year ended December 31, 2021, the REIT incurred debt repayment costs of related to the refinancing of a corporate facility.

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

Under IFRS the REIT's investments in associate are 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). In order to enhance the usefulness and comparability of AFFO as a supplemental measure of the operating performance of the REIT, the REIT's share of its equity accounted investment's post acquisition net income (loss) is added/(deducted) to/(from) net income and AFFO is presented after including the REIT's proportionate share of the equity accounted investment's AFFO.

Adjusted Funds From Operations of Equity Accounted Investments

Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2021	2020	Variance	2021	2020	Variance
FFO of Equity Accounted Investments	**$ 7,225**	**$ 6,933**	**$ 292**	**$ 28,740**	**$ 19,957**	**$ 8,783**
Add / (Deduct):						
Amortization of deferred financing charges	3	8	(5)	22	11	11
Straight-line revenue	(60)	(104)	44	(256)	(262)	6
Leasing costs and non-recoverable maintenance capital expenditures	(152)	(150)	(2)	(400)	(155)	(245)
Net AFFO adjustment	**$ (209)**	**$ (246)**	**$ 37**	**$ (634)**	**$ (406)**	**$ (228)**
AFFO of Equity Accounted Investments	**$ 7,016**	**$ 6,687**	**$ 329**	**$ 28,106**	**$ 19,551**	**$ 8,555**

DISTRIBUTIONS

For the three months and year ended December 31, 2021, the REIT declared a total of $44.8 million and $167.4 million, respectively in distributions, including distributions on Exchangeable Units (three months and year ended December 31, 2020 - $35.5 million and $142.1 million, respectively). These distributions reflect an annualized distribution rate of $0.80 per unit per annum (three months and year ended December 31, 2020 - $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 months and year ended December 31, 2021, a total of 579,950 and 2,079,189 trust units were issued under the DRIP (three months and year ended December 31, 2020, a total of 123,535 and 646,360 Trust Units, respectively).

For the three months and year ended December 31, 2021 the REIT's DRIP participation rate was 19.6% and 16.8%, respectively (three months and year ended December 31, 2020 - 16.3% and 13.9%, respectively).

As required by National Policy 41-201 "Income Trusts and Other Indirect Offerings", the following table outlines the differences between cash flows 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 FLOWS FROM OPERATIONS/NET INCOME AND CASH DISTRIBUTIONS				
Expressed in thousands of Canadian dollars	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Net income (loss) attributable to unitholders	$ 139,452	$ 143,763	$ 434,879	$ 314,355
Add: Finance cost - Exchangeable Unit distributions	342	342	1,368	3,501
Net income (loss) after the above adjustments	$ 139,794	$ 144,105	$ 436,247	$ 317,856
Cash flows from operating activities	$ 28,874	$ 42,686	$ 124,967	$ 188,767
Less non-controlling interests	(2,874)	9,206	(4,617)	34,573
Cash flows from operating activities attributable to unitholders	$ 31,748	$ 33,480	$ 129,584	$ 154,194
Distributions paid and payable				
Trust Units	$ 44,431	$ 35,178	$ 166,067	$ 138,561
Exchangeable Units	342	342	1,368	3,501
	$ 44,773	$ 35,520	$ 167,435	$ 142,062
Surplus (shortfall) of adjusted net income (loss) attributable to unitholders over distributions paid and payable	$ 95,021	$ 108,585	$ 268,812	$ 175,794
Surplus (shortfall) of cash flows from operating activities attributable to unitholders over distributions paid and payable	$ (13,025)	$ (2,040)	$ (37,851)	$ 12,132

During the three months and year ended December 31, 2021, there was a shortfall in cash flows from operating activities attributable to unitholders (a non-IFRS financial measure) over distributions paid and payable of $13.0 million and $37.9 million, respectively. The shortfall is mainly as result of timing differences in working capital and interest accruals which are reported under cash flows from operating activities in the financial statements, and payments for cash redemptions of DUP. Cash flows from operating activities attributable to unitholders also excludes the distribution income from the REIT's investments in its JVs. The distributions earned from its JV investments are considered by management to be an integral part of the REIT's cash flows from operations due to the strategic nature of the equity invested. Remaining shortfall were financed by DRIP. As demonstrated in the table below, cash flows from operating activities, adjusted for the aforementioned were sufficient to fund distributions paid and payable to unitholders for the three months and year ended December 31, 2021:

ADJUSTED CASH SURPLUS (SHORTAGE) FROM OPERATING ACTIVITIES TO DISTRIBUTIONS				
Expressed in thousands of Canadian dollars	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Surplus (shortfall) of cash flows from operating activities attributable to unitholders over distributions paid and payable	$ (13,025)	$ (2,040)	$ (37,851)	$ 12,132
Add: Value of Trust Units issued pursuant to the DRIP	7,544	1,502	26,504	7,122
Add: Distribution income from equity accounted associates	7,670	3,447	24,428	11,212
activities attributable to unitholders over	$ 2,189	$ 2,909	$ 13,081	$ 30,466

During the three months and year ended December 31, 2021, there was $7.5 million and $26.5 million, respectively, in value of Trust Units issued under the DRIP (three months and year ended December 31, 2020, there was $1.5 million and $7.1 million, 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**.

For the three months and year ended December 31, 2021, the REIT had a surplus between adjusted net income and distributions paid to unitholders of $95.0 million and $268.8 million, respectively. Adjusted net income attributable to unitholders for the period reflects material non-cash items such as fair value adjustments to investment properties, financial instruments and deferred taxes, which do not impact cash flows 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.

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 2021 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 2021 were deemed a 45.9% return of capital, 39.7% other income and 14.4% capital gain 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 and JVs, future financing activities or asset sales. However, the REIT has at times paid cash distributions which exceed cash flows from operating activities and distribution income earned from its strategic investments in Vital Trust and the JVs. 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, which the REIT has a demonstrated history of executing.

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, reconciles the REIT's cash flow from operations to AFFO:

RECONCILIATION OF CASH FLOWS FROM OPERATIONS TO AFFO

Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2021	2020	Variance	2021	2020	Variance
Cash flows from operating activities	**$ 28,874**	**$ 42,686**	**$ (13,812)**	**$ 124,967**	**$ 188,767**	**$ (63,800)**
Add (deduct):						
Non-cash interest expense	8,842	6,241	2,601	5,266	4,443	823
Non-cash current taxes	1,027	(180)	1,207	20,323	6,157	14,166
Changes in non-cash working capital balances	1,080	(5,410)	6,490	19,672	(29,122)	48,794
AFFO of equity accounted entities	(44,914)	(28,144)	(16,770)	(79,377)	(32,540)	(46,837)
AFFO attributable to discontinued operations	1,544	—	1,544	2,290	—	2,290
Other FFO adjustments	305	2,487	(2,182)	1,529	5,684	(4,155)
Internal leasing costs	619	497	122	2,768	2,364	404
Amortization of recurring financing charges	(130)	(3,815)	3,685	(8,991)	(6,926)	(2,065)
Leasing costs and non-recoverable maintenance capital expenditures	(2,727)	(2,982)	255	(11,017)	(12,325)	1,308
Amortization of lease liabilities	(33)	(131)	98	(231)	(354)	123
Interest income and other	1,068	302	766	4,597	1,947	2,650
Straight-line revenue	761	354	407	2,101	198	1,903
Redemption of units issued under the DUP	6,013	348	5,665	7,873	2,215	5,658
Amortization of furniture and office equipment	(388)	(382)	(6)	(1,382)	(1,579)	197
Foreign exchange	—	24	(24)	—	91	(91)
Debt repayment costs	9	—	9	39	19	20
Share of profit (loss) from equity accounted investments	51,930	34,831	17,099	107,483	52,091	55,392
AFFO attributable to non-controlling interest	(3,444)	(8,187)	4,743	(18,949)	(30,861)	11,912
	$ 21,562	$ (4,147)	$ 25,709	$ 53,994	$ (38,498)	$ 92,492
AFFO	**$ 50,436**	**$ 38,539**	**$ 11,897**	**$ 178,961**	**$ 150,269**	**$ 28,692**

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	**Q4-21**	**Q3-21**	**Q2-21**	**Q1-21**	**Q4-20**	**Q3-20**	**Q2-20**	**Q1-20**
Summary of Financial Information								
Assets Under Management [(1)]	$9,201,419	$8,470,756	$8,260,200	$7,706,262	$7,847,120	$7,360,861	$6,831,914	$6,627,729
Gross Book Value ("GBV") [(2)]	$7,064,401	$6,674,397	$6,342,457	$5,681,585	$5,845,238	$5,666,577	$5,328,095	$5,444,457
Debt - Declaration of Trust [(1)]	$2,820,602	$2,706,955	$2,516,917	$2,224,729	$2,510,310	$2,695,247	$2,361,284	$2,428,409
Debt to GBV - Declaration of Trust	39.9 %	40.6 %	39.7 %	39.2 %	42.9 %	47.6 %	44.3 %	44.6 %
Debt - Including Convertible Debentures [(1)]	$2,957,827	$2,921,659	$2,731,116	$2,514,900	$2,803,131	$2,981,925	$2,642,592	$2,697,349
Debt to GBV - Incl. Convertible Debentures	41.9 %	43.8 %	43.1 %	44.3 %	48.0 %	52.6 %	49.6 %	49.5 %
Operating Results								
Revenue from investment properties	$ 96,368	$ 95,554	$ 90,092	$ 92,599	$ 92,845	$ 95,086	$ 90,293	$ 95,594
Net income (loss)	$ 233,050	$ 173,293	$ 183,253	$ 73,589	$ 200,249	$ 26,556	$ 38,549	$ 116,060
NOI	$ 74,436	$ 74,694	$ 69,826	$ 70,564	$ 71,007	$ 72,239	$ 69,902	$ 72,646
FFO [(1) (3)]	$ 49,376	$ 47,645	$ 42,293	$ 38,330	$ 40,252	$ 39,779	$ 33,910	$ 38,351
AFFO [(1) (3)]	$ 50,436	$ 47,264	$ 43,236	$ 38,024	$ 38,539	$ 39,953	$ 35,568	$ 36,210
Distributions [(4)]	$ 44,773	$ 43,881	$ 40,912	$ 37,869	$ 35,520	$ 35,489	$ 35,489	$ 35,564
Per Unit Amounts [(5)]								
FFO per unit - Basic [(1)]	$ 0.22	$ 0.22	$ 0.21	$ 0.21	$ 0.23	$ 0.22	$ 0.19	$ 0.22
AFFO per unit - Basic [(1)]	$ 0.23	$ 0.22	$ 0.22	$ 0.21	$ 0.22	$ 0.23	$ 0.20	$ 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	222,600,122	218,843,204	201,034,657	184,349,757	177,563,647	177,438,398	177,421,006	176,400,438

Notes

(1) As defined in Performance Measurement in this MD&A.

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

(3) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. See **Performance Measurement**.

(4) See **Performance Measurement**.

(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 December 31, 2021 and December 31, 2020:

CAPITAL STRUCTURE		
Expressed in thousands of Canadian dollars	**As at December 31, 2021**	**As at December 31, 2020**
Debt - Declaration of Trust [1]	**2,820,602**	**2,510,310**
Convertible Debentures at Fair Value	137,225	292,821
Debt - Including Convertible Debentures [1]	**2,957,827**	**2,803,131**
Mortgages and loans payable - marked to market	719	1,135
Mortgages and loans payable - unamortized financing costs	(14,342)	(16,032)
Total Debt	2,944,204	2,788,234
DUP Liability	26,223	24,277
Class B LP Exchangeable Units	23,581	21,546
Unitholders' equity	2,392,131	1,638,419
Total Capitalization	**$ 5,386,139**	**$ 4,472,476**

Notes

(1) As defined in Performance Measurement in this MD&A.

Unitholders' Equity

The following table reconciles the movements in the units outstanding for the year ended December 31, 2021:

UNITS OUTSTANDING	
Trust Units outstanding, December 31, 2020	**175,977,780**
Issuance of Trust Units pursuant to equity offering	17,020,000
Issuance of Trust Units under the DRIP	443,537
Issuance of Trust Units under the DUP	3,270
Trust Units outstanding, March 31, 2021	**193,444,587**
Issuance of Trust Units pursuant to equity offering	16,380,257
Issuance of Trust Units under the DRIP	493,818
Issuance of Trust Units under the DUP	31,783
Issuance of Trust Units pursuant to conversion of Convertible Debentures	4,906,463
Trust Units outstanding, June 30, 2021	**215,256,908**
Issuance of Trust Units pursuant to equity offering	1,985,000
Issuance of Trust Units under the DRIP	561,884
Issuance of Trust Units under the DUP	96,502
Issuance of Trust Units pursuant to conversion of Convertible Debentures	781
Trust Units outstanding, September 30, 2021	**217,901,075**
Issuance of Trust Units under the DRIP	579,950
Issuance of Trust Units under the DUP	5,181
Issuance of Trust Units pursuant to conversion of Convertible Debentures	5,640,929
Trust Units outstanding, December 31, 2021	**224,127,135**

On February 22, 2021, the REIT completed a public offering of 17,020,000 units at a price of $12.65 per unit for gross proceeds of approximately $215.3 million, which included partial exercise of the over-allotment option granted to the underwriters, whereby an additional 1,200,000 units were issued at a price of $12.65 per unit. On April 9, 2021, in connection with the public offering, the REIT closed a private placement of 395,257 Trust Units to NWVP, for gross proceeds of approximately $5.0 million.

On June 18, 2021, the REIT completed a public offering of 15,985,000 units at a price of $12.60 per unit for gross proceeds of approximately $201.4 million, which included the exercise of the over- allotment option granted to the underwriters, whereby an additional 2,085,000 units were issued at a price of $12.60 per unit. In connection with a public offering of units in June 18, 2021, the REIT closed a private placement of 1,985,000 Trust Units to NWVP on July 22, 2021, for gross proceeds of approximately $25.0 million.

Class B Exchangeable 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.

As at December 31, 2021 there were 1,710,000 Exchangeable Units outstanding (December 31, 2020 - 1,710,000).

Debt

DEBT

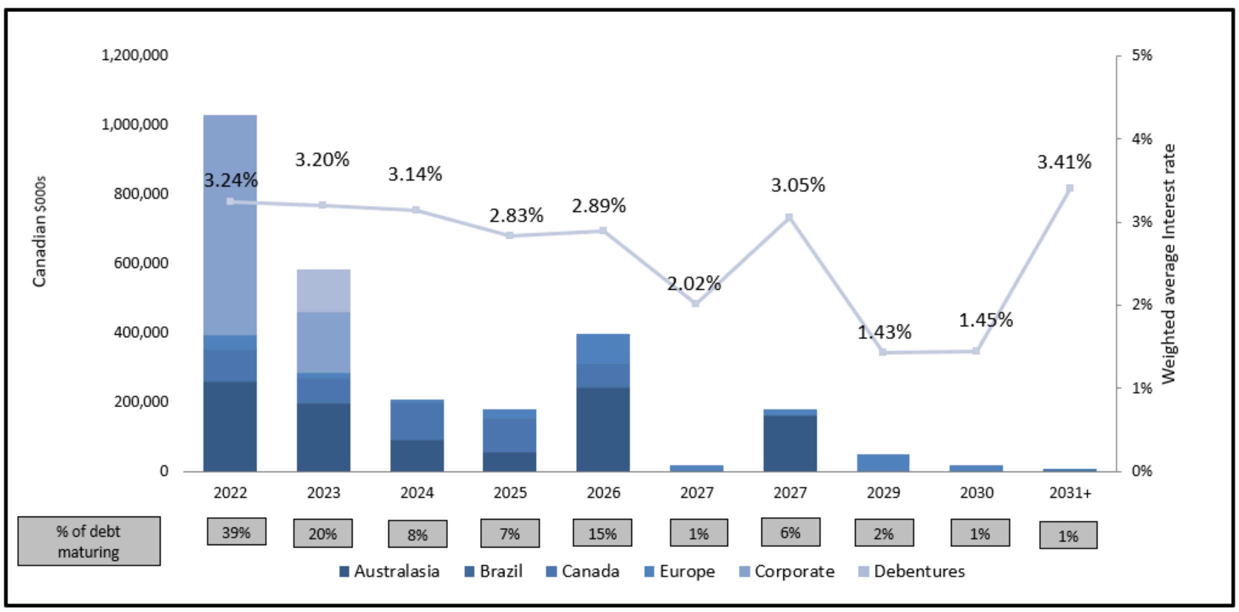
Expressed in thousands of Canadian dollars

	As at December 31, 2021					
	Weighted Average Interest Rate [(1)]	**Outstanding Balance**	**Marked to Market**	**Unamortized Financing Costs**	**Balance**	**Maturity**
Canada mortgages	3.16 %	$ 503,726	$ 719	$ (1,398)	$ 503,047	April 2022 - August 2031
Brazil debt [(2)]	4.51 %	159,417	—	(3,492)	155,925	November 2027 - June 2031
Europe mortgages	1.96 %	321,080	—	(2,115)	318,965	May 2022 - June 2030
Australasia term loans	3.04 %	1,012,037	—	(4,899)	1,007,138	July 2022 - October 2028
Corporate debt	2.99 %	811,623	—	(2,438)	809,185	January 2022 - September 2023
	3.01 %	**$ 2,807,883**	**$ 719**	**$ (14,342)**	**$ 2,794,260**	
Finance Lease		12,719	—	—	12,719	February 2088
Total Mortgages and Loans Payable	**2.99 %**	**$ 2,820,602**	**$ 719**	**$ (14,342)**	**$ 2,806,979**	
Deferred consideration	n/a	—	—	—	—	n/a
Total Debt excluding Convertible Debentures	**2.99 %**	**$ 2,820,602**	**$ 719**	**$ (14,342)**	**$ 2,806,979**	
Convertible Debentures (Corporate)	5.50 %	125,000	12,225	—	137,225	December 2023
Total Debt	**3.10 %**	**$ 2,945,602**	**$ 12,944**	**$ (14,342)**	**$ 2,944,204**	

(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 December 31, 2021, the REIT's debt maturities:



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

DEBT MATURITIES

Expressed in thousands of Canadian dollars	Canada		Brazil		Europe		Australasia		Corporate	
	Total debt payable	**WAIR**	**Total debt payable**	**WAIR**	**Total debt payable**	**WAIR**	**Total debt payable**	**WAIR**	**Total debt payable**	**WAIR**
2022	$ 112,366	3.40 %	$ 16,441	— %	$ 45,723	2.17 %	$ 259,133	3.31 %	$ 638,044	3.25 %
2023	85,609	3.54 %	17,252	— %	21,417	1.38 %	198,604	2.77 %	173,580	2.04 %
2024	118,707	3.19 %	18,000	— %	25,370	2.31 %	92,222	3.14 %	—	— %
2025	103,693	2.87 %	18,880	— %	31,214	1.96 %	57,639	3.14 %	—	— %
2026	71,061	2.73 %	19,819	— %	89,013	2.31 %	243,051	3.14 %	—	— %
2027	981	— %	20,081	— %	21,182	2.02 %	—	— %	—	— %
2028	1,028	— %	13,335	— %	20,439	2.29 %	161,388	3.14 %	—	— %
2029	489	— %	13,842	— %	49,844	1.43 %	—	— %	—	— %
2030	452	— %	14,371	— %	16,878	1.45 %	—	— %	—	— %
2031 and thereafter	9,340	3.41 %	7,396	— %	—	— %	—	— %	—	— %
	$ 503,726	3.16 %	$ 159,417	4.51 %	$ 321,080	1.96 %	$1,012,037	3.04 %	$ 811,624	2.99 %
Marked to market premium	719	(1.26)%	—	—	—	—	—	—	—	—
	$ 504,445	1.90 %	$ 159,417	4.51 %	$ 321,080	1.96 %	$1,012,037	3.04 %	$ 811,624	2.99 %
Unamortized financings costs	(1,398)		(3,492)		(2,115)		(4,899)		(2,439)	
Total	$ 503,047		$ 155,925		$ 318,965		$1,007,138		$ 809,185	

The table below summarizes the movements in the REIT's mortgages and loans during the three months and year ended December 31, 2021:

DEBT CONTINUITY

	Canada Mortgages	Brazil Debt	Europe Mortgages	Australasia Term Loans	Corporate Debt	Total [(1)]
Opening balance, October 1, 2021	**$ 503,145**	**$ 159,730**	**$ 318,352**	**$ 960,156**	**$ 732,414**	**$ 2,673,797**
Principal amortization	(4,170)	—	(1,956)	—	—	(6,126)
Repayments	—	(3,903)	—	(336,251)	(71,200)	(411,354)
Advances	4,047	—	—	380,433	152,141	536,621
Additional financing fees incurred	—	—	591	(2,233)	(1,673)	(3,315)
Amortization of finance fees	127	191	311	436	1,070	2,135
Amortization of mark-to-market	(102)	—	—	—	—	(102)
Inflation adjustment	—	4,276	—	—	—	4,276
Foreign exchange adjustment	—	(4,369)	1,667	4,597	(3,567)	(1,672)
Ending balance, December 31, 2021	**$ 503,047**	**$ 155,925**	**$ 318,965**	**$ 1,007,138**	**$ 809,185**	**$ 2,794,260**

DEBT CONTINUITY

	Canada Mortgages	Brazil Debt	Europe Mortgages	Australasia Term Loans	Corporate Debt	Total [1]
Opening balance, January 1, 2021	**$ 485,216**	**$ 170,403**	**$ 467,666**	**$ 775,923**	**$ 583,818**	**$ 2,483,026**
Principal amortization	(15,968)	—	(14,601)	—	—	(30,569)
Repayments	(87,968)	(15,277)	(219,810)	(336,251)	(476,455)	(1,135,761)
Refinancing	—	—	1,535	—	—	1,535
Advances	122,369	—	102,947	623,558	717,011	1,565,885
Additional financing fees incurred	(714)	—	(10,536)	(5,409)	(3,099)	(19,758)
Amortization of finance fees	528	1,417	5,864	1,216	3,164	12,189
Amortization of mark-to-market	(416)	—	—	—	—	(416)
Inflation adjustment	—	11,707	—	—	—	11,707
Foreign exchange adjustment	—	(12,325)	(14,100)	(51,899)	(15,254)	(93,578)
Ending balance, December 31, 2021	**$ 503,047**	**$ 155,925**	**$ 318,965**	**$ 1,007,138**	**$ 809,185**	**$ 2,794,260**

(1) Total debt excluding finance lease

Finance Lease Payable

The lease of land on which one of Australian investment properties is built is accounted for as a finance lease. The remaining term of the lease at December 31, 2021 was 66 years. There is no purchase option.

Convertible Debentures

The following table summarizes, as at December 31, 2021, 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 December 31, 2021						
Series NWH.DB.G	137,225	125,000	5.50 %	$ 13.35	**December 31, 2023**	**June 30, December 31**
	$ 137,225	**$ 125,000**	**5.50 %**			

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.

On May 10, 2021, $61.6 million of the $74.7 million principal amount 5.25% NWH.DB.E convertible debenture series were converted by the debenture holders into 4,776,308 Trust Units. The REIT fully repaid the remaining $13.8 million principal balance outstanding in cash.

On November 25, 2021, $77.5 million of the $80.5 million principal amount 5.25% NWH.DB.F convertible debenture series were converted into 5,771,865 Trust units by the debenture holders. THE REIT repaid $6.6 million remaining principal balance in cash (see **Highlights for the Quarter**).

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 December 31, 2021 the DUP Liability is $26.2 million (December 31, 2020 - $24.3 million) representing 2,590,572 deferred units of which 1,229,778 are vested but not exercised (December 31, 2020 -2,845,489 deferred units of which 1,882,999 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 year ended December 31, 2021 and 2020:

RATIOS

As at	December 31, 2021	December 31, 2020
Gross book value	$7,064,401	$5,845,238
Debt - declaration of trust [1]	$2,820,602	$2,510,310
Debt to Gross Book Value - Declaration of Trust	**39.9 %**	**42.9 %**
Debt - including convertible debentures [1]	$2,957,827	$2,803,131
Debt to Gross Book Value - Including Convertible Debentures	**41.9 %**	**48.0 %**

	Three months ended December 31,			Year ended December 31,		
	2021	**2020**	**Variance**	**2021**	**2020**	**Variance**
Income (Loss) before taxes	$ 249,363	$ 237,777	$ 11,586	$ 736,068	$ 396,236	$ 339,832
Add (deduct):						
Mortgage and loan interest expense	22,299	23,893	(1,594)	90,461	97,748	(7,287)
Distributions on Exchangeable Units	342	342	—	1,368	3,501	(2,133)
Amortization of deferred financing costs	2,135	4,179	(2,044)	12,189	11,051	1,138
Amortization of marked to market adjustment	(102)	(106)	4	(416)	(866)	450
EBITDA[1]	$ 274,037	$ 266,085	$ 7,952	$ 839,670	$ 507,670	$ 332,000
Loss on revaluation of financial liabilities	4,276	2,264	2,012	11,707	5,585	6,122
Fair market value losses (gains)	(159,674)	(175,665)	15,991	(495,775)	(246,637)	(249,138)
DUP compensation expense	1,771	1,063	708	8,980	7,374	1,606
Foreign exchange loss (gain)	(5,716)	6,872	(12,588)	(14,735)	20,508	(35,243)
Transaction costs	7,652	3,309	4,343	37,984	34,933	3,051
Less: share of (profit) loss of equity accounted investments	(51,930)	(34,831)	(17,099)	(107,483)	(52,091)	(55,392)
Add: distribution income from equity accounted investments	7,670	3,447	4,223	24,428	11,212	13,216
Adjusted EBITDA[1]	$ 78,086	$ 72,544	$ 5,542	$ 304,776	$ 288,554	$ 16,222
Mortgage and loan interest expense	$ 22,299	$ 23,893	$ 1,594	$ 90,461	$ 97,748	$ 7,287
Less: debt repayment costs	(9)	—	9	(39)	(19)	20
Adjusted mortgage and loan interest expense[1]	$ 22,290	$ 23,893	$ 1,603	$ 90,422	$ 97,729	$ 7,307
Interest coverage [1]	**3.50**	**3.04**	**0.46**	**3.37**	**2.95**	**0.42**

Notes

(1) As defined in Performance Measurement in this MD&A.

LIQUIDITY AND CASH RESOURCES

Cash Resources and Liquidity

CASH AND LIQUIDITY

Expressed in thousands of Canadian dollars

	As at December 31, 2021	As at December 31, 2020
Cash and cash equivalents	$ 62,700	$ 144,106
Restricted Cash	41	41
Total	**$ 62,741**	**$ 144,147**

The REIT also has Credit Facilities that provide for additional liquidity. As at December 31, 2021, the drawn balance on the Credit Facilities was $609.0 million of the $681.0 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 flows 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 and JVs; (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 December 31, 2021:

CONTRACTUAL CASH FLOWS

Expressed in thousands of Canadian dollars	Carrying amount	Contractual cash flows	2022	2023	2024	2025	2026	Thereafter
Accounts payable and accrued liabilities	$ 89,963	$ 161,848	$ 161,848	$ —	$ —	$ —	$ —	$ —
Distributions payable	14,943	14,943	14,943	—	—	—	—	—
Income tax payable	11,379	11,379	11,379	—	—	—	—	—
Convertible debentures	137,225	138,750	6,875	131,875	—	—	—	—
Finance lease payable	12,719	12,719	1,720	1,624	1,283	893	841	6,358
Mortgages and loans payable	2,794,260	2,910,155	1,161,491	593,812	275,251	226,682	433,479	219,440
Total	**$3,060,489**	**$3,249,794**	**$1,358,256**	**$ 727,311**	**$ 276,534**	**$ 227,575**	**$ 434,320**	**$ 225,798**

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, 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, which are due within the next twelve months, totaled $1,189.7 million, exceeding current assets of $156.0 million, resulting in a working capital deficiency of $1,033.7 million as at December 31, 2021.

Current liabilities include:

1. Canadian dollar denominated revolving credit facilities with balances outstanding of $638.0 million. The REIT expects the drawn balance on the credit facilities will be refinanced or repaid on or before maturity. On December 20, 2021, the REIT extended the term to maturity of its credit facility with an outstanding balance of $29.0 million to January 2023 (see **Highlights for the Quarter**).

2. $96.7 million of Canadian mortgage maturities. The REIT currently expects these mortgages will be refinanced on or before maturity.

3. Australian term debts with a total outstanding balance of $74.7 million at a weighted average rate of 3.74%, maturing November and December 2022. The REIT currently expects these credit facilities will be refinanced on or before maturity.

4. Vital Trust term debt with an outstanding balance of $57.6 million at a weighted average rate of 3.14%, maturing July 2022. The REIT currently expects these credit facilities will be refinanced on or before maturity.

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 and cash equivalents:

NET CHANGE IN CASH [1]

Expressed in thousands of Canadian dollars	Three months ended December 31, 2021			Year ended December 31, 2021		
	2021	**2020**	**Variance**	**2021**	**2020**	**Variance**
Cash provided by / (used in):						
Operating activities	$ 28,874	$ 42,686	$ (13,812)	$ 124,967	$ 188,767	$ (63,800)
Investing activities	(218,564)	105,580	(324,144)	(914,834)	(628,533)	(286,301)
Financing activities	147,831	(70,079)	217,910	711,186	397,607	313,579
Net increase / (decrease) in cash during the period	**(41,859)**	**78,187**	**(120,046)**	**(78,681)**	**(42,159)**	**(36,522)**
Effect of foreign currency translation	(1,175)	1,070	(2,245)	(2,725)	(5,885)	3,160
Net increase / (decrease) in cash during the period	**$ (43,034)**	**$ 79,257**	**$ (122,291)**	**$ (81,406)**	**$ (48,044)**	**$ (33,362)**

Operating activities

Cash generated by operating activities totaled $28.9 million for the three months ended December 31, 2021, as compared to cash generated by operating activities of $42.7 million for the three months ended December 31, 2020, a decrease of $13.8 million. This decrease is primarily related to a negative working capital movement of $6.5 million, $5.7 million increase in cash DUP redemptions, $2.9 million increase in cash taxes paid, partially offset by a decrease in foreign exchange losses of $1.6 million.

Cash generated by operating activities totaled $125.0 million for the year ended December 31, 2021 as compared to $188.8 million for the year ended December 31, 2020, a decrease of $63.8 million. This decrease is primarily related to a $48.8 million negative working capital movement, an increase of $12.7 million in cash taxes paid, $5.7 million increase in cash DUP redemptions, $3.4 million increase in foreign exchange losses, partially offset by $6.5 million decrease in mortgage and loan interest paid.

Investing activities

Cash used by investing activities totaled $218.6 million for the three months ended December 31, 2021, which is primarily related to $251.0 million used for the acquisition activity in Europe and Australasia (see **Highlights for the Quarter**), additions to investment properties of $45.0 million, $14.8 million additions to investment in associates and $0.4 million of transaction costs net of deposits, partially offset by $39.4 million net investment in unlisted securities , $33.0 million proceeds from the sale of the reminder two OpCos the REIT assumed as part of acquiring the Aspen (see **Highlights for the Quarter)**, $11.7 million related to disposition activity and distributions received from associates of $7.7 million.

Cash used by investing activities totaled $914.8 million for the year ended December 31, 2021, which is attributable to $139.3 million used for Investment in unlisted securities, $685.4 million of acquisition activity, $146.0 million of additions to investment properties, investments in joint ventures of $24.2 million, $2.0 million used for investment in the Aspen Group, net of subsequent on sale proceeds, (see **Highlights for the Quarter),** partially offset by cash provided of $56.6 million from dispositions of investment properties and $24.4 million proceeds from distributions from associates.

Financing activities

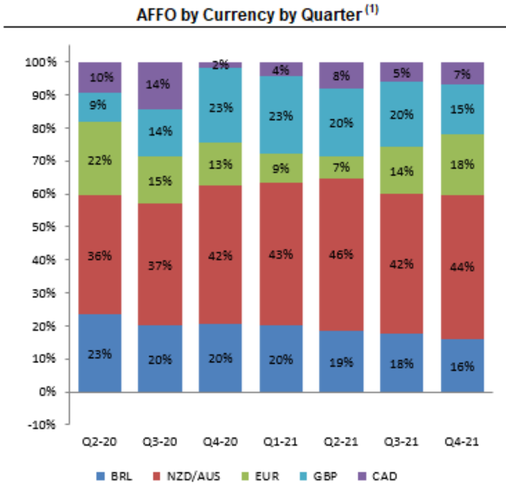
During the three months ended December 31, 2021, cash generated by financing activities totaled $147.8 million as compared to cash used of $70.1 million during the three months ended December 31, 2020. $83.0 million net proceeds with respect to Vital Trust's equity raise (see **Highlights for the Quarter**), $119.1 million of net mortgages, loans payable and credit facilities, partially offset by distributions paid to REIT unitholders of $36.5 million, distributions on Exchangeable Units of $0.3 million, distributions paid to non-controlling unitholders of $7.6 million, repayment of convertible debentures outstanding principal balance of $6.6 million (see **Highlights for the Quarter)** and financing fees paid of $3.3 million.

For the year ended December 31, 2021, cash generated by financing activities of $711.2 million as compared to cash generated of $397.6 million during the year ended December 31, 2020. $512.7 million net proceeds from issuance of Trust units by the REIT and Vital Trust's equity raise, $401.1 million of net mortgages, loans payable and credit facilities repayments, partially offset by financing fees paid of $19.8 million, $20.5 million in redemptions of convertible debentures, payment of distributions to REIT unitholders of $136.4 million, $1.4 million payment of distributions on Exchangeable Units and payment of distributions to non-controlling unitholders of $24.7 million.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months ended December 31, 2021, approximately 93% of the REIT's AFFO, including Corporate costs such as certain general and administrative expenses, interest expenses and interest income that were denominated in Canadian dollars, was conducted in currencies other than Canadian dollars while its distributions to Unitholders were denominated only 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	GBP	NZD	AUD
Three months ended December 31, 2021:					
High	0.2355	1.4690	1.7238	0.8899	0.9308
Low	0.2178	1.4189	1.6723	0.8588	0.8982
Average	0.2257	1.4411	1.6987	0.8755	0.9176
Balance Sheet:					
December 31, 2021	0.2278	1.4401	1.7155	0.8679	0.9220
December 31, 2020	0.2452	1.5625	1.7390	0.9190	0.9820
Profit & Loss:					
Q4 2021 Average Rate	0.2257	1.4411	1.6987	0.8755	0.9176
Q3 2021 Average Rate	0.2408	1.4844	1.7355	0.8820	0.9251
Q2 2021 Average Rate	0.2319	1.4799	1.7168	0.8779	0.9454
Q1 2021 Average Rate	0.2317	1.5269	1.7460	0.9100	0.9781
Q4 2020 Average Rate	0.2414	1.5538	1.7213	0.8941	0.9526

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 December 31, 2021, 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 December 31, 2021, Canadian dollar AFFO was $3.4 million while Canadian dollar distributions paid in cash to unitholders totaled $44.8 million. Deficiencies were funded from cash repatriated to Canada from Brazil, Europe, Australia, and New Zealand as well as the draws on Corporate credit facilities in the normal course of operations.

As at December 31, 2021, the REIT held approximately $12.5 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, and Vital Trust suspended their foreign exchange hedging policy in May 2019.

The REIT may utilize currency hedges, 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 does not currently have any specific foreign currency hedging derivatives in place.

Among the REIT's global currencies, compared to December 31, 2020, the Euro, GBP, AUD, NZD and BRL were down relative to the Canadian dollar by 7.8%, 1.4%, 6.1%, 5.6% and 7.1%, respectively.

PART V – RELATED PARTY TRANSACTIONS

(a) As at December 31, 2021, NWVP indirectly owned approximately 12.2% (approximately 11.7% on a fully diluted basis assuming conversion of the REIT's convertible debentures and redemption of its deferred units) (as at December 31, 2020 - 15.3% and 13.5%. respectively) of the REIT through a combination of Trust Units of the REIT and Class B exchangeable units of NWI LP. 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.

On April 9, 2021 and in connection with the February 22, 2021 public offering, the REIT completed a private placement of 395,257 Trust Units to NWVP for gross proceeds of approximately $5.0 million.

On July 22, 2021, in connection with the June 18, 2021 public offering, the REIT closed a private placement of 1,985,000 Trust Units to NWVP for gross proceeds of approximately $25.0 million.

As at December 31, 2021, NWVP had a total outstanding balance of 188,349 REIT deferred units (December 31, 2020 - 46,071) of which 93,028 unvested deferred units are scheduled to vest between 2024 and 2026 (December 31, 2020 - nil).

(b) As at December 31, 2021, the REIT had a payable owing to NWVP of $0.1 million (December 31, 2020 - $0.7 million) that is included in accounts payable and accrued liabilities.

The REIT incurred charges to NWVP during the year ended December 31, 2021, of $3.6 million, gross of $0.4 million HST, which includes: (i) compensation for CEO management services totaling $2.5 million for the year ending December 31, 2021, $1.3 million of which related to cash exercise of vested DUPs, and (ii) the cost of NWVP personnel seconded to the REIT totaling $0.3 million and expense reimbursements of $0.4 million. The aforementioned charges were recorded as part of general and administrative expenses and transaction costs.

During the year ended December 31, 2021, the REIT made total payments to NWVP of $4.2 million to settle the obligations noted above.

During the year ended December 31, 2020, the REIT paid net amount $12.0 million (including HST) to NWVP. The REIT expenses and obligations that were incurred or have been assumed by NWVP, included: (i) CEO management services related to strategic investment initiatives of $8.0 million, including $1.2 million related to management services and a $6.8 million bonus that have been expensed as transaction costs, (ii) the assumption of $1.3 million of REIT obligations by NWVP related to investment and strategic personnel have been expensed as transaction costs, (iii) reimbursement for NWVP personnel seconded to the REIT totaling $0.3 million, and (iv) expense reimbursements of $1.1 million, which had been recorded as general and administrative expenses and transaction costs.

(c) At December 31, 2021, included in accounts payable and accrued liabilities are Class B exchangeable unit distributions payable to NWVP and affiliates in the amount of $0.1 million (December 31, 2020 - $0.1 million), which were settled subsequent to period end.

PART VI – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies is described in note 2 of the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2021.

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. The significant judgments and key estimates made by the REIT are outlined below:

Critical accounting estimates

Intangible asset

Intangible asset represents the REIT's rights and obligations under the contract between the ANZ Manager, a group of wholly-owned subsidiaries of the REIT, and Vital Trust. The Vital Trust intangible asset has been measured at its fair value as at the date it was acquired, January 1, 2015. When estimating the fair value of the intangible assets, the REIT made estimates and assumptions that have a significant effect on the reported value of the intangible asset. Estimates used in determining the fair value of the intangible asset include management fees, operating expenses, discount rates, capitalization rates, inflation rates, interest rates, taxation rates, foreign currency exchange rates and earnings multiples.

The contract that governs the fee stream paid Vital Trust does not expire and therefore, the contract is deemed an indefinite-life intangible asset.

Investment properties

Investment properties are re-measured to fair value at each reporting date, determined based either on internal valuation models incorporating available market evidence, or on valuations performed by third-party appraisers. Significant assumptions and number of methods are used in determining the fair value of the investment properties include capitalization rates, terminal capitalization rates, discount rates, and future cash flows that incorporate inflation rates, vacancy rates, property level capital expenditures and net operating income.

Derivative financial instruments

The measurement of the fair value of the REIT's derivative financial instruments is based on estimates and assumptions that affect the reported amount of the liabilities and the corresponding gain or loss on changes in fair value.

Critical Judgments in Applying Accounting Policies

Leases

The REIT makes judgments in determining whether leases in which the REIT is the lessor are operating or finance leases, and has determined that all of its leases are operating leases. The accounting treatment of leases as finance leases would have a significant effect on the measurement of transactions and balances in the consolidated financial statements.

Investment Acquisitions

When investments are acquired, the REIT is required to apply judgment as to whether or not the transaction should be accounted for as an asset acquisition or business combination. A transaction is considered to be a business combination if the acquired investment meets the definition of a business in accordance with IFRS 3, "Business Combinations" ("IFRS 3"), being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return. The REIT elected to use a concentration test that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations are measured at fair value on the date of acquisition, being the date at which the acquirer obtains control over the acquiree. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date and acquisition-related costs are recognized in profit or loss as incurred.

When acquisition of an investment does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values at the acquisition date, and no goodwill is recognized. Acquisition related costs are capitalized to the investment at the time the acquisition is completed. All of the REIT's property acquisitions have been accounted for as asset acquisitions.

Consolidation of Vital Trust

The REIT accounts for its investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust. The REIT’s interest in Vital Trust, as at December 31, 2021, is 27.4%. The REIT assessed it has control over Vital Trust based on the definition of control and certain criteria provided for in IFRS 10-Consolidated Financial Statements. The REIT has assessed it has control over Vital Trust based on the following key observations: i) the REIT controls the external manager of Vital Trust through the 100% indirect ownership of ANZ Manager which results in the REIT directing all activities of Vital Trust; ii) the REIT has the right to appoint a majority of directors of the board of Vital Healthcare Management Limited, which acts as the board of directors of Vital Trust; and iii) the 72.6% non-controlling interest of Vital Trust is widely held.

Income Taxes

With the exception of subsidiaries that are subject to income taxes, deferred income taxes are not recognized in the consolidated financial statements on the basis that the REIT can deduct distributions paid such that its liability for income taxes is substantially reduced or eliminated for the year. In applying this accounting policy, the REIT has made the judgment that the REIT intends to continue to distribute its taxable income and continue to qualify as a real estate investment trust for the foreseeable future; however, should it no longer qualify it would not be able to flow through its taxable income to unitholders and the REIT would be subject to Canadian taxation on its non-portfolio earnings.

We make significant judgments in interpreting tax rules and regulations when we calculate income tax expense. The calculation of current and deferred income taxes requires management to make certain judgments regarding the tax rules in jurisdictions where the REIT performs activities. The REIT is subject to tax audits from various tax authorities on an ongoing basis and from time to time, tax authorities may disagree with the positions and conclusions taken by the REIT in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. There are a number of uncertainties involved in such matters and as a result, there is a possibility that the ultimate resolution of these matters may result in a material adverse effect, individually or in aggregate, on the REIT's operations or financial condition or performance in future periods. Management regularly assesses its position on the adequacy of such accruals or provisions and will make any necessary adjustments.

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.

RISKS RELATING TO REAL PROPERTY OWNERSHIP

COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The global impact of the outbreak has been widespread and many countries have reacted by instituting quarantines and restrictions on travel, closing financial markets and/or restricting trading, and limiting operations of non-essential businesses. Such actions have created disruption in global supply chains, and are adversely impacting many industries.

Major COVID-19 outbreaks in the regions in which the REIT operates could result in tenant defaults and/or deferrals in payment of rent due to decreased operating capacity of tenants, and a major loss in parking revenue due to imposition by governments of social distancing and/or stay at home measures. In addition, a COVID-19 outbreak could lead to staffing shortages or the extended absence of key employees, which would affect the REIT's ability to operate at full capacity.

While the ongoing and dynamic nature of the circumstances surround COVID-19 makes it difficult to predict the severity and duration of its impacts on the REIT's business, management currently believes that the outbreak will not have a long-term impact on the REIT's financial position. Furthermore, management is of the view that it is well positioned to deal with the short-term disruptions caused by COVID-19, with a defensive portfolio and diverse tenant roster that is substantially underpinned by public health funding.

Public Health Crises

A local, regional, national or international pandemic, epidemic or outbreak of a contagious disease, including the COVID-19 coronavirus, could result in a general or acute decline in economic activity in the regions the REIT holds assets, a decrease in the willingness of the general population to travel, staff shortages, mobility restrictions, supply shortages, increased government regulation, and the quarantine or contamination of one or more of the REIT's assets of offices. Contagion in a REIT building, office or market in which the REIT operates could negatively impact the REIT's business, results of operations or reputation.

Real Property Ownership and Tenants

All real property investments are subject to elements of risk. By specializing in a particular type of real estate, the REIT is exposed to adverse effects on that segment of the real estate market and does not benefit from a diversification of its portfolio by property type. The value of real property and any improvements thereto depends on the credit and financial stability of tenants, and upon the vacancy rates of the properties. Cash flows will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties in which the REIT has an interest becomes vacant and is not able to be leased on economically favourable lease terms, if at all. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which the REIT has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the disclaimer and termination of such tenant's lease, any of which events could have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. Certain of the REIT's tenants, such as laboratories and hospital operators, may require licences to operate their business. To the extent these businesses are unable to obtain licences or maintain existing licences, the REIT's operations may be adversely impacted. The ability to rent unleased space in the properties in which the REIT will have an interest will be affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises and various other factors, many of which are beyond the REIT's control.

Fixed Costs

The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders. Certain significant expenditures, including property taxes, ground rent, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale. Costs may also be incurred in making improvements or repairs to property required by a new tenant and income may be lost as a result of any prolonged delay in attracting suitable tenants to the vacant space. The timing and amount of capital expenditures by the REIT will indirectly affect the amount of cash available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

Liquidity

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT were to be required to liquidate its real property investments, the proceeds to the REIT might be significantly less than the aggregate carrying value of its properties which could have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders.

Competition in the Real Property Industry

The real estate business is competitive. Numerous other developers, managers and owners of office properties will compete with the REIT in seeking tenants. Some of the properties located in the same markets as the REIT's properties are newer, better located, less levered or have stronger tenant profiles than the REIT's properties. Some property owners with properties located in the same markets as the REIT's properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn. The existence of developers, managers and owners in such markets and competition for the REIT's tenants could have a negative effect on the REIT's ability to lease space in its properties in such markets and on the rents charged or concessions granted, which could have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders. Competition for acquisitions of real property can be intense and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that the REIT may be prepared to accept. An increase in the availability of investment funds, an increase in interest in real property investments or a decrease in interest rates may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Current Economic Environment

Continued concerns about the uncertainty over whether the global economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of increased unemployment, volatile energy costs, geopolitical issues, the availability and cost of credit, and the mortgage market in certain regions have contributed to increased market volatility and weakened business and consumer confidence. Although the healthcare real estate industry is an asset class that is not typically impacted by recessions or economic slowdowns, this difficult operating environment could adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the REIT to maintain occupancy rates in the REIT's properties, which could harm the REIT's financial condition. If these economic conditions worsen, the REIT's tenants and operators may be unable to meet their rental payments and other obligations due to the REIT, which could have a material adverse effect on the REIT.

Environmental Laws

Environmental legislation and regulations have become increasingly important in recent years. As an owner of interests in real property in Brazil, the United Kingdom, Germany, the Netherlands, Australia, New Zealand and Canada, the REIT is subject to various federal, state and municipal laws relating to environmental matters in each jurisdiction. Such environmental laws impose actual and contingent liabilities on the REIT to undertake remedial action on contaminated sites and in contaminated buildings.

Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release could form the basis for liability to third persons for personal injury or other damages. In addition, if the REIT's personnel infringe or have infringed environmental protection laws, the REIT could be exposed to civil or criminal damages. The REIT may be required to provide for additional reserves to sufficiently allocate toward the REIT's potential obligations to remove and dispose of any hazardous and toxic substances. Any such event could have a material and adverse effect on the REIT's cash flows, financial condition and results of operations and the REIT's ability to make distributions on the Units.

The REIT is not aware of any material non-compliance with environmental laws at any of its properties, and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties. The REIT strives to set policies and procedures to assess, manage and monitor environmental conditions at its properties to manage exposure to liability.

The REIT intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters may have a material adverse effect on the REIT's properties, financial condition or results of operation and decrease the amount of cash available for distribution. However, environmental laws can change and the REIT may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders.

Climate Change Risk

The REIT is exposed to climate change risk from natural disasters, changes in weather patterns and severe weather, such as floods and wild fires, that may result in physical damage to, or a decrease in demand for, the REIT's investment properties. Such damage may result in loss of NOI from an investment property becoming non-operational, increase in costs to recover or repair a property, and increase in insurance costs to insure the property. As a result, the consequences of climate-change related natural disasters and severe weather patterns could have a material adverse effect on the REIT's business, cash flows, financial condition, results of operations and ability to make distributions to Unitholders.

In addition, climate change has continued to attract the focus of governments, the scientific community and the general public as an important threat, given the emission of greenhouse gases and other activities continue to negatively impact the planet. The REIT faces the risk that its properties will be subject to government initiatives aimed at countering climate change, such as reduction of greenhouse gas emissions, which could impose constraints on its operational flexibility. To the extent any such initiative would require the REIT to ensure its tenants compliance and/or constrain their activities in any way, this could have an undesirable effect on the REIT's ability to successfully pursue its leasing strategy.

Terrorism

Possible terrorist attacks in the markets where the REIT's properties are located may result in declining economic activity, which could reduce the demand for space at the REIT's properties and reduce the value of the REIT's properties. Additionally, terrorist activities could directly affect the value of the REIT's properties through damage, destruction or loss. The REIT's insurance may not cover some losses due to terrorism or such insurance may not be obtainable at commercially reasonable rates. Terrorism may have a material and adverse effect on the REIT's business, cash flows, financial condition, results of operations and ability to make distributions to Unitholders.

Litigation at the Property Level

The acquisition, ownership and disposition of real property carry certain specific litigation risks. Litigation may be commenced with respect to a property acquired by the REIT or its subsidiaries in relation to activities that took place prior to the REIT's acquisition of such property. In addition, at the time of disposition of an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such buyer should be awarded due diligence expenses incurred or damages for misrepresentation relating to disclosures made, if such buyer is passed over in favour of another as part of the REIT's efforts to maximize sale proceeds. Similarly, successful buyers may later sue the REIT under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence.

General Litigation

In the normal course of the REIT's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the REIT and as a result, could have a material adverse effect on the REIT's assets, liabilities, business, financial condition and results of operations. Even if the REIT prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the REIT's business operations, which could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

Property Development, Redevelopment and Renovations

Property development, redevelopment or major renovation work are subject to a number of risks, including: (i) the potential that the REIT may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (ii) the potential that the REIT may expend funds on and devote management time to projects which it does not complete; (iii) construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (iv) the time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting the REIT's cash flow and liquidity; (v) the cost and timely completion of construction (including risks beyond the REIT's control, such as weather, labour conditions or material shortages); (vi) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (vii) the failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all; (viii) delays with respect to obtaining, or the inability to obtain, necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws; (ix) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (x) the REIT's ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and (xi) the availability and pricing of financing to fund the REIT's development activities on favourable terms or at all.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of redevelopment activities or the completion of redevelopment activities once undertaken. In addition, redevelopment projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners and others. Any of these risks could have an adverse effect on the REIT's financial condition, results of operations, cash flow, per Unit trading price of the Units, distributions to Unitholders and ability to satisfy the REIT's principal and interest obligations. Also, it is anticipated that the REIT would be required to execute a guarantee in connection with construction financing for development which would subject the REIT to recourse for construction completion risks and repayment of the construction indebtedness.

RISKS RELATING TO THE BUSINESS OF THE REIT

Financing and Interest Rates

As at December 31, 2021 the REIT had outstanding indebtedness of $2.9 million, including the Convertible Debentures, but excluding Class B LP Units. A portion of the cash flow generated by investment properties is devoted to servicing such debt. There can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments going forward. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

The REIT will be subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce AFFO. In order to minimize this risk, the REIT attempts to diversify the term structure of its debt so that in no one year a disproportionate amount of its debt matures. As at December 31, 2021, $1.4 million of the REIT's total indebtedness is at variable rates (excludes $0.6 million of variable rate loans that have been hedged to fixed interest rate with interest rate swaps). This will result in fluctuations in the REIT's cost of borrowing as interest rates change, as they are expected to in an inflationary environment. To the extent that interest rates rise, the REIT's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution.

The Revolving Credit Facility contains covenants that require the REIT to maintain certain financial ratios on a consolidated basis. If the REIT does not maintain such ratios, the lenders have certain rights under the agreement that may restrict the REIT from accessing the Revolving Credit Facility, which may limit the REIT's ability to make distributions.

Acquisitions

The REIT's business plan includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If the REIT is unable to manage its growth effectively, it could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to Unitholders will increase in the future. The successful execution of the REIT's investment strategy is uncertain as it requires suitable opportunities, careful timing and business judgment, as well as the resources to complete asset purchases and restructure them, if required, notwithstanding difficulties experienced in a particular industry.

Before making investments, the REIT conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances relevant to each potential investment. Investment analyses and decisions by the REIT may be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the REIT at the time of making an investment decision may be limited. Accordingly, acquisitions and development agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of the REIT. Representations and warranties given by such third parties to the REIT may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. The REIT may not be able to successfully enforce claims it may have against vendors of its assets. Moreover, the acquired properties may not meet expectations of operational or financial performance due to unexpected costs associated with developing an acquired property, as well as the general investment risks inherent in any real estate investment and the REIT may be unable to quickly and effectively integrate new acquisitions into the REIT's existing operations or exit from the investment on favourable terms. The REIT may be required to sell a business before it has realized the REIT's expected level of returns for such business

Increasing interest rates could position the REIT to be less competitive in pursuing new acquisitions on a basis that is accretive to AFFO per Unit on the basis that (a) increasing interest rates and associated costs could lead to increases in capitalization rates, which could result in a decrease in the REIT's net asset value and therefore put upward pressure on the REIT's debt to gross book value ratio, thereby requiring the REIT to offset this by employing lower leverage levels on new acquisitions, or curtail its acquisition activities if it is unable to find accretive acquisitions; and (b) increasing interest rates outpacing rental rate growth (which may be an issue where rents are inflation adjusted) could lead to margin pressure, and when combined with increasing capitalization rates, may negatively impact the REIT's Unit price, thereby increasing its cost of equity.

Development

The REIT is and expects to be increasingly involved in the development of properties or in the expansion of existing assets. Developing land is subject to the risks usually attributable to construction projects, which include: (i) construction or other unforeseen delays; (ii) cost overruns; (iii) the failure of tenants to occupy and pay rent in accordance with existing lease agreements, some of which are conditional; (iv) the inability to achieve projected rental rates or anticipated pace of lease-ups; (v) general construction risks; and (vi) an increase in interest rates during the life of the development or redevelopment. Furthermore, property development is a relatively new line of business for the REIT. As a result, development risks associated with such projects may be greater due to the REIT's developing experience in this area.

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. Although the REIT's Revolving Credit Facility is available for acquisitions, there can be no assurances that the REIT will otherwise have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. In addition, the REIT may not be able to borrow funds under the Revolving Credit Facility or other debt instruments due to the limitations on the incurrence of debt by the REIT set forth in the Declaration of Trust. Failure by the REIT to access required capital could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Insurance Coverage

The activities carried on by the REIT entail an inherent risk of liability. The REIT carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with customary policy specifications, limits and deductibles. The REIT has insurance for earthquake risks, subject to certain policy limits, deductibles and self–insurance arrangements, and will continue to carry such insurance if it is economical to do so. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against the REIT not covered by, or in excess of, the REIT's insurance could have a material adverse effect on the REIT's activities, operating results and financial condition. Claims against the REIT, regardless of their merit or eventual outcome, also may have a material adverse effect on their ability to attract tenants or expand their businesses, and will require management to devote time to matters unrelated to the activities of the REIT.

Investment Concentration

As a result of the REIT's investments consisting solely of interests in commercial real estate with a particular concentration on healthcare, it will be subject to risks inherent in investments in a single industry. Demand for commercial healthcare real estate could be adversely affected by weakness in the national, regional and local economies, changes in supply of, or demand for, similar or competing properties in a particular market. To the extent that any of these conditions occur, they are likely to affect market rents for space, which could cause a decrease in the REIT's rental revenue from its properties. Any such decrease could impair the REIT's ability to satisfy any debt service obligations and generate stable positive cash flow from its operations.

Joint Venture Investments

The REIT currently has a number of joint venture investments, and may in the future co-invest with third parties through joint ventures. In any such joint venture, the REIT may not be in a position to exercise sole decision-making authority regarding the properties owned through joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions. Joint venture partners may have business interests or goals that are inconsistent with the REIT's business interests or goals and may be in a position to take actions contrary to the REIT's policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, because neither the REIT nor the joint venture partner would have full control over the joint venture. Any disputes that may arise between the REIT and its joint venture partners could result in litigation or arbitration that could increase the REIT's expenses and distract its officers and/or Trustees from focusing their time and effort on the REIT's business. In addition, the REIT might in certain circumstances be liable for the actions of its joint venture partners.

Fee-Bearing Asset Management Business

The REIT's investors and potential investors continually assess investment performance and the REIT's ability to raise capital for existing and future investments depends on its relative and absolute performance. If poor investment returns or changes in investment mandates prevent the REIT from raising further capital from existing partners, it may need to identify and attract new investors in order to maintain or increase the size of the Global Manager's operations, and there are no assurances that the REIT will be able to find new investors. Further, as competition and disintermediation in the asset management industry increases, the REIT may face pressure to reduce or modify asset management fees, including base management fees and/or incentive fees, or modify other terms governing the Global Manager's current asset management fee structure, in order to attract and retain investors. If the REIT is unable to successfully raise, retain, and deploy third-party capital into investments, the Global Manager may be unable to collect management fees, incentive fees or activity-based fees, which would materially reduce the REIT's revenue and cash flows and adversely affect the financial condition of the REIT. The REIT's ability to raise third-party capital depends on a number of factors, including many that are outside the REIT's control such as the general economic environment and the number of other investment funds being raised at the same time by the REIT's competitors.

If any of the REIT's managed investments perform poorly or experience prolonged periods of volatility, or if the REIT is unable to deploy capital effectively, the REIT's fee-based revenue would decline. Moreover, the REIT could experience losses on its capital invested in managed entities. Accordingly, the REIT's expected returns on these investments may be less than has been assumed in forecasting the financial position of the REIT.

Competition in the Asset Management Industry

In pursuing investment opportunities and returns, the REIT and its managed entities face competition from other investment managers and investors worldwide. Each of the REIT's businesses is subject to competition in varying degrees and the REIT's competitors may have certain competitive advantages over the REIT when pursuing investment opportunities. Some of the REIT's competitors may have higher risk tolerances, different risk assessments, lower return thresholds, a lower cost of capital, or a lower effective tax rate (or no tax rate at all) or may not be subject to the operating constraints associated with REIT tax compliance, all of which could allow them to consider a wider variety of investments and to bid more aggressively than the REIT for investments. The REIT may lose investment opportunities in the future if we do not match investment prices, structures and terms offered by the REIT's competitors, some of whom may have synergistic businesses which allow them to consider bidding a higher price than the REIT can reasonably offer. While the REIT attempts to deal with competitive pressures by leveraging its asset management strengths and operating capabilities and compete on more than just price, there is no guarantee these measures will be successful, and the REIT may have difficulty competing for investment opportunities, particularly those offered through auction or other competitive processes.

Healthcare Industry

The healthcare industry is heavily regulated by various federal, regional and local regulatory bodies. As a result, the REIT's tenants will generally be subject to significant laws and regulations regarding licensing and reimbursement programs. Healthcare providers in many countries have been affected significantly by recent changes in healthcare laws and regulations, particularly those pertaining to government reimbursement programs. The purpose of much of the recent statutory and regulatory activity has been to limit or reduce healthcare costs, particularly costs paid under such programs. Many of the recent changes to these programs have resulted in significant reductions in payments to healthcare providers and/or claw-backs to billings in certain regions. The efforts to reduce the costs of government reimbursement programs are likely to continue, which could negatively affect the ability of the REIT's tenants to make lease payments.

MOBs may be highly customized and may not be easily adaptable to alternative uses. Private hospitals are typically leased to a single tenant, sole hospital operator. The improvements necessary to conform a building to healthcare use may be costly and tenant specific. A new or replacement tenant may require different features in a property, depending on the tenant's particular operations. If the REIT or its tenants terminate the leases for these properties, the REIT may not be able to locate suitable replacement tenants to lease the properties for their specialized uses. Consequently, the REIT may be required to spend substantial amounts to adapt the properties to other uses. Any loss of revenues and/or additional capital expenditures occurring as a result may adversely affect the financial position of the REIT.

The healthcare industry continues to experience consolidation, including among owners of real estate and healthcare providers. The REIT competes with other healthcare REITs and other investors that pursue a variety of investments, which may include investments in the REIT's tenants. A competitor's investment in one of the REIT's tenants, any change of control of a tenant, or change in the tenant's management team could enable the REIT's competitor to influence or control that tenant's business and strategy. This influence could have a material adverse effect on the REIT by impairing the REIT's relationship with the tenant, negatively affecting the REIT's interest, or impacting the tenant's financial and operational performance, including its ability to pay the REIT rent or interest.

Competing healthcare facilities located in the areas served by the REIT's facilities may provide healthcare services that are not available at the REIT's facilities. From time-to-time, referral sources, including physicians and managed care organizations, may change the healthcare facilities to which they refer patients, which could adversely affect the REIT's tenants and thus its rental revenues, interest income and its earnings from equity investments.

Land Leases

To the extent the properties in which the REIT has or will have an interest are located on leased land, the land leases may be subject to periodic rate resets which may fluctuate and may result in significant rental rate adjustments which would likely adversely impact the REIT's financial condition and results of operation and decrease the amount of cash available for distribution. Land leases may also be terminated or not renewed upon expiry.

Specific Lease Considerations

Some of the leases in the REIT's properties are leased on a base year or semi-gross basis or otherwise have caps on operating costs and/or tax recoveries. As a result, the REIT will bear the economic cost of increases in certain of the operating costs and/or property taxes in such cases to the extent it is not able to fully recover increases in operating costs and property taxes from these tenants which increases would likely adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Reliance on Key Personnel

The management and governance of the REIT depends on the services of certain key personnel, including senior management. The departure of any key personnel could have an adverse effect on the REIT and adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. The REIT cannot predict the impact that any such departures will have on its ability to achieve its objectives. The REIT's senior management team possesses substantial experience and expertise and has strong business relationships with investors in its managed entities and other members of the business communities and industries in which the REIT operates. As a result, the loss of these personnel could jeopardize the REIT's relationships with investors in the REIT's managed entities and other members of the business communities and industries in which the REIT operates and result in the reduction of the REIT's assets under management or fewer investment opportunities. Accordingly, the loss of services from key professionals or a limitation in their availability could adversely impact the REIT's financial condition and cash flow. Furthermore, such a loss could be negatively perceived in the capital markets. The REIT does not have key man insurance on any of its key employees.

The REIT's ability to retain and motivate its management team and other personnel and attract suitable replacements should any such personnel leave, or attract new investment professionals as the REIT's business grows, is dependent on, among other things, the competitive nature of the employment market and the career opportunities and compensation that the REIT can offer.

Limit on Business and Investment Activities

In order to maintain its status as a "mutual fund trust" under the Tax Act, the REIT cannot carry on most active business activities and is limited in the types of investments it may make. The Declaration of Trust contains restrictions to this effect.

Tenant Occupancy

Although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that such tenants will continue to occupy such premises. Certain tenants have a right to terminate their leases upon payment of a penalty but others are not required to pay any penalty associated with an early termination. There can be no assurance that tenants will continue their activities and continue occupancy of the premises. Any cessation of occupancy by tenants may have an adverse effect on the REIT and could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Forecasted Occupancy Rates and Revenues

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the REIT's properties or revenues to be derived therefrom. There can be no assurance that, upon the expiry or termination of the leases currently in effect, the average occupancy rates and revenues will be the same as, or higher than, historical occupancy rates and revenues.

Lease Renewals and Rental Increases

Expiries of leases for the REIT's properties, including those of significant tenants, will occur from time to time over the short and long-term. No assurance can be provided that the REIT will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

The leases for Sabará, and the seven Rede D'Or properties, the UK properties and many of the Vital Trust and the Australia JV properties are with a single tenant, the operators of the facilities. Upon the expiry of the leases, there can be no assurance that they will be renewed or that the tenants will be replaced. If the tenants do not renew their leases, the REIT's cash flows, operating results, financial condition and its ability to make distributions on the Units could be materially and adversely affected. The Sabará Lease also contains a pre-emptive right in favour of the Sabará Tenant if the controlling interest or all of the shares of the REIT subsidiary that owns Sabará are sold during the term of the lease, offering the tenant the right to purchase the shares on the same terms. Rede D'Or has a right of first refusal on each of the seven Rede D'Or properties.

Location of Properties in Foreign Countries

The vast majority of the REIT's assets are located in foreign countries, specifically Australia / New Zealand, Brazil, Germany, the Netherlands, and the UK and, as a result, are impacted by economic and other factors specifically affecting the real estate markets in those countries. These factors may differ from those affecting the real estate markets in other regions, including those in Canada. Although the REIT's international assets are dispersed across several foreign countries, a number of the REIT's international assets could nevertheless experience any of the same conditions at the same time due to global correlations. If real estate conditions in these countries decline relative to real estate conditions in other regions, the REIT's cash flows, operating results and financial condition may be more adversely affected than those of companies in Canada or that have different, or more, geographically diversified portfolios of properties.

Investing in real estate located in foreign countries, including those listed above, creates risks associated with the uncertainty of foreign laws and markets including, without limitation, laws respecting foreign ownership, the enforceability of loan and lease documents, and foreclosure laws. Foreign real estate laws are complex and subject to change, and we cannot assure you that compliance to those laws will not expose us to additional expense. The properties acquired internationally will face risks in connection with, among other things, unexpected changes in regulatory requirements, political and economic instability, possible currency transfer restrictions, the difficulty in enforcing obligations in other countries, the impact from Brexit and future developments in the EU and the burden of complying with a wide variety of foreign laws.

The UK left the EU on January 31, 2020. On May 1, 2021, the EU-UK Trade and Cooperation Agreement (the "TCA") became effective, which governs the ongoing relationship between the UK and the EU. Over time, UK regulated businesses may be adversely affected by the terms of the TCA as compared with their position prior to the ratification of the TCA. The long-term effects of Brexit are expected to depend on, among other things, any agreements the UK has made, or makes to retain access to EU markets. Brexit could adversely affect European or worldwide economic or market conditions and could contribute to instability in global financial and real estate markets. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the UK determines which EU laws to replace or replicate. Any of these effects of Brexit, and others the REIT cannot anticipate, could adversely affect the REIT's business, business opportunities, results of operations, financial condition and cash flows. Likewise, similar actions taken by other European and other countries in which the REIT operates could have a similar or even more profound impact.

Competition in Foreign Real Estate Markets

The real estate markets in Australia / New Zealand, Brazil, Germany, the UK and the Netherlands are highly competitive and fragmented and the REIT and its equity investees compete for real property acquisitions with individuals, corporations, institutions and other entities which are seeking or may seek real property investments similar to those the REIT desires. An increase in the availability of investment funds or an increase in interest in real property investments may increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them. Numerous other developers, managers and owners of properties will compete with the REIT in seeking tenants. Some of the properties owned by the REIT's competitors are better located, better quality or less leveraged than the REIT's properties. Some of the REIT's competitors are better capitalized and stronger financially and hence better able to withstand an economic downturn. The existence of competition for tenants could have an adverse effect on the REIT's ability to lease space in its properties and on the rents charged or concessions granted, and could materially and adversely affect the REIT's cash flows, operating results and financial condition and the REIT's ability to make distributions on the Trust Units.

Exchange Rates

Approximately 93% of the REIT's AFFO is generated in currencies other than Canadian dollars; however, the REIT pays distributions to Unitholders and interest on certain of its indebtedness in Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on the REIT's financial results, which is denominated and reported in Canadian dollars, and on the REIT's ability to pay cash distributions to Unitholders.

The REIT monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. The REIT intends to maintain a hedging policy 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 hedging policy includes natural currency hedges as well as selectively implementing specific foreign currency hedging transactions, if economically viable. At this time, the REIT does not have any formal foreign currency hedging arrangements. To the extent that the REIT fails to adequately manage foreign exchange risks, including if any such hedging arrangements do not effectively or completely hedge changes in foreign currency rates, the REIT's financial results, and the REIT's ability to pay distributions to Unitholders, may be negatively impacted.

Hedging transactions involve the risk that counterparties, which are generally financial institutions, may be unable to satisfy their obligations. If any counterparties default on their obligations under the hedging contracts or seek bankruptcy protection, it could have an adverse effect on the REIT's ability to fund planned activities and could result in a larger percentage of future revenue being subject to currency changes. The REIT's obligations under hedging arrangements may be secured by all or a portion of the REIT's assets or cash, the value of which generally must cover the fair value of the transactions outstanding under the facility by some multiple. If the REIT is unable to provide adequate security to support currency hedging arrangements, the REIT will remain exposed to foreign currency fluctuations.

Breach of Privacy or Information Security Systems

The protection of tenant, employee, and company data is critically important to the REIT. The REIT's business requires it, including some of its vendors, to use and store personally identifiable and other sensitive information of its tenants and employees. The collection and use of personally identifiable information is governed by federal and provincial laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. Compliance with all such laws and regulations may increase the REIT's operating costs and adversely impact the REIT's ability to market the REIT's properties and services.

The security measures put in place by the REIT, and such vendors, cannot provide absolute security, and the REIT and its vendors' information technology infrastructure may be vulnerable to criminal cyber-attacks or data security incidents, including, ransom of data, such as, without limitation, tenant and/or employee information, due to employee error, malfeasance, or other vulnerabilities. Any such incident could compromise the REIT's or such vendors' networks, and the information stored by the REIT or such vendors could be accessed, misused, publicly disclosed, corrupted, lost, or stolen, resulting in fraud, including wire fraud related to REIT assets, or other harm. Moreover, if a data security incident or breach affects the REIT's systems or such vendors' systems or results in the unauthorized release of personally identifiable information, the REIT's reputation and brand could be materially damaged and the REIT may be exposed to a risk of loss or litigation and possible liability, including, without limitation, loss related to the fact that agreements with such vendors, or such vendors' financial condition, may not allow the REIT to recover all costs related to a cyber breach for which they alone or they and the REIT should be jointly responsible for, which could result in a material adverse effect on the REIT's business, results of operations, and financial condition.

Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies, such as ransomware, and the increased sophistication and activities of perpetrators of cyber-attacks. In the future, the REIT may expend additional resources to continue to enhance the REIT's information security measures and/or to investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that the REIT will not suffer a data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on the REIT's systems, or that any such incident will be discovered in a timely manner. Further, the techniques used by criminals to obtain unauthorized access to sensitive data, such as phishing and other forms of human engineering, are increasing in sophistication and are often novel or change frequently; accordingly, the REIT may be unable to anticipate these techniques or implement adequate preventative measures.

Information technology systems are also an integral part of the REIT's internal controls over financial reporting framework. As the REIT's global operations expand, the REIT's information technology systems and other internal controls systems must continue to evolve.

If the REIT does not allocate and effectively manage the resources necessary to build and sustain reliable information technology infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or the REIT's or its third-party vendors' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the REIT's business could be disrupted and the REIT could, among other things, be subject to: the loss of or failure to attract new residents; the loss of revenue; the loss or unauthorized access to confidential information or other assets; the loss of or damage to trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; material misstatements in the REIT's financial reporting; and remediation costs.

The REIT's management, and the Board are together responsible for the review and oversight of the REIT's privacy, information technology and cyber security risk exposures. To assist in identifying the principal risks faced by the REIT and the Board receive quarterly presentations from management assessing the REIT's risk management framework, including information security risks

Operating in an Emerging Market

The Brazil region is considered by some to be an "emerging market" and therefore subject to potential risks. Risks associated with operating in emerging markets may include:

- political factors, including political instability and arbitrary or sudden changes to laws;
- legal and regulatory frameworks, which may increase the likelihood that laws will not be enforced and judgments will not be upheld;
- the movement and conversion of currency out of the foreign jurisdiction, which could hinder the payment of distributions to Canadian investors;
- inflation;
- corruption, bribery, civil unrest and economic uncertainty, which may negatively impact and disrupt business operations;
- factors that may affect title to its assets;
- potential expropriation or nationalization of assets; and
- access to assets.

Owning and operating investment properties in Brazil poses unique risks. For example, the REIT considers Brazilian inflation to be a key risk, but believes it has mitigated this risk by structuring the payments due under the Brazilian leases indexed to inflation, annually over the term of the leases. The REIT also believes that it is subject to risks involving currency fluctuations, which it attempts to mitigate through obtaining Brazilian domiciled debt on the assets. Further, Portuguese is the primary language in which business is conducted in Brazil, however the majority of the REIT's service providers (legal, audit and tax) are fluent in English. The REIT's local Brazilian consultants are fluent in Portuguese and English. Language risk is mitigated through requiring all material documentation to be translated into English. Further, all material correspondence with management and the Board of Trustees in Canada is provided in both English and Portuguese.

The REIT's trustees retain effective control over the REIT's Brazilian operations through the REIT's corporate structure. The REIT's Brazilian assets are all owned by Brazilian domiciled entities, which in turn are all indirectly wholly-owned by NWI LP. The REIT's Brazilian subsidiaries are all corporate entities under Brazilian law, meaning they must conduct business at the highest governance levels and adhere to applicable regulatory requirements that include annual filings, disclosures and preparation of audited financial statements.

Because the REIT's Brazilian subsidiaries are wholly-owned, the REIT controls the operations of these entities. Among other things:

- The REIT can remove or replace any of the directors or officers of its Brazilian subsidiaries at any time pursuant to director or shareholder resolutions, as applicable.
- The REIT maintains complete control over the books and records of its Brazilian subsidiaries.
- The REIT can transfer funds from its Brazilian subsidiaries to Canada at any time, subject to compliance with applicable withholding tax laws and regulatory requirements of the central bank of Brazil.

The REIT also maintains stringent controls over cash and banking that mitigate risk on its Brazil operations. All payments follow normal accounts payable process, which includes adequate segregation of duties from approvals to payment and all wires and cheques are fully traceable.

The REIT's officers and trustees believe that the REIT's Brazilian operational structure represents a proper discharge of their stewardship responsibilities. Management updates the REIT's trustees on a regular basis on the regulatory, business and operating environment of the REIT's business in Brazil.

The REIT's CEO has extensive experience conducting business in Brazil as he has been operating in Brazil since 2011. During that time, the REIT's CEO has developed a deep familiarity with Brazil's real estate industry, regulatory environment, operating environment, financial markets, and culture and business practices. He has developed key relationships with the REIT's tenants and local advisors. The REIT's management team also relies on the expertise of reputable third party advisors with respect to legal, regulatory, tax and other matters in Brazil.

The REIT has adopted several formal procedures to address risks faced by the REIT, including certain risks related to Brazil. For example, the REIT has adopted a Code of Business Conduct and Ethics policy which requires all personnel to comply with applicable laws and explicitly prohibits improper payments to domestic and foreign officials. The REIT also requires all significant contracts to be translated into English by a reputable legal translator prior to execution. Lastly, as a matter of practice, all material Brazilian-based transactions are approved by the REIT's Trustees, with input from the REIT's management team and Brazilian personnel as appropriate.

Price

The REIT is subject to fluctuations in the market price of its own securities as well as the market price of the Vital Trust Units. Price risk is the risk that changes in market prices for the REIT's securities may impact the REIT's ability to access capital, and that changes in the market prices of the units underlying the REIT's equity investments may impact the value of its investments. The market price for the Units, the Convertible Debentures and the units of Vital Trust may be volatile and subject to wide fluctuations in response to numerous factors, many of which may be beyond the REIT's control including general market sentiment. The market price of the REIT's securities and investments may decline even if the REIT's operating results, underlying asset values, or prospects have not changed. A decrease in the Unit price impacts the cost of raising new capital. A decline in the market price of the units of Vital Trust may impact the value of the REIT's investments which may result in impairment losses.

Price risk also impacts the Australasian Secured Financing. A decline in the market price of the units of Vital Trust may result in loan to value ratios that exceed the minimum requirements of the Australasian Secured Financing, thus resulting in cash payments being made to reduce the loan amounts outstanding. These cash payments could adversely impact the REIT's liquidity position and its ability to make distributions on the Units.

Significant Ownership by NWVP

NWVP currently indirectly owns approximately 12.2% of the issued and outstanding Trust Units (assuming the redemption of its Class B LP Units). Each Class B LP Unit is redeemable for a Trust Unit, and is attached to a Special Voting Unit of the REIT, providing for voting rights in the REIT.

For so long as NWVP maintains a 5% interest in the REIT, NWVP has (a) the right to appoint trustees to the board of the REIT (with such appointment rights varying based on the level of NWVP's ownership interest), and (b) pre-emptive rights to participate in future financings and other issuances of securities of the REIT in order to maintain its pro rata ownership interest in the REIT.

As a result of its ownership interest and contractual rights, NWVP can influence many matters affecting the REIT. NWVP's ownership interest also allows it to prevent certain fundamental transactions. NWVP's significant interest in the REIT may discourage transactions involving a change of control of the REIT, including transactions in which a holder of Units might otherwise receive a premium over the then-current market price.

NWVP may seek to sell some or all of its interest in the REIT in the future. No prediction can be made as to the effect, if any, that a future sale of Units by NWVP will have on the market price of the Units prevailing from time to time. However, the future sale of a substantial number of Units by NWVP, or the perception that such sale could occur, could adversely affect prevailing market prices for the Units.

Potential Conflicts of Interest

The REIT will be subject to various potential conflicts of interest because of the fact that its officers and Trustees are engaged in a wide range of business activities, including real estate property management, acquisition, development and ownership. In particular, Mr. Dalla Lana will face conflicts of interest because he is sole shareholder of NWVP, the Chairman and trustee of the REIT and the Chief Executive Officer of the REIT.

In addition, the REIT may also become involved in other transactions which conflict with the interests of its Trustees and the officers who may from time to time deal with persons, firms, institutions or corporations with which the REIT may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the REIT. In addition, from time to time, these persons may be competing with the REIT for available investment opportunities. The Declaration of Trust contains conflict of interest provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters.

Limitations on Enforcement of Certain Civil Judgments by Canadian Investors

Many of the REIT's subsidiaries are organized in foreign jurisdictions and are governed by foreign law. A significant portion of the REIT's assets are currently located outside of Canada. As a result, it may be difficult or impossible for investors to effect service within Canada upon the REIT's subsidiaries or their respective directors and officers who are not residents of Canada or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian provincial securities laws.

RISKS RELATING TO THE STRUCTURE OF THE REIT

Under current law, a trust may lose its status under the Tax Act as a mutual fund trust if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of Non-Residents, except in limited circumstances. The Declaration of Trust permits the trustees to further amend the Declaration of Trust to limit the ownership of a particular holder (together with persons with which it does not deal at arm's length) to 20%, if desirable for foreign tax purposes. The Trustees have various powers that can be used for the purpose of monitoring and controlling the applicable ownership limitations. The ownership limitation may negatively affect the REIT's ability to raise financing for future acquisitions or operations. In addition, the ownership limitation could negatively impact the liquidity of the Units and the market price at which Units can be sold.

Taxation of Mutual Fund Trusts

There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting mutual fund trusts will not be changed in a manner that adversely affects Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, there could be material and adverse tax consequences to the REIT and Unitholders.

REIT Exception

The REIT Exception is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of that taxation year. The REIT expects to qualify for the REIT Exception in 2022 and subsequent taxation years. However, subsequent investments or activities undertaken by the REIT and/or fluctuations in asset values could result in the REIT failing to qualify for the REIT Exception. In addition, the REIT owns a minority interest in certain of its foreign subsidiaries. No assurances can be given that the REIT's subsidiaries will satisfy the tests contained in the REIT Exception. In these circumstances, the REIT may not satisfy the REIT Exception. NWI LP will not be subject to the SIFT Rules provided it is an "excluded subsidiary entity", which among other things, requires that only specified persons own units of NWI LP. No assurances can be given that NWI LP will be exempt from the SIFT Rules, which could have a material adverse effect on the REIT and Unitholders. The likely effect of the SIFT Rules on the market for Units, and on the REIT's ability to finance future acquisitions through the issue of Units or other securities, is unclear. If the SIFT Rules apply to the REIT, they may adversely affect the marketability of the Units, the amount of cash available for distributions and the after-tax return to investors.

Foreign Accrual Property Income ("FAPI")

FAPI earned by controlled foreign affiliates ("**CFAs**") of NWI LP must be included in computing the income of NWI LP for the fiscal year of NWI LP in which the taxation year of such CFA ends, subject to a deduction for grossed-up "foreign accrual tax" as computed in accordance with the Tax Act, and less certain amounts that are otherwise included in income. The deduction for grossed-up "foreign accrual tax" may not fully offset the FAPI realized by NWI LP, thereby increasing the allocation of income by NWI LP to the REIT and, therefore, the allocation of income by the REIT to Unitholders. The Canadian tax legislation was amended to address certain foreign tax credit generator transactions (the "**Foreign Tax Credit Generator Rules**"). The Foreign Tax Credit Generator Rules may limit the REIT's ability to deduct grossed-up "foreign accrual tax". In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act (in Canadian currency) as though the CFA were a resident of Canada (subject to the detailed rules contained in the Tax Act), income or transactions may be taxed differently under foreign tax rules as compared to the FAPI rules and, accordingly, may result in additional income being allocated to Unitholders, including as a result of fluctuations in foreign exchange rates.

Change of Tax Law

There can be no assurance that Canadian or foreign income tax laws, the judicial interpretation thereof, the terms of any income tax treaty applicable to the REIT or its affiliates or the administrative and assessing practices and policies of the CRA, the Department of Finance (Canada) and any other tax authority or tax policy agency will not be changed in a manner that adversely affects the REIT, its affiliates or Unitholders. Any such change could increase the amount of tax payable by the REIT or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of such distributions.

Non-Residents of Canada

The Tax Act may impose additional withholding or other taxes on distributions made by the REIT to Unitholders who are Non-Residents. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. The tax consequences under the Tax Act to Non-Residents may be more adverse than the consequences to other Unitholders. Non-Resident Unitholders should consult their own tax advisors.

Foreign Tax Credits and Deductions

Foreign taxes paid by NWI LP will be allocated pursuant to its limited partnership agreement. Each Unitholder's share of the "business-income tax" and "non-business-income tax" paid in a foreign country for a year will be creditable against its Canadian federal income tax liability to the extent permitted by the detailed rules contained in the Tax Act. Although the foreign tax credit provisions are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, double taxation may arise.

Under the Foreign Tax Credit Generator Rules, the foreign "business income tax" or "non-business-income tax", each as defined in the Tax Act, for any taxation year may be limited in certain circumstances. No assurances can be given that the Foreign Tax Credit Generator Rules will not apply to any Unitholder. If the Foreign Tax Credit Generator Rules apply, a Unitholder's foreign tax credits will be limited.

No assurances can be given that the REIT or its subsidiaries will be entitled to a foreign tax credit or deduction in Canada in respect of foreign taxes paid by its subsidiaries.

General Taxation

Although the REIT and its subsidiaries have been structured with the objective of maximizing after-tax distributions, taxes (including corporate, withholding, land transfer, and other taxes) in the various jurisdictions in which the REIT invests will reduce the amount of cash available for distribution to the REIT by its subsidiaries and, therefore, reduce the amount of cash available for distribution by the REIT to Unitholders. No assurance can be given as to the future level of taxation suffered by the REIT or its subsidiaries. In addition, certain tax positions adopted by the REIT and its subsidiaries may be challenged by the CRA or another taxing authority. Any such challenge could materially increase taxes payable by the REIT and its subsidiaries, and thereby adversely affect the REIT's financial position and cash available for distribution to Unitholders.

Accrued Gains

The REIT has indirectly acquired certain assets on a fully or partially tax-deferred basis, as determined by the transferor. Accordingly, the adjusted cost base of such assets may be less than their fair market value when they were acquired, such that subsidiaries of the REIT may realize the deferred gain on a future disposition of those assets.

EIFEL Rules

The Department of Finance (Canada) released proposed amendments to the Tax Act on February 4, 2022 (the "**EIFEL Rules**") that are intended to limit the deduction of interest and other financing expenses to protect the Canadian tax base from erosion due to excessive debt and related expenses. If enacted as proposed, the EIFEL Rules generally are effective for taxation years ending on or after January 1, 2023. Management is currently considering the impact of the EIFEL Rules on the REIT. If the EIFEL Rules apply to limit the REIT's (or any subsidiary's) deduction of interest or other financing expenses in its computation of income or loss for the purposes of the Tax Act, the amount of taxable income allocated by the REIT to Unitholders may increase. Unitholders are advised to consult their personal tax advisors.

RISKS RELATING TO THE TRUST UNITS

Cash Distributions are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by the REIT. The ability of the REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT, and will be subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from the tenant profile of the REIT's properties and capital expenditure requirements. The market value of the Units will deteriorate if the REIT is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Structural Subordination of Trust Units

In the event of bankruptcy, liquidation or reorganization of the REIT's subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the REIT or holders of Units. The Units are effectively subordinated to the debt and other obligations of the REIT's subsidiaries. The REIT's subsidiaries generate all of the REIT's cash available for distribution and hold substantially all of the REIT's assets.

Potential Volatility of Trust Unit Prices

The market price for Units may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the REIT's control, including the following: (i) actual or anticipated fluctuations in the REIT's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT; (iv) addition or departure of the REIT's executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on outstanding Units; (vi) sales or perceived sales of additional Units; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; (viii) news reports relating to trends, concerns, competitive developments, regulatory changes and other related issues in the REIT's industry or target markets, and (ix) limited trading in the Units.

Financial markets have, in recent years, experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of issuers and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such issuers. Accordingly, the market price of the REIT's securities may decline even if the REIT's operating results, underlying asset values, or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the REIT's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the REIT's securities by those institutions, which could adversely affect the trading price of the REIT's securities. There can be no assurance that an active trading market will exist or that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil exist for a protracted period of time, the REIT's operations could be adversely impacted and the trading price of the REIT's securities may be adversely affected.

Nature of Investment

A holder of a Unit of the REIT does not hold a share of a body corporate. As holders of Units of the REIT, the Unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of Unitholders are based primarily on the Declaration of Trust. There is no statute governing the affairs of the REIT equivalent to the CBCA which sets out the rights and entitlements of shareholders of corporations in various circumstances. As well, the REIT may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the Companies Creditors' *Arrangement Act* (Canada) and thus the treatment of Unitholders upon an insolvency is uncertain.

Availability of Cash Flow

AFFO may exceed actual cash available to the REIT from time to time because of items such as principal repayments, and tenant allowances, leasing costs and capital expenditures in excess of stipulated reserves identified by the REIT in its calculation of AFFO and redemptions of Units, if any. The REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. The REIT anticipates temporarily funding such items, if necessary, through the Revolving Credit Facility in expectation of refinancing long-term debt on its maturity.

Sustainability and Growth of Distributions

The REIT has stated that one of its objectives is to provide predictable and growing cash distributions per Unit. The REIT has historically paid distributions in excess of the total of cash flows from operating activities and distributions earned from its strategic investment in Vital Trust, representing an economic return of capital to investors. The REIT may not achieve the objective of growing cash distributions or be able to sustain distributions at current levels without realizing increases in cash flow from operations or receiving increased distributions from Vital Trust. Such cash flow growth is dependent on the REIT's ability to execute on its business plan to drive accretive growth over time, as well as the ability of Vital Trust to grow future distributions, both of which cannot be assured.

Dilution

The number of Units the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Units or securities convertible or exchangeable into Units from time to time subject to the rules of any applicable stock exchange on which the Units are then listed. The REIT intends to complete acquisitions in the future that will be financed in part by issuance of additional Units which will result in issuances of significant numbers of Units at market price. Additionally, the REIT will issue securities under the REIT's deferred unit plan or additional units can be issued upon the conversion of the Convertible Debentures. The issuance of any additional Units may have a dilutive effect on the interests of holders of Units.

Restrictions on Redemptions

The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the Units; (iii) the trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the redemption date for more than five trading days during the 10 day trading period commencing immediately after the redemption date; and (iv) the redemption of the Units must not result in the delisting of the Units on the principal stock exchange on which the Units are listed.

Unitholder Liability

The Declaration of Trust provides that no holders of Units shall be held to have any personal liability as such, and no resort shall be had to his, her or its private property (including, without limitation, any property consisting of or arising from a distribution of any kind or nature by the REIT) for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the REIT or of the Trustees or any obligation which a Unitholder would otherwise have to indemnify a Trustee for any personal liability incurred by the Trustee as such, but rather the assets of the REIT only are intended to be liable and subject to levy or execution for such satisfaction. In addition, legislation has been enacted in the Province of Ontario and certain other provinces that is intended to provide holders of Units in those provinces with limited liability. However, there remains a risk, which is considered by the REIT to be remote in the circumstances, that a holder of Units could be held personally liable for the obligations of the REIT to the extent that claims are not satisfied out of the assets of the REIT. The affairs of the REIT are conducted in a manner to seek to minimize such risk wherever possible.

RISKS RELATED TO THE CONVERTIBLE DEBENTURES

Ability to Satisfy Payments of Interest and Principal on the Convertible Debentures

There is no guarantee that the REIT will have sufficient cash available to make interest and principal payments on the Convertible Debentures on a timely basis or at all. The likelihood that purchasers will receive the payments owing to them in connection with the Convertible Debentures will be dependent upon the financial health and creditworthiness of the REIT and the ability of the REIT to earn revenues.

Market for the Convertible Debentures

There can be no assurance that a secondary market for trading in the Convertible Debentures will develop or that any secondary market which does develop will continue. Also, there can be no assurance that any such secondary market will be active. To the extent that an active trading market for the Convertible Debentures does not develop, the liquidity and the trading prices for the Convertible Debentures may be adversely affected.

Absence of Covenant Protection

The Indenture does not restrict the REIT or any of its subsidiaries from incurring additional indebtedness for borrowed money or otherwise from mortgaging, pledging or charging their real or personal property or properties to secure any indebtedness or other financing. The Indenture does not contain any provisions specifically intended to protect holders of the Convertible Debentures in the event of a future leveraged transaction involving the REIT or any of its subsidiaries.

Redemption Prior to Maturity

The Convertible Debentures may be redeemed at the REIT's option, subject to certain conditions prior to the respective maturity date of each Convertible Debenture in whole or in part, at a redemption price equal to the principal amount thereof, together with any accrued and unpaid interest. Holders of Convertible Debentures should assume that this redemption option will be exercised if the REIT is able to refinance at a lower interest rate or it is otherwise in the interest of the REIT to redeem the Convertible Debentures.

Conversion Following Certain Transactions

In the event of certain transactions, pursuant to the terms of the Indenture, each Convertible Debenture will become convertible into securities, cash or property receivable by a Unitholder in such transactions. This change could substantially reduce or eliminate any potential future value of the conversion privilege associated with the Convertible Debentures.

Subordination of Convertible Debentures

The Convertible Debentures are unsecured obligations of the REIT and are subordinate in right of payment to all of the REIT's existing and future senior indebtedness. The Convertible Debentures will also be effectively subordinate to claims of the creditors of the REIT's subsidiaries relating to all indebtedness, liabilities and obligations of the REIT or its subsidiaries for the payment of which the REIT is responsible or liable, whether absolutely or contingently. This subordination may significantly reduce the possibilities for purchasers of obtaining payment of the amounts owed under the Convertible Debentures. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the REIT, the assets of the REIT would be made available to satisfy the obligations of the creditors of such Senior Indebtedness, whether those obligations are secured or unsecured, before being available to pay the REIT's obligations to holders of Convertible Debentures. Accordingly, all or a substantial portion of the REIT's assets could be unavailable to satisfy the claims of the Convertible Debentures.

Dilution Upon Redemption of Convertible Debentures

The REIT may determine to redeem any outstanding Convertible Debentures for Units or to repay outstanding principal amounts thereunder at maturity of the Convertible Debentures by issuing additional Units. The issuance of additional Units may have a dilutive effect on the REIT's Unitholders and an adverse impact on the price of Units.

Limitation in the REIT's Ability to Finance Purchase of Convertible Debentures

The REIT is required to make an offer to holders of the Convertible Debentures to purchase all or a portion of their Convertible Debentures for cash in the event of a Change of Control (as defined in the Indenture). The REIT cannot assure holders of Convertible Debentures that, if required, it would have sufficient cash or other financial resources at that time or would be able to arrange financing to pay the purchase price of the Convertible Debentures in cash. The REIT's ability to purchase the Convertible Debentures in such an event may be limited by law, by the Indenture, by the terms of other present or future agreements relating to the REIT's credit facilities and other indebtedness and agreements that the REIT may enter into in the future which may replace, supplement or amend the REIT's future debt. The REIT's future credit agreements or other agreements may contain provisions that could prohibit the purchase by the REIT of the Convertible Debentures without the consent of the lenders or other parties thereunder. If the REIT's obligation to offer to purchase the Convertible Debentures arises at a time when the REIT is prohibited from purchasing or redeeming the Convertible Debentures, the REIT could seek the consent of lenders to purchase the Convertible Debentures or could attempt to refinance the borrowings that contain this prohibition. If the REIT does not obtain consent or refinance these borrowings, the REIT could remain prohibited from purchasing the Convertible Debentures under its offer.
The REIT's failure to purchase the Convertible Debentures would constitute an event of default under the Indenture, which might constitute a default under the terms of the REIT's other indebtedness at that time.

Market Price of the Convertible Debentures

The market price of the Convertible Debentures is based on a number of factors, including: (a) the prevailing interest rates being paid by borrowers similar to the REIT; (b) the overall condition of the financial and credit markets; (c) prevailing interest rates and interest rate volatility; (d) the markets for similar securities; (e) the financial condition, results of operation and prospects of the REIT; (f) the publication of earnings estimates or other research reports and speculation in the press or investment community; (g) the market price and volatility of the Units; (h) changes in the industry and competition affecting the REIT; and (i) general market and economic conditions.

The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Convertible Debentures.

Volatility of Market Price of Trust Units and Convertible Debentures

The market price of the Units and Convertible Debentures may be volatile. The volatility may affect the ability of holders of Convertible Debentures to sell the Convertible Debentures at a favourable price. Additionally, volatility in the market price of Units may result in greater volatility in the market price of the Convertible Debentures than would be expected for nonconvertible debt securities. Market price fluctuations in the Units and Convertible Debentures may be due to the REIT's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the REIT or its competitors, along with a variety of additional factors. Fluctuations in trading prices may be unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Convertible Debentures and the Units.

Restriction on Ownership of Convertible Debentures

Pursuant to the terms of the Declaration of Trust, the REIT must not be established or maintained primarily for the benefit of Non-Residents. As a result, the Indenture contains provisions limiting the ownership of Convertible Debentures by Non-Residents. These restrictions may limit or remove the rights of certain holders of Convertible Debentures, including Non-Residents. As a result, these restrictions may limit the demand for Convertible Debentures and thereby adversely affect the liquidity and market value of the Convertible Debentures.

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 and year ended December 31, 2021, that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

PART IX – NET ASSET VALUE

Expressed in thousands of Canadian dollars, except per unit amounts		Q4 2021		Q4 2020
Total Assets		**$ 7,064,401**		**$ 5,845,238**
less Total Liabilities		(3,540,827)		(3,309,570)
less Non-controlling interests		(1,131,443)		(897,249)
Unitholders' equity		**2,392,131**		**1,638,419**
Add/(deduct):				
Goodwill		(41,671)		(41,671)
Deferred unit plan liability		26,223		24,277
Deferred tax liability	374,845		287,820	
less NCI	(91,052)	283,793	(69,060)	218,760
Financial instruments - net	22,602		61,864	
less NCI	(15,363)	7,239	(40,809)	21,055
Exchangeable Units		23,581		21,546
Global Manager valuation adjustment		576,318		476,318
Other		—		1
Net Asset Value ("NAV")		**$ 3,267,614**		**$ 2,358,705**
Adjusted Units Outstanding (000s)- period end [(1)]		225,837		177,688
NAV per Unit		**$ 14.47**		**$ 13.27**

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.

Global Manager Valuation

The REIT determined the value of the Global Manager by utilizing the discount cash flow approach which includes significant valuation assumptions such as forecast of management fees, operating expenses, discount rates, capitalization rates, inflation rates, interest rates, taxation rates, foreign currency exchange rates and earnings multiples. The valuation as at December 31, 2021, incorporates the upsize in Australian JV commitment (see **Subsequent Events**).

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Stock Exchange Listing
Toronto Stock Exchange (TSX)
Listing symbols:
REIT Trust Units - NWH.UN
5.50% convertible debentures - NWH.DB.G

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.

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