



**NORTHWEST HEALTHCARE PROPERTIES
REAL ESTATE INVESTMENT TRUST**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND
FINANCIAL CONDITION**

**For the three months ended
March 31, 2017**

May 11, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CEO'S MESSAGE

The first three months of 2017 build on the global healthcare infrastructure foundation established and expanded by the REIT in 2015 and 2016. With long-term inflation-indexed assets driving income growth and portfolio appreciation, the REIT delivered its strongest quarterly result. Going forward, these characteristic will continue to underpin the REIT's performance while positive global healthcare industry trends and its increasing scale will deliver new opportunities to improve and grow the business accretively. The REIT currently has committed and is fully funded for more than \$1 billion in accretive, low risk development and expansion projects and strategic acquisitions. When completed, the REIT's portfolio will be further improved with even newer, larger major-market healthcare infrastructure assets. On top of improved financial and operating performance, the REIT has augmented its capital markets profile over the past six months, with three successful public offerings totaling \$261M and inclusion in the Solactive Equal Weight Canada REIT Index. Taken together, the REIT is hitting its stride on a path to be a global leader in healthcare real estate.

For the three months ended March 31, 2017, the REIT delivered strong financial and operating results with key highlights as follows:

- AFFO per unit for the first quarter 2017 of \$0.25 and \$0.98 on an annualized basis (\$0.94 per unit on a normalized basis)
- AFFO payout ratio of 81.6% (85.1% normalized) for the first quarter based on the REIT's annual distribution policy of \$0.80/unit;
- Recognition of a \$72.5M valuation gains in the REIT's total investment property portfolio, in the first quarter driven primarily by valuation gains in the REIT's international regions of Brazil and Australasia;
- Normalized net asset value per unit of \$12.55 /unit, an increase of approximately 7.7% from Q4-2016 as a result of positive revaluations on the REIT's assets and currency appreciation;
- Leverage declined to 39.2% (48.0 % including convertible debentures) on a normalized basis, from 41.5% (51.5% including convertible debentures) at the end of 2016;
- Strong portfolio occupancy of 95.7%, led by the international portfolio occupancy of 98%;
- Weighted average lease expiry of 11.2 years, underpinned by the international portfolio with a weighted average lease expiry of 15.7 years; and
- Cash same property NOI growth of 2.1% and 6.0% relative to Q4-2016 and Q1-2016, respectively, driven largely by inflation indexation adjustments on leases at the REIT's international assets.
- Completed 46% and 59% of full year budgeted new and renewal leasing in the REIT's MOB portfolio, including the renewal of approximately 50% of Bantrel's space in West Canada.

During both the first quarter and subsequent, the REIT has continued executing on committed, low-risk development and expansion projects, completing accretive debt and equity financings and pursuing select accretive acquisitions, including the addition of strategic healthcare assets in Australia – one of its core international markets.

Key initiatives include:

- Completed two equity offerings in January and April generating approximately \$180M of net proceeds, improving the REIT's financial profile and providing incremental capital to fund accretive growth;
- Repaid and refinanced approximately \$67M of property level debt with new mortgages totaling \$71M at a lower interest rate including expanding the REIT's credit facility by another \$20M to \$100M;
- Completed \$117M of acquisitions:
 - In Australia/New Zealand – acquisitions totaling \$83M highlighted by the REIT's strategic investment in Vital and Generation,
 - In Canada – 1 acquisition totaling \$2.2M,
 - In Germany – acquisition of two properties totaling \$31.4M.

- Acquired additional Generation Healthcare REIT (“Generation”) units for \$ 13.4M increasing the REIT’s interest to approx. 22.7% from 19.8%, and;
- Subsequent to quarter end, offered to acquire the balance of Generation units that it does not already own for A\$2.30 per unit in an unconditional and board recommended transaction expected to close in Q2-17. As at May 11, 2017, the REIT’s ownership interest in Generation has increased by 6.0% to 28.7%

For the balance of 2017 building on these strong results and portfolio improvements, the REIT will continue to drive internal growth through completion of its 8 active value-add development projects while adding accretive growth through \$157M previously announced acquisition and development opportunities. Finally, the REIT will advance ongoing discussions with new institutional partners in each of its international markets as a means to leverage its platform in the continuing consolidation of healthcare real estate globally.

In support of the REITs strategy, healthcare industry trends remain constructive globally.

I am pleased that the NorthWest global team has been able to deliver results at the high end of our guidance range underpinned by an even larger and better portfolio. This strong performance is supported by our long-term, inflation indexed assets and as a result the REIT is even better positioned to deliver stable and growing returns to its unitholders. Further, we continue to be the real estate partner of choice to the healthcare industry which provides exceptional global opportunities to grow accretively and enhance unitholder value.

Sincerely,

Paul Dalla Lana
Chief Executive Officer

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 unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2017, prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. All amounts are presented in thousands of Canadian dollars, except where otherwise stated. Per unit amounts are presented in Canadian dollars, and are calculated including Class B LP Units (as defined hereafter), except where otherwise stated.

This MD&A should also be read in conjunction with the Annual Information Form of the REIT dated March 31, 2017 (the "**Annual Information Form**") and the REIT's Management Information Circular dated April 14, 2016 (the "**Circular**"). This MD&A is current as of May 11, 2017 unless otherwise stated. Additional information relating to the REIT, including its continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and can be accessed electronically at www.sedar.com.

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

- "**Convertible Debentures**" has the meaning set out in the Section "**CAPITAL STRUCTURE– Convertible Debentures**" and includes the following series of convertible debentures:
 - a) NWH.DB;
 - b) NWH.DB.A;
 - c) NWH.DB.B;
 - d) NWH.DB.C;
 - e) NWH.DB.D;
 - f) NWH.DB.E;
 - g) NWH.DB.F.
- "**Class B LP Unit**" or "**Exchangeable Unit**" means a Class B limited partnership unit of NWI Healthcare Properties LP ("**NWI LP**"), exchangeable for Trust Units;
- "**Special Voting Unit**" means a special voting unit of the REIT attached to a Class B LP Unit;
- "**Trust Unit**" or "**REIT Trust Unit**" means a trust unit of the REIT; and
- "**Unitholder**" means a holder of Trust Units and any reference to a Unitholder in the context of such Unitholder's right to vote at a meeting of Unitholders also includes reference to a holder of Special Voting Units.

FORWARD-LOOKING INFORMATION ADVISORY

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

- the intention of the REIT to pay stable and growing distributions;
- the ability of the REIT to execute its growth strategies;
- the ability of the REIT to refinance maturing debt obligations;

- any projections of financial performance of the REIT for the periods set out herein; including normalized, run-rate, contracted or stabilized metrics ;
- development opportunities;
- the expected tax treatment of the REIT’s distributions to Unitholders; and
- the expectations regarding real estate, the healthcare industry and demographic trends.

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

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

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

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:

- Funds from operations (“**FFO**”);
- Adjusted funds from operations (“**AFFO**”);
- Normalized AFFO;
- Weighted average lease expiry (“**WALE**”);
- Weighted average interest rate;
- Occupancy levels;
- Debt – Declaration of Trust;

- Debt – Including Convertible Debentures;
- Adjusted EBITDA;
- Net operating income (“**NOI**”); and
- Net Asset Value (“**NAV**”) and Net Asset Value per unit (“**NAV/unit**”);
- Adjusted Liabilities;
- Same Property NOI.

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

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

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

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

In February 2017, the Real Property Association of Canada (“**REALpac**”) issued white papers with recommendations for calculations of FFO and AFFO and introduced a new cash flow measure, Adjusted Cash Flow from Operations (“**ACFO**”). The REIT is currently reviewing the new guidance and therefore has not adopted the White Paper AFFO and ACFO for the current quarter.

“**FFO**” is defined as net income (computed in accordance with IFRS), excluding: (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments and other effects of redeemable units classified as liabilities; (v) revaluation adjustments of financial liabilities; (vi) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vii) deferred income tax expense; (viii) Convertible Debentures issuance costs; (ix) goodwill impairment; (x) internal leasing costs; and (xi) strategic transaction costs, all after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties.

“**AFFO**” is defined as FFO, subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired; (ii) amortization of deferred financing charges; (iii) compensation expense related to deferred unit incentive plans; (iv) differences, if any, resulting from recognizing property revenues on a straight line basis as opposed to contractual rental amounts, (v) amortization and adjustments relating to assets expected to provide an economic benefit to the REIT; (vi) adjusting for differences, if any, resulting from recognizing acquired contracts at fair value rather than the contracted rate; (vii) incentive amount expense, and

(viii) deducting amounts for tenant inducements, leasing costs, and sustaining capital expenditures, as determined by the REIT. Other adjustments may be made to AFFO as determined by management at their discretion.

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

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

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

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

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

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

“Adjusted EBITDA” is a non-IFRS measure, defined by the REIT as, income (loss) before taxes excluding mortgage and loan interest expense, distributions on Exchangeable Units, other finance costs, depreciation expense and amortization expense, IFRS fair value changes associated with investment properties and financial instruments, DUP Compensation Expense, foreign exchange gains and losses, gains and losses on disposal of investment properties, adjustments for equity accounted associates, as well as, other items that management considers non-

operating or non-recurring in nature. It is a metric that can be used to determine the REIT's ability to satisfy its obligations, including servicing its debt.

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

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

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

Explanation of additional IFRS measure used in this MD&A

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

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

KEY PERFORMANCE DRIVERS

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

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

PART II – BUSINESS OVERVIEW

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

The REIT

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

On May 15, 2015, the REIT completed the plan of arrangement under the Business Corporations Act (Alberta) pursuant to which the REIT and NorthWest International Healthcare Properties REIT (“**NWI**”) combined to create a leading global diversified healthcare real estate investment trust with over \$2 billion of assets (the “**Combination Transaction**”). Pursuant to the Combination Transaction, the REIT acquired, among other things, all the assets of NWI and its subsidiaries became direct or indirect subsidiaries of the REIT, in accordance with the plan of arrangement. The unitholders of NWI received 0.208 of a REIT Trust Unit for each NWI trust unit held, other than dissenting unitholders. All outstanding NWI deferred units were exchanged on the same basis for REIT deferred units. In addition, NWI’s exchangeable units were converted into a new class of limited partnership units using the same exchange ratio of 0.208, which are redeemable, at the option of the holder, for REIT Trust Units. NWI’s trust units which were traded on the TSX Venture Exchange (“**TSXV**”) under the symbol MOB.UN ceased to trade on the TSX Venture Exchange at the close of business on May 19, 2015. NWI’s convertible debentures, previously trading under the symbols MOB.DB, MOB.DB.A and MOB.DB.B, were assumed by the REIT, ceased to trade on the TSXV at the close of business on May 19, 2015 and commenced trading on the TSX under the symbols NWH.DB.A, NWH.DB.B and NWH.DB.C, respectively, on May 20, 2015.

The REIT’s objectives are to:

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

Declaration of Trust

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

Investment Guidelines (condensed summary)

1. The REIT may only invest directly or indirectly in interests in income-producing real estate and assets ancillary thereto necessary for the operation of such real estate;
2. Provided that the REIT may invest up to 25% of the Gross Book Value of the REIT in investments which do not comply with one or more of the specific investment guidelines set forth in Declaration of Trust; and

3. The REIT shall not hold any investment or take any action that would result in the REIT not qualifying as a “mutual fund trust” or “unit trust” both within the meaning of the Tax Act or the Units not qualifying as qualified investments for Exempt Plans.

Operating Policies (condensed summary)

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

At March 31, 2017, the REIT was in compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

Strategic Direction

Market Opportunity

The REIT provides an opportunity for investors to gain exposure to healthcare real estate globally with a focus on MOBs and hospitals in major markets in Australia/New Zealand, Brazil, Canada and Germany. The REIT intends to provide sustainable and growing monthly cash distributions, while allowing investors to diversify their holdings beyond strictly the Canadian market. The REIT is the only publicly-listed real estate investment trust in Canada dedicated to investing in healthcare real estate globally.

Over the past several years, some of Canada’s largest pension funds and institutional investors have increasingly sought out investment opportunities outside of Canada in the real estate sector. These investors have increased the international component of their real estate investments for reasons that include diversification, the opportunity to enhance returns and the possibility of generating long-term, stable cash flows. Significant markets for Canadian institutional buyers of foreign real estate include the United States, Asia, Australia, and South America. The REIT believes that it is providing a unique opportunity for Canadian retail and institutional investors to diversify their real estate investments, as large Canadian pension funds and other large Canadian institutional investors have done, by investing in an entity that will pursue investment opportunities in international commercial real estate while retaining a significant interest in the Canadian market.

The REIT believes that healthcare real estate represents a compelling asset class within commercial real estate, serving as a defensive asset class with both scale and growth. The REIT believes that international markets will continue to offer attractive healthcare real estate acquisition opportunities for the REIT in the future. To select international markets in which to expand, the REIT identifies key market characteristics that lead to growth in demand which may be similar to those occurring in Canada, specifically:

- Demographics: growing or aging population and increasing life expectancy, each of which are key drivers in the demand for healthcare services;
- Economics: a balance of economic growth and stability, stabilized and/or increasing GDP per capita, and increasing healthcare spending as % of GDP or on an absolute basis; and
- Real estate and healthcare trends: fragmented healthcare real estate markets, healthcare operators focusing on “core business”, demand for new infrastructure, and growing public and private healthcare services.

Target Markets

Within the landscape of international healthcare real estate markets, the REIT has identified the following markets as the REIT's focus areas:

- **Canada:** an established market with selective, incremental growth opportunities and the stability of a government backed tenant base;
- **Brazil:** a high-growth market with experienced hospital operators, where the REIT has investments through long-term inflation indexed triple-net leases;
- **Germany:** a fragmented market with available first mover advantage, NOI growth through active management and the building of scale, which is similar to the REIT's experiences growing in Canada; and
- **Australasia:** an established market with consolidation opportunities and inflation indexed triple net rents, where the REIT has exposure through an investment in Vital Healthcare Property Trust ("**Vital Trust**") and Generation Healthcare REIT ("**GHC**").

The following table highlights certain key market data in connection with the REIT's target markets:

TABLE 1 - KEY MARKET DATA	Canada	Brazil	Germany	Australasia	
				New Zealand	Australia
Population ⁽¹⁾	36.3 Million	206.1 Million	82.2 Million	4.7 Million	24.1 Million
GDP Annual Growth Rate ⁽²⁾	1.90%	-2.50%	1.20%	2.70%	1.90%
Inflation ⁽³⁾	2.00%	4.76%	1.60%	1.30%	1.50%
5 Yr. Government Bond Yield ⁽⁴⁾	1.01%	9.88%	-0.39%	2.51%	2.27%
Health Care System	Publicly-funded healthcare system	Hybrid public and private healthcare systems	Hybrid public and private healthcare systems	Hybrid public and private healthcare systems	Hybrid public and private healthcare systems
Notes					
(1) 2016 Estimate					
(2) December 2016					
(3) Canada, Brazil and Germany at March 2017, New Zealand and Australia (Q4 2016)					
(4) March 31, 2017 closing rate					
Sources: Statistics Canada, Bank of Canada, Trading Economics, investing.com					

RELATIONSHIP WITH NWVP

As at March 31, 2017, NorthWest Value Partners Inc. ("**NWVP**") indirectly owned approximately 27% (approximately 21% 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 healthcare real estate companies. The scope of its business includes real estate, ownership and management, in Canada and internationally with a significant focus on the healthcare sector. The Principal of NWVP serves as an officer and trustee of the REIT.

FINANCIAL AND OPERATIONAL SUMMARY

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

TABLE 2 - FINANCIAL AND OPERATIONAL HIGHLIGHTS			
Expressed in thousands of Canadian dollars, except per unit amounts	As at		As at
	March 31, 2017		December 31, 2016
	(Unaudited)		(Unaudited)
Operational Information ⁽¹⁾			
Number of Properties - 100% of associates		141	138
Gross Leasable Area (sf) - 100% of associates		9,512,107	9,376,600
Occupancy % - 100% of associates		95.7%	95.6%
WALE (Years) - 100% of associates		11.2	11.1
Summary of Financial Information			
Gross Book Value ⁽²⁾	\$	3,645,527	\$ 3,328,533
Debt - Declaration of Trust ⁽³⁾	\$	1,480,961	\$ 1,382,784
Debt to Gross Book Value - Declaration of Trust		40.6%	41.5%
Debt - Including Convertible Debentures ⁽³⁾	\$	1,819,363	\$ 1,714,618
Debt to Gross Book Value - Including Convertible Debentures		49.9%	51.5%
Percentage of Mortgages and Loans Payable at Fixed Rates ⁽⁹⁾		83%	82%
Weighted Average Interest Rate on Fixed Rate Mortgages and Loans Payable		4.32%	4.39%
Adjusted Units Outstanding - period end ⁽⁵⁾			
Basic		97,143,892	88,435,233
		For the three months ended	For the three months ended
		March 31, 2017	March 31, 2016
		(Unaudited)	(Unaudited)
		For the three months ended	For the three months ended
		March 31, 2017	December 31, 2016
		(Unaudited)	(Unaudited)
Operating Results			
Net Income / (Loss)	\$	74,534	\$ (1,186)
NOI ⁽⁶⁾	\$	52,894	\$ 44,707
Funds From Operations ("FFO") ⁽⁶⁾	\$	24,524	\$ 16,103
Adjusted Funds From Operations ("AFFO") ⁽⁶⁾	\$	23,083	\$ 15,674
Distributions ⁽⁷⁾	\$	19,419	\$ 14,422
Interest Coverage ⁽⁴⁾		2.54	2.44
			2.99
Per Unit Amounts ⁽⁵⁾			
FFO per unit - Basic ⁽⁸⁾	\$	0.26	\$ 0.22
FFO per unit - fully diluted ⁽⁸⁾	\$	0.24	\$ 0.22
AFFO per unit - Basic	\$	0.25	\$ 0.22
AFFO per unit - fully diluted ⁽⁸⁾	\$	0.23	\$ 0.21
Distributions per unit	\$	0.20	\$ 0.20
AFFO Payout Ratio		82%	92%
AFFO Payout Ratio - fully diluted ⁽⁸⁾		87%	94%
			96%
Adjusted Weighted Average Units Outstanding ⁽⁵⁾			
Basic		94,212,738	72,037,654
Diluted - FFO ⁽⁸⁾		120,722,716	81,494,696
Diluted - AFFO ⁽⁸⁾		120,722,716	79,978,232
			88,366,983
			109,701,240
			103,435,141

TABLE 2 - FINANCIAL AND OPERATIONAL HIGHLIGHTS CONT.

Notes

- (1) Operational information includes 100% of Vital Trust and GHC. The REIT has an exposure to an approximate 25% interest in Vital Trust and an approximate 23% interest in GHC.
- (2) Gross Book Value is defined as total assets.
- (3) As defined in Non-IFRS measures used in this MD&A.
- (4) See Ratios and Covenants for the REIT's calculation of Interest Coverage.
- (5) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 18,998,065 Class B LP Units outstanding as at March 31, 2017 and December 31, 2016.
- (6) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to IFRS-based amounts reported in the consolidated financial statements of the REIT. NOI is an additional IFRS measure and NOI as calculated by the REIT may not be comparable to similar titled measures reported by other issuers.
- (7) Represents distributions to Unitholders and Class B LP Units on an accrual basis. Distributions are payable as at the end of the period in which they are declared by the Board of Trustees, and are paid on or around the 15th day of the following month.
- (8) Diluted units includes vested but unissued deferred trust units and the conversion of the REIT's Convertible Debentures that would have a dilutive effect upon conversion at the holders' contractual conversion price. Convertible Debentures are dilutive if the interest (net of tax and other changes in income or expense) per unit obtainable on conversion is less than the basic per unit measure.
- (9) The REIT classifies variable rate debt hedged with fixed rate swaps as fixed rate debt.

HIGHLIGHTS FOR THE QUARTER

Equity Raise

On January 31, 2017, the REIT completed a public offering for aggregate gross proceeds of approximately \$86,299. The offer comprised of the issuance of 8,544,500 REIT Trust Units at a price of \$10.10 per Trust Unit, including 1,114,500 Trust Units issued pursuant to the exercise, in full, of the over-allotment options granted to the underwriters.

The REIT used the net proceeds of the offering to fund \$35,017 (A\$35,000) as cash collateral for the Australasian Secured Financing (as defined under **CAPITAL STRUCTURE – Debt**) (the REIT is able withdraw the funds being used as cash collateral at any time), make net repayments on the Acquisition Facility, bring its outstanding balance to \$8,000, and for general trust purposes.

The REIT also intends to use the remaining net proceeds of the offering, together with existing resources, including the cash collateral for the Australasian Secured Financing, to fund the GHC Bid (defined hereafter).

Vital Acquisitions

On February 27, 2017, Vital Trust purchased the 30-bed private mental health, Abbotsford Private Hospital, in Western Australia for \$21,781 (A\$23,139) including transaction costs.

On March 31, 2017, Vital Trust purchased an 83-bed Grafton Aged Care facility in Western Australia. In addition, Epworth Eastern Hospital has extended a six-year lease term to 25 years, and a fit-out for further potential development work. The two acquisitions have a combined value of \$28,641 (A\$30,427) including transaction costs.

German Acquisitions

On February 1, 2017 the REIT closed the acquisitions of the Medical Care Centre Hamburg-Bergedorf and the Altstadt-Caree Fulda Medical Centre for combined consideration of \$31,392 (€22,281) including transaction costs. The acquisitions were partially funded by first mortgage financings of \$19,221 (€13,643) having a weighted average interest rate of 1.95% and weighted average term to maturity of five years. With a combined area of 91,000 square feet these acquisitions bring the REIT's German portfolio to 22 properties.

SUBSEQUENT EVENTS

Vital Acquisition

On April 5, 2017, Vital Trust completed the acquisition of a private surgical hospital, Ormiston Hospital, located in Auckland, New Zealand for \$30,819 (NZ\$33,004). Ormiston Hospital is a private surgical hospital with over 70 leading medical specialists and surgeons utilizing the facility. The weighted average lease expiry at Ormiston Hospital is 5.6 years.

Equity Raise

On April 6, 2017, the REIT completed a public offering of 9,179,300 REIT units, including 1,197,300 units issued pursuant the exercise in full of an over-allotment option, at a price of \$10.65 per unit, representing gross proceeds of \$97,760.

The REIT used the net proceeds of the offering, together with existing resources, to fund the GHC Bid (defined hereafter).

Canadian Refinancing

On April 11, 2017, the REIT repaid a second mortgage on a Canadian investment property with an outstanding balance of \$20,000 and interest rate of 5.75%.

On April 12, 2017 the REIT negotiated terms of its Revolving Credit Facility (as defined under **CAPITAL STRUCTURE – Debt**), increasing the facility from \$80,000 to \$100,000 and extending expiry date from November 2, 2017 to November 2, 2019. The increase in the facility is secured as by second charge on a Canadian investment properties with carrying value of \$199,003 at March 31, 2017.

Australasian Secured Financing Amendment

On April 23, 2017, the REIT amended and restated the terms of the Australasian Secured Financing (as defined under **CAPITAL STRUCTURE – Debt**) to, among other things, increase loan availability thereunder by up to \$18,292 (A\$18,000), subject to certain on-going loan-to-fair value tests. The amended and restated Australasian Secured Financing matures July 15, 2018 and bears an interest rate equal to the one-month bank bill reference rate of Australia or New Zealand, where applicable, plus 275 to 600 basis points depending on loan-to-fair market value of the Vital Trust units and GHC units pledged.

Australasian Secured Bridge Facility

On April 23, 2017, the REIT entered into a bridge facility with loan availability of up to \$174,786 (A\$172,000), subject to certain conditions relating to the GHC Bid (defined hereafter) and certain on-going loan-to-fair value tests (the “**Australasian Secured Bridge Facility**”). Proceeds from the Australasian Secured Bridge Facility will be applied to acquire GHC units pursuant to the GHC Bid (defined hereafter) and for partial repayment of the Australasian Secured Financing. The Australasian Secured Bridge Facility may be progressively drawn for a period of six months, which may be extended subject to certain conditions, and has a term of two years subject to certain conditions which if not satisfied could result in certain mandatory partial repayments prior to maturity of the two year loan term. The facility bears interest equal to the one-month bank bill reference rate of Australia plus 450 basis points for the first 12 months and 700 basis points for the following 12 months, payable semi-annually.

GHC Bid

On April 24, 2017, the REIT announced an all-cash, unconditional, off-market takeover offer for all outstanding units of GHC that it does not already own (the “**GHC Bid**”). The consideration payable under the offer is A\$2.24 per

GHC unit, represents consideration of \$388,213 (A\$382,100) for the GHC units not currently owned by the REIT, which the REIT plans to finance using existing resources, the amended and restated Australasian Secured Financing, the new Australasian Secured Bridge Facility, and other financing sources under consideration. On May 4, 2017, the REIT announced it had increased the offer price to a best and final offer price of A\$2.30 per GHC unit, subject only to no superior proposal for GHC emerging and provided that an independent expert determines the offer is fair and reasonable, representing consideration of \$398,655 (A\$392,300) for the units not currently owned by the REIT, which has been unanimously recommended by GHC's responsible entity. Following the announcement, the REIT has purchased 13,248,322 GHC units representing 6.0% increase in the REIT's ownership interest in GHC, bringing the REIT's interest in GHC to 28.7% as at May 11, 2017. The takeover offer is scheduled to close on June 8, 2017, unless it is extended as permitted by the Australian Corporations Act.

BMO Facility

On May 2, 2017, the REIT entered into a non-revolving secured credit facility to borrow \$51,202 with a term of one year bearing interest bank's prime rate plus 1.00% or Bankers' Acceptances plus 2.00% (the "**Non-Revolving Secured Credit Facility**"). The Non-Revolving Secured Credit Facility is secured by three Canadian investment properties, with a carrying value of \$58,985 and the terms of a general security agreement. Proceeds from the borrowing were partially used to repay \$47,456 of existing first and second mortgages, including additional \$513 of debt drawn subsequent to March 31, 2017, bearing a weighted average interest rate of 4.43%, against the three secured investment properties.

Other

On April 14 2017, the REIT declared a distribution of \$0.06667 per REIT unit to unitholders of record on April 28, 2017, paid May 15, 2017. On May 11, 2017, the REIT declared a distribution of \$0.06667 per REIT unit to unitholders of record on May 31, 2017, payable June 15, 2017.

ASSETS OF THE REIT

Summary

The following table summarizes the REIT's assets by region as at March 31, 2017:

	Canada	Brazil	Germany	Vital Trust ⁽¹⁾	GHC ⁽²⁾	Consolidated Total ⁽⁵⁾
				(Australasia)	(Australasia)	
Number of Properties	58	7	22	38	16	141
Asset Mix	100% MOB	100% Hospital	100% MOB	23% MOB/77% Hospital	75% MOB/25% Hospital	53% MOB/47% Hospital
Gross Leaseable Area ("GLA") (million sf)	4.0	1.5	0.9	2.1	1	9.5
Total Assets (Cdn\$ millions) ⁽³⁾	\$1,240	\$712	\$224	\$1,147	\$657	\$3,646
Occupancy	91.9%	100.0%	94.7%	98.8%	98.4%	95.7%
WALE (Years)	4.9	21.4	4.9	18.2	12.0	11.2
Average Building Age (Years)	29	12	24	19	12	22
Weighted Average Implied Cap Rate ⁽⁴⁾	6.6%	8.2%	5.8%	6.7%	6.5%	6.9%

Notes

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

(2) Shown on a 100% basis. The REIT has an approximate 23% interest in GHC and equity accounts for its interest in GHC.

(3) Consolidated Total includes corporate assets, Vital Manager, GHM and includes the REIT's carrying value of its approximate 23% interest in GHC which is an equity accounted associate.

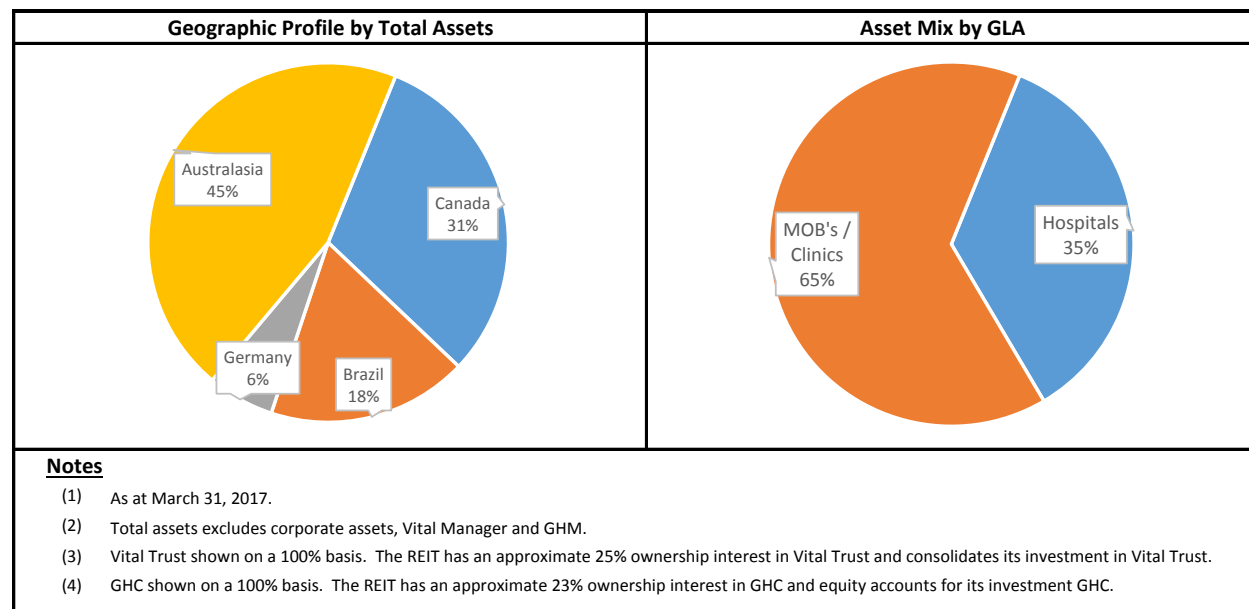
(4) GHC's cap rate is as disclosed on Mar 31, 2017. The consolidated weighted average implied cap rate excludes GHC which is an equity accounted associate.

(5) Shown on a 100% basis except for Total Assets which includes the REIT's carrying value of GHC which is an equity accounted associate and weighted average implied cap rate which excludes GHC.

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

Diversification of Assets

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



Geographic Diversification

The REIT aims to provide its investors with an exposure to a well-diversified portfolio of healthcare real estate located in the greater areas of cities such as: Auckland (New Zealand), Berlin (Germany), Calgary (Canada), Edmonton (Canada), Halifax (Canada), Melbourne (Australia), Montreal (Canada), Quebec City (Canada), Rio de Janeiro (Brazil), Sao Paulo (Brazil), Brasília (Brazil), Sydney (Australia) and Toronto (Canada).

Asset Mix

The REIT's asset mix can be broadly categorized into hospitals and medical office buildings / clinics. During the last year, Vital Trust has also acquired five residential aged care facilities. A brief summary of each asset type is below:

Hospitals:

The REIT's hospital portfolio is located in Australia, Brazil and New Zealand and represents a diversified portfolio of facilities providing healthcare services by best-in-class private hospital operators and philanthropic foundations.

All of the REIT's hospitals 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.

Medical office buildings ("**MOB**"):

The REIT's MOB portfolio is located in Australia, Canada, Germany and New Zealand.

MOB's are similar to commercial office buildings, are typically multi-tenant properties and are primarily leased to necessity based healthcare providers.

Residential Aged Care Facilities:

The REIT's residential aged care facilities are located in Australia. Residential aged care provides support and accommodation for those elderly who choose to have their personal and/or nursing care provided within residential aged care accommodation.

The REIT's residential aged care facilities are leased to Hall & Prior Health and Aged Care Group, one of Australia's leading private residential aged care operators, for 20 years on triple net leases with annual CPI reviews and periodic market reviews.

As at March 31, 2017, and including the REIT's interest in Vital Trust and GHC both on a 100% basis, the REIT had interests in 31 hospitals, 8 residential aged care facilities and 102 medical office buildings or development sites.

Canada - Largest non-government owner and manager of medical office buildings and healthcare facilities

The REIT is Canada's largest non-government owner and manager of MOB's and healthcare facilities. The REIT owns and operates, as at March 31, 2017, a portfolio of 58 properties, located primarily in major markets such as Toronto, Montreal and Calgary, with a GLA of 4.0 million square feet, 91.9% occupancy and approximately 1,100 tenants. The REIT's portfolio has a well-diversified tenant profile, reflecting an attractive mix of healthcare-related tenants, including regional health authorities, primary care networks, family health teams, medical and diagnostic imaging clinics, medical practitioners, pharmacies and laboratories, as well as institutional and non-healthcare tenants. The Canadian region has a fully-integrated team of investment, development, asset management and portfolio operations professionals.

Brazil – Long term net leases to private hospital operators

The REIT owns a portfolio of seven private hospitals varying in size, with the smallest comprising 96,875 square feet with 56 beds and the largest consisting of a 342,000 square foot full-service hospital with 350 beds. The assets are located in São Paulo, Brasília and Rio de Janeiro. The hospitals are single tenant properties. Six hospitals are leased to Rede D’Or Sao Luiz (the “**Rede D’Or Hospital Portfolio**”), a privately owned Brazilian hospital operator with 30 hospitals across the country, and one hospital (the “**Sabará Children’s Hospital**”) is leased to Hospital Sabará (the “**Sabará Tenant**”), who uses the property to operate one of the region’s largest private children’s hospitals. All the leases are triple-net, indexed to inflation, ranging in term from 15 years (7.5 years remaining) to 25 years (24.6 years remaining) with a WALE of 21.4 years. The Brazil region is supported by a local team with significant experience in investment, development, property operations and asset management.

Germany – High quality MOB assets located in major markets

As at March 31, 2017 the REIT’s German portfolio consists of 22 high quality MOB assets strategically located in the country’s major markets, including Berlin, Frankfurt, Ingolstadt, Hamburg and Leipzig. As at March 31, 2017 the portfolio has a 94.7% occupancy rate and an approximate 4.9 year average lease term. The REIT also benefits from the strength of its fully-integrated investment, property management and asset management capabilities located in the market, which allow for efficient operation and transaction sourcing in the country.

Australasia – Strategic Interest in Vital Trust and GHC

25% of Vital Trust and 100% of Vital Manager

The REIT acts as manager and owns an approximate 25% strategic stake in Vital Healthcare Property Trust (“**Vital Trust**”). Vital Trust (NZX: VHP) is a New Zealand Stock Exchange (“**NZX**”) listed investment fund and is Australasia’s largest healthcare real estate owner. As at March 31, 2017 Vital Trust owns 20 private hospitals, 9 MOBs, 5 residential aged care facilities and 4 development sites in Australia and New Zealand, with a 98.8% occupancy rate and an approximate 18.2 year average lease term. Through Vital Trust, the Australasia portfolio offers stable and growing cash flows underpinned by tenancies of high quality hospital and healthcare operators with long-term, inflation-indexed leases. The Vital team is a fully integrated operation with offices in Melbourne, Australia and Auckland, New Zealand comprised of leading investment, development, asset management and property operations professionals.

The REIT’s investments in Australasia via Vital Trust are held through its strategic shareholding by way of exposure to an equity interest in Vital Trust. Table 3 above highlights certain information about Vital Trust as at March 31, 2017, on a 100% basis; noting, however, that the REIT has exposure to an approximate 25% interest in Vital Trust.

As a result of the REIT’s ownership of the rights and obligations relating to the management of Vital Trust through the Vital Manager, the REIT determined it has control with respect to its investment in Vital Trust and therefore accounts for its investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust.

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

The following table summarizes the management fees earned by Vital Manager for the three months ended March 31, 2017 and 2016:

VITAL MANAGER MANAGEMENT FEES			
Expressed in thousands of Canadian dollars	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Base fee	\$ 2,003	\$ 1,488	\$ 515
Incentive fee	6,694	1,517	5,177
Trustee fees	104	83	21
Project and Acquisition fees	700	704	(4)
Total Management Fees	\$ 9,501	\$ 3,792	\$ 5,709
less inter-company component	(9,501)	(3,792)	(5,709)
Consolidated Management Fees	\$ -	\$ -	\$ -

The Vital Manager fees are eliminated on consolidation as inter-company transactions but the REIT receives the benefit of approximately 75% of the fees; representing the non-controlling interest ownership in Vital Trust.

23% of Generation Healthcare REIT and 100% of Generation Manager

The REIT acts as manager and owns an approximate 23% strategic stake in Generation Healthcare REIT ("GHC"). GHC (ASX: GHC.AX) is an Australian Securities Exchange ("ASX") listed investment fund and is Australia's only listed real estate entity that invests exclusively in healthcare property. As at March 31, 2017 GHC owns a portfolio of 16 hospitals, medical centers and aged care facilities centered around the major markets of Sydney, Melbourne and Brisbane. GHC's portfolio comprises approximately 1.0 million square feet, is approximately 98.4% occupied and has a weighted average lease expiry term of 11.2 years. The GHC portfolio offers stable and growing cash flows underpinned by tenancies of high quality hospital and healthcare operators with long-term, inflation-indexed leases. The GHC team is a fully integrated operation with an office in Melbourne, Australia comprised of leading investment, development, asset management and property operations professionals.

The REIT's investments in Australia via GHC represent a strategic shareholding by way of exposure to an equity interest in GHC. Table 3 above highlights certain information about GHC as at March 31, 2017, on a 100% basis; noting, however, that the REIT has exposure to an approximate 23% interest in GHC.

The following table summarizes the REIT's interest in GHC as at March 31, 2017 and December 31, 2016:

GENERATION HEALTHCARE REIT		
Expressed in thousands of Canadian dollars	As at	As at
	March 31, 2017	December 31, 2016
	(Unaudited)	(Unaudited)
Assets		
Investment properties	\$ 597,992	\$ 538,463
Loans receivable	37,698	35,532
Other assets	32,256	27,738
	<u>667,946</u>	<u>601,733</u>
Liabilities		
Mortgages and loans payable	219,269	200,806
Financial instruments	9,551	9,076
Other liabilities	14,711	26,994
	<u>243,531</u>	<u>236,876</u>
Net assets	424,415	364,857
Less: Non-controlling interest	(52,668)	(37,867)
Unitholders' Equity	371,747	326,990
Ownership Interest	22.7%	19.8%
NWH share of net assets	84,499	64,816
Acquisition costs and eliminations	34,511	30,535
Investment in associate	\$ 119,010	\$ 95,351

During the quarter GHC completed the sale of their Leading Healthcare Bendigo property for net proceeds of approximately \$11,382 (A\$11,350), which were applied to debt reduction.

For information on the REIT share of profit and loss of GHC see **PART III – RESULTS FROM OPERATIONS - Share of profit (loss) of associates.**

In June 2016, the REIT purchased Generation Healthcare Management Pty Limited ("**GHM**") from APN Property Group Limited ("**APN**") and senior executives of GHM's management team. The existing GHM management team has been retained, and will continue to operate GHC. GHC's existing responsible entity and trustee, APN Funds Management Limited will also remain in that role, with any future change to the responsible entity requiring the approval of GHC unitholders. The responsible entity of GHC is the trustee of GHC and is required to act in the best interests of GHC unitholders. In addition, APN has agreed to provide certain services to the REIT for a transition period of up to two years to ensure a successful transition.

The management fees that GHM earns from GHC consist of (a) a base management fee of up to 60 basis points on the gross asset value of GHC, (b) market property management and leasing fees, (c) development fees of up to 3% of project costs, (d) acquisition fees of up to 2% of total acquisition cost, and (e) performance fees equal to 5% of the dollar amount of outperformance versus the S&P/ASX300 Property Accumulation Index (A-REIT), plus 15% of the outperformance above 2% per annum. GHC may only pay out, in any one fiscal year, fees (comprised of base management fees and performance fee) to a maximum of 1.5% of Gross Assets, as defined. Any unpaid fees as a result of the fee cap, are accrued and paid out in subsequent periods, as allowed.

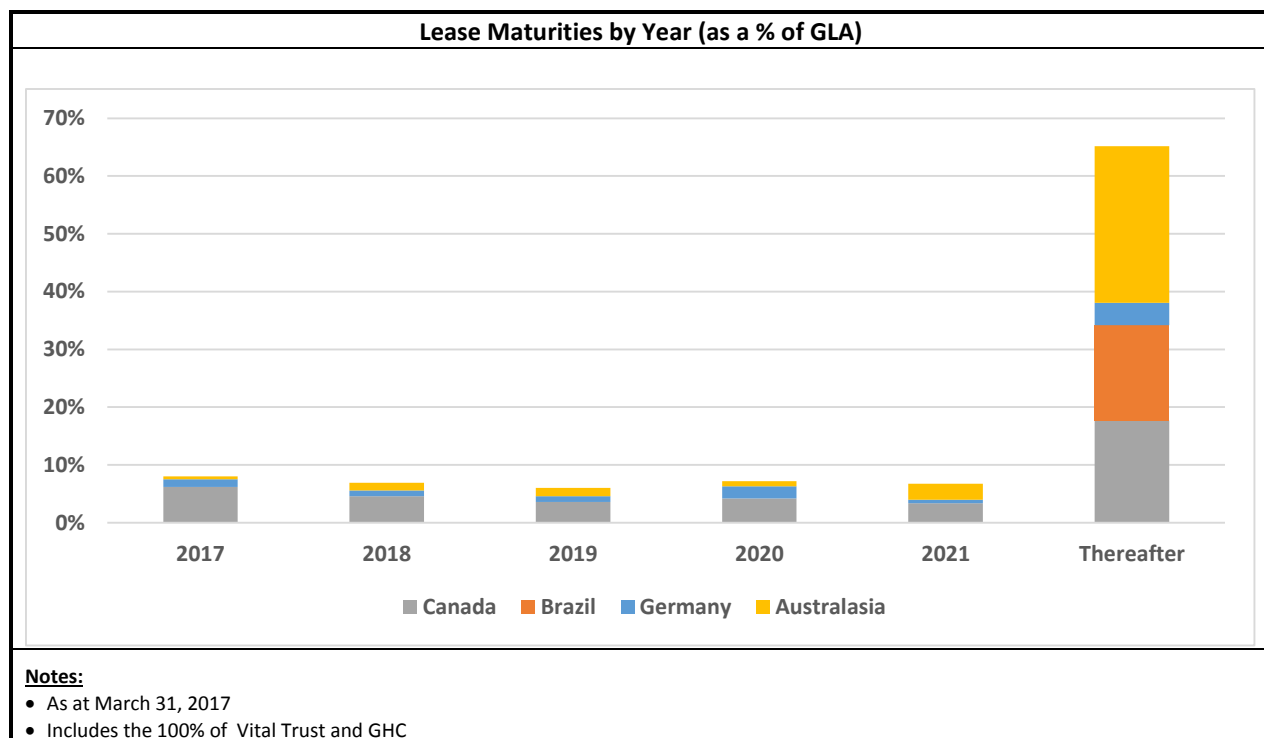
The following table summarizes the management fees earned by GHM for the three months ended March 31, 2017 and 2016:

GENERATION HEALTHCARE MANAGER MANAGEMENT FEES			
Expressed in thousands of Canadian dollars	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Base fee	\$ 769	\$ -	\$ 769
Performance fee	-	-	-
Project and Acquisition fees	155	-	155
Other Fees	132	-	132
Total Management Fees	\$ 1,056	\$ -	\$ 1,056
less inter-company component	(193)	-	(193)
Consolidated Management Fees	\$ 863	\$ -	\$ 863

PORTFOLIO PROFILE

Lease Maturities

The REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 11.2 years as at March 31, 2017.



	2017	2018	2019	2020	2021	Thereafter	Total
Canada	6.2%	4.5%	3.5%	4.2%	3.4%	17.7%	39.5%
Brazil	0.0%	0.0%	0.0%	0.0%	0.0%	16.5%	16.5%
Germany	1.3%	1.0%	1.0%	2.1%	0.6%	3.9%	9.9%
Australasia	0.5%	1.4%	1.5%	0.9%	2.7%	27.1%	34.1%
Total	8.0%	6.9%	6.0%	7.2%	6.7%	65.1%	100.0%

The REIT's expiry profile benefits from its Brazilian properties which are subject to long term leases. The seven Brazil hospitals are each occupied by single tenants that are leading hospital operators, and have leases expiring between September 30, 2024 and October 24, 2041. 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 18.2 years and GHC which has a WALE of 12.0 years.

Leasing Activity

TABLE 3A - LEASING ACTIVITY					
	Three months ended March 31, 2017				
	Canada	Brazil	Germany	Vital Trust ⁽¹⁾	Total
Opening Occupancy	91.6%	100.0%	95.4%	98.7%	95.6%
Opening Balance	3,581,880	1,493,329	801,391	1,998,501	7,875,101
Acquisition	-	-	85,337	54,369	139,706
Disposition	-	-	-	-	-
Expiries	(175,244)	-	(54,400)	(4,478)	(234,122)
Renewal	133,239	-	44,223	3,078	180,540
Early Terminations	(5,473)	-	-	-	(5,473)
New Leasing	45,517	-	12,168	2,148	59,833
Month-to-Month	14,973	-	-	2,273	17,246
Remeasurements and other	3,913	-	(7,173)	6,064	2,804
Closing Balance	<u>3,598,805</u>	<u>1,493,329</u>	<u>881,546</u>	<u>2,061,957</u>	<u>8,035,637</u>
Closing Occupancy	91.9%	100.0%	94.7%	98.8%	95.7%
Notes					
(1)	Shown on a 100% basis. The REIT has an approximate 25% interest in Vital Trust and acts as manager of Vital Trust, it therefore consolidates Vital Trust.				
(2)	Excludes GHC which is equity accounted by the REIT.				

Canada

During the quarter the REIT completed 133,239 square feet of renewal leasing. The REIT completed the renewals at an initial net rent of \$13.04 per square foot versus an expiring net rent per square foot of same. During the quarter the REIT also completed 45,517 square feet of new leasing at an initial net rent of \$17.22 per square foot.

As at March 31, 2017 the REIT had 120,541 square feet of committed leasing against future expiries at an initial net rent of \$17.16 versus expiring net rent per square foot of \$16.86, a 1.8% increase. The REIT also had 51,547 square feet of committed leasing against vacant space at an initial net rent of \$12.44 per square foot.

Expiring net rent improved slightly to \$18.26 in the first quarter 2017, from \$18.24 in the fourth quarter 2016, primarily due to new deals completed at one of the recently developed property.

TABLE 3B - EXPIRING NET RENT (\$PSF)	
March 31, 2017	
	Canada
Month-to-Month	\$ 16.72
2017	\$ 19.36
2018	\$ 16.44
2019	\$ 16.42
2020	\$ 17.59
2021	\$ 17.90
2022+	\$ 19.10
Total Expires	<u>\$ 18.26</u>

Brazil

The REIT's Brazil properties are subject to long term leases and there was no leasing activity during the quarter.

Germany

During the quarter the REIT completed 44,223 square feet of renewal leasing and 12,168 square feet of new leasing, offset by expiries of 54,400 square feet. The REIT had a stable quarter of new and renewal leasing against plan. Overall occupancy fell from 95.4% to 94.7% during the period, which is largely due to the acquisition of Medical Care Centre Hamburg-Bergedorf which has an occupancy of 92.8%.

March 31, 2017	
	Germany
Month-to-Month	€ 8.63
2017	9.80
2018	9.85
2019	9.80
2020	9.97
2021	12.98
2022+	11.38
Total Expires	€ 10.62

Vital Trust

Vital Trust's properties are generally subject to long term leases, and as such there was no material leasing activity during the quarter other than the acquisition of Abbotsford Private Hospital and Grafton Aged Care Home.

GHC

The REIT equity accounts for its investment in GHC. However GHC's properties are generally subject to longer term leases. The REIT has not included an analysis of GHC's leasing activity during the quarter.

Tenant Mix

The following table summarizes the REIT's 10 largest tenants by percentage of revenue for the three months ended March 31, 2017:

	Tenant	Country	%	# of locations
1	Rede D'Or	Brazil	15.4%	6
2	Healthe Care	Australia	11.8%	13
3	Epworth Foundation	Australia	3.0%	3
4	Bantrel Co.	Canada	2.1%	1
5	CISSS/CIUSSS	Canada	1.9%	6
6	Mercy Ascot	Australia	1.3%	2
7	Hall & Prior	New Zealand	1.1%	4
8	Sportsmed SA	Australia	1.1%	3
9	Winnipeg Regional Health Authority	Canada	0.9%	3
10	Alberta Health Services	Canada	0.9%	5
			39.5%	46

Notes:
Excludes GHC which is equity accounted by the REIT.

INVESTMENT PROPERTIES

The fair value of investment properties as at March 31, 2017 was \$3,285,333 (December 31, 2016 - \$3,040,354) representing an implied weighted average capitalization rate of 6.9% (December 31, 2016 – 7.0%).

TABLE 4 - INVESTMENT PROPERTIES					
Expressed in thousands of Canadian dollars					
Unaudited					
Three months ended March 31, 2017					
Income Properties					
	Canada	Brazil	Germany	Vital Trust	Total
Opening Balance	\$ 1,201,788	\$ 642,901	\$ 189,432	\$ 994,113	\$ 3,028,234
Acquisitions of investment properties	96	-	32,570	52,539	85,205
Addition to investment properties	4,348	38	1,311	654	6,351
Increase in straight-line rents	576	-	-	-	576
Transfers from (to) properties under development	-	-	-	-	-
Amortization of deferred revenue	-	318	-	-	318
Fair value gain (loss)	11,880	32,884	(2,728)	30,824	72,860
Foreign currency translation	-	20,802	728	42,583	64,113
Closing Balance	\$ 1,218,688	\$ 696,943	\$ 221,313	\$ 1,120,713	\$ 3,257,657
Properties Under Development					
	Canada	Brazil	Germany	Vital Trust	Total
Opening Balance	\$ 8,494	\$ -	\$ -	\$ 3,626	\$ 12,120
Acquisitions of investment properties	2,214	-	-	-	2,214
Addition to investment properties	52	-	-	12,865	12,917
Transfers from (to) income properties	-	-	-	-	-
Fair value gain (loss)	(370)	-	-	-	(370)
Foreign currency translation	-	-	-	795	795
Closing Balance	\$ 10,390	\$ -	\$ -	\$ 17,286	\$ 27,676
Total					
	Canada	Brazil	Germany	Vital Trust	Total
Opening Balance	\$ 1,210,282	\$ 642,901	\$ 189,432	\$ 997,739	\$ 3,040,354
Acquisitions of investment properties	2,310	-	32,570	52,539	87,419
Addition to investment properties	4,400	38	1,311	13,519	19,268
Increase in straight-line rents	576	-	-	-	576
Amortization of deferred revenue	-	318	-	-	318
Fair value gain (loss)	11,510	32,884	(2,728)	30,824	72,490
Foreign currency translation	-	20,802	728	43,378	64,908
Closing Balance	\$ 1,229,078	\$ 696,943	\$ 221,313	\$ 1,137,999	\$ 3,285,333

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

Canada

During the quarter the REIT acquired a 5-acre land parcel in Collingwood, Ontario and a condo unit in Ottawa, Ontario.

The REIT recognized net fair value gain of \$11,510 for the three months ended March 31, 2017. The change in value during the quarter primarily reflects increased density value at the REIT's Dundas-Edward Centre property in Toronto.

During the three months ended March 31, 2017 external valuations were performed on properties with an aggregate value of \$42,570.

Brazil

During the quarter the REIT capitalized \$38 of transaction costs related to the Hospital I for acquisition in 2016.

The REIT recognized net fair value gain of \$32,884 for the three months ended March 31, 2017. The change in value during the quarter primarily reflects a decrease in cap rates for the Hospital I for and Santa Helena assets, as well as, reflecting the expected increases in rents for actual reported inflation, as contracted per the REIT's Brazil leases, increasing the portfolio's future net operating income once the indexation is applied.

A strengthening of the Brazilian Real relative to the Canadian dollar during the quarter resulted in foreign currency translation gains of \$20,802.

During the three months ended March 31, 2017 external valuations were performed on properties with an aggregate value of \$696,943.

Germany

On February 1, 2017, the REIT completed the acquisitions of the Medical Care Centre Hamburg-Bergedorf and the Altstadt-Caree Fulda Medical Centre for combined consideration of \$31,392 (€22,281) including transaction costs. During the quarter the REIT also acquired a small parcel of land next to the Mehrower Allee complex.

During the three months ended March 31, 2017 the REIT recognized a fair value loss of \$2,728 reflecting the write off of transaction costs related to the acquisitions made during the quarter.

A strengthening of the Euro relative to the Canadian dollar during the quarter resulted in a foreign currency translation gain of \$728.

During the three months ended March 31, 2017 external valuations were performed on properties with an aggregate value of \$nil.

Vital Trust

On February 27, 2017, Vital Trust purchased the 30-bed private mental health, Abbotsford Private Hospital, in Western Australia for \$21,781 (A\$23,139) including transaction costs.

On March 31, 2017, Vital Trust purchased an 83-bed Grafton Aged Care facility in Western Australia. In addition, Epworth Eastern Hospital has extended a six-year lease term to 25 years, and a fit-out for further potential development work. The two acquisitions have a combined value of \$28,640 (A\$30,427) including transaction costs.

During the three months ended March 31, 2017 the REIT recognized fair value gains of \$30,824. The increase during the current quarter reflects capitalization rate compression that Vital Trust is seeing in certain markets consistent with declining long term interest rates.

During the three months ended March 31, 2017, no external valuations were performed on the Vital Trust properties.

A strengthening of the New Zealand dollar relative to the Canadian dollar during the three months ended March 31, 2017 resulted in foreign currency translation loss of \$43,378.

Valuations

The fair values of the investment properties at March 31, 2017 and December 31, 2016 were determined based on a combination of internal valuation models incorporating available market evidence and external appraisals.

The key valuation assumptions for the REIT's investment properties are set out in the following table:

TABLE 4B - INVESTMENT PROPERTIES VALUATION ASSUMPTIONS				
Unaudited	As at March 31, 2017			
	Canada	Brazil	Germany	Vital Trust
	Discount rate - range	5.8% - 8.8%	8.5%	5.2% - 7.3%
Discount rate - weighted average	7.3%	8.5%	6.2%	7.8%
Terminal capitalization rate - range	5.5% - 8.0%	8.0%	5.5% - 8.4%	6.4% - 8.9%
Terminal capitalization rate - weighted average	6.7%	8.0%	6.1%	6.9%
Implied capitalization rate - range	5.1% - 10.3%	8.2%	4.8% - 7.1%	6.1% - 8.5%
Implied capitalization rate - weighted average	6.6%	8.2%	5.8%	6.7%
	As at December 31, 2016			
	Canada	Brazil	Germany	Vital Trust
Discount rate - range	5.8% - 8.8%	8.5 - 10.5%	5.2% - 7.3%	7.2% - 9.5%
Discount rate - weighted average	7.1%	8.8%	6.2%	8.0%
Terminal capitalization rate - range	5.5% - 8.0%	8.0% - 10.0%	5.5% - 8.4%	6.5% - 8.9%
Terminal capitalization rate - weighted average	6.5%	8.3%	6.1%	7.0%
Implied capitalization rate - range	5.1% - 10.6%	8.2% - 10.7%	4.8% - 7.1%	6.3% - 8.5%
Implied capitalization rate - weighted average	6.4%	8.5%	5.8%	6.9%

DEVELOPMENT ACTIVITY

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

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

TABLE 4C - MAJOR DEVELOPMENT ACTIVITY BY REGION								
Expressed in thousands of Canadian dollars, except percentage amounts								
	Number of Projects	Estimated Completion Date	Estimated Project Costs	Estimated Costs to Complete	% Pre-leased	Anticipated Project Yield	Anticipated Stabilized NOI	Potential value accretion
Australia	7	Q4 2017 to Q4 2018	81,800	63,103	100%	7.8%	6,408	13,836
Brazil	2	Q4 2017 to Q4 2018	55,398	55,398	100%	10.5%	5,817	15,538
	<u>9</u>		<u>137,198</u>	<u>118,501</u>			<u>12,224</u>	<u>29,374</u>

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

The Australian development activity pertains to Vital Trust's 7 expansion projects with completion dates ranging from October 2017 to December 2018. The projects include a mix of modernisation and expansion at acute surgical and mental health facilities to meet the growing demand for healthcare services. Expansion projects are primarily with Vital Trust's largest tenant, Healthcare. The Australian development is expected to be funded through Vital Trust's existing resources.

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

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

LEASING COSTS AND CAPITAL EXPENDITURES

TABLE 5 - LEASING COSTS AND CAPITAL EXPENDITURES					
Expressed in thousands of Canadian dollars					
Unaudited					
	Three months ended March 31, 2017				
	Canada	Brazil	Germany	Vital Trust	Total
Additions to investment properties					
Leasing Costs ⁽¹⁾	\$ 494	\$ -	\$ 876	\$ -	\$ 1,370
Tenant improvements ⁽²⁾	2,194	-	-	-	2,194
Maintenance capital expenditures	768	-	424	-	1,192
Other capital expenditures	892	38	11	654	1,595
	4,348	38	1,311	654	6,351
Internal leasing costs expensed ⁽¹⁾	341	-	124	-	465
	4,689	38	1,435	654	6,816
Less:					
Recoverable maintenance capital expenditures	(768)	-	-	-	(768)
Other value enhancing and non-recurring capital expenditures	(684)	-	-	-	(684)
Leasing costs and non-recoverable maintenance capital expenditures	\$ 3,237	\$ 38	\$ 1,435	\$ 654	\$ 5,364
AFFO adjustment for leasing costs and non-recoverable maintenance capital expenditures ⁽³⁾	\$ 2,076	\$ 38	\$ 254	\$ 654	\$ 3,022
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	\$ 1,161	\$ -	\$ 1,181	\$ -	\$ 2,342
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 Germany, due to the nature of the portfolios, on a quarterly basis and during portfolio repositioning, leasing costs, tenant improvements and maintenance capital expenditures can fluctuate and as such, should not be regarded as stabilized. As a result the REIT uses a reserve of 6% of revenue from investment properties in Canada and Germany 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.					

Canada

On a quarterly basis and during portfolio 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 quarter leasing costs included costs attributable to eight transactions (including two initiated in late 2016), of which four are lease renewals or expansions, with an aggregate WALE of 10.7 years.

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 ever applicable) in determining AFFO.

Germany

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 German investment properties for the three months ended March 31, 2017 were \$1,311. The expenditure in the current quarter reflects leasing costs attributable to three transactions of which all are new lease deals, with an aggregate WALE of 13 years.

Vital Trust

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

PART III – RESULTS FROM OPERATIONS

NET INCOME

The following is a summary of selected financial information from the condensed consolidated interim statements of income and comprehensive income for the three months ended March 31, 2017 and 2016:

TABLE 6 - RESULTS FROM OPERATIONS			
Expressed in thousands of Canadian dollars			
	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Net Operating Income ⁽¹⁾			
Revenue from investment properties	\$ 72,464	\$ 64,905	\$ 7,559
Property operating costs	(19,570)	(20,198)	628
	<u>52,894</u>	<u>44,707</u>	<u>8,187</u>
Other income			
Share of profit (loss) from associates	5,411	-	5,411
Management fees	863	-	863
Interest income	397	191	206
	<u>6,671</u>	<u>191</u>	<u>6,480</u>
	<u>59,565</u>	<u>44,898</u>	<u>14,667</u>
Other expenses			
Mortgage and loan interest expense	(20,339)	(18,974)	(1,365)
General and administrative expenses	(5,491)	(5,326)	(165)
Transaction costs	(88)	(2,568)	2,480
Other Finance costs	(18,689)	(20,547)	1,858
Foreign exchange gain (loss)	3,989	2,272	1,717
Income (Loss) before the undernoted items	<u>18,947</u>	<u>(245)</u>	<u>19,192</u>
Fair value adjustment of DUP Liability	(423)	(813)	390
Fair value adjustment of investment properties	72,490	10,435	62,055
Net loss on disposal of investment properties	-	(1,417)	1,417
Gain (Loss) on derivative financial instruments	(878)	(3,720)	2,842
Income (Loss) before taxes	<u>90,136</u>	<u>4,240</u>	<u>85,896</u>
Income tax expense	(15,602)	(5,426)	(10,176)
Net income (loss)	<u>\$ 74,534</u>	<u>\$ (1,186)</u>	<u>\$ 75,720</u>
Net income (loss) attributable to:			
Unitholders	\$ 49,799	\$ (8,049)	\$ 57,848
Non-controlling interest	24,735	6,863	17,872
	<u>\$ 74,534</u>	<u>\$ (1,186)</u>	<u>\$ 75,720</u>
Notes			
(1) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"			

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

Revenue from investment properties

Revenue from investment properties for the three months ended March 31, 2017 was \$72,464 which is \$7,559 greater than the three months ended March 31, 2016. The increase is primarily due to Brazil revenue improvements of \$5,858 driven by source currency rent indexation and the acquisition of Hospital Ifor and Hospital Santa Helena, as well as the strengthening of the Brazilian Real against the Canadian dollar; German revenue improvements of \$659 driven by source currency rent from the Medical Care Centre Hamburg-Bergedorf, Alstadt-Caree Fulda Medical Centre, and Mehrower Allee acquisitions, partially offset by a weakening of the Euro; Vital Trust revenue also increased by \$2,448 driven by source currency revenue increases due to rent increases, completion of development and acquisition activity, as well as, a strengthening of the New Zealand dollar against

the Canadian dollar from the comparable prior year period. These improvements were partially offset by a decrease in revenue in the Canadian region of \$1,385 driven by asset sales.

See also **NET OPERATING INCOME**.

Property operating costs

In Canada, Germany 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. The REIT incurs social taxes applied against the revenues earned from certain of its Brazil properties as a result of the corporate structure of the entities holding the assets.

Property operating costs for the three months ended March 31, 2017 were \$19,570 as compared to \$20,198 for the three months ended March 31, 2016. Of the decrease, \$1,146 is related to the Canadian region primarily driven by asset sales. This was partially offset by a \$306 increase in Vital Trust and \$218 in Germany operating costs respectively driven by acquisitions and currency strengthening relative to the Canadian dollar.

See also **NET OPERATING INCOME**.

Share of profit (loss) of associate

On July 26, 2016, the REIT acquired 15,492,061 GHC units for \$33,639 (A\$34,083), following the exercise of the put option by the counterparty to one of the REIT's GHC put call option agreements. This acquisition increased the REIT's interest in GHC to approximately 7.5%. On August 8, 2016, the REIT exercised its call option to acquire 27,100,380 GHC units for \$60,205 (A\$59,621) from affiliates of APN and GHM management. These acquisitions of GHC units increased the REIT's interest in GHC to approximately 19.8% as at December 31, 2016. On March 24, 2017, the REIT acquired an additional 6,700,000 GHC units for \$13,392 (A\$13,526) under the terms of a forward contract that was entered on December 30, 2016. The acquisition increased the REIT's interest in GHC to approximately 22.7%. As a result the REIT records its share of the profit (loss) of GHC.

The below table summarizes the REIT's ownership interest in GHC as at March 31, 2017 and December 31, 2016:

GENERATION HEALTHCARE REIT - OWNERSHIP CONTINUITY				
	As at March 31, 2017		As at December 31, 2016	
	(Unaudited)		(Unaudited)	
	Units	% ownership	Units	% ownership
Balance, beginning of the period	43,475,078	19.8%	-	-
Open market purchases	-	-	835,295	0.4%
Exercise of Put Option	-	-	15,492,061	7.1%
Exercise of Call Option	-	-	27,100,380	12.3%
Performance Fee Settlement	-	-	47,342	0.0%
Exercise of Forward Contract	6,700,000	3.0%	-	-
DRIP Issuance	-	-0.1%	-	0.0%
Balance, end of the period	<u>50,175,078</u>	<u>22.7%</u>	<u>43,475,078</u>	<u>19.8%</u>

The weighted average ownership of GHC during the three months ended March 31, 2017 was 20.0% (three months ended March 31, 2016 – nil).

SHARE OF PROFIT OF GHC			
Expressed in thousands of Canadian dollars	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Net Operating Income ⁽¹⁾			
Revenue from investment properties	\$ 9,332	\$ -	\$ 9,332
Property operating costs	(1,802)	-	(1,802)
	<u>7,530</u>	<u>-</u>	<u>7,530</u>
Interest Income	1,131	-	1,131
Expenses			
Mortgage and loan interest expense	(1,985)	-	(1,985)
General and administrative expenses	(972)	-	(972)
	<u>5,704</u>	<u>-</u>	<u>5,704</u>
Income before the undernoted items			
Other	207	-	207
Fair value adjustments	29,710	-	29,710
	<u>35,621</u>	<u>-</u>	<u>35,621</u>
Net income			
Non-controlling interest	(9,809)	-	(9,809)
	<u>25,812</u>	<u>-</u>	<u>25,812</u>
Net profit attributable to unitholders			
Weighted average participation	20.04%	n/a	n/a
	<u>5,174</u>	<u>-</u>	<u>5,174</u>
REIT's share of profit			
Intercompany amounts	159	-	159
Changes to associate's equity	78	-	78
	<u>78</u>	<u>-</u>	<u>78</u>
Share of profit of GHC	<u>\$ 5,411</u>	<u>\$ -</u>	<u>\$ 5,411</u>
Notes:			
(1) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"			

Included in fair value adjustments for GHC's three months ended March 31, 2017 is a fair value adjustment of \$30,119 (A\$30,035) related to investment properties and is driven primarily by the revaluation of two development properties which are nearing completion. As at March 31, 2017 the weighted average capitalization rate of the GHC portfolio is 6.5%.

Management Fees

Management fees represent the management fees earned by GHM (less the intercompany elimination for the portion of GHC owned by the REIT) for the three months ended March 31, 2017. The REIT acquired GMC in June 2016 therefore there were no fees earned during the three months ended March 31, 2016. For further details on the GHM management fees see **ASSETS OF THE REIT – 23% of Generation Healthcare REIT and 100% of Generation Manager**.

Interest income

Interest income represents amounts earned on invested cash balances. For the three months ended March 31, 2017 and 2016, the REIT recorded interest income of \$397 and \$191, respectively. The increase from the comparable prior year quarter reflects the interest earned on invested cash in Brazil and in Canada, from the proceeds of the December 2016 securitization of Hospital Caxias and the January equity offering, respectively.

Mortgage and loan interest expense

The mortgage and loan interest expense for the three months ended March 31, 2017 was \$20,339, an increase of \$1,365 over the prior year period.

The composition of mortgage and loan interest expense for the three months ended March 31, 2017 and 2016 is as follows:

TABLE 6B - MORTGAGE AND LOAN INTEREST EXPENSE			
Expressed in thousands of Canadian dollars			
	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Canada			
Mortgages	\$ 6,523	\$ 9,171	\$ 2,648
Brazil			
Brazil debt	2,974	1,345	(1,629)
Germany			
Mortgages	508	443	(65)
Australasia			
Term loans	3,311	3,621	310
Corporate			
Vital Margin Facilities	-	681	681
Australasian Secured Financing	1,656	-	(1,656)
Acquisition Facility	272	491	219
Revolving Credit Facility ⁽¹⁾	524	697	173
Other	4	34	30
Convertible Debentures			
NWH.DB	521	525	4
NWH.DB.A	362	365	3
NWH.DB.B	324	326	2
NWH.DB.C	693	699	6
NWH.DB.D	719	725	6
NWH.DB.E	968	-	(968)
NWH.DB.F	1,042	-	(1,042)
	7,085	4,543	(2,542)
less: capitalized interest general borrowings	(62)	(149)	(87)
	7,023	4,394	(2,629)
Total mortgage and loan interest expense	\$ 20,339	\$ 18,974	\$ (1,365)
Notes			
(1) Includes interest from the Non-Revolving Credit Facility Expansion.			

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

Canada

Mortgage interest expense for the three months ended March 31, 2017 has decreased \$2,648 over the three months ended March 31, 2016. The decrease in mortgage interest expense over the comparable prior year quarter primarily reflects the 2016 property dispositions and repayment of mortgages associated with those properties. Included in the mortgage interest expense in Canada for the three months ended March 31, 2016 are debt prepayment penalties associated with early mortgage repayments of \$1,997. In addition, during 2016, the REIT has refinanced 2017 and 2016 mortgage expires at lower interest rates. The weighted average interest rate of the Canadian mortgage portfolio as at March 31, 2017 was 3.92%, a decrease from 4.09% as at March 31, 2016.

Brazil

The increase in interest expense for the three months ended March 31, 2017, over the prior year quarter, primarily reflects the HMB Securitization Financing (as defined under **CAPITAL STRUCTURE – Debt**) which funded in the second and third quarter of 2016 and the Caxias Financing which funded October 24, 2016, as well as, the strengthening of the Brazilian Real against the Canadian dollar.

Germany

Mortgage interest expense increased over the prior year due to interest on the mortgage associated with the Medical Care Centre Hamburg-Bergedorf, Alstadt-Caree Fulda Medical Centre, and Mehrower Allee acquisitions as well as the strengthening of the Euro against the Canadian dollar.

The weighted average interest rate of the German mortgages was 1.91% as at March 31, 2017, a decrease from 1.96% as at March 31, 2016.

Australasia

The decrease in the interest expense over the comparable prior year quarter to date period reflects a partial repayment of the Vital Trust Term Loans with proceeds from the July 19, 2016 Vital Trust rights offering (“**Vital Rights Offering**”) and lower interest rates. The weighted average interest rate of the Vital Trust term loans was 4.43% as at March 31, 2017, a decrease from 4.78% as at March 31, 2016.

Corporate

The increase in the interest expense over the comparable prior year quarter to date period reflects an increase in corporate borrowings related to the REIT’s investment in GHC as well as the two debenture issuances in the second half of 2016.

On July 15, 2016 the REIT completed the Australasian Secured Financing (as defined under **CAPITAL STRUCTURE – Debt**). The facility bears interest at a rate that fluctuates with the one-month bank bill reference rates of Australia and New Zealand, where applicable, plus 325 to 500 basis points (5.09% on a weighted average basis as at March 31, 2017). During the third quarter of 2016, the REIT drew on the facility to fund the repayment, on July 18, 2016, of the margin facilities secured by the units the REIT owns of Vital Trust (the “**Vital Margin Facilities**”) totaling \$47,383 (NZ\$51,447). The Vital Margin Facilities bore interest at a rate that fluctuated with the one-month rate for New Zealand dollar bills of exchange (the “**BKBM**” rate). The weighted average interest rate of the Vital Margin Facilities was 5.58% at repayment as compared to 6.06% as at March 31, 2016.

Interest expense on the Convertible Debentures has increased over the comparable prior year period as a result of the NWH.DB.E and NWH.DB.F Convertible Debentures which closed on July 26, 2016 and December 15, 2016 respectively.

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 March 31, 2017 were \$5,491 as compared to \$5,326 in the prior year quarter. G&A for the three months ended March 31, 2017 includes DUP Compensation Expense (as defined under **ADJUSTED FUNDS FROM OPERATIONS (“AFFO”) – DUP Compensation Expense**) of \$1,189 (three months ended March 31, 2016 - \$1,861). The decrease in DUP Compensation is driven by modifications to the incentive compensation. G&A, excluding amounts associated with DUP Compensation Expenses, increased \$837 over the prior year quarter primarily as a result of G&A associated with the GHM acquisition in June 2016.

Transaction costs

For the three months ended March 31, 2017 the REIT incurred transaction costs of \$88 (\$2,568 for the three months ended March 31, 2016), which are associated with the Combination Transaction.

Other Finance costs

Other finance costs for the three months ended March 31, 2017 and 2016 consisted of the following:

	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Distributions on Exchangeable Units	\$ 3,800	\$ 3,800	\$ -
Loss on revaluation of financial liabilities	1,539	2,473	934
Amortization of deferred financing costs	899	1,017	118
Amortization of marked to market adjustment	(766)	(2,552)	(1,786)
Fair value adjustment of Convertible Debentures	6,568	2,321	(4,247)
Fair value adjustment of Exchangeable Units	6,649	13,488	6,839
Total Finance Costs	\$ 18,689	\$ 20,547	\$ 1,858

Distributions on Exchangeable Units

Under IFRS, Exchangeable Units distributions are treated as a finance cost. The Exchangeable Units receive distributions on an equivalent per unit basis to the distributions declared on the Trust Units. There has been no change in the number of Exchangeable Units outstanding and therefore the distributions paid for the three months ended March 31, 2017 are consistent with the three months ended March 31, 2016.

Loss on revaluation of financial liabilities

The outstanding balances of the Brazil Securitization Financings (as defined under **CAPITAL STRUCTURE – Debt**) are adjusted by the inflation rate (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy (“**IPCA**”). During 2016, the principal balance of both of the Brazil term loans and the Hospital Caxias D’Or holdback payable (previously included in deferred consideration), were adjusted by IPCA or the Certificate of Interbank Deposit rate (the average one-day interbank deposit rate (“**CDI**”)) from the date of inception of these liabilities to their respective maturities.

For the three months ended March 31, 2017, accretion expense of \$1,539 (for the three months ended March 31, 2016 - \$1,575) was recorded to account for the related IPCA adjustments on the Brazil debt. The annual inflation rate for March 31, 2017 was 4.57% as compared to 9.39% for March 31, 2016.

For the three months ended March 31, 2017, accretion expense of \$nil (three months ended March 31, 2016 - \$898) was recorded to account for the related CDI adjustments on the holdback.

Amortization of deferred financing costs

Included in finance costs is amortization of deferred financing costs incurred to arrange mortgage or debt financing. The decrease in deferred financing costs relative to 2016 is primarily due to the repayment of the Brazilian Term Loans in December 2016.

Amortization of marked to market adjustments

Included in finance costs is amortization of marked to market adjustments which relate primarily to the Canadian mortgage portfolio which was marked to market on completion of the Combination Transaction.

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. Table 6D summarizes the closing prices of the REIT's Convertible Debentures at each quarter end for the last six quarters:

	Mar-17	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15
Month-end closing price (Canadian \$)						
NWH.DB	1,020.00	1,017.50	1,045.00	1,000.00	990.00	970.00
NWH.DB.A	1,030.00	1,020.00	1,021.00	1,017.60	1,002.50	1,010.00
NWH.DB.B	1,032.70	1,020.00	1,050.00	1,037.50	1,013.00	1,002.00
NWH.DB.C	1,050.00	1,025.00	1,045.00	1,030.00	1,018.00	1,000.00
NWH.DB.D	1,050.00	1,020.00	1,043.00	1,025.10	995.00	980.00
NWH.DB.E	1,025.50	1,010.00	1,027.50	N/A	N/A	N/A
NWH.DB.F	1,031.10	1,002.50	N/A	N/A	N/A	N/A

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.

Exchangeable Units – Fair value adjustment

The Exchangeable Units, under IFRS, are measured at fair value. The fair value of the Exchangeable Units mirrors the trading price of the REIT Trust Units. An increase in the trading price of a REIT Trust Unit will result in a corresponding increase in the fair value of the Exchangeable Units liability and a fair value loss to the REIT. A decrease in the trading price of a REIT Trust Unit will result in a corresponding decrease in the fair value of the Exchangeable Units liability and a fair value gain to the REIT.

Table 6E summarizes the closing prices of the REIT Trust Units at each quarter end for the last six quarters:

	Mar-17	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15
Month-end closing price (Canadian \$)	10.55	10.20	10.46	10.03	9.64	8.93

Foreign exchange gain (loss)

The REIT's financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. The REIT's unrealized foreign exchange gain (loss) for the periods relates primarily to the revaluation of the Australasian Secured Financing which is denominated in New Zealand and Australian dollars, revaluation of the Vital Margin Facilities which was denominated in New Zealand dollars and held by a Canadian subsidiary of the REIT, and which is predominantly an unrealized exchange movement and revaluation of certain Vital Trust Australasian Term Loans which are denominated in Australian dollars.

For the three months ended March 31, 2017, the REIT recorded a foreign exchange gain of \$3,989, which is made up of an unrealized exchange gain of \$3,979 and a realized exchange loss of \$10. The unrealized foreign exchange gain for the three months ended March 31, 2017 is primarily a result of the revaluation exchange gain on the Vital Trust Australasian Term Loans of \$5,233, partially offset by and net unrealized exchange loss on the Australasian Secured Financing and related cash collateral of approximately \$1,320. During the three months ended March 31, 2017, the New Zealand dollar remained relatively flat while the Australian dollar increased by approximately 5%, relative to the Canadian dollar, thus increasing the Australian dollar denominated debt at both the REIT and Vital Trust.

For the three months ended March 31, 2016, the REIT recorded a foreign exchange gain of \$2,272, which is made up of a realized exchange loss of \$15 and an unrealized exchange gain of \$2,287. The unrealized foreign exchange loss for the three months ended March 31, 2016 is primarily a result of the revaluation of the Vital Margin Facilities. During the three months ended March 31, 2016, the New Zealand dollar weakened by approximately 5% relative to the Canadian dollar, thus decreasing the value of the New Zealand debt.

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 ended March 31, 2017 was a loss of \$423 as compared to a loss of \$813 for the three months ended March 31, 2016. The loss during the current quarter also reflects the decrease in the DUP Liability driven by modifications to the incentive compensation in the third quarter of 2016 and the first quarter of 2017 and the forfeiture of certain deferred units during the third quarter of 2016.

Fair value adjustment of investment properties

For the three months ended March 31, 2017, the REIT recorded a fair value gain on investment properties of \$72,490 consisting of a \$11,510 fair value gain related to the Canadian property, a \$32,884 revaluation increase of the Brazil portfolio, a \$2,728 revaluation loss of the German portfolio and a \$30,824 increase in the Vital Trust investment properties. The revaluation of the Canadian portfolio during the three months ended March 31, 2017 primarily reflects increased density value at the REIT's Dundas-Edward Centre property in Toronto. The revaluation of the Brazil portfolio during the three months ended March 31, 2017 is related to the actual and estimated increases in rents for inflation, increasing the portfolio's net operating income and a capitalization rate decrease at the REIT's Hospital Ifor and Santa Helena properties. The revaluation loss on the German portfolio during the three months ended March 31, 2017 reflects the write off of transaction costs related to the Medical Care Centre Hamburg-Bergedorf and the Alstadt-Caree Fulda Medical Centre acquisitions. The increase in the Vital Trust assets reflects capitalization rate compression in both the New Zealand and Australian markets during the quarter.

For the three months ended March 31, 2016, the REIT recorded a fair value gain on investment properties of \$10,435 related primarily to a \$9,517 revaluation increase of the Brazil portfolio and a \$5,976 increase in the Vital Trust investment properties; partially offset by a net \$4,908 fair value loss related to the Canadian property portfolio (inclusive of a \$5,917 fair value loss associated with assets held for sale). The revaluation of the Brazil portfolio during the three months ended March 31, 2016 is related to the actual and estimated increases in rents for inflation, increasing the portfolio's net operating income. The increase in the Vital Trust assets reflects actual rent increases derived from inflation indexation in March 2016.

See also **INVESTMENT PROPERTIES**.

Net loss on disposal of investment properties

During the three months ended March 31, 2016, the REIT recognized a loss on sale of \$1,417 due to transaction costs associated with the sale of eight Canadian investment properties.

Gain/Loss on derivative financial instruments

Gain/Loss on derivative financial instruments for the three months ended March 31, 2017 and 2016 consisted of the following:

Expressed in thousands of Canadian dollars	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Canada			
Interest rate swaps	\$ 99	\$ (682)	\$ 781
Brazil			
Brazil Loans interest rate swaps	-	375	(375)
Germany			
Interest rate swaps	38	(399)	437
Australasia			
Interest rate swaps	(812)	(2,957)	2,145
Foreign exchange derivatives	-	-	-
Foreign exchange contracts	(1,370)	(65)	(1,305)
Performance fee receivable	501	-	501
Corporate			
Vital Margin Facility interest rate swaps	-	8	(8)
GHC future contract	666	-	666
Total gain (loss) on derivative financial instruments	\$ (878)	\$ (3,720)	\$ 2,842

Income tax expense

The combined current tax and deferred tax expense of the REIT for the three months ended March 31, 2017 was \$15,602.

For the three months ended March 31, 2017, the REIT recognized a current income tax charge of \$4,168. The current taxes relate primarily to the income taxes payable by Vital Manager, GHM and Vital Trust. Current tax expense for Vital Trust can fluctuate period over period depending on the settlement of foreign currency derivatives utilized in Vital Trust's hedging program.

The deferred tax expense of the REIT for the three months ended March 31, 2017 was \$11,434. The REIT records deferred tax liabilities in Germany and Brazil arising primarily due to the difference between the carrying value and tax cost of its investment properties. The deferred tax expense of the REIT for the three months ended March 31, 2017 related to the German and Brazil investment properties was \$(98) and \$7,959, respectively. Vital Trust recorded a deferred expense for the three months ended March 31, 2017 of \$3,470, which relates primarily to the fair value movement of investment properties and deferred tax impact of derivative valuations. Vital Manager recorded a deferred tax asset for the three months ended March 31, 2017 of \$38. GHM recorded a deferred tax liability for the three months ended March 31, 2017 of \$141 primarily related to the revaluation of the Performance Fee receivable.

The combined current tax and deferred tax expense of the REIT for the three months ended March 31, 2016 was \$5,426.

For the three months ended March 31, 2016, the REIT recognized a current income tax charge of \$1,308. The current taxes relate primarily to the income taxes payable by subsidiaries of the REIT in Brazil, as well as the Vital Manager and Vital Trust. Current tax expense for Vital Trust can fluctuate period over period depending on the settlement of foreign currency derivatives utilized in Vital Trust's hedging program.

The deferred tax expense of the REIT for the three months ended March 31, 2016 was \$4,118. The REIT records deferred tax liabilities in Germany and Brazil arising primarily due to the difference between the carrying value and tax cost of its investment properties. The deferred tax expense of the REIT for the three months ended March 31,

2016 related to the German and Brazil investment properties was \$3,541. Vital Trust recorded a deferred expense for the three months ended March 31, 2016 of \$242, which relates primarily the fair value movement of investment properties partially offset by the deferred tax asset related to derivative valuations. Vital Manager recorded a deferred tax liability for the three months ended March 31, 2016 of \$335.

NET OPERATING INCOME

NOI is an additional IFRS measure of the REIT's operating performance. NOI is defined as income from properties after operating expenses have been deducted, computed in accordance with IFRS, but before deducting interest expense, finance costs, depreciation and amortization expense, general and administrative expenses, income taxes, leasehold improvement and leasing costs, and unrecoverable capital costs. The REIT uses NOI to assess its property operating performance on an unleveraged basis. Same property NOI for the three months ended March 31, 2017 represents income from currently owned investment properties, excluding properties held for redevelopment, acquired prior to January 1, 2016.

The REIT's Same Property NOI for the three months ended March 31, 2017 and 2016 is summarized below consolidated in Canadian dollars (Table 7) and then separately by region in source currency (Table 7A – Canada, Table 7B – Brazil, Table 7C - Germany and Table 7D - Australasia):

TABLE 7 - SAME PROPERTY NOI			
Expressed in thousands of Canadian dollars			
	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI⁽¹⁾			
Same property revenue from investment properties	\$ 65,468	\$ 62,910	\$ 2,558
Same property operating costs	(18,489)	(18,699)	210
	46,979	44,211	2,768
Properties held for redevelopment	517	-	517
Acquisitions	5,859	306	5,553
Dispositions	-	636	(636)
Inter-company/elimination	(461)	(446)	(15)
NOI⁽¹⁾	\$ 52,894	\$ 44,707	\$ 8,187
Notes			
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.			

TABLE 7A - SAME PROPERTY NOI - CANADA			
In thousands of CAD			
	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI⁽¹⁾			
Same property revenue from investment properties	\$ 33,641	\$ 33,812	\$ (171)
Same property operating costs	(15,283)	(15,335)	52
	18,358	18,477	(119)
Properties held for redevelopment	517	-	517
Acquisitions	-	-	-
Dispositions	-	637	(637)
NOI⁽¹⁾	\$ 18,875	\$ 19,114	\$ (239)
Reclass to share of profit (loss) of associates⁽²⁾	-	-	-
NOI⁽¹⁾	\$ 18,875	\$ 19,114	\$ (239)
Notes			
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.			

TABLE 7B - SAME PROPERTY NOI - BRAZIL			
In thousands of BRL and CAD	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI⁽¹⁾ - in thousands of BRL			
Same property revenue from investment properties	R\$ 23,201	R\$ 21,744	R\$ 1,457
Same property operating costs	-	-	-
	23,201	21,744	1,457
Acquisitions - in thousands of BRL	8,895	-	8,895
Dispositions - in thousands BRL	-	-	-
NOI⁽¹⁾ - in thousands of BRL	R\$ 32,096	R\$ 21,744	R\$ 10,352
FX Rate	0.4211	0.3522	0.0689
NOI⁽¹⁾ - in thousands of CAD	\$ 13,516	\$ 7,658	\$ 5,857
Notes			
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.			

TABLE 7C - SAME PROPERTY NOI - GERMANY			
In thousands of Euro and CAD	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI⁽¹⁾ - in thousands of Euro			
Same property revenue from investment properties	€ 2,390	€ 2,359	€ 31
Same property operating costs	(580)	(612)	32
	1,810	1,747	63
Acquisitions - in thousands of Euro	381	-	381
Dispositions - in thousands of Euro	-	-	-
NOI⁽¹⁾ - in thousands of Euro	€ 2,191	€ 1,747	€ 444
FX Rate	1.4099	1.5155	(0.1056)
NOI⁽¹⁾ - in thousands of CAD	\$ 3,089	\$ 2,648	\$ 441
Notes			
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.			

TABLE 7D - SAME PROPERTY NOI - AUSTRALASIA			
In thousands of NZD and CAD	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI⁽¹⁾⁽³⁾ - in thousands of NZD			
Same property revenue from investment properties	\$ 19,853	\$ 19,591	\$ 262
Same property operating costs	(2,537)	(2,673)	136
	17,316	16,918	398
Acquisitions - in thousands of NZD	1,674	335	1,339
Dispositions in thousands of NZD	-	-	-
NOI⁽¹⁾ - in thousands of NZD	18,990	\$ 17,253	\$ 1,737
FX Rate	0.9413	0.9119	0.0294
NOI⁽¹⁾ - in thousands of CAD	\$ 17,875	\$ 15,733	\$ 2,142
Notes			
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.			

Revenue from investment properties

Canada

Same property revenue from investment properties for the three months ended March 31, 2017 is \$171 lower than actual results for the three months ended March 31, 2016 primarily due to a decrease in operating cost recoveries of \$459 driven by a decrease in operating costs offset by an increase in parking revenue \$101, reflecting efficiencies of internalization of parking management, and a non-recurring tenant improvement repayment of \$220.

Brazil

In Brazil, same property revenues for the three months and year ended March 31, 2017 increased over the comparable prior year period as a result of inflationary adjustments which are implemented across the portfolio in accordance with the REIT's leasing contracts. The rental increase imposed in late 2016 reflects the 12 month IPCA rate as at each property rental adjustment date. On January 1, 2017, the leases relating to Rede D'Or Hospital Portfolio properties were adjusted by 6.56% on average and on April 1, 2016, Hospital Sabara lease was adjusted by 4.76%. In addition, the Brazil foreign exchange rate saw an increase of approximately 20% over first quarter 2016.

Germany

Same property revenue from Germany's investment properties has slightly increased against prior year quarter reflecting inflationary rental increases to existing tenants.

Australasia

For the three months and year ended March 31, 2017, Vital Trust's same property revenue increased NZ\$262 over the comparable prior year period due to same property rent increases, and rentalization of the expansions at Hurstville Private Hospital property, Belmont Private Hospital in Queensland, Australia, Maitland Private Hospital in Newcastle, NSW, Australia and Marian Centre, Perth, Australia.

PROPERTY OPERATING COSTS

Canada

Same property operating expenses for the three months ended March 31, 2017 decreased by \$52 over the comparable prior year period driven mainly by a decrease in recoverable costs including utilities and wages and benefits offset by an increase in non-recoverable costs as a result of amortization of an operating lease of a parking facility.

Brazil

The nature of the leases in Brazil is such that the tenant is responsible for all operating costs of the property, excluding social taxes which represent a tax against revenues as a result of the REIT's corporate structure of the entities holding certain of the Brazilian assets. In 2016, Brazil Corporate structure changed from Corporate entities ('SAs') to REIT fund ("FII"), and all properties (except Sabara) were transferred to the FII, where the revenues are tax exempt.

Germany

Same property operating costs for the three months ended March 31, 2017 decreased by €32, against the prior year comparable period mainly due to lower consumption based costs in the first quarter.

Australasia

For the three months ended March 31, 2017, Vital Trust's same property operating costs were NZ\$136 lower than the comparable prior year quarter primarily due to costs associated with developments which became revenue producing.

FUNDS FROM OPERATIONS ("FFO")

FFO is a supplemental non-IFRS industry wide financial measure of a REIT's operating performance. The REIT calculates FFO based on certain adjustments to net income (computed in accordance with IFRS) as detailed below. Other adjustments may be made to FFO as determined by management at their discretion. REALpac has established a standardized definition of FFO in a White Paper dated February 2017 ("**REALpac Guidance**"). The REIT's FFO definition differs from the REALpac Guidance in that the REIT excludes the revaluation of financial liabilities in its calculation of FFO.

TABLE 8 - FUNDS FROM OPERATIONS			
Expressed in thousands of Canadian dollars, except per unit amounts			
	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Net income (loss) attributable to unitholders	\$ 49,799	\$ (8,049)	\$ 57,848
Add / (Deduct):			
(i) Fair market value losses (gains)	(57,972)	9,907	(67,879)
Less: Non-controlling interests' share of fair market value losses (gains)	21,538	2,231	19,307
(ii) Finance cost - Exchangeable Unit distributions	3,800	3,800	-
(iii) Revaluation of financial liabilities	1,539	2,473	(934)
(iv) Unrealized foreign exchange loss (gain)	(3,979)	(2,287)	(1,692)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	3,935	(280)	4,215
(v) Deferred taxes	11,434	4,118	7,316
Less: Non-controlling interests' share of deferred taxes	(2,609)	(184)	(2,425)
(vi) Non-recurring transaction costs	88	2,568	(2,480)
(vii) Convertible Debenture issuance costs	-	-	-
(viii) Net adjustments for equity accounted entities	(4,111)	-	(4,111)
(ix) Internal leasing costs	465	389	76
(x) Net loss on disposal of investment properties	-	1,417	(1,417)
(xi) Other FFO adjustments	597	-	597
Funds From Operations ("FFO")⁽¹⁾	\$ 24,524	\$ 16,103	\$ 8,421
FFO per Unit - Basic	\$ 0.26	\$ 0.22	\$ 0.04
FFO per Unit - fully diluted ⁽³⁾	\$ 0.24	\$ 0.22	\$ 0.02
Adjusted weighted average units outstanding:⁽²⁾			
Basic	94,212,738	72,037,654	22,175,084
Diluted ⁽³⁾	120,722,716	81,494,696	39,228,020
Notes			
(1)	FFO is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO as reported by other such issuers. FFO is defined in this MD&A and reconciled to the consolidated financial statements of the REIT.		
(2)	Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 18,998,065 Class B LP Units outstanding as at March 31, 2017 and December 31, 2016.		
(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.		

See **PART XII – SUPPLEMENTAL DISCLOSURE** for additional information on the components of FFO. Additional details on the adjustments to the REIT's net income to arrive at FFO are below:

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

Expressed in thousands of Canadian dollars	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Fair market value losses (gains)			
Fair value adjustment of Convertible Debentures	\$ 6,568	\$ 2,321	\$ 4,247
Fair value adjustment of Exchangeable Units	6,649	13,488	(6,839)
Fair value adjustment of investment properties	(72,490)	(10,435)	(62,055)
Loss (Gain) on derivative financial instruments	878	3,720	(2,842)
Fair value adjustment of DUP Liability	423	813	(390)
Total	\$ (57,972)	\$ 9,907	\$ (67,879)

Additional details are below:

(a) Convertible Debentures

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

(b) Exchangeable Units and DUP Liability

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

(c) Investment properties

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

(d) Derivative financial instruments

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

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

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

(iii) Revaluation of financial liabilities

On maturity, the principal balance of the Brazil term loans and the holdbacks payable (included in deferred consideration), in respect of the Rede D'Or Hospital Portfolio Acquisition, are adjusted by the inflation rate (IPCA or CDI) 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 term loans and holdbacks payable related to the Rede D'Or Hospital Portfolio Acquisition, 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 Secured Financing and Vital Margin Facilities which are denominated in Australian and/or New Zealand dollars and held by a Canadian subsidiary of the REIT. Consistent with REALpac Guidance, the foreign exchange movements on the indebtedness associated with the REIT's investment in Vital Trust has been added back to the REIT's net income, as it relates to borrowings that arise due to the REIT's interest in a foreign operation (Vital Trust).

(v) Deferred taxes

Under IFRS, the REIT has recorded deferred tax liabilities in Germany, Brazil 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.

(vi) Non-recurring transaction costs

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

(vii) Convertible Debenture issuance costs

In accordance with IFRS, because the REIT measures its Convertible Debentures at fair value, the REIT expenses the costs related to the issuance of the Convertible Debentures. In accordance with the REALpac Guidance, these non-recurring finance costs related to the issuance of the Convertible Debentures, have been added back to the REIT's net income.

(viii) Net adjustments for equity accounted entities

Under IFRS the REIT's investment in associate is accounted for using the equity method of accounting. As such, the REIT's share of its associate's post acquisition net income (loss) was recognized in its net income (loss), and its share of post-acquisition movements in other comprehensive income (loss) was recognized in other comprehensive income (loss). Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, the REIT's share of its associate's post acquisition net income (loss) is added/(deducted) to/(from) net income and FFO is presented after including the REIT's proportionate share of the associate's FFO.

Additional details on these adjustments are provided in the table below:

TABLE 8C - GHC FUNDS FROM OPERATIONS			
Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Share of profit (loss) of GHC	\$ 5,411	\$ -	\$ 5,411
<u>Add / (Deduct):</u>			
Fair market value losses (gains)	(4,070)	-	(4,070)
Gain on business combination	(41)	-	(41)
Proportionate share of Generation Healthcare REIT GHC FFO⁽¹⁾	\$ 1,300	\$ -	\$ 1,300
Less: Share of profit (loss) of GHC	5,411	-	5,411
Net FFO adjustment for GHC	\$ (4,111)	\$ -	\$ (4,111)
Average % of GHC owned during the period ⁽²⁾	20.0%	n/a	
Notes			
(1) FFO is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO as reported by other such issuers. FFO is defined in this MD&A and reconciled to the consolidated financial statements of the REIT.			
(2) As at March 31, 2017 the REIT held an approximate 22.7% interest in GHC.			

(ix) Internal leasing costs

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

(x) Net loss on disposal of investment properties

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

(xi) Other FFO adjustments

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

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

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

In February 2017, REALpac issued a White Paper with recommendations for the calculation of AFFO. The REIT's AFFO definition differs from the recently-issued REALpac Guidance in that the REIT excludes the revaluation of financial liabilities, amortization of deferred financing charges, debt mark-to-market adjustments, DUP compensation expense, and debt repayment costs in its AFFO calculations.

TABLE 9 - ADJUSTED FUNDS FROM OPERATIONS			
Expressed in thousands of Canadian dollars, except per unit amounts			
	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Funds From Operations ("FFO")⁽¹⁾	\$ 24,524	\$ 16,103	\$ 8,421
Add / (Deduct):			
(i) Amortization of marked to market adjustment	(766)	(2,552)	1,786
(ii) Amortization of deferred financing charges	899	1,017	(118)
Less: Non-controlling interests' share of amortization of deferred financing charges	(68)	(68)	-
(iii) Straight-line revenue	304	(165)	469
Less: non-controlling interests' share of straight-line revenue	(357)	(144)	(213)
(iv) Leasing costs and non-recoverable maintenance capital expenditures	(3,022)	(2,375)	(647)
Less: non-controlling interests' share of actual capex and leasing costs	492	-	492
(v) DUP Compensation Expense	1,189	1,861	(672)
(vi) Debt repayment costs	-	1,997	(1,997)
(vii) Net adjustments for equity accounted entities	(112)	-	(112)
Adjusted Funds From Operations ("AFFO")⁽¹⁾	\$ 23,083	\$ 15,674	\$ 7,409
AFFO per Unit - Basic	\$ 0.25	\$ 0.22	\$ 0.03
AFFO per Unit - fully diluted ⁽³⁾	\$ 0.23	\$ 0.21	\$ 0.02
Distributions per Unit - Basic	\$ 0.20	\$ 0.20	\$ -
Adjusted weighted average units outstanding:⁽²⁾			
Basic	94,212,738	72,037,654	22,175,084
Diluted ⁽³⁾	120,722,716	79,978,232	40,744,484
Notes			
(1)	FFO and AFFO are not measures recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.		
(2)	Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 18,998,065 Class B LP Units outstanding as at March 31, 2017 and December 31, 2016.		
(3)	Diluted units includes vested but unissued deferred trust units and the conversion of the REIT's Convertible Debentures that would have a dilutive effect upon conversion at the holders' contractual conversion price. Convertible Debentures are dilutive if the interest (net of tax and other changes in income or expense) per unit obtainable on conversion is less than the basic per unit measure.		

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

(i) Amortization marked to market adjustment

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

(ii) Amortization of deferred financing charges

Under IFRS, the REIT has recorded amortization of deferred financing charges. As the amortization is a non-cash item, the REIT has included an adjustment in AFFO.

(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. To account for the non-cash nature of these differences the REIT has included an adjustment in AFFO.

Also included in the straight-line revenue adjustments are amounts related to the Sabará Securitization Facility. At the time of securitization, deferred revenue was recognized at an amount equal to the present value of the proceeds received upon the securitization. Under IFRS, the REIT has recorded deferred revenue in respect of the Sabará Securitization Facility, which is amortized into income over the remaining term of the lease. The unamortized balance of the deferred revenue, \$9,675 (R\$22,679) as at March 31, 2017 is net against the value of investment properties. The fair value of the balance outstanding on the Sabará Securitization Facility is \$23,000 (R\$53,915) as at March 31, 2017.

To account for the actual revenue received and to eliminate any principal repayment components on the securitization, the REIT includes an adjustment in AFFO.

For the three months ended March 31, 2017 the REIT recorded revenue of \$561 related to the Sabará Securitization Facility, while the actual rent received, less interest on the Sabará Securitization Facility, totaled \$621. As such, the REIT has increased net income reported under IFRS in AFFO by \$60 for the three months ended March 31, 2017.

For the three months ended March 31, 2016 the REIT recorded revenue of \$464 related to the Sabará Securitization Facility, while the actual rent received, less interest on the Sabará Securitization Facility, totaled \$419. As such, the REIT has decreased net income reported under IFRS in AFFO by \$45 for the three months ended March 31, 2016.

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

In Canada and Germany, due to the nature of the portfolios, on a quarterly basis and during portfolio repositioning, leasing costs, tenant improvements and maintenance capital expenditures can fluctuate and as such, should not be regarded as stabilized. As a result the REIT uses a reserve of 6% of revenue from investment properties in Canada and Germany 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 value of the DUP Liability is added back to income when determining FFO in accordance with REALpac Guidance. However, as the DUP Compensation Expense may be equity settled, at the REIT's option, the REIT has added back DUP Compensation Expense to income when determining AFFO.

(vi) Debt repayment costs

During the quarter, the REIT has not incurred any debt repayment costs. During the three months ended March 31, 2016 the REIT incurred \$1,997 of costs associated with the early repayment of mortgages. As the costs are non-recurring in nature the REIT has added them back to income when determining AFFO.

(vii) Net adjustments for equity accounted entities

Under IFRS the REIT's investment in associate is 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 associate'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 associate's AFFO.

Additional details on these adjustments are provided in the table below:

TABLE 9A - GHC ADJUSTED FUNDS FROM OPERATIONS			
Expressed in thousands of Canadian dollars, except per unit amounts			
	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Proportionate share of Generation Healthcare REIT ("GHC") FFO ⁽¹⁾	\$ 1,300	\$ -	\$ 1,300
<u>Add / (Deduct):</u>			
Amortization of marked to market adjustments	(75)	-	(75)
Amortization of deferred financing charges	9	-	9
Straight-line revenue	67	-	67
Leasing costs and non-recoverable maintenance capital expenditures	(113)	-	(113)
Proportionate share of GHC AFFO⁽¹⁾	\$ 1,188	\$ -	\$ 1,188
Less: Proportionate share of GHC FFO	(1,300)	-	(1,300)
Net AFFO adjustment for GHC	\$ (112)	\$ -	\$ (112)
Average % of GHC owned during the period ⁽²⁾	20.0%	n/a	
Notes			
(1) FFO and AFFO are not measures recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.			
(2) As at March 31, 2017 the REIT held an approximate 22.7% interest in GHC.			

DISTRIBUTIONS

For the three months ended March 31, 2017, the REIT declared a total of \$19,419, in distributions, including distributions on Exchangeable Units. These distributions reflect an annualized distribution rate of \$0.80 per unit per annum.

For the three months ended March 31, 2016, the REIT declared a total of \$14,422 in distributions, including distributions on Exchangeable Units. These distributions reflect an annualized distribution rate of \$0.80 per unit per annum.

Distributions paid per unit over the past twelve months are summarized below:

	Mar-17	Feb-17	Jan-17	Dec-16	Nov-16	Oct-16	Sep-16	Aug-16	Jul-16	Jun-16	May-16	Apr-16
Monthly distribution (\$)	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667
Month-end closing price (\$)	10.55	10.20	10.00	10.20	9.63	10.36	10.46	10.59	10.21	10.03	9.57	9.65
Date of Record	31-Mar-17	28-Feb-17	31-Jan-17	30-Dec-16	30-Nov-16	31-Oct-16	30-Sep-16	31-Aug-16	29-Jul-16	30-Jun-16	31-May-16	29-Apr-16
Date Paid	14-Apr-17	15-Mar-17	15-Feb-17	16-Jan-17	15-Dec-16	15-Nov-16	17-Oct-16	15-Sep-16	15-Aug-16	15-Jul-16	15-Jun-16	16-May-16

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 ended March 31, 2017, a total of 142,291 trust units were issued under the DRIP (three months ended March 31, 2016, a total of 149,253 trust units).

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

Expressed in thousands of Canadian dollars	Three months ended March 31	
	2017	2016
	(Unaudited)	(Unaudited)
Net income (loss) attributable to unitholders	\$ 49,799	\$ (8,049)
Add: Finance cost - Exchangeable Unit distributions	3,800	3,800
Adjusted net income (loss)	<u>\$ 53,599</u>	<u>\$ (4,249)</u>
Cash flow from operating activities attributable to unitholders	\$ 19,256	\$ 11,837
Distributions paid and payable		
Trust Units	\$ 15,619	\$ 10,622
Exchangeable Units	3,800	3,800
	<u>\$ 19,419</u>	<u>\$ 14,422</u>
Surplus (shortfall) of adjusted net income (loss) attributable to unitholders over distributions paid and payable	<u>\$ 34,180</u>	<u>\$ (18,671)</u>
Surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	<u>\$ (163)</u>	<u>\$ (2,585)</u>
Value of Trust Units issued pursuant to the DRIP	<u>\$ 1,374</u>	<u>\$ 1,274</u>

	Three months ended March 31	
	2017	2016
	(Unaudited)	(Unaudited)
Surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	\$ (163)	\$ (2,585)
Add: Distribution income from equity accounted associates	<u>1,898</u>	<u>-</u>
Adjusted surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	<u>\$ 1,735</u>	<u>\$ (2,585)</u>

The distributions earned from its investment in associates are considered by management to be an integral part of the REIT's cash flow from operations due to the strategic nature of these equity investments. During the three months ended March 31, 2017, the REIT's cash flow from operating activities was sufficient to pay distributions. For the three months ended March 31, 2016, after considering the distribution income earned from the REIT's investments in associates, Table 11A therefore identifies \$2,585 of distributions that were financed from other sources being primarily draws on the REIT's Revolving Credit Facility and the DRIP.

Participants in the REIT's DRIP have their distribution entitlement used to purchase Trust Units and also receive a "bonus distribution" of Trust Units equal in value to 3% of each distribution. During the three months ended March 31, 2017, there was \$1,374 in value of Trust Units issued under the DRIP (three months ended March 31, 2016, there was \$1,274 in value of Trust Units). While reducing the cash required to settle the REIT's distributions, the Trust Units issued, pursuant to the DRIP, may in future result in additional cash distributions, should the holders of these Trust Units opt out of the DRIP.

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

In assessing its distribution policy, the REIT considers not only cash flows from operating activities (attributable to unitholders) but also AFFO. Due to the timing of cash receipts relating to certain adjustments affecting AFFO and the fact that certain AFFO adjustments are non-cash, a portion of the 2016 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.

Net income attributable to Unitholders for the period also reflects material non-cash items such as fair value adjustments to investment properties and financial instruments and deferred taxes, which do not impact cash flow and are not considered in the REIT's distribution policy. In establishing distribution payments, the REIT does not take fluctuations in working capital into consideration.

REIT's distributions during 2016 have been deemed a 100% return of capital for tax purposes. Since IPO, annually, approximately 94% to 100% of the REIT's distributions have been deemed a return of capital for tax purposes. As the REIT has a relatively short operating history since IPO, the real estate assets of the REIT have a relatively higher tax base. As such, the REIT will optimize tax deductions available to it in relation to the depreciation of its properties. Over time, all else remaining equal, as the REIT grows, its taxable income is expected to grow, and a greater proportion of the REIT's distributions will be allocated to a return on capital (and less a return of capital) for tax purposes. 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 GHC, future financing activities or asset sales. However, the REIT has at times paid cash distributions which exceed cash flow from operating activities and distribution income earned from its strategic investments in Vital Trust. Distributions paid at times to unitholders have therefore been an economic return of capital. At times the REIT may be required to use additional debt capacity to finance its distributions, which would represent a further economic return of capital, or alternatively reduce distributions. The REIT's distribution policy is based on the REIT's AFFO. AFFO has exceeded actual cash flows from operations available to the REIT from time to time because of the recognition of certain items in AFFO that provide an economic benefit to the REIT but the timing of the realization of the cash flow associated with such economic benefit differs, such as the recognition of the REIT's proportionate share of Vital Trust's and GHC's AFFO which is less than cash distributions received, and the exclusion of certain cash items in AFFO that affects cash flows from operations but to which management does not consider part of AFFO, such as debt repayment costs and the amortization of financing fees, as well as other items such as tenant allowances, leasing costs and capital expenditures in excess of stipulated reserves identified by the REIT in its calculation of AFFO. The REIT may be required to use part of its debt capacity, issue new equity or to reduce distributions in order to accommodate such items in the future. The REIT anticipates temporarily funding such items, if necessary, through new financing or asset sales.

The REIT's Board of Trustees has targeted payment of distributions at: (i) 80-95% of the REIT's AFFO; and (ii) an amount at least equal to the net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for ordinary income taxes on such income. The amount of future distributions and the

declaration and payment thereof is at the discretion of the Board of Trustees and will be based upon the REIT's financial position, results of operations, cash flow, capital requirements and restrictions under the REIT's debt obligations, as well as broader market and economic conditions, among other factors, and shall be in compliance with applicable Law.

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

TABLE 12 - RECONCILIATION OF CASH FLOW FROM OPERATIONS TO AFFO			
Expressed in thousands of Canadian dollars			
	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Cash flow from operating activities	\$ 24,953	\$ 17,852	\$ 7,101
Add (deduct):			
Non-cash interest expense	(1,327)	(8)	(1,319)
Non-cash current taxes	(2,891)	1,516	(4,407)
Changes in non-cash working capital balances	4,394	(1,001)	5,395
FFO of equity accounted entities	(4,223)	-	(4,223)
Other FFO adjustments	597	-	597
Internal leasing costs	465	389	76
Non-recurring transaction costs	88	2,568	(2,480)
Leasing costs and non-recoverable maintenance capital expenditures	(3,022)	(2,375)	(647)
Amortization of deferred revenue	307	277	30
Straight-line revenue	304	(165)	469
Redemption of units issued under the DUP	212	27	185
Amortization of furniture and office equipment	(382)	(95)	(287)
Foreign exchange	1	-	1
Convertible debenture issuance costs	-	-	-
Debt repayment costs	-	1,997	(1,997)
Share of profit (loss) from associates	5,411	-	5,411
AFFO attributable to non-controlling interest	(1,804)	(5,308)	3,504
	<u>\$ (1,870)</u>	<u>(2,178)</u>	<u>308</u>
AFFO	<u>\$ 23,083</u>	<u>\$ 15,674</u>	<u>\$ 7,409</u>

QUARTERLY PERFORMANCE

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

TABLE 13 - QUARTERLY PERFORMANCE								
Expressed in thousands of Canadian dollars, except per unit amounts								
	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15
Summary of Financial information								
Gross Book Value ("GBV") ⁽¹⁾	\$ 3,645,527	\$ 3,328,533	\$ 3,166,994	\$ 2,914,693	\$ 2,711,496	\$ 2,700,009	\$ 2,521,248	\$ 2,539,814
Debt - Declaration of Trust ⁽²⁾	\$ 1,480,961	\$ 1,382,784	\$ 1,364,757	\$ 1,402,740	\$ 1,334,625	\$ 1,329,514	\$ 1,321,178	\$ 1,304,335
Debt to GBV - Declaration of Trust	40.6%	41.5%	43.1%	48.1%	49.2%	49.2%	52.4%	51.4%
Debt - Including Convertible Debentures ⁽²⁾	\$ 1,819,363	\$ 1,714,618	\$ 1,620,846	\$ 1,578,387	\$ 1,507,039	\$ 1,499,608	\$ 1,440,295	\$ 1,423,610
Debt to GBV - Incl. Convertible Debentures	49.9%	51.5%	51.2%	54.2%	55.6%	55.5%	57.1%	56.1%
Operating results								
Net income (loss)	\$ 74,534	\$ 100,846	\$ 3,633	\$ 25,838	\$ (1,186)	\$ 43,984	\$ 6,502	\$ 164,045
NOI ⁽³⁾	\$ 52,894	\$ 63,557	\$ 48,277	\$ 46,056	\$ 44,707	\$ 44,250	\$ 43,641	\$ 34,093
FFO ⁽³⁾	\$ 24,524	\$ 21,354	\$ 21,432	\$ 17,710	\$ 16,103	\$ 13,199	\$ 15,526	\$ 9,091
AFFO ⁽³⁾	\$ 23,083	\$ 19,184	\$ 17,708	\$ 17,325	\$ 15,674	\$ 14,016	\$ 14,428	\$ 11,684
Distributions ⁽⁴⁾	\$ 19,419	\$ 17,674	\$ 17,652	\$ 16,173	\$ 14,422	\$ 14,345	\$ 14,382	\$ 12,898
Per Unit amounts ⁽⁵⁾								
FFO per unit - Basic	\$ 0.26	\$ 0.24	\$ 0.25	\$ 0.22	\$ 0.22	\$ 0.18	\$ 0.22	\$ 0.16
AFFO per unit - Basic	\$ 0.25	\$ 0.22	\$ 0.21	\$ 0.22	\$ 0.22	\$ 0.20	\$ 0.20	\$ 0.21
Distributions	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.22
Adjusted Weighted Average units outstanding ⁽⁵⁾								
Basic	94,212,738	88,366,983	86,344,032	78,982,759	72,037,654	71,715,369	71,926,782	55,259,676
Notes								
(1) Gross Book Value is defined as total assets.								
(2) As defined in Non-IFRS measures used in this MD&A.								
(3) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to IFRS-based amounts reported in the consolidated financial statements of the REIT. NOI is an additional IFRS measure and NOI as calculated by the REIT may not be comparable to similar titled measures reported by other issuers.								
(4) Represents distributions to Unitholders and Class B LP Units on an accrual basis. Distributions are payable as at the end of the period in which they are declared by the Board of Trustees, and are paid on or around the 15th day of the following month.								
(5) Under IFRS the REIT's Class B LP Units and Class D GP 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 and Class D GP 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 March 31, 2017 and December 31, 2016:

TABLE 14 - CAPITAL STRUCTURE		
Expressed in thousands of Canadian dollars	As at	As at
	March 31, 2017	December 31, 2016
	(Unaudited)	(Unaudited)
Mortgages and loans payable	\$ 1,467,514	\$ 1,369,665
Deferred consideration	13,447	13,119
Debt - Declaration of Trust ⁽¹⁾	1,480,961	1,382,784
Convertible Debentures at Fair Value	338,402	331,834
Debt - Including Convertible Debentures ⁽¹⁾	1,819,363	1,714,618
Mortgages and loans payable - marked to market	10,530	11,296
Mortgages and loans payable - unamortized financing costs	(15,672)	(15,285)
Total Debt	1,814,221	1,710,629
DUP Liability	16,457	14,935
Class B LP Exchangeable Units	200,429	193,780
Unitholders' equity	849,029	704,285
Total Capitalization	\$ 2,880,136	\$ 2,623,629
Notes		
(1) As defined in Non-IFRS measures used in this MD&A.		

Unitholders' Equity

The following table reconciles the movements in the units outstanding for the three months ended March 31, 2017:

TABLE 14 - UNITS OUTSTANDING	
	(Unaudited)
Trust Units outstanding, December 31, 2016	69,437,168
Issuance of Trust Units under the DRIP	142,291
Issuance of Trust Units under the DUP	21,868
Issuance of Trust Units pursuant to equity offering	8,544,500
Trust Units outstanding, March 31, 2017	78,145,827

Class B LP Units

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

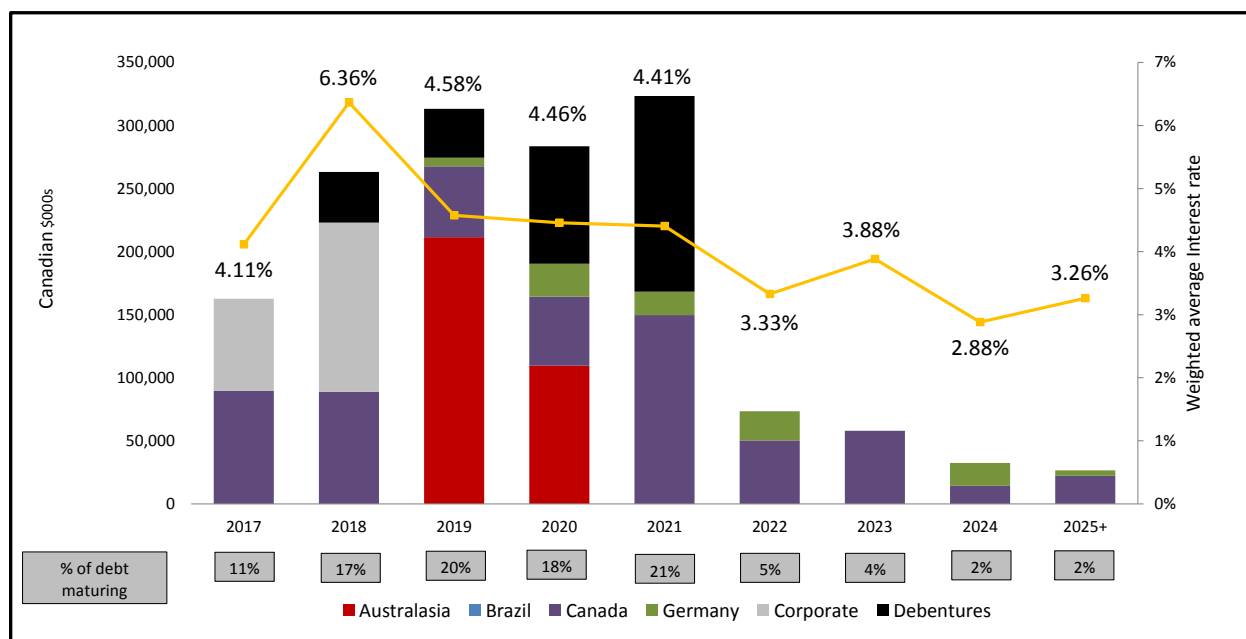
There were 18,998,065 Exchangeable Units outstanding as at March 31, 2017, unchanged from December 31, 2016.

Debt

The following table summarizes the REIT's debt as at March 31, 2017 and December 31, 2016:

TABLE 15- DEBT							
Expressed in thousands of Canadian dollars (Unaudited)							
As at March 31, 2017							
	Weighted average interest rate ⁽¹⁾	Outstanding Balance	Marked to Market	Unamortized Financing Costs	Balance	Maturity	
Canada							
Mortgages	3.92%	\$ 666,887	\$ 10,530	\$ (1,314)	\$ 676,103	April 2017 - January 2029	
Brazil							
Brazil debt ⁽²⁾	7.84%	161,048	-	(10,657)	150,391	May 2026 - December 2026	
Germany							
Mortgages	1.91%	111,502	-	(1,520)	109,982	June 2019 - August 2025	
Australasia							
Term loans	4.43%	320,926	-	(832)	320,094	March 2019 to October 2020	
Corporate							
Australasian Secured Financing	5.09%	126,151	-	(732)	125,419	July 2018	
Acquisition Facility	8.20%	8,000	-	(476)	7,524	December 2018	
Revolving Credit Facility	3.14%	73,000	-	(141)	72,859	November 2017	
	4.53%	\$ 207,151	\$ -	\$ (1,349)	\$ 205,802		
Total Mortgages and Loans Payable	4.39%	\$ 1,467,514	\$ 10,530	\$ (15,672)	\$ 1,462,372		
Deferred Consideration	n/a	13,447	-	-	13,447	n/a	
Total Debt excluding Convertible Debentures		\$ 1,480,961	\$ 10,530	\$ (15,672)	\$ 1,475,819		
Convertible Debentures (Corporate)	5.73%	327,350	11,052	-	338,402	March 2018 - December 2021	
Total Debt	4.64%	\$ 1,808,311	\$ 21,582	\$ (15,672)	\$ 1,814,221		
As at December 31, 2016							
	Weighted average interest rate ⁽¹⁾	Outstanding Balance	Marked to Market	Unamortized Financing Costs	Balance	Maturity	
Canada							
Mortgages	3.93%	\$ 670,734	\$ 11,296	\$ (1,397)	\$ 680,633	April 2017 - January 2029	
Brazil							
Brazil debt ⁽²⁾	7.84%	157,035	-	(9,947)	147,088	May 2026 - December 2026	
Germany							
Mortgages	1.92%	92,837	-	(1,601)	91,236	June 2019 - August 2025	
Australasia							
Term loans	4.66%	243,340	-	(889)	242,451	March 2019 to October 2020	
Corporate							
Australasian Secured Financing	5.86%	118,719	-	(720)	117,999	July 2018	
Acquisition Facility	8.20%	18,000	-	(544)	17,456	December 2018	
Revolving Credit Facility	3.01%	69,000	-	(187)	68,813	November 2017	
	5.11%	205,719	-	(1,451)	204,268		
Total Mortgages and Loans Payable	4.55%	\$ 1,369,665	\$ 11,296	\$ (15,285)	\$ 1,365,676		
Deferred Consideration	n/a	13,119	-	-	13,119	n/a	
Total Debt excluding Convertible Debentures		\$ 1,382,784	\$ 11,296	\$ (15,285)	\$ 1,378,795		
Convertible Debentures (Corporate)	5.73%	327,350	4,484	-	331,834	March 2018 - December 2021	
Total Debt	4.78%	\$ 1,710,134	\$ 15,780	\$ (15,285)	\$ 1,710,629		
Notes							
(1) Weighted average interest rate of Total Debt has been calculated excluding Deferred Consideration							
(2) The Brazil debt fully amortizes over a ten year period.							

The following chart summarizes, as at March 31, 2017, the REIT's debt maturities:



Additional details on the REIT's mortgages and loans payable are set out below:

Canada – Mortgages

The following table summarizes, as at March 31, 2017, scheduled principal payments, debt maturity amounts and weighted average interest rates of the REIT's mortgages secured by its Canadian investment properties:

Expressed in thousands of Canadian dollars				
	Scheduled principal payments (Unaudited)	Debt maturing during the year (Unaudited)	Total mortgages payable (Unaudited)	Weighted average interest rates ⁽¹⁾ (Unaudited)
As at March 31, 2017				
2017	\$ 12,843	\$ 89,689	\$ 102,532	4.90%
2018	17,311	88,895	106,206	3.34%
2019	14,999	56,192	71,191	3.58%
2020	13,988	54,825	68,813	4.12%
2021	9,126	149,672	158,798	3.76%
2022	6,458	50,264	56,722	4.08%
2023	3,516	57,931	61,447	3.88%
2024	2,085	14,225	16,310	4.30%
2025	926	22,173	23,099	3.49%
2026 and thereafter	1,769	-	1,769	-
	\$ 83,021	\$ 583,866	\$ 666,887	3.92%
Marked to market premium			10,530	-0.85%
Unamortized financings costs			(1,314)	
Total			\$ 676,103	3.07%
Notes				
(1) One Canadian mortgage with a 5.73% interest rate fully amortizes over the period to January 2029.				

Brazil – Debt

TABLE 15B - BRAZIL DEBT				
Expressed in thousands of Canadian dollars				
	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Weighted average interest rates ⁽¹⁾
As at March 31, 2017	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
2017	\$ 9,045	\$ -	\$ 9,045	-
2018	12,887	-	12,887	-
2019	13,899	-	13,899	-
2020	14,991	-	14,991	-
2021	16,170	-	16,170	-
2022	17,442	-	17,442	-
2023	18,816	-	18,816	-
2024	20,298	-	20,298	-
2025	21,898	-	21,898	-
2026 and thereafter	15,602	-	15,602	-
	\$ 161,048	\$ -	\$ 161,048	7.84%
Unamortized financings costs			(10,657)	
Total			\$ 150,391	
Notes				
(1) The Brazil Term Loans fully amortize over a ten year period.				

As at March 31, 2017, the outstanding balance of the three securitization financings relating to the Hospital Caxias D’Or and HMB assets was \$161,048 (\$377,515) (December 31, 2016 - \$157,035 (R\$379,772), with terms maturing between May 7, 2026 and December 6, 2026 and bearing a weighted average interest rate of 7.84% (December 31, 2016 – 7.84%).

In addition to the foregoing, the REIT has securitized a portion of the rents receivable under the Sabará Lease. The Sabará securitization in effect serves as an amortizing loan, with the 78.75% of total annual rent not being retained by the REIT serving as a mixed payment of “principal and interest” on the amount of the original advance. The Sabará securitization bears an interest rate of IPCA + 9.25%.

In March 2017, the REIT received conditional approval from Brazilian securities regulators and commenced marketing of its previously announced long-term financing of its Hospital Santa Helena asset. The financing, representing the securitization of future rents, was for an amount ranging from \$83,600 to \$87,000 (R\$196,000 to R\$204,000) with a term of 10 years and maximum interest rate of the NTN-B (an inflation (IPCA) linked bond) plus 180 basis points (estimated to currently be 7.20%) (the “Santa Helena Financing”). The REIT expects to complete the long term financing before the end of the year.

Germany – Mortgages

The following table summarizes, as at March 31, 2017, scheduled principal payments, debt maturity amounts and weighted average interest rates of the REIT's mortgages secured by its German investment properties:

Expressed in thousands of Canadian dollars				
	Scheduled principal payments (Unaudited)	Debt maturing during the year (Unaudited)	Total mortgages payable (Unaudited)	Weighted average interest rates (Unaudited)
As at March 31, 2017				
2017	\$ 2,192	\$ -	\$ 2,192	-
2018	2,962	-	2,962	-
2019	2,833	6,815	9,648	2.23%
2020	2,396	26,038	28,434	1.58%
2021	1,699	18,545	20,244	2.55%
2022	1,081	23,153	24,234	1.70%
2023	830	-	830	-
2024	293	18,160	18,453	1.77%
2025	54	4,451	4,505	2.11%
2026 and thereafter	-	-	-	-
	\$ 14,340	\$ 97,162	\$ 111,502	1.91%
Unamortized financings costs			(1,520)	
Total			\$ 109,982	

During the three months period ended March 31, 2017, the REIT entered or assumed three mortgages for total of \$19,221 (€13,500) with respect to acquisition of the Medical Care Centre Hamburg-Bergedorf and Altstadt-Caree Fulda Medical Centre. The assumed mortgages have a weighted average interest rate of 1.95% and a weighted average term to maturity of five years.

All of the REIT's investment properties in Germany have been pledged as security against the German mortgages and loans.

Australasia – Term Loans

Expressed in thousands of Canadian dollars				
	Scheduled principal payments (Unaudited)	Debt maturing during the year (Unaudited)	Total mortgages payable (Unaudited)	Weighted average interest rates (Unaudited)
As at March 31, 2017				
2019	\$ -	\$ 211,446	\$ 211,446	4.43%
2020	-	109,480	109,480	4.43%
	\$ -	\$ 320,926	\$ 320,926	4.43%
Unamortized financings costs			(832)	
Total			\$ 320,094	

Vital Trust has a syndicated revolving multi-currency facility with ANZ Bank New Zealand Limited, Australia and New Zealand Banking Group Limited and Bank of New Zealand. The facility consists of the following tranches: Tranche A: approximately \$127,000 (A\$125,000) which expires March 31, 2019; Tranche B: approximately \$102,000 (A\$100,000) which expires March 31, 2019; Tranche C: approximately \$102,000 (A\$100,000) which expires October 30, 2020; Tranche D approximately \$102,000 (A\$100,000) which expires October 30, 2020; plus the New Zealand Dollar Facility, approximately \$19,000 (NZ\$20,000) which expires October 30, 2020;

Borrowings are secured by a security trust deed dated April 1, 2003 and as amended and restated on June 26, 2014. Pursuant to the deed, a security interest has been granted of first ranking mortgages over the respective investment properties by a general security deed over the assets and undertakings of Vital Trust.

The Vital Trust's policy is to convert a portion of its floating rate debt to fixed rates using interest rate swaps to maintain 70% to 100% of its borrowings in fixed rate instruments. Vital Trust has entered into interest rate swaps that mature over the next 10 years and have fixed interest rates ranging from 2.64% to 4.99% that fix interest on \$229,698 (NZ\$245,982) of the syndicated facility.

Corporate – Australasian Secured Financing

On July 15, 2016 the REIT completed a combined New Zealand Dollar and Australian Dollar credit facility financing with an available amount equal to the equivalent of A\$120,165 (the “**Australasian Secured Financing**”). The facility bears interest at a rate that fluctuates with the one-month bank bill reference rates of Australia and New Zealand, where applicable, plus 325 to 500 basis points (5.09% on a weighted average basis as at March 31, 2017). The facility is currently secured by a pledge of 105,977,178 Vital Trust units held by the REIT and 50,175,078 units GHC held by the REIT. The principal balance outstanding on the facilities as at March 31, 2017, was \$126,150 (NZ\$90,343 and A\$41,122). The facility has a term of two years expiring on July 15, 2018.

The Australasian Secured Financing allows a maximum loan-to-fair market value of the Vital Trust units and GHC units pledged of 45% and if such margin is exceeded the REIT is required to provide additional security or reduce the loan.

On February 3, 2017, the REIT voluntarily contributed \$35,017 (A\$35,000) as cash collateral against the Australian dollar portion of the Australasian Secured Financing. The cash collateral can be withdrawn by the REIT at any time. The cash collateral earns interest and reduces the applicable basis points on the one-month bank bill reference rate of Australia, resulting in a lower overall interest expense. On February 28, 2017, GHC paid the REIT a cash distribution of \$1,898 (A\$1,950), which was declared on December 15, 2016. The GHC distribution proceeds were also contributed as a collateral towards the Australasian Secured Financing.

On March 24, 2017, the REIT borrowed an additional \$5,684 (A\$5,580) on the Australasian Secured Financing to finance the acquisition of GHC units. The additional financing has the same terms as amounts previously borrowed and is secured by the 6,700,000 GHC units that were purchased.

See Subsequent Events

Corporate – Acquisition Facility

On December 16, 2016, the REIT renegotiated terms of the Acquisition Facility, increasing the facility from \$24,000 to \$32,000 and extending the maturity date to December 31, 2018. \$8,000 of the facility remains non-revolving. As at March 31, 2017, the REIT had a balance outstanding on the acquisition facility of \$8,000 (December 31, 2016 - \$18,000).

Corporate – Revolving Credit Facility

As at March 31, 2017, the REIT has \$80,000 revolving credit facility (inclusive of the Letter of Credit Facility). The facility bears interest at rates ranging from the bank's prime rate plus 0.85% to 1.00% or Bankers' Acceptances plus 1.85% to 2.00%, with a term to November 2, 2017 (the “**Revolving Credit Facility**”). Included in the Revolving Credit Facility is a \$5,000 revolving letter of credit facility, the unutilized portion of which may be used for Revolving Credit Facility borrowings. The REIT has an option to expand the Revolving Credit Facility to \$100,000 and to extend the facility for a further one year period, each subject to terms and conditions satisfactory to the lenders.

The Revolving Credit Facility is secured by a pool of first ranking mortgages on certain properties and the terms of a general security agreement. There was \$73,000 drawn against the Revolving Credit Facility as at March 31, 2017.

See Subsequent Events.

Convertible Debentures

The following table summarizes, as at March 31, 2017, the REIT's Convertible Debentures:

TABLE 15E - CONVERTIBLE DEBENTURES						
Expressed in thousands of Canadian dollars	<u>Fair Value ⁽¹⁾</u>	<u>Face Value</u>	<u>Interest Rate</u>	<u>Conversion Price per Unit</u>	<u>Maturity Date</u>	<u>Interest Payment Dates</u>
As at March 31, 2017						
Series NWH.DB	41,055	40,250	5.25%	\$ 14.20	September 30, 2020	March 31, September 30
Series NWH.DB.A	23,278	22,600	6.50%	\$ 13.70	March 31, 2018	March 31, September 30
Series NWH.DB.B	18,072	17,500	7.50%	\$ 11.54	September 30, 2018	March 31, September 30
Series NWH.DB.C	40,688	38,750	7.25%	\$ 12.50	October 31, 2019	April 30, October 31
Series NWH.DB.D	55,650	53,000	5.50%	\$ 11.25	October 31, 2020	April 30, October 31
Series NWH.DB.E	76,656	74,750	5.25%	\$ 12.75	July 31, 2021	January 31, July 31
Series NWH.DB.F	83,003	80,500	5.25%	\$ 12.80	December 31, 2021	June 30, December 31
	<u>\$ 338,402</u>	<u>\$ 327,350</u>	<u>5.73%</u>			
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.						

Deferred Consideration

Deferred consideration relates to holdbacks payable and transaction costs not yet paid related to previously completed acquisitions.

As at March 31, 2017 deferred consideration includes \$7,301 (R\$17,115) related to the acquisitions of Hospital Ifor and Hospital Santa Helena, \$6,092 (A\$5,995) related to the acquisition of GHM and \$54 (€38) related to the German acquisitions of Mehrower Allee, Alstadt-Caree Fulda Medical Centre and Medical Care Centre Hamburg-Bergedorf. The deferred consideration related to the acquisition of GHM is payable to the seller at the later of the following: (i) collecting the performance fee receivable accrued at acquisition date, (ii) two years after the date of acquisition or (iii) upon occurrence of a 'trigger event' as defined in the acquisition agreement.

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 March 31, 2017 the DUP Liability is \$16,457 (December 31, 2016 - \$14,935).

RATIOS AND COVENANTS

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

The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with a term to maturity that is appropriate having regard to the lease maturity profile for each property and which allows the REIT to (i) achieve and maintain staggered debt maturities to lessen exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix the rates and extend loan terms as long as possible when borrowing conditions are favourable. The following summarizes the status of these key ratios as at and for the three months ended March 31, 2017:

TABLE 15F- RATIOS			
Expressed in thousands of Canadian dollars			
	As at March 31, 2017	As at December 31, 2016	
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	
Gross Book Value ⁽¹⁾	\$ 3,645,527	\$ 3,328,533	
Debt - Declaration of Trust ⁽¹⁾	\$ 1,480,961	\$ 1,382,784	
Debt to Gross Book Value - Declaration of Trust	40.6%	41.5%	
Debt - Including Convertible Debentures ⁽¹⁾	\$ 1,819,363	\$ 1,714,618	
Debt to Gross Book Value - Including Convertible Debentures	49.9%	51.5%	
	Three months ended March 31		
	2017	2016	Variance
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Income (Loss) before taxes	\$ 90,136	\$ 4,240	\$ 85,896
Add (deduct):			
Mortgage and loan interest expense	20,339	18,974	1,365
Distributions on Exchangeable Units	3,800	3,800	-
Amortization of deferred financing costs	899	1,017	(118)
Amortization of marked to market adjustment	(766)	(2,552)	1,786
EBITDA	\$ 114,408	\$ 25,479	\$ 88,929
Loss on revaluation of financial liabilities	1,539	2,473	(934)
Fair market value losses (gains)	(57,972)	9,907	(67,879)
DUP Compensation Expense	1,189	1,861	(672)
Foreign exchange loss (gain)	(3,989)	(2,272)	(1,717)
Net loss on disposal of investment properties	-	1,417	(1,417)
Convertible Debenture issuance costs	-	-	-
Transaction costs	88	2,568	(2,480)
Less: Share of (profit) loss of associates	(5,411)	-	(5,411)
Add: Distribution income from equity accounted associates	1,898	-	1,898
Adjusted EBITDA	\$ 51,750	\$ 41,433	10,317
Mortgage and loan interest expense	\$ 20,339	\$ 18,974	\$ (1,365)
Less: Debt repayment costs	-	(1,997)	(1,997)
Adjusted mortgage and loan interest expense	\$ 20,339	\$ 16,977	\$ (3,362)
Interest Coverage	2.54	2.44	0.10
Notes			
(1) As defined in Non-IFRS measures used in this MD&A.			

LIQUIDITY AND CASH RESOURCES

Cash resources and Liquidity

Expressed in thousands of Canadian dollars		
	As at March 31, 2017 (Unaudited)	As at December 31, 2016 (Unaudited)
Cash	\$ 61,076	\$ 19,955
Restricted Cash	342	296
Total	\$ 61,418	\$ 20,251

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

The REIT also has a Revolving Credit Facility and Acquisition Facility that provide additional liquidity. 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, bridge facilities, operating facilities, issuance of equity and convertible/unsecured debentures, and select asset sales. Cash flow generated from operating activities and distribution income received from the REIT's investment in Vital Trust and GHC 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 GHC; (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 March 31, 2017:

Expressed in thousands of Canadian dollars								
	Carrying amount	Contractual cash flow	2017	2018	2019	2020	2021	Thereafter
Accounts payable and accrued liabilities	\$ 49,455	\$ 49,455	\$ 49,455	\$ -	\$ -	\$ -	\$ -	\$ -
Distributions payable	5,210	5,210	5,210	-	-	-	-	-
Income tax payable	17,430	17,430	17,430	-	-	-	-	-
Deferred consideration	13,447	13,447	13,447	-	-	-	-	-
Convertible debentures	338,402	397,062	14,360	58,135	54,738	106,429	163,400	-
Mortgages and loans payable	1,462,372	1,628,671	214,825	289,648	334,595	246,660	212,414	330,529
Total	\$ 1,886,316	\$ 2,111,275	\$ 314,727	\$ 347,783	\$ 389,333	\$ 353,089	\$ 375,814	\$ 330,529

The REIT currently intends to distribute a high percentage of its AFFO to Unitholders. As such, the REIT will not retain a material amount, or possibly none of operating cash flows or any cash distributions received from its investments in Vital Trust and GHC, to finance other capital requirements, such as acquisitions, maturing debt principal and significant capital expenditures. Instead, the REIT intends to finance such initiatives through the

issuance of additional equity or debt securities. From time to time, the REIT may also consider other financing initiatives, such as the refinancing of mortgages on existing properties and entering into additional credit facilities.

The REIT's current liabilities totaled \$324,328, exceeding current assets of \$93,530, resulting in a working capital deficiency of \$230,798 as at March 31, 2017.

Current liabilities include:

- The Revolving Credit Facility of \$73,000 which matures November 2017. Subsequent to quarter end, the REIT negotiated terms of its Revolving Credit Facility, increasing the facility from \$80,000 to \$100,000 and extending expiry date from November 2, 2017 to November 2, 2019. See **Subsequent Events**.
- \$106,903 of Canadian mortgage maturities that the REIT expects to refinance in the normal course as they mature.
- The NWH.DB.A Convertible Debentures with a fair value of \$23,278 (face value of \$22,600). The REIT is currently considering refinancing options which may include the repayment of the remaining balance.

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:

TABLE 18 - NET CHANGE IN CASH			
Expressed in thousands of Canadian dollars	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Cash provided by / (used in):			
Operating activities	\$ 24,953	\$ 17,852	\$ 7,101
Investing activities	(99,217)	(21,973)	(77,244)
Financing activities	114,916	1,210	113,706
Net increase / (decrease) in cash during the period	40,652	(2,911)	43,563
Effect of foreign currency translation	469	119	350
Net increase / (decrease) in cash during the period	\$ 41,121	\$ (2,792)	\$ 43,913

Operating activities

Cash provided by operating activities totaled \$24,953 for the three months ended March 31, 2017 as compared to cash flow provided by operating activities of \$17,852 for the three months ended March 31, 2016 an increase of \$7,101. Of this increase, \$8,187 is attributable to NOI improvements, \$2,480 to a decrease in transaction costs, \$1,547 to a decrease in taxes paid, \$863 to an increase in management fee income, and \$206 to an increase in interest revenue. This was partially offset by working capital movements that reduced operating cash flow from the prior year by \$5,396.

Investing activities

Cash used by investing activities totaled \$99,217 for the three months ended March 31, 2017, which is primarily due to \$68,184 related to acquisitions of investment properties, \$19,267 of additions to investment properties, and \$13,376 of additions to the REIT's investment in GHC.

Cash used in investing activities totaled \$21,973 for the three months ended March 31, 2016, which is primarily due to \$52,677 related to acquisitions of investment properties and \$17,682 of additions to investment properties, partially offset by net proceeds on disposal of investment properties of \$39,883 and receipts from foreign exchange contracts held by Vital Trust of \$8,539.

Financing activities

Cash generated in financing activities totaled \$114,916 for the three months ended March 31, 2017 as compared to \$1,210 during the three months ended March 31, 2016.

During the three months ended March 31, 2017 the REIT received net proceeds, \$82,127 from the issuance of equity, received, net of repayments, from mortgages, loans payable and credit facilities of \$56,413, paid financing fees of \$1,112, paid distributions to REIT unitholders of \$17,415 and paid distributions to non-controlling unitholders of Vital Trust of \$5,097.

During three months ended March 31, 2016, the REIT received proceeds net of repayments from mortgages, loans payable and credit facilities of \$20,474, paid financing fees of \$1,224, paid distributions to REIT unitholders of \$13,117, paid distributions to non-controlling unitholders of Vital Trust of \$4,637 and acquired Trust Units for cancellation, pursuant to the REIT's NCIB, at a total cost of \$286.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months ended March 31, 2017, approximately 82% of the REIT's AFFO was conducted in currencies other than Canadian dollars, while its distributions to Unitholders, certain general and administrative expenses, interest expenses and interest income were denominated in Canadian dollars. A summary of the REIT's currency exposure by quarter for the last five quarters is presented below:

AFFO by Currency by Quarter ⁽¹⁾	Trading Range			
	<i>(Against CAD)</i>			
	BRL	EUR	NZD	AUD
Three months ended March 31, 2017:				
High	0.4128	1.5298	0.8816	1.0127
Low	0.3205	1.4081	0.8313	0.9659
Average	0.4049	1.4410	0.9498	1.0007
Balance Sheet:				
March 31, 2017	0.4266	1.4192	0.9338	1.0162
December 31, 2016	0.4135	1.4153	0.9329	0.9691
Profit & Loss:				
Q1 2017 Average Rate	0.4211	1.4099	0.9413	1.0028
Q4 2016 Average Rate	0.4049	1.4410	0.9498	1.0007
Q3 2016 Average Rate	0.4015	1.4545	0.9419	0.9885
Q2 2016 Average Rate	0.3682	1.4562	0.8909	0.9617
Q1 2016 Average Rate	0.3522	1.5155	0.9119	0.9908

Notes

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

For the three months ended March 31, 2017, 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 March 31, 2017, Canadian dollar AFFO was \$4,045 while Canadian dollar distributions paid in cash to Unitholders totaled \$19,419. Deficiencies were funded from cash repatriated to Canada from Brazil, Germany, Australia, and New Zealand and the draws on the Revolving Credit Facility.

As at March 31, 2017 the REIT held approximately \$6,300 of cash and receivables denominated in Canadian Dollars.

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

The REIT intends to implement its formal hedging policy, when necessary, practicable and economically feasible to do so, to mitigate the impact of foreign currency fluctuations and to provide more certainty regarding the payment of distributions to Unitholders if the Canadian dollar increases in value compared to foreign currencies. The REIT's current hedging arrangements include natural currency hedges through local-currency denominated debt, inflation-indexed leases that provide protection against currency devaluation, and exposure to a diversified basket of currencies. Future hedging arrangements may include implementing specific foreign currency hedging derivatives. The REIT (with the exception of Vital Trust) does not currently have any specific foreign currency hedging derivatives in place.

PART V – RELATED PARTY TRANSACTIONS

- a) As at March 31, 2017, NWVP indirectly owned approximately 27% of the outstanding Trust Units (approximately 21% on a fully-diluted basis assuming conversion of the REIT's Convertible Debentures and redemption of its deferred units) of the REIT through a combination of Trust Units of the REIT and Class B LP Units. Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer ("CEO") of the REIT, is the sole shareholder, sole director and President of NWVP.
- b) The following table summarizes the related party transactions with NWVP and its affiliates related to the Cost-Sharing and Sublease Agreements during the period:

TABLE 19A - RELATED PARTY TRANSACTIONS			
Expressed in thousands of Canadian dollars	Three months ended March 31		
	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Out-of-pocket costs paid	673	158	515
Cost-sharing and sublease amounts paid	\$ 103	\$ 194	\$ (91)

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

TABLE 19B - RELATED PARTY BALANCE SHEET AMOUNTS			
Expressed in thousands of Canadian dollars	As at		Variance
	March 31, 2017	December 31, 2016	
	(Unaudited)	(Unaudited)	(Unaudited)
Amounts (payable) receivable			
Cost-sharing and sublease amounts	\$ (347)	315	\$ (662)
Amounts payable			
Class B Exchangeable Unit distributions	\$ 1,267	\$ 1,267	\$ -

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

PART VI – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies is described in note 2 of the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2016.

The preparation of financial statements in conformity with IFRS requires the REIT to make judgements, estimates, and assumptions that affect the reported amounts recognized in the financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the financial statements. Actual results could differ from estimates. Please refer to note 1 in the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2016.

PART VII – RISKS AND UNCERTAINTIES

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

PART VIII – CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Changes in Internal Controls Over Financial Reporting

There were no significant changes made in internal controls over financial reporting during the three months ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

For additional information on the REIT's disclosure controls and procedures and internal controls over financial reporting refer to "Controls and Procedures" in the REIT's MD&A for the three months and year ended December 31, 2016, which can be found on SEDAR at www.sedar.com.

PART IX – OUTLOOK

During 2017, the REIT will continue to focus on lowering its cost of capital through debt refinancings and repayments, and new financing; continue to pursue new acquisitions and accretive development opportunities in the REIT's existing markets; and continue to execute on a focused investor relations outreach program.

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

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

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PART XI – PROPERTY TABLE

As at March 31, 2017

PROPERTY TABLE							
Property	Location	Date Acquired	Year Built ⁽¹⁾	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE ⁽²⁾
Canada							
1 Glenmore Professional Centre	Calgary, AB	Dec 31 2010	2007	137,821	1	100.0%	0.3
2 Sunridge Professional Centre	Calgary, AB	Mar 25 2010	1985	132,813	34	100.0%	4.5
3 Riley Park Health Centre ⁽⁷⁾	Calgary, AB	Mar 25 2010	1956	72,808	9	100.0%	3.9
4 Rockyview Health Centre I	Calgary, AB	Mar 25 2010	1977	67,998	30	94.3%	4.7
5 Foothills Professional Building	Calgary, AB	Mar 25 2010	1980	58,607	22	100.0%	3.5
6 Sunpark Plaza	Calgary, AB	Dec 7 2011	2005	53,150	8	67.1%	2.4
7 Rockyview Health Centre II	Calgary, AB	Mar 25 2010	1992	53,126	4	74.3%	7.2
8 Willow Brook Medical Centre	Airdrie, AB	Apr 10 2012	2010	34,680	5	100.0%	6.5
9 Hys Centre	Edmonton, AB	Feb 1 2011	1978	181,545	34	83.7%	4.5
10 Tawa Centre	Edmonton, AB	May 31 2011	1986	95,447	24	99.4%	3.9
11 Mira Health Centre	Edmonton, AB	Mar 25 2010	1992	69,228	17	98.2%	4.6
12 Garneau Professional Building	Edmonton, AB	Mar 25 2010	1980	58,326	15	69.6%	3.7
13 Queen Street Place	Spruce Grove, AB	Jul 7 2010	2007	69,423	16	100.0%	3.1
14 WRHA Downtown West Community	Winnipeg, MB	May 16 2013	1974	43,750	3	100.0%	9.5
15 Hargrave Place	Winnipeg, MB	Jul 31 2013	1977	70,947	2	99.0%	12.4
16 Dundas-Edward Centre	Toronto, ON	Jan 25 2011	1973	416,696	81	94.4%	5.1
17 Davisville Medical Dental Centre	Toronto, ON	Mar 25 2010	1964	95,778	83	94.4%	3.1
18 Fairview Health Centre	Toronto, ON	Mar 25 2010	1971	87,168	56	98.1%	3.8
19 North York Medical Arts Building	Toronto, ON	Mar 25 2010	1978	75,855	59	98.4%	5.0
20 The Stewart Building	Toronto, ON	Mar 25 2010	1951	43,118	1	100.0%	2.1
21 Malvern Medical Arts	Toronto, ON	Apr 1 2011	1987	40,667	16	87.9%	4.0
22 Albany Medical Clinic	Toronto, ON	Sep 27 2012	2010	42,582	1	100.0%	13.1
23 One Medical Place	Toronto, ON	Mar 25 2010	1964	40,755	19	85.4%	5.8
24 Danforth Health Centre	Toronto, ON	Mar 25 2010	1991	29,496	9	96.5%	1.2
25 Bathurst Health Centre	Toronto, ON	Mar 25 2010	1984	29,114	15	100.0%	7.2
26 81 The East Mall ⁽⁸⁾	Toronto, ON	Jan 16 2015	1994	35,402	4	79.1%	12.8
85 The East Mall ⁽⁸⁾	Toronto, ON	Jan 16 2015	2016	46,448	6	91.1%	15.3
27 Queensway Professional Centre	Mississauga, ON	Mar 25 2010	1977	170,024	67	75.3%	4.1
28 Trafalgar Professional Centre	Oakville, ON	Mar 25 2010	1985	66,009	29	91.5%	4.3
29 Dundas-Centre Medical	Whitby, ON	Oct 1 2012	1987	33,600	22	94.5%	4.5
30 Wentworth-Limeridge Medical Centre	Hamilton, ON	Mar 25 2010	1989	40,716	18	86.5%	4.4
31 Queenston Medical-Dental Centre	Hamilton, ON	Oct 1 2012	1992	18,355	15	100.0%	2.1
32 Oxford Health Centre	London, ON	Mar 25 2010	1994	39,184	19	81.1%	4.3
33 Springbank Medical Centre	London, ON	Mar 30 2012	2011	53,030	31	91.5%	4.5
34 Canamera Medical Centre	Cambridge, ON	Sep 15 2011	2007	82,043	19	100.0%	3.7
35 Guelph Medical Place I	Guelph, ON	Oct 1 2012	1991	36,013	15	100.0%	4.7
36 Guelph Medical Place II	Guelph, ON	Oct 1 2012	2011	27,518	11	86.0%	4.9
37 Collingwood Health Centre	Collingwood, ON	Mar 25 2010	1995	26,350	14	78.3%	4.1
38 Owen Sound Medical Building	Owen Sound, ON	Feb 9 2015	2011	77,542	11	89.3%	6.4
39 Smyth Medical Centre	Ottawa, ON	Sep 10 2012	1983	20,065	14	86.6%	3.8
40 CSSS Haut-Richelieu	Richelieu, QC	Sep 1 2010	2009	54,659	1	100.0%	6.8
41 Clinique Bois-De-Boulogne	Montreal, QC	Mar 25 2010	1983	96,364	26	88.4%	2.9
42 Le Carrefour Medical	Laval, QC	Mar 25 2010	1990	117,990	31	87.0%	4.0
43 Clinique Bleue	Longueuil, QC	Mar 25 2010	1988	25,772	7	86.1%	5.9
44 2924 Taschereau Boulevard	Longueuil, QC	Mar 25 2010	1988	24,644	1	100.0%	3.5
45 CLSC Saint-Hubert	Saint-Hubert, QC	Mar 25 2010	1991	46,639	2	100.0%	1.2
46 950 Montee des Pionniers	Lachenaie, QC	Mar 25 2010	2004	64,512	16	100.0%	5.0
47 Agence Lanaudiere	Joliette, QC	Dec 20 2012	1994	53,771	1	100.0%	6.3
48 CSSS Grand Littoral	Levis, QC	Sep 1 2010	2008	64,563	2	100.0%	5.7
49 Polyclinique Val-Belair	Quebec City, QC	Jul 22 2011	2009	46,053	11	100.0%	4.8
50 Centre Medicale de L'Hetriere	Quebec City, QC	Jan 19 2012	2007	36,591	8	100.0%	1.5
51 Fredericton Medical Centre	Fredericton, NB	Mar 25 2010	1985	70,569	39	90.0%	4.1
52 Moncton Medical Clinic	Moncton, NB	Jan 23 2012	1984	40,677	17	98.4%	4.3
53 Cobequid Centre	Lower Sackville, NS	Mar 25 2010	2006	30,009	1	100.0%	5.4
54 Halifax Professional Centre	Halifax, NS	Mar 25 2010	1972	116,633	75	87.6%	4.0
55 Gladstone Professional Centre	Halifax, NS	Mar 25 2010	1985	41,860	12	100.0%	2.7
56 New Glasgow Medical Centre	New Glasgow, NS	Dec 21 2011	2009	33,800	1	100.0%	7.6
57 Barrie Primary Care Campus	Barrie, ON	Feb 9 2015	2016	79,229	4	50.3%	11.1
				3,917,532	1,114	91.86%	4.9
Redevelopment Properties:							
58 490 Harwood Boulevard	Vaudreuil-Dorion, QC	Mar 25 2010	1985	24,457	n/a	0.0%	n/a
Parkwood ⁽⁷⁾	Calgary, AB	Mar 25 2010	1956	20,271	n/a	0.0%	n/a
				44,728	n/a	n/a	n/a
Development Land:							
St. Albert Land	St. Albert, AB	Feb 9 2015	n/a	n/a	n/a	n/a	n/a
479 Hume	Collingwood, ON	Jan 26 2017	n/a	n/a	n/a	n/a	n/a

PART XI – PROPERTY TABLE (CON'T.)

PROPERTY TABLE							
Property	Location	Date Acquired	Year Built ⁽¹⁾	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE ⁽²⁾
Brazil							
59 Sabará Children's Hospital	São Paulo	Nov 16 2012	2010	104,915	1	100.0%	7.5
Rede D'Or Hospital Portfolio:							
60 Hospital e Maternidade Brasil ("HMB")	São Paulo	Dec 27 2012	1970 - 2007	342,000	1	100.0%	20.8
61 Hospital Santa Luzia	Brasilia's South Wing	Dec 23 2013	2003	185,139	1	100.0%	21.8
62 Hospital Do Coracao	Brasilia's South Wing	Dec 23 2013	2007	96,875	1	100.0%	21.8
63 Hospital Caxias	Rio de Janeiro	Dec 23 2013	2013	290,626	1	100.0%	21.8
64 Hospital IFOR	São Paulo	July 19 2016	2001	150,000	1	100.0%	24.3
65 Hospital Santa Helena	Brasilia - DF	Oct 24 2016	2006	323,774	1	100.0%	24.6
				1,493,329	7	100.0%	21.4
Germany							
66 Adlershof 1	Berlin	Nov 16 2012	2004	55,285	49	95.1%	5.2
67 Adlershof 2	Berlin	Nov 16 2012	2010	47,507	38	100.0%	4.1
68 Berlin Neukölln	Berlin	Nov 16 2012	2000	33,991	14	89.9%	3.7
69 Königs Wusterhausen 1	Königs Wusterhausen	Nov 16 2012	2001	35,693	23	88.2%	3.7
70 Fulda - 3-5flem	Fulda	Mar 31 2013	2010	111,205	32	99.0%	3.7
71 Polimedica Centre**	Berlin	Jun 25 2014	2007	113,937	32	98.2%	8.8
72 Hollis Centre**	Ingolstadt	Jun 25 2014	1996	99,651	39	99.2%	4.1
73 Leipzig am Park**	Leipzig	Jun 25 2014	1977	19,048	10	100.0%	6.4
74 Leipzig Baestlein**	Leipzig	Jun 25 2014	1975	19,163	11	93.4%	5.8
75 Leipzig Gruenauer**	Leipzig	Jun 25 2014	1980	15,932	8	83.9%	6.1
76 Leipzig Karlstrasse**	Leipzig	Jun 25 2014	1982	18,990	6	53.5%	5.1
77 Leipzig Lidicestrasse**	Leipzig	Jun 25 2014	1975	19,201	12	97.0%	6.5
78 Leipzig Pfaffensteinstrasse**	Leipzig	Jun 25 2014	1985	18,277	8	79.5%	4.2
79 Leipzig Plovdiver**	Leipzig	Jun 25 2014	1975	18,217	5	93.6%	4.6
80 Leipzig Schlehenweg**	Leipzig	Jun 25 2014	1989	18,537	11	100.0%	2.3
81 Leipzig Stuttgart**	Leipzig	Jun 25 2014	1978	18,047	9	73.5%	1.7
82 Leipzig Tauchaer Strasse**	Leipzig	Jun 25 2014	1982	18,681	10	100.0%	5.7
83 Leipzig Yorckstrasse**	Leipzig	Jun 25 2014	1975	11,624	6	86.0%	5.4
84 Hohenschonhausen	Berlin	Aug 30 2014	1996	64,640	39	95.9%	3.1
85 Mehrower Alle	Berlin	Apr 14 2016	2013	82,242	59	97.3%	3.3
86 Alstadt-Caree Fulda Medical Centre	Fulda	Feb 1 2017	2017	30,638	11	95.4%	8.4
87 Medical Care Centre Hamburg-Bergedorf	Hamburg	Feb 1 2017	1989	60,453	31	92.8%	5.9
** - the "Core German MOB Portfolio"				930,959	463	94.7%	4.9
Development Land:							
Vivantes Auguste-Viktoria Hospital land	Berlin	Apr 1 2015	n/a	n/a	n/a	n/a	n/a
Mehrower Lands	Berlin	Feb 1 2017	n/a	n/a	n/a	n/a	n/a
Australia							
88 Allamanda Private Hospital	Southport, Queensland	Dec 22 2010	1979	318,776	1	100.00%	21.10
89 Belmont Private Hospital	Carina, Queensland	Dec 22 2010	1973/2015	94,024	1	100.00%	19.10
90 Clover-Lea Residential Aged Care	Sydney, New South Wales	Mar 1 2016	1919/1960/2003	16,146	1	100.00%	19.18
91 Dubbo Private Hospital	Dubbo, New South Wales	Dec 22 2010	1994	60,144	1	100.00%	15.10
92 Epworth Eastern Hospital	Melbourne, Victoria	Mar 30 1999	2005	136,610	6	100.00%	22.66
93 Epworth Eastern Medical Centre	Melbourne, Victoria	Mar 30 1999	1986	33,421	25	100.00%	10.61
94 Epworth Rehabilitation	Melbourne, Victoria	Feb 01 1999	1971	37,136	1	100.00%	2.13
95 Fairfield Residential Aged Care	Sydney, New South Wales	Mar 1 2016	1968/2009	31,000	1	100.00%	19.18
96 Gold Coast Surgery Centre	Southport, Queensland	Dec 22 2010	1999	29,496	7	69.11%	2.15
97 Hammersley Residential Aged Care	Perth, Western Australia	Mar 1 2016	1971	20,279	1	100.00%	19.16
98 Hurstville Private Hospital	Sydney, New South Wales	Apr 30 2012	1894/2015	135,239	1	100.00%	25.34
99 Lingard Private Hospital	Merewether, New South Wales	Dec 22 2010	1975/2015	99,567	1	100.00%	24.18
100 Maitland Private Hospital	Maitland, New South Wales	Dec 22 2010	2001/2015	126,865	2	100.00%	21.01
101 Marian Centre	Perth, Western Australia	Aug 12 2014	1965	38,212	1	100.00%	17.62
102 Mayo Private Hospital	Taree, New South Wales	Dec 16 2011	1997	62,700	1	100.00%	14.96
103 North West Private Hospital	Burnie, Tasmania	Dec 22 2010	1988	87,361	2	100.00%	15.07
104 Palm Beach Currumbin Clinic	Currumbin, Queensland	Dec 22 2010	1980	53,443	1	100.00%	15.12
105 Rockingham Residential Aged Care	Perth, Western Australia	Mar 1 2016	1968/1992	14,596	1	100.00%	19.16
106 South Eastern Private Hospital	Melbourne, Victoria	Dec 22 2010	1970	91,462	1	100.00%	24.18
107 Sportsmed Private Hospital	Adelaide, South Australia	Dec 3 2012	1990/2008	56,608	2	100.00%	18.39
108 Sportsmed Consulting ⁽⁹⁾	Adelaide, South Australia	Jan 20 2016	1990	9,074	1	0.00%	-
109 Sportsmed Office ⁽⁹⁾	Adelaide, South Australia	Jan 20 2016	1988	15,253	1	100.00%	19.06
110 Toronto Private Hospital	Toronto, New South Wales	Dec 22 2010	1988	55,682	2	100.00%	26.02
111 Mons Road	Westmead, New South Wales	Sept 30 2016	2010	31,179	6	100.00%	6.01
112 Ekeru Medical Centre	Box Hill, Victoria	Nov 17 2016	2014	30,753	12	92.03%	4.10
113 Abbotsford Private Hospital	West Leederville, WA	Feb 24 2017	2012	16,695	1	100.00%	25.16
114 Grafton Aged Care Home ⁽¹⁴⁾	South Grafton, NSW	Mar 31 2017	1940	37,674	1	100.00%	20.00
				1,739,395	82	98.8%	19.15
Development Land:							
115 25 Nelson Road ⁽¹⁵⁾	Box Hill, Victoria	Nov 28 2014	n/a	n/a	n/a	n/a	n/a
116 142 Brighton Avenue ⁽¹⁵⁾	Toronto, New South Wales	Jul 22 2015	n/a	n/a	n/a	n/a	n/a
117 27 Hopkins Street ⁽¹⁵⁾	Merewether, New South Wales	Nov 25 2015	n/a	n/a	n/a	n/a	n/a
118 6 Lingard Street ⁽¹⁵⁾	Merewether, New South Wales	Dec 4 2015	n/a	n/a	n/a	n/a	n/a

PART XI – PROPERTY TABLE (CON'T.)

PROPERTY TABLE							
Property	Location	Date Acquired	Year Built ⁽¹⁾	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE ⁽²⁾
New Zealand							
119 Apollo Health and Wellness Centre	Albany, Auckland	Sep 01 2008	2005	52,925	22	92.65%	3.73
120 Ascot Central	Greenlane East, Auckland	May 1 2008	2008	51,437	18	100.00%	3.32
121 Ascot Central Car Park	Greenlane East, Auckland	ground lease	1999	4,833	17	100.00%	15.60
122 Ascot Hospital	Greenlane East, Auckland	Mar 25 1999	1999	122,497	20	99.48%	18.95
123 Kensington Hospital	Whangarei, Northland	Mar 12 2001	2001	25,371	1	100.00%	29.52
124 Napier Health Centre	Napier, Hawke's Bay	Dec 23 1999	1999	46,231	1	100.00%	2.98
125 Boulcott Private Hospital	Lower Hutt	Jul 1 2016	1985	45,672	1	100.00%	21.51
				348,966	80	98.7%	13.3
Development Land:							
678 High Street	Lower Hutt	Jul 1 2016	n/a	n/a	n/a	n/a	n/a
Australasia Total - Vital Trust⁽³⁾				2,088,361	162	98.8%	18.2
to Generation Healthcare REIT ⁽¹³⁾ (16 Properties)				1,037,198	114	98.4%	11.98
141 Portfolio Totals / Weighted Averages ⁽⁵⁾				9,512,107	1,860	95.7%	11.2
Portfolio Totals / Weighted Averages - Proportionate Consolidation ⁽⁴⁾⁽⁵⁾				7,112,417		94.7%	9.6
Notes							
(1) Blended between year built/renovated or expanded, as applicable.							
(2) As at March 31, 2017. Weighted average lease expiry in years.							
(3) Represents 100% of Vital Trust. The REIT has an exposure to an approximate 25% interest in Vital Trust. The property count for Vital includes four properties representing development land.							
(4) Calculation is based on the REIT's proportionate interest in Vital Trust and Generation Health							
(5) Weighted Average Occupancy and WALE excluding Redevelopment Properties							
(6) One of two buildings on a two building campus							
(7) One of two buildings on a two building campus							
(8) Adjacent to South Eastern Private Hospital							
(9) Adjacent Sportsmed Private Hospital							
(10) Adjacent to Epworth Easter Hospital							
(11) Adjacent to Toronto Private Hospital							
(12) Adjacent Lingard Private Hospital							
(13) Represents 100% of Generation Healthcare REIT. The REIT has an exposure to an approximately 23% interest in Generation Healthcare REIT. WALE reflects the weighted average rental income over the net effective annual rents							
(14) Grafton occupancy and WALE is shown on a proforma basis as the acquisition closed on March 31, 2017 and the lease starts on April 1, 2017.							

PART XII – SUPPLEMENTAL DISCLOSURE

SUPPLEMENTAL DISCLOSURE												
Unaudited												
Three months ended March 31, 2017												
Expressed in thousands of Canadian dollars												
	Canada	Brazil	Germany	Australia/New Zealand						Corporate ⁽³⁾	Consolidated	
				Vital Trust	Elimination	Vital Trust	Vital Manager	GHM	Elimination	Total		
Net Operating Income⁽¹⁾												
Revenue from investment properties	\$ 34,607	\$ 13,516	\$ 4,235	\$ 20,619		\$ 20,619	\$ -	\$ -	\$ (513)	\$ 20,106	\$ -	\$ 72,464
Property operating costs	(15,732)	-	(1,146)	(2,744)		(2,744)	-	-	52	(2,692)	-	(19,570)
	18,875	13,516	3,089	17,875	-	17,875	-	-	(461)	17,414	-	52,894
Other income												
Share of profit (loss) from associates	-	-	-	-		-	160	-	5,251	5,411	-	5,411
Management fees	-	-	-	-		-	9,501	1,056	(9,694)	863	-	863
Interest income	23	274	-	10		10	1	2	-	13	87	397
	23	274	-	10	-	10	9,662	1,058	(4,443)	6,287	87	6,671
	18,898	13,790	3,089	17,885	-	17,885	9,662	1,058	(4,904)	23,701	87	59,565
Other expenses												
Mortgage and loan interest expense	(6,523)	(2,974)	(508)	(3,249)		(3,249)	(4)	-	-	(3,253)	(7,081)	(20,339)
General and administrative expenses	(503)	(456)	(536)	(9,182)		(9,182)	(1,583)	(688)	8,983	(2,470)	(1,526)	(5,491)
Transaction costs	-	-	(68)	-		-	-	-	-	-	(20)	(88)
Other Finance costs	643	(1,826)	(85)	(90)		(90)	-	-	-	(90)	(17,331)	(18,689)
Foreign exchange gain (loss)	68	6	(5)	5,233		5,233	(1)	1	-	5,233	(1,313)	3,989
Income / (Loss) before the undernoted items	12,583	8,540	1,887	10,597	-	10,597	8,074	371	4,079	23,121	(27,184)	18,947
Fair value adjustment of DUP liability	-	-	-	-		-	33	-	-	33	(456)	(423)
Fair value adjustment of investment properties	11,510	32,884	(2,728)	30,396		30,396	-	-	428	30,824	-	72,490
Net loss on disposal of investment properties	-	-	-	-		-	-	-	-	-	-	-
Gain on business combination	-	-	-	-		-	-	-	-	-	-	-
Gain / (Loss) on derivative financial instruments	99	-	38	(2,182)		(2,182)	-	501	-	(1,681)	666	(878)
Income / (Loss) before taxes	24,192	41,424	(803)	38,811	-	38,811	8,107	872	4,507	52,297	(26,974)	90,136
Income tax expense	-	(8,025)	77	(5,833)		(5,833)	(1,611)	(302)	-	(7,746)	92	(15,602)
Net income (loss)	\$ 24,192	\$ 33,399	\$ (726)	\$ 32,978	\$ -	\$ 32,978	\$ 6,496	\$ 570	\$ 4,507	\$ 44,551	\$ (26,882)	\$ 74,534
Non-Controlling Interest												
	-	-	-	24,800		24,800	-	-	(65)	24,735	-	24,735
Income attributable to Unitholders	\$ 24,192	\$ 33,399	\$ (726)	\$ 8,178	\$ -	\$ 8,178	\$ 6,496	\$ 570	\$ 4,572	\$ 19,816	\$ (26,882)	\$ 49,799
Add / (Deduct):												
Fair market value losses (gains)	(11,610)	(32,884)	2,690	(28,214)		(28,214)	(33)	(501)	(428)	(29,176)	13,008	(57,972)
Less: Non-controlling interests' share of fair market value losses (gains)	-	-	-	21,216		21,216	-	-	322	21,538	-	21,538
Finance cost - Exchangeable Unit distributions	-	-	-	-		-	-	-	-	-	3,800	3,800
Revaluation of financial liabilities	-	1,539	-	-		-	-	-	-	-	-	1,539
Unrealized foreign exchange loss (gain)	(68)	(4)	5	(5,233)		(5,233)	1	-	-	(5,232)	1,320	(3,979)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-	-	-	3,935		3,935	-	-	-	3,935	-	3,935
Deferred taxes	-	7,959	(98)	3,470		3,470	(38)	141	-	3,573	-	11,434
Less: Non-controlling interests' share of deferred taxes	-	-	-	(2,609)		(2,609)	-	-	-	(2,609)	-	(2,609)
Non-recurring transaction costs	-	-	68	-		-	-	-	-	-	20	88
Convertible Debenture issuance costs	-	-	-	-		-	-	-	-	-	-	-
Net adjustments for equity accounted entities	-	-	-	-		-	-	-	(4,111)	(4,111)	-	(4,111)
Internal Leasing Costs	341	-	124	-		-	-	-	-	-	-	465
Net loss on disposal of investment properties	-	-	-	-		-	-	-	-	-	-	-
Other FFO adjustments	144	-	-	-		-	-	131	322	453	-	597
Funds From Operations ("FFO")⁽²⁾	\$ 12,999	\$ 10,009	\$ 2,063	\$ 743	\$ -	\$ 743	\$ 6,426	\$ 341	\$ 677	\$ 8,187	\$ (8,734)	\$ 24,524

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)													
Unaudited													
Expressed in thousands of Canadian dollars													
Three months ended March 31, 2017													
	Canada	Brazil	Germany	Australia/New Zealand							Corporate ⁽³⁾	Consolidated	
				Vital Trust	Elimination	Vital Trust	Vital Manager	GHM	Elimination	Total			
Funds From Operations ("FFO")⁽²⁾	\$ 12,999	\$ 10,009	\$ 2,063	\$ 743	\$ -	\$ 743	\$ 6,426	\$ 341	\$ 677	\$ 8,187	\$ (8,734)	\$	\$ 24,524
Add / (Deduct):													
Amortization of marked to market adjustment	(766)	-	-	-	-	-	-	-	-	-	-	-	(766)
Amortization of deferred financing charges	123	287	85	90	-	90	-	-	-	90	314	-	899
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	(68)	-	(68)	-	-	-	(68)	-	-	(68)
Straight line revenue	(231)	60	-	475	-	475	-	-	-	475	-	-	304
Less: non-controlling interests' share of straight-line revenue	-	-	-	(357)	-	(357)	-	-	-	(357)	-	-	(357)
Leasing costs and non-recoverable maintenance capital expenditures	(2,076)	(38)	(254)	(654)	-	(654)	-	-	-	(654)	-	-	(3,022)
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	492	-	492	-	-	-	492	-	-	492
DUP Compensation Expense	-	-	-	-	-	-	429	-	-	429	760	-	1,189
Debt repayment costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Net adjustments for equity accounted entities	-	-	-	-	-	-	-	-	(112)	(112)	-	-	(112)
Adjusted Funds From Operations ("AFFO")⁽²⁾	\$ 10,049	\$ 10,318	\$ 1,894	\$ 721	\$ -	\$ 721	\$ 6,855	\$ 341	\$ 565	\$ 8,482	\$ (7,660)	\$	\$ 23,083

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)												
As at March 31, 2017												
Expressed in thousands of Canadian dollars												
	Canada	Brazil	Germany	Australia/New Zealand						Corporate ⁽³⁾	Consolidated	
				Vital Trust	Elimination	Vital Trust	Vital Manager	GHM	Elimination	Total		
Assets												
Investment properties	\$ 1,229,078	\$ 696,943	\$ 221,313	\$ 1,136,993		\$ 1,136,993	\$ -	\$ -	\$ 1,006	\$ 1,137,999	\$ -	\$ 3,285,333
Investment in associate	-	-	-	-		-	-	-	119,010	119,010	-	119,010
Intangible Asset	-	-	-	-		-	46,756	59,050	-	105,806	-	105,806
Goodwill	-	-	-	-		-	-	-	-	-	41,671	41,671
Financial instruments	-	-	-	177		177	-	-	-	177	-	177
Other assets	10,658	15,468	2,935	9,641		9,641	6,786	9,028	(3,775)	21,680	42,789	93,530
	\$ 1,239,736	\$ 712,411	\$ 224,248	\$ 1,146,811		\$ 1,146,811	\$ 53,542	\$ 68,078	\$ 116,241	\$ 1,384,672	\$ 84,460	\$ 3,645,527
Liabilities												
Mortgages and loans payable	\$ 676,103	\$ 150,391	\$ 109,982	\$ 320,094		\$ 320,094	\$ -	\$ -	\$ -	\$ 320,094	\$ 205,802	\$ 1,462,372
Deferred Consideration	-	7,301	53	-		-	-	-	-	-	6,093	13,447
Convertible Debentures	-	-	-	-		-	-	-	-	-	338,402	338,402
Deferred tax liability	-	79,023	7,223	66,140		66,140	126	2,335	-	68,601	-	154,847
Financial instruments	1,940	-	1,227	15,719		15,719	-	-	-	15,719	-	18,886
Exchangeable Units	65,321	-	-	-		-	-	-	-	-	135,108	200,429
Other liabilities	23,818	622	2,584	29,468		29,468	4,952	627	(4,013)	31,034	30,494	88,552
	\$ 767,182	\$ 237,337	\$ 121,069	\$ 431,421		\$ 431,421	\$ 5,078	\$ 2,962	\$ (4,013)	\$ 435,448	\$ 715,899	\$ 2,276,935
Net assets	\$ 472,554	\$ 475,074	\$ 103,179	\$ 715,390	\$ -	\$ 715,390	\$ 48,464	\$ 65,116	\$ 120,254	\$ 949,224	\$ (631,439)	\$ 1,368,592
Less: Non-controlling interest	-	-	-	(517,866)		(517,866)	-	-	(1,697)	(519,563)	-	(519,563)
Unitholders' Equity	\$ 472,554	\$ 475,074	\$ 103,179	\$ 197,524	\$ -	\$ 197,524	\$ 48,464	\$ 65,116	\$ 118,557	\$ 429,661	\$ (631,439)	\$ 849,029
Notes												
(1)	NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"											
(2)	FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.											
(3)	Includes cost of corporate borrowings including the REIT's Secured Revolving Credit Facility, Convertible Debentures, Vital Margin Facilities, Australasian Secured Financing and distributions paid on Class B LP Units, treated as finance costs. Includes general and administrative costs of the REIT's head office.											

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE										
Unaudited										
Three months ended March 31, 2016										
Expressed in thousands of Canadian dollars										
	Canada	Brazil	Germany	Australia/New Zealand			Corporate ⁽³⁾	Consolidated		
				Vital Trust	Vital Manager	Elimination	Total			
Net Operating Income⁽¹⁾										
Revenue from investment properties	\$ 35,992	\$ 7,658	\$ 3,576	\$ 18,171	\$ -	\$ (492)	\$ 17,679	\$ -	\$ -	\$ 64,905
Property operating costs	(16,878)	-	(928)	(2,438)	-	46	(2,392)	-	-	(20,198)
	19,114	7,658	2,648	15,733	-	(446)	15,287	-	-	44,707
Other income										
Share of profit (loss) from associates	-	-	-	-	467	(467)	-	-	-	-
Management fees	-	-	-	-	3,792	(3,792)	-	-	-	-
Interest income	2	169	-	17	2	-	19	1	-	191
	2	169	-	17	4,261	(4,259)	19	1	-	191
	19,116	7,827	2,648	15,750	4,261	(4,705)	15,306	1	-	44,898
Other expenses										
Mortgage and loan interest expense	(9,171)	(1,345)	(443)	(3,621)	(18)	-	(3,639)	(4,376)	-	(18,974)
General and administrative expenses	(223)	(361)	(760)	(3,249)	(1,242)	3,272	(1,219)	(2,763)	-	(5,326)
Transaction costs	-	-	-	-	-	-	-	(2,568)	-	(2,568)
Other Finance costs	2,481	(2,973)	(76)	(90)	-	-	(90)	(19,889)	-	(20,547)
Foreign exchange gain (loss)	-	(56)	2	(370)	56	-	(314)	2,640	-	2,272
Income / (Loss) before the undernoted items	12,203	3,092	1,371	8,420	3,057	(1,433)	10,044	(26,955)	-	(245)
Fair value adjustment of DUP liability	-	-	-	-	(40)	-	(40)	(773)	-	(813)
Fair value adjustment of investment properties	(4,908)	9,517	(150)	5,315	-	661	5,976	-	-	10,435
Net loss on disposal of investment properties	(1,417)	-	-	-	-	-	-	-	-	(1,417)
Gain / (Loss) on derivative financial instruments	(682)	375	(399)	(3,022)	-	-	(3,022)	8	-	(3,720)
Income / (Loss) before taxes	5,196	12,984	822	10,713	3,017	(772)	12,958	(27,720)	-	4,240
Income tax expense	-	(3,517)	(139)	(1,353)	(417)	-	(1,770)	-	-	(5,426)
Net income (loss)	\$ 5,196	\$ 9,467	\$ 683	\$ 9,360	\$ 2,600	\$ (772)	\$ 11,188	\$ (27,720)	\$ -	\$ (1,186)
Non-Controlling Interest	-	-	-	7,073	-	(210)	6,863	-	-	6,863
Income attributable to Unitholders	\$ 5,196	\$ 9,467	\$ 683	\$ 2,287	\$ 2,600	\$ (562)	\$ 4,325	\$ (27,720)	\$ -	\$ (8,049)
Add / (Deduct):										
Fair market value losses (gains)	5,590	(9,892)	549	(2,293)	40	(661)	(2,914)	16,574	-	9,907
Less: Non-controlling interests' share of fair market value losses (gains)	-	-	-	1,733	-	498	2,231	-	-	2,231
Finance cost - Exchangeable Unit distributions	-	-	-	-	-	-	-	3,800	-	3,800
Revaluation of financial liabilities	-	2,473	-	-	-	-	-	-	-	2,473
Unrealized foreign exchange loss (gain)	-	56	(2)	370	(56)	-	314	(2,655)	-	(2,287)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-	-	-	(280)	-	-	(280)	-	-	(280)
Deferred taxes	-	3,427	114	242	335	-	577	-	-	4,118
Less: Non-controlling interests' share of deferred taxes	-	-	-	(184)	-	-	(184)	-	-	(184)
Non-recurring transaction costs	-	-	-	-	-	-	-	2,568	-	2,568
Convertible Debenture issuance costs	-	-	-	-	-	-	-	-	-	-
Net adjustments for equity accounted entities	-	-	-	-	-	-	-	-	-	-
Internal Leasing Costs	341	-	48	-	-	-	-	-	-	389
Net loss on disposal of investment properties	1,417	-	-	-	-	-	-	-	-	1,417
Funds From Operations ("FFO")⁽²⁾	\$ 12,544	\$ 5,531	\$ 1,392	\$ 1,875	\$ 2,919	\$ (725)	\$ 4,069	\$ (7,433)	\$ -	\$ 16,103

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited	Three months ended March 31, 2016									
	Expressed in thousands of Canadian dollars									
	Canada ⁽⁴⁾	Brazil	Germany	Australia/New Zealand				Corporate ⁽⁵⁾	Consolidated	
			Vital Trust	Vital Manager	Elimination	Total				
Funds From Operations ("FFO")⁽²⁾	\$ 12,544	\$ 5,531	\$ 1,392	\$ 1,875	\$ 2,919	\$ (725)	\$ 4,069	\$ (7,433)	\$ 16,103	
<u>Add / (Deduct):</u>										
Amortization of marked to market adjustment	(2,552)	-	-	-	-	-	-	-	(2,552)	
Amortization of deferred financing charges	71	500	76	90	-	-	90	280	1,017	
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	(68)	-	-	(68)	-	(68)	
Straight line revenue	(311)	(44)	-	190	-	-	190	-	(165)	
Less: non-controlling interests' share of straight-line revenue	-	-	-	(144)	-	-	(144)	-	(144)	
Leasing costs and non-recoverable maintenance capital expenditures	(2,160)	-	(215)	-	-	-	-	-	(2,375)	
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	-	-	-	-	-	-	
DUP Compensation Expense	-	-	-	-	224	-	224	1,637	1,861	
Debt repayment costs	1,997	-	-	-	-	-	-	-	1,997	
Adjusted Funds From Operations ("AFFO")⁽²⁾	\$ 9,589	\$ 5,987	\$ 1,253	\$ 1,943	\$ 3,143	\$ (725)	\$ 4,361	\$ (5,516)	\$ 15,674	

Notes

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

(2) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and,

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

PART XIII – NORMALIZED AFFO

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

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

Expressed in thousands of Canadian dollars, except per unit amounts				
	Q1 2017	Q1 2017	Q1 2017	Annualized
	Q1 2017	Per Unit	Annualized	Per Unit
AFFO as reported	\$ 23,083	\$ 0.25	\$92,332	\$0.98
Normalization adjustments ⁽¹⁾ :				
(2) Accrued indexation related to Brazil leases			806	
(3) Incentive fee normalization			(6,819)	
(4) Vital manager base fee			468	
(5) Normalization of G&A expenses			3,000	
(6) Germany acquisitions			594	
(7) Interest rate savings on committed debt refinancing			2,208	
(8) Optimize debt stack			6,697	
(9) Change in GHC ownership			696	
Normalized AFFO on an annualized basis			\$ 99,982	\$ 0.94
Weighted average units outstanding for the Q1 2017 period (000s)				94,213
Normalization adjustment				12,110
Normalized Units Outstanding (000s) - March 31, 2017				106,323
Notes				
(1)	Represents the full year effect of items recognized in the quarter that are seasonal; the full year effect of transactions that have closed during the quarter; and the full year effect of transactions that have closed in the subsequent quarter; all that will have an impact on future quarters			
(2)	Estimated impact of increased revenues due to accrued indexation of Brazil leases based on the observed inflation rate			
(3)	Adjustment for the after-tax impact of normalizing expected incentive fees payable from Vital Trust			
(4)	Estimated increase in Vital Manager's base management fees, assessed on total AUM, due to additions or fair value gains			
(5)	The estimated impact of recognizing certain annual general and administrative expense items, recognized in the quarter, over a normalized 12 month period			
(6)	To adjust for the full year impact of two German properties acquired during Q1-2017			
(7)	Adjustment to reflect the full year impact of committed refinancing activities			
(8)	Potential interest savings from utilizing existing liquidity available to fund the purchase of GHC units to permanently repay higher cost debt			
(9)	To reflect the annualized impact of equity income from GHC units acquired in the first quarter of 2017.			

PART XIV – NET ASSET VALUE

Expressed in thousands of Canadian dollars, except per unit amounts		<u>Q1 2017</u>
Total Assets		\$3,645,527
less Total Liabilities		(2,276,935)
less Non-controlling interest		(519,563)
Unitholders' equity		849,029
Add/(deduct):		
Deferred unit plan liability		16,457
Deferred tax liability	154,847	
less NCI	<u>(49,755)</u>	105,092
Financial instruments - net	18,709	
less NCI	<u>(11,692)</u>	7,017
Exchangeable Units		200,430
Vital Manager valuation adjustment		13,500
Other		2,471
Net Asset Value ("NAV")		\$ 1,193,996
Adjusted Units Outstanding (000s)- period end ⁽¹⁾		<u>97,144</u>
NAV per Unit		\$ 12.29
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.		

CORPORATE INFORMATION

Head Office

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Investor Relations

Shailen Chande, Chief Financial Officer
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Stock Exchange Listing

Toronto Stock Exchange (TSX)

Listing symbols:

REIT Trust Units - NWH.UN
5.25% convertible debentures - NWH.DB
6.50% convertible debentures - NWH.DB.A
7.50% convertible debentures - NWH.DB.B
7.25% convertible debentures - NWH.DB.C
5.50% convertible debentures - NWH.DB.D
5.25% convertible debentures NWH.DB.E
5.25% convertible debentures NWH.DB.F

Distribution Reinvestment Plan

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