



**NORTHWEST HEALTHCARE PROPERTIES
REAL ESTATE INVESTMENT TRUST**

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

**For the three and nine months ended
September 30, 2016**

November 10, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CEO'S MESSAGE

The third quarter 2016 was an exceptionally active period for NorthWest Healthcare Properties REIT seeing the completion of its previously announced strategic investment and financing activities, \$100 million of new investments in Australia and New Zealand as well as delivering improved financial and operational performance across an expanded 135 property, 9.0 million square foot diversified healthcare real estate portfolio.

For the three month period ended September 30, 2016, the REIT delivered strong financial and operating results, highlighted as follows:

- FFO per unit for the third quarter of \$0.25 or \$1.00 on an annualized basis, (\$1.09 per unit on a normalized third quarter 2016 annualized basis – “Normalized FFO”);
- AFFO per unit for the first quarter of \$0.21 or \$0.84 on an annualized basis, (\$0.92 per unit on a normalized third quarter 2016 annualized basis – “Normalized AFFO”);
- AFFO payout ratio of approximately 98% (87% relative to Normalized AFFO) for the third quarter based on the REIT’s annual distribution policy of \$0.80/unit;
- Normalized portfolio occupancy of 96.2%, led by the international portfolio occupancy of 98.8%;
- Normalized weighted average lease expiry of 11.3 years, underpinned by the international portfolio with a weighted average lease expiry of 13.6 years;
- Strong same property NOI growth, relative to the same quarter last year, in constant currency terms, of 4.4% driven largely by inflation indexation adjustments on leases at the REIT’s international assets;
- Increased net asset value to \$10.94/unit (+2%); driven primarily by a \$15 million valuation gain in the REIT’s international regions of Australasia, Brazil, and Germany; and
- Reduced leverage of 43.1% (51.2% including convertible debentures).

Additionally, during both the third quarter and subsequent to the quarter end, the REIT executed on a number of strategic and accretive investments, and financing initiatives, expanding the REIT’s high-growth, high-yielding international portfolio and improving its financial position. Significant achievements include:

- Raising and accretively deploying \$145 million of new corporate financing through a successful public offering and concurrent private placement of approximately \$70 million of equity and \$75 million of new convertible unsecured debentures;
- Completing the balance of the previously announced \$350 million of accretive international investments, including a \$150 million strategic investment in Generation Healthcare REIT (ASX: GHC.AX), a \$145 million investment into two Brazilian hospitals, and a \$35 million investment to support continued growth at Vital Trust ; and,
- Acquiring \$100 million of new investments in Australia highlighted by the Sydney, Australia located Mons Road Medical Centre acquired by Vital Trust and the Melbourne, Australia located Epping Medical Centre acquired by Generation.

The conclusion of these activities firmly establishes NorthWest as the leading healthcare real estate investor in Australia, Brazil and New Zealand, along with our already established position in Canada.

Looking forward, the REIT is better positioned than ever to pursue its global healthcare investment strategy. Its current portfolio offers investors a defensive profile underpinned by strong healthcare fundamentals resilient to short-term economic or political shocks. Moreover, with long-term inflation-indexed leases and a suite of accretive opportunities to expand our portfolio, we see an ever more attractive growth profile too.

We look forward to executing on this exciting and differentiated plan.

Sincerely,

(signed) 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 and nine months ended September 30, 2016, prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are presented in thousands of Canadian dollars, except where otherwise stated. Per unit amounts are presented in Canadian dollars, and are calculated including Class B LP Units (as defined hereafter), except where otherwise stated.

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**"). The unitholders of NWI received 0.208 of a REIT Trust Unit for each NWI trust unit held, on a tax-deferred basis. 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. The REIT is the legal acquirer; however, NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI and the outstanding units and weighted average unit amounts, and associated per unit amounts, for these periods, reflect the capital structure of NWI as adjusted for the exchange ratio of 0.208 (the "**Exchange Ratio**").

This MD&A should also be read in conjunction with the Annual Information Form of the REIT dated March 10, 2016 (the "**Annual Information Form**") and the REIT's Management Information Circular dated April 14, 2016 (the "**Circular**"). This MD&A is current as of August 11, 2016 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.
- "**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.

“**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 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.

“**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) asset management fees, including any incentive amounts, paid through the issuance of units rather than cash; (vi) amortization and adjustments relating to assets expected to provide an economic benefit to the REIT; (vii) adjusting for differences, if any, resulting from recognizing acquired contracts at fair value rather than the contracted rate; (viii) 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**” in Table 2: Financial and Operational Highlights 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.

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**.

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 and NWH.DB.E.

On May 15, 2015, 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:

- manage its investments to provide stable, sustainable and growing cash flows through investments in healthcare real estate globally;
- build a diversified, growth-oriented global portfolio of healthcare properties based on an initial portfolio of investments in Australasia, Brazil, Germany and Canada;
- capitalize on internal growth and seek accretive healthcare real estate acquisition opportunities in its target international markets, with a focus primarily on Australasia, Brazil, Germany and Canada;
- grow the value of its assets and maximize the long-term value of its Trust Units through active and efficient management; and
- provide predictable and growing cash distributions per unit, on a tax-efficient basis.

Declaration of Trust

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

Investment Guidelines (condensed summary)

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

Operating Policies (condensed summary)

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

At September 30, 2016, 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 internationally. The REIT intends to provide sustainable monthly cash distributions, while allowing investors to not only participate in the large stable Canadian market but also to diversify their real estate holdings beyond Canada and into the international marketplace. 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.

In particular, 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 into 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:

	Australasia				
	Canada	Brazil	Germany	New Zealand	Australia
Population ⁽¹⁾	36.0 Million	204.5 Million	81.2 Million	4.6 Million	23.8 Million
GDP Annual Growth Rate ⁽²⁾	0.90%	-3.80%	3.10%	3.60%	3.30%
Inflation ⁽³⁾	1.10%	8.48%	0.70%	0.40%	1.00%
5 Yr. Government Bond Yield ⁽⁴⁾	0.62%	11.50%	-0.57%	1.99%	1.39%
Health Care System	Publicly-funded healthcare system	Hybrid public and private healthcare	Hybrid public and private healthcare	Hybrid public and private healthcare	Hybrid public and private healthcare
Notes					
(1) 2015 Estimate					
(2) Second quarter 2016					
(3) September 2016 except Canada - August 2016, New Zealand and Australia - June 2016					
(4) September 30, 2016					
Sources: Statistics Canada, Bank of Canada, Trading Economics, investing.com					

RELATIONSHIP WITH NWVP

As at September 30, 2016, NorthWest Value Partners Inc. (“**NWVP**”) indirectly owned approximately 30% (approximately 24% 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. Affiliates of NWVP served as the NWI’s asset manager (the “**Asset Manager**”), property manager and developer up to December 31, 2014, pursuant to certain management and partnership agreements that are filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. 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. On January 28, 2015 NWI announced that it had completed the transaction with NWVP to internalize the external management of NWI with an effective date of January 1, 2015 (the “**Internalization Transaction**”).

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
		September 30, 2016	December 31, 2015
		(Unaudited)	(Unaudited)
Operational Information ⁽¹⁾			
Number of Properties - 100% of associates		135	122
Gross Leasable Area (sf) - 100% of associates		9,023,392	8,034,498
Occupancy % - 100% of associates		95.9%	94.3%
WALE (Years) - 100% of associates		10.8	9.6
Summary of Financial Information			
Gross Book Value ⁽²⁾	\$	3,166,994	\$ 2,700,009
Debt - Declaration of Trust ⁽³⁾	\$	1,364,757	\$ 1,329,514
Debt to Gross Book Value - Declaration of Trust		43.1%	49.2%
Debt - Including Convertible Debentures ⁽³⁾	\$	1,620,846	\$ 1,499,608
Debt to Gross Book Value - Including Convertible Debentures		51.2%	55.5%
Percentage of Mortgages and Loans Payable at Fixed Rates ⁽¹⁰⁾		83%	81%
Weighted Average Interest Rate on Fixed Rate Mortgages and Loans Payable		4.61%	4.46%
Adjusted Units Outstanding - period end ⁽⁵⁾⁽⁶⁾			
Basic		88,298,547	71,690,008
Diluted ⁽⁹⁾		106,996,669	79,221,646
		For the three	For the three
		months ended	months ended
		September 30, 2016	September 30, 2015
		(Unaudited)	(Unaudited)
		For the three	For the three
		months ended	months ended
		September 30, 2016	June 30, 2016
		(Unaudited)	(Unaudited)
Operating Results			
Net Income / (Loss)	\$	3,633	\$ 6,502
NOI ⁽⁷⁾	\$	48,277	\$ 43,641
Funds From Operations ("FFO") ⁽⁷⁾	\$	21,432	\$ 15,526
Adjusted Funds From Operations ("AFFO") ⁽⁷⁾	\$	17,708	\$ 14,428
Distributions ⁽⁸⁾	\$	16,173	\$ 14,382
Interest Coverage ⁽⁴⁾		2.46	2.26
			2.61
Per Unit Amounts ⁽⁵⁾⁽⁶⁾			
FFO per unit - Basic ⁽⁹⁾	\$	0.25	\$ 0.22
FFO per unit - fully diluted ⁽⁹⁾	\$	0.24	\$ 0.21
AFFO per unit - Basic	\$	0.21	\$ 0.20
AFFO per unit - fully diluted ⁽⁹⁾	\$	0.20	\$ 0.20
Distributions per unit	\$	0.20	\$ 0.20
AFFO Payout Ratio		98%	100%
AFFO Payout Ratio - fully diluted ⁽⁹⁾		100%	101%
			91%
			94%
Adjusted Weighted Average Units Outstanding ⁽⁵⁾⁽⁶⁾			
Basic		86,344,032	71,926,782
Diluted - FFO ⁽⁹⁾		105,023,797	75,179,491
Diluted - AFFO ⁽⁹⁾		98,757,698	75,179,491
			87,016,248

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 24% interest in Vital Trust and an approximate 20% 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) Outstanding units and weighted average unit amounts, and the associated per unit amounts, for the period prior to the Combination Transaction, reflect the capital structure of NWI as adjusted for the Exchange Ratio.
- (6) 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 September 30, 2016 and 19,188,063 Class B LP Units outstanding as at September 30, 2015.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) The REIT classifies variable rate debt hedged with fixed rate swaps as fixed rate debt.

HIGHLIGHTS FOR THE QUARTER

Equity Offering and Convertible Debenture Raise

On July 25, 2016 the REIT closed a public offering of i) 6,785,000 Trust Units at a price of \$9.80 per Trust Unit, representing gross proceeds of \$66,493, and ii) \$74,750 aggregate principal amount of 5.25% convertible unsecured subordinated debentures of the REIT at a price of \$1,000 per Debenture (the "**NWH.DB.E Convertible Debentures**") (including Trust Units and NWH.DB.E Convertible Debentures issued pursuant to the exercise in full of the over-allotment options granted to the underwriters by the REIT). The offering was completed on a "bought deal" basis to a syndicate of underwriters led by RBC Dominion Securities Inc., BMO Nesbitt Burns Inc. and National Bank Financial Inc.

The NWH.DB.E Convertible Debentures are due on July 31, 2021 and are convertible at the holder's option at a conversion price of \$12.75 per Trust Unit. They bear interest at an annual rate of 5.25% payable in semi-annual payments in arrears on the last day in January and July in each year (or the immediately following business day if any interest payment date would not otherwise be a business day), commencing on January 31, 2017.

The NWH.DB.E Convertible Debentures may not be redeemed by the REIT on or prior to July 31, 2019 except in the event of the satisfaction of certain conditions after a Change of Control has occurred. After July 31, 2019 to and including July 31, 2020, the NWH.DB.E Convertible Debentures may be redeemed by the REIT at the REIT's option, in whole or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date fixed for redemption, provided that the current market price on the date on which notice of redemption is given is not less than 125% of the conversion price. On or after August 1, 2020 and prior to July 31, 2021, the NWH.DB.E Convertible Debentures may be redeemed in whole or in part from time to time at the option of the REIT at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date fixed for redemption.

The NWH.DB.E Convertible Debentures are listed and publicly traded on the TSX under the symbol NWH.DB.E.

Concurrently, NWVP, the REIT's largest unitholder and certain members of management, purchased, on a private placement basis, an aggregate 510,204 Trust Units at the offering price representing gross proceeds of

approximately \$5,000. The closing of the public offering was conditional upon the closing of the concurrent private placement.

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 \$115,839 (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 400 basis points (with the facility’s initial interest rate approximately 6.3% on a weighted average basis). The facility is secured by a pledge of units held by the REIT in Vital Healthcare Property Trust (“**Vital Trust**”) and Generation Healthcare REIT (“**GHC**”). The facility has a term of two years.

On July 18, 2016 the REIT completed an initial draw on the Australasian Secured Financing of \$83,205 (NZ\$90,343 or the equivalent A\$84,624).

On July 18, 2016, the REIT repaid its two Vital Margin Facilities (as defined under **PART III – RESULTS FROM OPERATIONS - Mortgage and loan interest expense**) totaling \$47,383 (NZ\$51,447) with a portion of the proceeds from the Australasian Secured Financing. In addition, the REIT closed out the related interest rate swap with a notional value of \$4,329 (NZ \$4,700) on July 15, 2016, for a nominal cost.

Vital Trust Rights Offering

On July 19, 2016, Vital Trust completed a renounceable rights offer for gross proceeds of \$147,146 (NZ\$159,933) (the “**Vital Rights Offering**”). Rights were allocated to unitholders on the basis of 2 new Vital Trust units for every 9 existing Vital Trust units held. Pursuant to the rights offer, Vital Trust issued 76,890,712 Vital Trust units on July 25, 2016 at an issue price of NZ\$2.08 per unit. The REIT participated in the offer for 18,745,354 Vital Trust units for \$35,870 (NZ\$38,990), which retained the REIT’s interest in Vital Trust at 24.4%. The REIT’s participation in the Rights offer was partially financed by the July 18, 2016 draw on the Australasian Secured Financing.

Generation Healthcare REIT

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%. The unit purchase was financed through the proceeds from the Equity Offering and Convertible Debenture Raise and a draw of \$13,249 (A\$13,362) on the Australasian Secured Financing.

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 Property Group Limited (“**APN**”) and Generation Healthcare Management Pty Limited (“**GHM**”) management. This acquisition of GHC units increased the REIT’s interest in GHC to approximately 19.8%. The acquisition was partially funded by a draw of \$21,380 (A\$22,179) on the Australasian Secured Financing, increasing the total amount outstanding on the Australasian Secured Financing to \$115,839 (A\$ equivalent of A\$120,165), with the remainder being funded from the net proceeds of the July 2016 equity and convertible debenture offering.

The GHC Transaction significantly grows the REIT's commitment to Australia, a leading global healthcare market where the REIT has a long track record of successful investment. GHC is the only Australian-listed healthcare real estate owner, operator and developer, and owns a \$495,895 (A\$494,313) portfolio of 17 hospitals, medical centers and aged care facilities centered around the major markets of Sydney, Melbourne and Brisbane. As at September 30, 2016 GHC’s portfolio comprises approximately 1.1 million square feet, is approximately 98.7% occupied and has a weighted average lease expiry term of 12.2 years.

Vital Trust Acquisitions

On July 1, 2016 Vital Trust settled the acquisition of Boulcott Private Hospital for \$30,345 (NZ\$32,217) including transaction costs. Boulcott Private Hospital is a 38-bed private surgical hospital in Lower Hutt, New Zealand with a catchment of approximately 145,000 people. It has three operating theatres, 29 inpatient beds, a nine-bed day surgery suite and an endoscopy unit. It is leased on a 22 year lease to Pulse Health Group, an ASX-listed, quality integrated health services provider. This is the first asset that Vital Trust has partnered with Pulse on, bringing tenant diversification benefits.

On September 30, 2016 Vital Trust completed the acquisition of Mons Road for \$32,544 (A\$32,922) including transaction costs. Mons Road is a modern, multi-tenanted, four-level medical office building adjacent to Ramsay Health Care's Westmead Private Hospital. Situated at 20-22 Mons Rd, it is approximately 26 kilometres west of the Sydney CBD within the Westmead medical precinct, which is considered Australia's largest health services precinct. The precinct also includes the Westmead Public Hospital, Westmead Children's Hospital and Cumberland Public Hospital.

Brazil Acquisitions

On July 21, 2016, the REIT completed the acquisition of Hospital Ifor located in Sao Paulo, Brazil for \$26,323 (R\$65,757), including transaction costs. Hospital Ifor is a specialist orthopedic hospital located in Sao Paulo with 60 beds and six surgical suites. Separately, the REIT waived due diligence conditions on the pending acquisition of Hospital Santa Helena for \$127,100 (R\$300,000), subject to customary closing adjustments. Hospital Santa Helena is a general hospital located in the north hospital sector district of Brasilia, the federal capital of Brazil, with 234 beds and 16 surgical units. Both properties will be leased for an initial term of 25 years (with three 25-year renewal options), on a fully net basis, to Rede D'Or Sao Luiz ("**Rede D'Or**"), Brazil's largest private hospital operator and one of the REIT's largest tenants. The two-hospital investment is expected to generate a weighted average going-in cap rate of 9.7%, with the leases being adjusted annually to inflation.

See **SUBSEQUENT EVENTS**.

Brazil Long Term Financings

On August 31, 2016, the REIT completed the securitization of an additional 15% of future rents, during a 10 year term, of the REIT's Hospital e Maternidade Brasil ("**HMB**") asset (the "**Incremental HMB Securitization Financing**"). This generated net proceeds of \$11,992 (R\$32,796) after financing costs and the facility bears an interest rate of 9.09% plus annual IPCA adjustments to the principal balance.

Dispositions

During the quarter the REIT completed the final dispositions under its previously announced Canadian non - core asset disposition program. The sale of St. Thomas Family Health Centre, Chatham Professional Building and Windsor Health Center (including the Shoppers Drug Mart) properties generated gross proceeds of \$17,725 and net proceeds of \$1,736 after transaction costs and settlement of \$14,859 in mortgages associated with the properties.

During the third quarter the REIT completed the sale and leaseback of a mid - town Toronto parking garage located on 30 Merton Street. The investment property generated net proceeds of approximately \$19,329 after transaction costs. The purchaser is seeking the necessary approvals for a large mixed - use development which will include, in addition to a large residential component, a segregated underground commercial parking garage which the REIT will repurchase at construction cost following completion. The REIT has leased and will continue to operate the existing parking garage until the redevelopment commences.

Development

During the quarter construction was completed at our West Toronto Health Centre redevelopment in the Etobicoke area of Toronto. The project's lead tenant, the Etobicoke Family Health Team took occupancy in mid-July, as did a number of ancillary tenants. The property has committed occupancy of 90%, with tenants moving in during the third and fourth quarter.

Acquisition Facility

On August 2, 2016, the REIT repaid the \$16,000 revolving portion of the Acquisition Facility (as defined under **CAPITAL STRUCTURE – Debt**). The principal outstanding on the Acquisition Facility is \$8,000 as at September 30, 2016.

SUBSEQUENT EVENTS

Brazil Acquisition

On October 24, 2016 the REIT completed the previously disclosed acquisition of Hospital Santa Helena for \$127,100 (R\$300,000), subject to customary closing adjustments. Hospital Santa Helena is a general hospital comprising 234 beds and 16 surgical units located in the north hospital sector of Brasilia, the federal capital of Brazil. The property is entirely occupied by Rede D'Or, who has entered into a new, fully net 25 - year lease (with three 25 - year renewal options) with an initial annual rent of \$12,100 (R\$28,500), representing a 9.50% initial cap rate, plus annual inflation adjustments. The acquisition brings the REIT's Brazil portfolio to seven hospitals located in the major gateway cities of Sao Paulo, Brasilia and Rio De Janeiro and marks the continuing consolidation by the REIT of private hospitals in the region.

Brazil Long Term Financing

On October 24, 2016, the REIT completed a long term financing in respect of the Hospital Caxias D'Or asset (the "**Caxias Financing**"). The Caxias Financing is for \$64,500 (R\$151,400) representing the securitization of 97.44% of future rents for a term of 10 years and an interest rate of 7.0% (approximately 125bps lower than the REIT's recent HMB Securitization Financing (as defined under **CAPITAL STRUCTURE – Debt**) completed in the second quarter). The Caxias Financing represents the REIT's third asset level securitization in Brazil and evidences the strong appetite for both high quality credit tenant financings as well exposure to the maturing private hospital operator sector in Brazil.

Other

On October 14, 2016, the REIT declared a distribution of \$0.06667 per Trust Unit to unitholders of record on October 31, 2016, payable November 15, 2016.

ASSETS OF THE REIT

Summary

The following table summarizes the REIT's assets by region as at September 30, 2016:

TABLE 3 - SUMMARY OF ASSETS						
	Canada	Brazil	Germany	Vital Trust ⁽¹⁾	GHC ⁽²⁾	Consolidated Total ⁽⁵⁾
				(Australasia)	(Australasia)	
Number of Properties	57	6	20	35	17	135
Asset Mix	100% MOB	100% Hospital	100% MOB	17% MOB/83% Hospital	24% MOB/76% Hospital	58% MOB/42% Hospital
Gross Leaseable Area ("GLA") (million sf)	4.0	1.2	0.8	2	1.1	9.0
Total Assets (Cdn\$ millions) ⁽³⁾	\$1,205	\$512	\$193	\$1,001	\$531	\$3,167
Occupancy	92.0%	100.0%	95.3%	99.7%	98.7%	95.9%
WALE (Years)	4.8	21.0	4.7	18.2	12.2	10.8
Average Building Age (Years)	32	12	14	19	12	22
Weighted Average Implied Cap Rate ⁽⁴⁾	6.6%	9.3%	5.9%	7.0%	7.0%	7.1%

Notes

(1) Shown on a 100% basis. The REIT has an approximate 24% interest in Vital Trust and consolidates its investment in Vital Trust.

(2) Shown on a 100% basis. The REIT has an approximate 20% 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 20% interest in GHC which is an equity accounted associate.

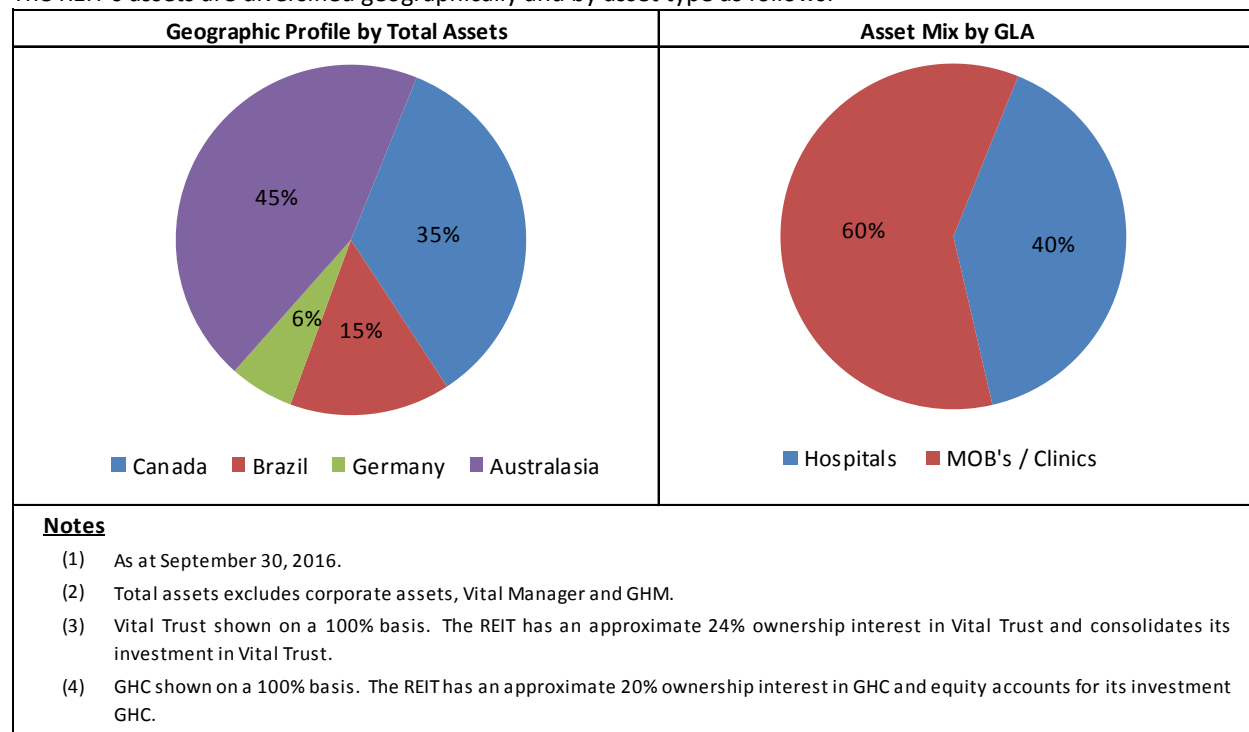
(4) GHC's cap rate is as disclosed June 30, 2016. The consolidated weighted average implied cap rate excludes GHC which is an equity accounted associate.

(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 first quarter of 2016 Vital Trust also acquired four 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 September 30, 2016, and including the REIT's interest in Vital Trust and GHC both on a 100% basis, the REIT had interests in 29 hospitals, 7 residential aged care facilities and 99 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 September 30, 2016, a portfolio of 57 properties, located primarily in major markets such as Toronto, Montreal and Calgary, with a GLA of 4.0 million square feet 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 six 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. Five 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 (8.0 years remaining) to 25 years (24.8 years remaining) with a WALE of 21.0 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 September 30, 2016 the REIT's German portfolio consists of 20 high quality MOB assets strategically located in the country's major markets, including Berlin, Frankfurt, Ingolstadt and Leipzig. As at September 30, 2016 the portfolio has a 95.3% occupancy rate and an approximate 4.7 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

24% of Vital Trust and 100% of Vital Manager

The REIT acts as manager and owns an approximate 24% strategic stake in 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 September 30, 2016 Vital Trust owns 19 private hospitals, 6 MOBs, 4 residential aged care facilities and 6 development sites in Australia and New Zealand, with a 99.7% 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 September 30, 2016, on a 100% basis; noting, however, that the REIT has exposure to an approximate 24% interest in Vital Trust.

On January 1, 2015, in connection with the Internalization Transaction (as defined under **RELATIONSHIP WITH NWVP**), NWI acquired all of the rights and obligations relating to the management of Vital Trust (the “**Vital Manager**”). As a result of the acquisition of the Vital Manager and its management rights, it was determined that NWI obtained control with respect to its investment in Vital Trust. The acquisition of control was treated as a step acquisition by NWI and effective January 1, 2015, NWI, and the REIT following its acquisition of NWI, accounts for the investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust.

During the year ended December 31, 2015, in connection with the Internalization Transaction, the REIT acquired an additional 405,036 units of Vital Trust, which are held by the Vital Manager. During the year ended December 31, 2015 Vital Manager acquired an additional 2,289,196 units of Vital Trust as settlement of the incentive fee (described hereafter). On July 19, 2016, pursuant to the Vital Trust rights offer the REIT acquired 18,745,354 Vital Trust units. During the third quarter Vital Manager also acquired an additional 2,877,727 units of Vital Trust as settlement of the incentive fee. As at September 30, 2016, the REIT owned 105,977,179 units which represented a 24.9% interest in 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 and nine months ended September 30, 2016 and 2015:

VITAL MANAGER MANAGEMENT FEES						
Expressed in thousands of Canadian dollars						
	Three months ended September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Base fee	\$ 1,760	\$ 1,264	\$ 496	\$ 4,827	\$ 3,597	\$ 1,230
Incentive fee	1,516	1,416	100	4,204	4,811	(607)
Trustee fees	92	69	23	260	196	64
Project and Acquisition fees	551	100	451	1,687	321	1,366
Total Management Fees	\$ 3,919	\$ 2,849	\$ 1,070	\$ 10,978	\$ 8,925	\$ 2,053
less inter-company component	(3,919)	(2,849)	(1,070)	(10,978)	(8,925)	(2,053)
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.

20% of Generation Healthcare REIT and 100% of Generation Manager

The REIT acts as manager and owns an approximate 20% 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 September 30, 2016 GHC owns a portfolio of 17 hospitals, medical centers and aged care facilities centered around the major markets of Sydney, Melbourne and Brisbane. GHC's portfolio comprises approximately 1.1 million square feet, is approximately 98.7% occupied and has a weighted average lease expiry term of 12.2 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 September 30, 2016, on a 100% basis; noting, however, that the REIT has exposure to an approximate 20% interest in GHC.

The following table summarizes the REIT's interest in GHC as at September 30, 2016:

GENERATION HEALTHCARE REIT	
As at September 30, 2016	
Expressed in thousands of Canadian dollars	(Unaudited)
Assets	
Investment properties	\$ 481,549
Deposits on investment properties	14,346
Loan receivable	7,742
Other assets	27,058
	<u>530,695</u>
Liabilities	
Mortgages and loans payable	163,067
Financial instruments	15,756
Other liabilities	12,378
	<u>191,201</u>
Net assets	339,494
Less: Non-controlling interest	<u>(30,326)</u>
Unitholders' Equity	309,168
Ownership Interest	<u>19.8%</u>
NWH share of net assets	61,215
Acquisition costs	31,475
Investment in associate	\$ 92,690

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

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.

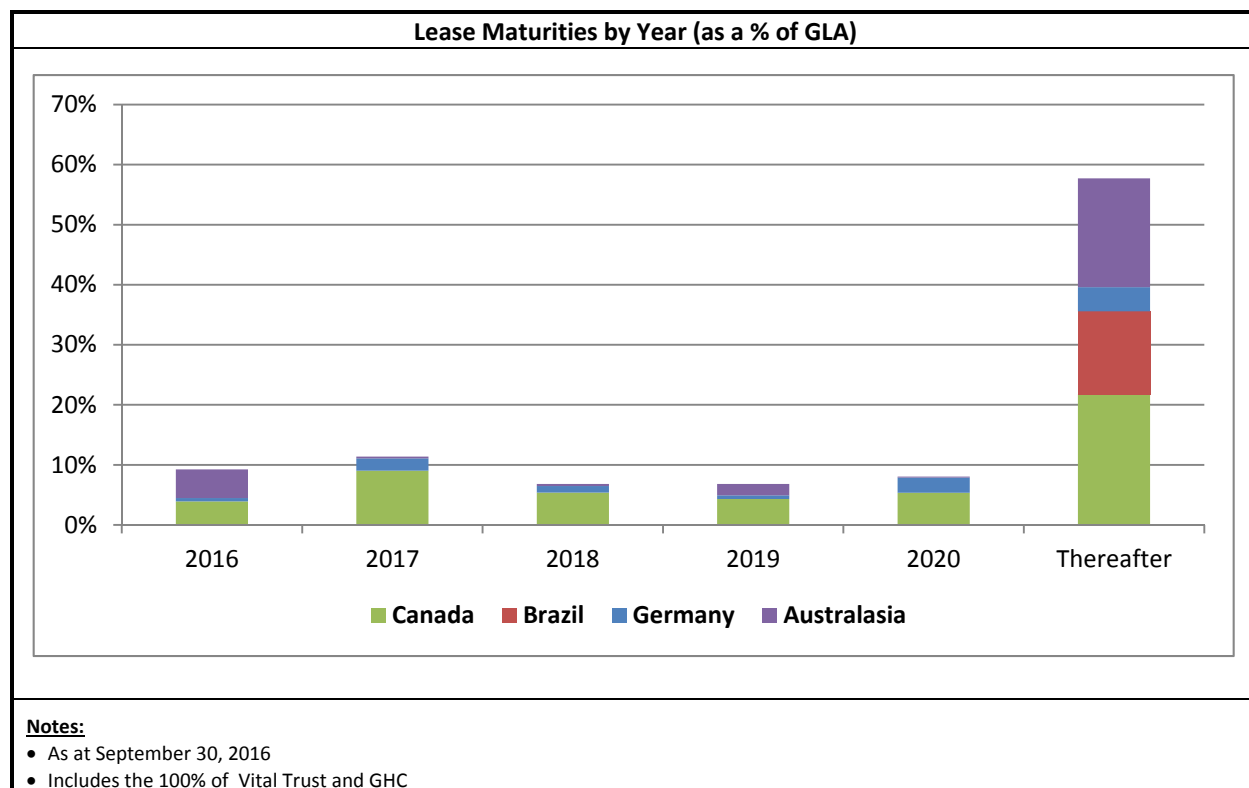
The following table summarizes the management fees earned by GHM for the three and nine months ended September 30, 2016 and 2015:

GENERATION HEALTHCARE MANAGER MANAGEMENT FEES						
Expressed in thousands of Canadian dollars	Three months ended September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Base fee	\$ 721	\$ -	\$ 721	\$ 721	\$ -	\$ 721
Performance fee	-	-	-	-	-	-
Project and Acquisition fees	202	-	202	202	-	202
Other Fees	170	-	170	170	-	170
Total Management Fees	\$ 1,093	\$ -	\$ 1,093	\$ 1,093	\$ -	\$ 1,093
less inter-company component	(133)	-	(133)	(133)	-	(133)
Consolidated Management Fees	\$ 960	\$ -	\$ 960	\$ 960	\$ -	\$ 960

PORTFOLIO PROFILE

Lease Maturities

The REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 10.8 years as at September 30, 2016.



	2016	2017	2018	2019	2020	Thereafter	Total
Canada	1.7%	7.7%	4.6%	3.7%	4.4%	19.7%	41.9%
Brazil	0.0%	0.0%	0.0%	0.0%	0.0%	14.0%	14.0%
Germany	0.4%	1.5%	1.0%	0.6%	2.3%	3.8%	9.6%
Australasia	0.6%	0.7%	0.7%	1.9%	1.0%	29.7%	34.6%
Total	2.7%	10.0%	6.2%	6.2%	7.7%	67.2%	100.0%

The REIT's expiry profile benefits from its Brazilian properties which are subject to long term leases. The six Brazil hospitals are each occupied by single tenants that are leading hospital operators, and have leases expiring between September 30, 2024 and July 18, 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 12.2 years.

Leasing Activity

TABLE 3A - LEASING ACTIVITY					
	Three months ended September 30, 2016				
	Canada	Brazil	Germany	Vital Trust ⁽¹⁾	Total
Opening Occupancy	91.5%	100.0%	95.1%	99.4%	94.9%
Opening Balance	3,685,788	1,019,555	797,050	1,836,451	7,338,844
Acquisition	-	150,000	-	76,851	226,851
Disposition	(159,760)	-	-	-	(159,760)
Expiries	(143,234)	-	(22,654)	-	(165,888)
Renewal	62,425	-	19,947	-	82,372
Early Terminations	(15,934)	-	-	-	(15,934)
New Leasing	88,284	-	4,240	1,355	93,879
Month-to-Month	3,357	-	-	-	3,357
Remeasurements and other	2,321	-	-	32,314	34,635
Closing Balance	3,523,247	1,169,555	798,583	1,946,971	7,438,356
Closing Occupancy	92.0%	100.0%	95.3%	99.7%	95.9%
	Nine months ended September 30, 2016				
	Canada	Brazil	Germany	Vital Trust ⁽¹⁾	Total
Opening Occupancy	90.7%	100.0%	95.7%	99.5%	94.3%
Opening Balance	3,993,559	1,019,555	723,174	1,754,520	7,490,808
Acquisition	-	150,000	80,058	158,873	388,931
Disposition	(450,687)	-	-	-	(450,687)
Expiries	(411,583)	-	(71,555)	(6,999)	(490,137)
Renewal	299,225	-	55,636	4,553	359,414
Early Terminations	(52,354)	-	-	-	(52,354)
New Leasing	149,256	-	11,440	3,898	164,594
Month-to-Month	(7,134)	-	-	-	(7,134)
Remeasurements and other	2,965	-	(170)	32,126	34,921
Closing Balance	3,523,247	1,169,555	798,583	1,946,971	7,438,356
Closing Occupancy	92.0%	100.0%	95.3%	99.7%	95.9%
Notes					
(1)	Shown on a 100% basis. The REIT has an approximate 24% 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 62,425 square feet of renewal leasing. The REIT completed the renewals at an initial net rent of \$13.13 per square foot versus an expiring net rent per square foot of \$12.83. During the quarter the REIT also completed 51,832 square feet of new leasing at an initial net rent of \$11.75 per square foot. In addition, the REIT completed 36,542 square feet of new leasing at an initial net rent of \$23.22 per square foot on a newly developed property in West Toronto, Ontario.

Year to date the REIT completed 299,225 square feet of renewal leasing representing 73% renewal rate. Excluding the departure of two major non-healthcare tenancies totaling approximately 50,000 square feet, renewal rate would have been 83%. The REIT completed the renewals at an initial net rent of \$14.57 per square foot versus an expiring net rent per square foot of \$14.91. The decrease is attributable to one Quebec renewal in the second quarter. This renewal involved a core tenancy extending its lease for ten years with a net rent escalating over that term and surpassing the expiring net rent by expiry of the term. Year to date the REIT also completed 149,256 square feet of new leasing at an initial net rent of \$14.89 per square foot.

As at September 30, 2016 the REIT had 145,406 square feet of committed leasing against future expiries at an initial net rent of \$15.08 versus expiring net rent per square foot of \$15.19. The REIT also had 43,357 square feet of committed leasing against vacant space at an initial net rent of \$15.76 per square foot.

Expiring net rent improved to \$18.18, from \$17.64 in the second quarter, primarily due to asset dispositions, in non-core markets, and recently completed development.

TABLE 3B - EXPIRING NET RENT (\$PSF)	
As at	
September 30, 2016	
	Canada
Month-to-Month	\$ 18.23
2016	15.43
2017	17.83
2018	16.75
2019	16.49
2020	18.10
2021+	19.15
Total Expires	\$ 18.18

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 19,947 square feet of renewal leasing and 4,240 square feet of new leasing. The REIT had a solid quarter of new and renewal leasing. This made up for a soft first quarter and increased occupancy from 95.1% to 95.3% while improving net rent. Year to date the REIT has completed 55,636 square feet of renewal leasing representing a 78% renewal rate. Year to date new leasing of 11,440 square feet has replaced most of the vacating tenants and we expect additional new leasing during Q4 to further improve occupancy in Germany.

TABLE 3B - EXPIRING NET RENT (€PSF)	
As at	
September 30, 2016	
	Germany
Month-to-Month	€ 6.74
2016	8.07
2017	9.90
2018	9.26
2019	10.33
2020	9.97
2021+	10.63
Total Expires	€ 9.90

Vital Trust and GHC

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 Boulcott Private Hospital and Mons Road and remeasurments related to development at South Eastern Private Hospital.

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 September 30, 2016:

TABLE 3C - 10 LARGEST TENANTS BY PERCENTAGE OF RENT				
	<u>Tenant</u>	<u>Country</u>	<u>%</u>	<u># of locations</u>
1	Rede D'Or Sao Luiz	Brazil	13.2%	5
2	Healthe Care	Australia	12.3%	13
3	Healthscope	Australia	2.9%	2
4	Epworth Foundation	Australia	2.7%	3
5	Bantrel Co.	Canada	2.3%	1
6	CISSS / CIUSSS	Canada	2.1%	6
7	Mercy Ascot	New Zealand	1.4%	2
8	Hall & Prior	Australia	1.2%	4
9	Sportsmed	Australia	1.2%	3
10	Shoppers Realty Inc.	Canada	1.1%	6
			<u>40.3%</u>	<u>45</u>

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

INVESTMENT PROPERTIES

The fair value of investment properties as at September 30, 2016 was \$2,825,172 (December 31, 2015 - \$2,491,835) representing an implied weighted average capitalization rate of 7.1% (December 31, 2015 – 7.3%).

TABLE 4 - INVESTMENT PROPERTIES					
Expressed in thousands of Canadian dollars					
Unaudited					
Three months ended September 30, 2016					
Income Properties					
	Canada	Brazil	Germany	Vital Trust	Total
Opening Balance	\$ 1,150,224	\$ 406,255	\$ 182,463	\$ 863,346	\$ 2,602,288
Acquisitions of investment properties	-	26,323	-	67,753	94,076
Disposition of investment properties	(21,225)	-	-	-	(21,225)
Addition to investment properties	4,243	-	697	216	5,156
Increase in straight-line rents	414	-	-	-	414
Transfers from (to) properties under development	22,567	-	-	-	22,567
Amortization of deferred revenue	-	304	-	-	304
Fair value gain (loss)	914	4,542	3,413	5,705	14,574
Foreign currency translation	-	10,782	3,586	35,515	49,883
Closing Balance	\$ 1,157,137	\$ 448,206	\$ 190,159	\$ 972,535	\$ 2,768,037
Properties Under Development					
	Canada	Brazil	Germany	Vital Trust	Total
Opening Balance	\$ 54,690	\$ -	\$ -	\$ 13,961	\$ 68,651
Acquisitions of investment properties	-	-	-	-	-
Addition to investment properties	3,362	-	-	6,580	9,942
Transfers from (to) income properties	(22,567)	-	-	-	(22,567)
Fair value gain (loss)	573	-	-	-	573
Foreign currency translation	-	-	-	536	536
Closing Balance	\$ 36,058	\$ -	\$ -	\$ 21,077	\$ 57,135
Total					
	Canada	Brazil	Germany	Vital Trust	Total
Opening Balance	\$ 1,204,914	\$ 406,255	\$ 182,463	\$ 877,307	\$ 2,670,939
Acquisitions of investment properties	-	26,323	-	67,753	94,076
Disposition of investment properties	(21,225)	-	-	-	(21,225)
Addition to investment properties	7,605	-	697	6,796	15,098
Increase in straight-line rents	414	-	-	-	414
Amortization of deferred revenue	-	304	-	-	304
Fair value gain (loss)	1,487	4,542	3,413	5,705	15,147
Foreign currency translation	-	10,782	3,586	36,051	50,419
Closing Balance	\$ 1,193,195	\$ 448,206	\$ 190,159	\$ 993,612	\$ 2,825,172
Notes					
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly additions to investment properties include the acquisition of the REIT.					

TABLE 4A - INVESTMENT PROPERTIES

Expressed in thousands of Canadian dollars

Nine months ended September 30, 2016

Unaudited

	Income Properties				
	Canada	Brazil	Germany	Vital Trust	Total
Opening Balance	\$ 1,155,716	\$ 343,724	\$ 159,817	\$ 775,789	\$ 2,435,046
Acquisitions of investment properties	-	26,323	23,199	120,174	169,696
Disposition of investment properties	(21,225)	-	-	-	(21,225)
Addition to investment properties	17,379	(1,096)	1,609	1,139	19,031
Increase in straight-line rents	1,465	-	-	-	1,465
Transfers from (to) properties under development	22,567	-	-	16,875	39,442
Amortization of deferred revenue	-	848	-	-	848
Fair value gain (loss)	(18,765)	21,015	9,807	57,265	69,322
Foreign currency translation	-	57,392	\$ (4,273)	1,293	54,412
Closing Balance	1,157,137	\$ 448,206	\$ 190,159	\$ 972,535	\$ 2,768,037
	Properties Under Development				
	Canada	Brazil	Germany	Vital Trust	Total
Opening Balance	\$ 39,620	\$ -	\$ -	\$ 17,169	\$ 56,789
Acquisitions of investment properties	-	-	-	-	-
Addition to investment properties	18,432	-	-	20,328	38,760
Transfers from (to) income properties	(22,567)	-	-	(16,875)	(39,442)
Fair value gain (loss)	573	-	-	-	573
Foreign currency translation	-	-	-	455	455
Closing Balance	\$ 36,058	\$ -	\$ -	\$ 21,077	\$ 57,135
	Total				
	Canada	Brazil	Germany	Vital Trust	Total
Opening Balance	\$ 1,195,336	\$ 343,724	\$ 159,817	\$ 792,958	\$ 2,491,835
Acquisitions of investment properties	-	26,323	23,199	120,174	169,696
Disposition of investment properties	(21,225)	-	-	-	(21,225)
Addition to investment properties	35,811	(1,096)	1,609	21,467	57,791
Increase in straight-line rents	1,465	-	-	-	1,465
Amortization of deferred revenue	-	848	-	-	848
Fair value gain (loss)	(18,192)	21,015	9,807	57,265	69,895
Foreign currency translation	-	57,392	(4,273)	1,748	54,867
Closing Balance	\$ 1,193,195	\$ 448,206	\$ 190,159	\$ 993,612	\$ 2,825,172

Notes

- (1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly additions to investment properties include the acquisition of the REIT.

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

Canada

During the third quarter the REIT completed the sale and leaseback of a mid - town Toronto parking garage located on 30 Merton Street. The investment property generated net proceeds of approximately \$19,329 after transaction costs. The purchaser is seeking the necessary approvals for a large mixed - use development which will include, in addition to a large residential component, a segregated underground commercial parking garage which the REIT will repurchase at construction cost following completion. The REIT has leased and will continue to operate the existing parking garage until the redevelopment commences.

During the quarter construction was completed at our West Toronto Health Centre redevelopment in the Etobicoke area of Toronto. The project's lead tenant, the Etobicoke Family Health Team took occupancy in mid-July, as did a number of ancillary tenants. The property has committed occupancy of 90%, with tenants moving in during the third and fourth quarter.

At the Barrie Primary Care Campus in Barrie, Ontario initial occupancy of the by the project's lead tenant, the Barrie and Community Family Health Team, took place on May 9, 2016. During the third quarter additional tenants took occupancy and the REIT continues work towards completion of common areas and facilities and the build out of tenant space.

Expenditures on properties under development, for the three months ended September 30, 2016, were \$3,362 (nine months ended September 30, 2016 - \$18,432) including capitalized interest of \$214 (nine months ended September 30, 2016 - \$969).

The REIT recognized net fair value gain of \$1,487 for the three months ended September 30, 2016 (nine months ended September 30, 2016 - \$18,192 loss). The change in value during the quarter reflects stabilization of the newly developed West Toronto Health Centre. The change in value year to date primarily reflects the decline in market rents in the Alberta office space market.

During the three months ended September 30, 2016 external valuations were performed on properties with an aggregate value of \$Nil (nine months ended September 30, 2016 - \$344,509).

Brazil

On July 21, 2016, the REIT completed the acquisition of Hospital Ifor located in Sao Paulo, Brazil for \$26,323 (R\$65,757), including transaction costs. Hospital Ifor is a specialist orthopedic hospital located in Sao Paulo with 60 beds and six surgical suites.

During the three months ended September 30, 2016 the REIT recognized fair value gains of \$4,542 (nine months ended September 30, 2016 - \$21,015) 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. During the year to date the REIT reduced accruals for closing costs, relating to a prior year's acquisition, resulting in negative additions to investment properties during the quarter and year to date.

A strengthening of the Brazilian Real relative to the Canadian dollar during the quarter and year to date resulted in foreign currency translation gains of \$10,782 and \$57,392, respectively.

During the three months ended September 30, 2016 external valuations were performed on properties with an aggregate value of \$26,323 (R\$65,757) (nine months ended September 30, 2016 - \$26,323 (R\$65,757)).

Germany

During the three months ended September 30, 2016 the REIT recognized fair value gains of \$3,413 (nine months ended September 30, 2016 - \$9,807) reflecting capitalization rate compression in certain German markets consistent with declining long term interest rates.

A strengthening of the Euro relative to the Canadian dollar during the quarter resulted in a foreign currency translation gain of \$3,586 reducing the year to date foreign currency translation loss to \$4,273.

On April 14, 2016 acquired the Mehrower Allee complex for a purchase price of \$19,687 (€13,519) plus transaction costs.

Vital Trust

On September 30, 2016 Vital Trust completed the acquisition of Mons Road for \$32,544 (A\$32,922) including transaction costs. Mons Road is a modern, multi-tenanted, four-level medical office building adjacent to Ramsay Health Care's Westmead Private Hospital. Situated at 20-22 Mons Rd, it is approximately 26 kilometres west of the Sydney CBD within the Westmead medical precinct, which is considered Australia's largest health services precinct.

The precinct also includes the Westmead Public Hospital, Westmead Children's Hospital and Cumberland Public Hospital.

On July 1, 2016 Vital Trust settled the acquisition of Boulcott Private Hospital for \$30,345 (NZ\$32,217) including transaction costs. Boulcott Private Hospital is a 38-bed private surgical hospital in Lower Hutt, New Zealand with a catchment of approximately 145,000 people. It has three operating theatres, 29 inpatient beds, a nine-bed day surgery suite and an endoscopy unit. It is leased on a 22 year lease to Pulse Health Group, an ASX-listed, quality integrated health services provider. This is the first asset that we have partnered with Pulse on, bringing us tenant diversification benefits.

On March 1, 2016, Vital Trust settled the acquisition of four residential aged care properties for \$43,765 (A\$44,172), including transaction costs. The four properties located in New South Wales and Western Australia comprise 275 beds and will be leased for 20 year on triple net leases with annual CPI reviews and periodic market reviews to the Hall & Prior Health and Aged Care Group, one of Australia's leading private residential aged care operators.

On January 20, 2016 Vital Trust acquired two small parcels of land adjacent to its Sportsmed Private Hospital property in Adelaide, South Australia for \$5,430 (A\$5,480) including transaction costs.

Sportsmed Private Hospital ("**Sportsmed**") is a 49 bed private hospital and associated clinic acquired by Vital in 2012 and operated by Sportsmed SA Hospitals Pty Ltd ("**Sportsmed SA**") providing orthopaedic surgery and ancillary healthcare services. It is located approximately four kilometres north-east of the Adelaide CBD, in South Australia.

One of the properties will see a redevelopment commence in early 2016 with Vital Trust undertaking the construction, over a 12 month construction timeframe, of a \$9,578 (A\$9,500) stand-alone medical consulting building adjacent to the main hospital. The second acquisition is also adjacent to the existing hospital property and currently comprises the administration and executive offices of Sportsmed SA, with medium term redevelopment potential to support clinical growth at Sportsmed.

Sportsmed SA will enter into 20 year lease terms and also agreed to reset the existing hospital lease to 20 years from 16.7 years.

During the three months ended September 30, 2016 the REIT recognized fair value gains of \$5,705 (three and nine months ended September 30, 2016 - \$57,265). The increase during the current quarter reflects capitalization rate compression that Vital Trust is seeing in certain markets. The increase year to date reflects the rentalisation and stabilisation of completed development projects during the Trust's fiscal year, increased rent from market reviews and annual inflation indexation, and capitalization rate compression in certain markets consistent with declining long term interest rates.

During the second quarter Vital Trust completed work on its Epworth Eastern property. Development activity continues at the South Eastern Private Hospital and Dubbo Private Hospital.

During the first quarter Vital Trust completed and started receiving rent on the Marian Centre property in Perth, Western Australia.

During the three months ended September 30, 2016 external valuations were performed on \$61,310 of Vital Trust properties (nine months ended September 30, 2016-\$875,810).

A strengthening of the New Zealand dollar relative to the Canadian dollar during the three and nine months ended September 30, 2016 and Australian dollar relative to the New Zealand dollar during the three months ended September 30, 2016 resulted in foreign currency translation gain of \$36,051 and \$1,748 for the periods, respectively.

Valuations

The fair values of the investment properties at September 30, 2016 and December 31, 2015 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 June 30, 2016			
	Canada	Brazil	Germany	Vital Trust
Discount rate - range	6.0% - 8.8%	9.5% - 11.3%	5.2% - 6.5%	7.5% - 11.8%
Discount rate - weighted average	7.4%	9.6%	5.9%	8.2%
Terminal capitalization rate - range	5.8% - 8.0%	9.0% - 11.0%	5.5% - 6.5%	7.0% - 10.9%
Terminal capitalization rate - weighted average	6.8%	9.1%	6.1%	7.1%
Implied capitalization rate - range	5.2% - 9.8%	9.2% - 10.7%	4.9% - 6.5%	6.3% - 9.5%
Implied capitalization rate - weighted average	6.6%	9.3%	5.9%	7.0%
	As at December 31, 2015			
	Canada	Brazil	Germany	Vital Trust
Discount rate - range	6.0% - 8.8%	9.5%	5.8% - 6.8%	6.9% - 11.4%
Discount rate - weighted average	7.5%	9.5%	6.2%	8.3%
Terminal capitalization rate - range	5.8% - 8.0%	9.0%	6.3% - 7.5%	6.6% - 10.5%
Terminal capitalization rate - weighted average	6.9%	9.0%	6.7%	7.5%
Implied capitalization rate - range	5.3% - 9.5%	9.2%	5.2% - 7.5%	6.8% - 10.8%
Implied capitalization rate - weighted average	6.6%	9.2%	6.4%	7.6%

ASSETS HELD FOR SALE

Canada

During the quarter the REIT completed the final dispositions under its previously announced Canadian non - core asset disposition program. The sale of St. Thomas Family Health Centre, Chatham Professional Building and Windsor Health Center (including the Shoppers Drug Mart) properties generated gross proceeds of \$17,725 and net proceeds of \$1,736 after transaction costs and settlement of \$14,860 in mortgages associated with the properties.

During the quarter the REIT recognized a fair value loss of \$169 on assets held for sale (nine months ended September 30, 2016 - \$7,002)

During the second quarter, on April 1, 2016, the REIT closed the disposition the Royal Bank Building in Dartmouth, Nova Scotia for sale price of \$4,800. The sale generated a deficiency of approximately \$400 after settlement of the existing mortgage and transaction costs.

During the first quarter the REIT sold eight properties. These properties were sold for \$49,350 generating proceeds of approximately \$14,000 net of debt associated with the properties and transaction costs.

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:

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	6	Q4 2016 to Q1 2018	77,557	71,982	100%	8.0%	6,200	6,200
Brazil	2	Q4 2017 to Q4 2018	55,398	55,398	100%	10.5%	5,800	8,100
Canada	1	Q4 2016	26,450	2,358	50%	7.4%	1,963	1,600
	<u>9</u>		<u>159,405</u>	<u>129,738</u>			<u>13,963</u>	<u>15,900</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 6 expansion projects announced in June 2016 with completion dates ranging from October 2016 to March 2018. 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, including the Vital Rights Offering completed in July 2016.

The Brazilian development activity relates to expansion planned for both the REIT's HMB and Coração hospitals and is expected to be funded through a combination of existing resources and property financing.

Post the completion of 85 The East Mall, Etobicoke, Ontario, the REIT's Canadian development activity relates to the Barrie Primary Care Campus in Barrie, Ontario, acquired in January 2015.

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					
Three months ended September 30, 2016					
Unaudited	Canada⁽⁴⁾	Brazil	Germany	Vital Trust	Total
Additions to investment properties					
Leasing Costs ⁽¹⁾	\$ 267	\$ -	\$ 67	\$ -	\$ 334
Tenant improvements ⁽²⁾	1,948	-	-	-	1,948
Maintenance capital expenditures	409	-	414	-	823
Other capital expenditures	1,619	-	216	216	2,051
	<u>4,243</u>	<u>-</u>	<u>697</u>	<u>216</u>	<u>5,156</u>
Internal leasing costs expensed ⁽¹⁾	421	-	48	-	469
	<u>4,664</u>	<u>-</u>	<u>745</u>	<u>216</u>	<u>5,625</u>
Less:					
Recoverable maintenance capital expenditures	(409)	-	(22)	-	(431)
Other value enhancing and non-recurring capital expenditures	(915)	-	(394)	-	(1,309)
Leasing costs and non-recoverable maintenance capital expenditures	<u>\$ 3,340</u>	<u>\$ -</u>	<u>\$ 329</u>	<u>\$ 216</u>	<u>\$ 3,885</u>
AFFO adjustment for leasing costs and and non-recoverable maintenance capital expenditures ⁽³⁾	<u>\$ 2,061</u>	<u>\$ -</u>	<u>\$ 230</u>	<u>\$ 216</u>	<u>\$ 2,507</u>
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	<u>\$ 1,279</u>	<u>\$ -</u>	<u>\$ 99</u>	<u>\$ -</u>	<u>\$ 1,378</u>
Nine months ended September 30, 2016					
	Canada⁽⁴⁾	Brazil	Germany	Vital Trust	Total
Additions to investment properties					
Leasing Costs ⁽¹⁾	\$ 1,072	\$ -	\$ 607	\$ -	\$ 1,679
Tenant improvements ⁽²⁾	8,024	-	-	-	8,024
Maintenance capital expenditures	3,566	-	757	145	4,468
Other capital expenditures	5,346	-	245	994	6,585
	<u>18,008</u>	<u>-</u>	<u>1,609</u>	<u>1,139</u>	<u>20,756</u>
Internal leasing costs expensed ⁽¹⁾	1,243	-	144	-	1,387
	<u>19,251</u>	<u>-</u>	<u>1,753</u>	<u>1,139</u>	<u>22,143</u>
Less:					
Recoverable maintenance capital expenditures	(3,566)	-	(22)	-	(3,588)
Other value enhancing and non-recurring capital expenditures	(4,370)	-	(394)	(778)	(5,542)
Leasing costs and non-recoverable maintenance capital expenditures	<u>\$ 11,315</u>	<u>\$ -</u>	<u>\$ 1,337</u>	<u>\$ 361</u>	<u>\$ 13,013</u>
AFFO adjustment for leasing costs and and non-recoverable maintenance capital expenditures ⁽³⁾	<u>\$ 6,288</u>	<u>\$ -</u>	<u>\$ 669</u>	<u>\$ 361</u>	<u>\$ 7,318</u>
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	<u>\$ 5,027</u>	<u>\$ -</u>	<u>\$ 668</u>	<u>\$ -</u>	<u>\$ 5,695</u>
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.					
(4) Leasing costs for the three and nine months ended September 30, 2016 include \$Nil and \$629 of additions related to assets held for sale, respectively.					

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 the second quarter), of which three involved relocations associated with lease renewals and/or expansions, with an aggregate WALE of 11.1 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 and nine months ended September 30, 2016 were \$697 and \$1,609, respectively. The expenditure in the current quarter reflects maintenance and capital spend on recent acquisitions.

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 consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2016 and 2015:

TABLE 6 - RESULTS FROM OPERATIONS						
Expressed in thousands of Canadian dollars						
	Three months ended September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net Operating Income ⁽¹⁾						
Revenue from investment properties	\$ 66,488	\$ 63,263	\$ 3,225	\$ 195,563	\$ 135,033	\$ 60,530
Property operating costs	(18,211)	(19,622)	1,411	(56,523)	(33,322)	(23,201)
	48,277	43,641	4,636	139,040	101,711	37,329
Other income						
Share of profit (loss) from associates	819	-	819	819	2,153	(1,334)
Management fees	960	-	960	960	-	960
Interest income	1,070	172	898	2,250	743	1,507
	2,849	172	2,677	4,029	2,896	1,133
	51,126	43,813	7,313	143,069	104,607	38,462
Other expenses						
Mortgage and loan interest expense	(18,902)	(18,089)	(813)	(55,129)	(44,069)	(11,060)
General and administrative expenses	(2,734)	(5,530)	2,796	(14,538)	(18,111)	3,573
Transaction costs	(230)	(464)	234	(3,811)	(9,859)	6,048
Other Finance costs	(23,332)	(5,109)	(18,223)	(60,603)	1,082	(61,685)
Foreign exchange gain (loss)	(4,293)	857	(5,150)	(2,283)	2,606	(4,889)
Amortization of intangible asset	-	-	-	-	-	-
Income (Loss) before the undernoted items	1,635	15,478	(13,843)	6,705	36,256	(29,551)
Fair value adjustment of DUP Liability	457	193	264	(1,165)	1,878	(3,043)
Fair value adjustment of investment properties	14,978	(1,964)	16,942	62,893	96,626	(33,733)
Net loss on disposal of investment properties	(1,127)	(134)	(993)	(2,807)	(134)	(2,673)
Gain on business combination	-	-	-	53	69,023	(68,970)
Gain (Loss) on derivative financial instruments	(7,101)	(3,504)	(3,597)	(10,985)	(3,372)	(7,613)
Income (Loss) before taxes	8,842	10,069	(1,227)	54,694	200,277	(145,583)
Income tax expense	(5,209)	(3,567)	(1,642)	(26,409)	(26,836)	427
Net income (loss)	\$ 3,633	\$ 6,502	\$ (2,869)	\$ 28,285	\$ 173,441	\$ (145,156)
Net income (loss) attributable to:						
Unitholders	\$ (5,285)	\$ 2,147	\$ (7,432)	\$ (20,494)	\$ 112,669	\$ (133,163)
Non-controlling interest	8,918	4,355	4,563	48,779	60,772	(11,993)
	\$ 3,633	\$ 6,502	\$ (2,869)	\$ 28,285	\$ 173,441	\$ (145,156)
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"						

The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI. The financial results for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT and NWI.

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 September 30, 2016 was \$66,488 which is \$3,225 greater than the three months ended September 30, 2015. Of this increase \$2,079 is a result of Brazil revenue improvements driven by source currency rent indexation and the acquisition of Hospital Ifor, as well as the strengthening of the Brazilian Real against the Canadian dollar; German revenue improvements of \$506 driven by source currency rent from the Mehrower Allee acquisition; Vital Trust revenue increases of \$3,739 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 \$3,099 driven by asset sales.

Revenue from investment properties for the nine months ended September 30, 2016 was \$195,563 which is \$60,530 greater than the nine months ended September 30, 2015. Of this increase, \$47,874 is primarily attributable to the consolidation of the results of the REIT with NWI following completion of the Combination Transaction partially offset by a reduction in revenue due to asset sales. The remaining increase of \$12,656 is a result of a Brazil revenue decrease of \$1,604, as a weakening of the Brazilian Real against the Canadian dollar partially offset Brazil source currency rent indexation; German revenue improvements of \$1,537 driven by source currency rent from the Mehrower Allee acquisition, as well as, by a strengthening of the Euro against the Canadian dollar; Vital Trust revenue increases of \$9,515 driven by source currency revenue increases due to inflationary 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.

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. In the second quarter of 2015 the REIT reclassified social taxes, previously recognized as property operating costs, to general and administrative expenses. The current quarter reflects this presentation and prior year to date comparable amounts have been restated to conform to the current presentation.

Property operating costs for the three months ended September 30, 2016 were \$18,211 as compared to \$19,622 for the three months ended September 30, 2015. Of the decrease, \$1,674 is related to the Canadian region primarily driven by asset sales. This was partially offset by a \$200 increase in source currency operating costs in Germany driven by the Mehrower Allee, as well as, a small increase in Vital Trust operating costs.

Property operating costs for the nine months ended September 30, 2016 were \$56,523 as compared to \$33,322 for the nine months ended September 30, 2015. Of the increase, \$22,084 is primarily attributable to the consolidation of the results of the REIT with NWI following completion of the Combination Transaction. The remaining increase of \$1,117 is primarily a result of \$864 related to Vital Trust which is driven by source currency operating cost increases due to completion of development and acquisitions; as well as, a strengthening of the New Zealand dollar against the Canadian from the comparable prior year period. In addition there was a \$253 increase related to Germany driven by source currency operating costs in Germany primarily related to the Mehrower Allee acquisition, as well as, the strengthening of the Euro against the Canadian dollar.

See also **NET OPERATING INCOME**.

Share of profit (loss) of associates

The share of profit (loss) of associates, and distributions received, for three and nine months ended September 30, 2016 and 2015 is as follows:

TABLE 6A - SHARE OF PROFIT (LOSS) OF ASSOCIATES AND DISTRIBUTIONS RECEIVED						
Expressed in thousands of Canadian dollars						
	Three months ended September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Share of profit (loss) of associates						
Generation Healthcare REIT ("GHC")	\$ 819	\$ -	\$ 819	\$ 819	\$ -	\$ 819
NorthWest REIT	-	-	-	-	2,153	(2,153)
	\$ 819	\$ -	\$ 819	\$ 819	\$ 2,153	\$ (1,334)
Distributions received						
Generation Healthcare REIT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NorthWest REIT	-	-	-	-	3,172	(3,172)
	\$ -	\$ -	\$ -	\$ -	\$ 3,172	\$ (3,172)

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. This acquisition of GHC units increased the REIT's interest in GHC to approximately 19.8% as at September 30, 2016. As a result the REIT records its share of the profit (loss) of GHC. The weighted average ownership of GHC during the three and nine months ended September 30, 2016 was 12.7%.

SHARE OF PROFIT (LOSS) OF GHC						
Expressed in thousands of Canadian dollars						
	Three months ended September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net Operating Income ⁽¹⁾						
Revenue from investment properties	\$ 9,398	\$ -	\$ 9,398	\$ 9,398	\$ -	\$ 9,398
Property operating costs	(1,575)	-	(1,575)	(1,575)	-	(1,575)
	7,823	-	7,823	7,823	-	7,823
Interest Income	890	-	890	890	-	890
Expenses						
Mortgage and loan interest expense	(1,861)	-	(1,861)	(1,861)	-	(1,861)
General and administrative expenses	(825)	-	(825)	(825)	-	(825)
Income (Loss) before the undernoted items	6,027	-	6,027	6,027	-	6,027
Other	35	-	35	35	-	35
Fair value adjustments	(1,099)	-	(1,099)	(1,099)	-	(1,099)
Net income (loss)	4,963	-	4,963	4,963	-	4,963
Non-controlling interest	(294)	-	(294)	(294)	-	(294)
Net profit (loss) attributable to unitholders	4,669	-	4,669	4,669	-	4,669
Weighted average ownership	12.7%	n/a	n/a	12.7%	n/a	n/a
REIT's share of profit (loss)	593	-	593	593	-	593
Intercompany amounts	102	-	102	102	-	102
Changes to associate's equity	124	-	124	124	-	124
Share of profit (loss) of GHC	\$ 819	\$ -	\$ 819	\$ 819	\$ -	\$ 819
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"						

Prior to the completion of the Combination Transaction on May 15, 2015, NWI accounted for its approximate 25% ownership of the REIT using the equity method.

Interest income

Interest income represents amounts earned on invested cash balances and related party balances (see **PART V – RELATED PARTY TRANSACTIONS**). For the three months ended September 30, 2016 and 2015, the REIT recorded interest income of \$1,070 and \$172, respectively. The increase from the comparable prior year quarter reflects the interest earned on invested cash following the HMB Securitization Financing.

For the nine months ended September 30, 2016 and 2015, the REIT recorded interest income of \$2,250 and \$743, respectively. The increase from the comparable prior year period reflects the interest earned during the current year to date period on invested cash following the HMB Securitization Financing partially offset by the reduction in interest earned from related parties.

Mortgage and loan interest expense

The mortgage and loan interest expense for the three months ended September 30, 2016 was \$18,902, an increase of \$813 over the prior year period. The mortgage and loan interest expense for the nine months ended September 30, 2016 was \$55,129, an increase of \$11,060 over the prior year period.

The composition of mortgage and loan interest expense for the three and nine months ended September 30, 2016 and 2015 is as follows:

TABLE 6B - MORTGAGE AND LOAN INTEREST EXPENSE						
Expressed in thousands of Canadian dollars	Three months ended September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Canada						
Mortgages	\$ 6,738	\$ 8,060	\$ 1,322	\$ 23,581	\$ 12,158	\$ (11,423)
Brazil						
Brazil Term Loans	3,119	3,379	260	6,375	11,006	4,631
Germany						
Mortgages	462	448	(14)	1,376	1,333	(43)
Australasia						
Term loans	3,018	2,943	(75)	9,992	8,368	(1,624)
Corporate						
NWH Margin Facilities	-	-	-	-	2,203	2,203
Vital Margin Facilities	126	701	575	1,439	2,291	852
Australasian Secured Financing	1,353	-	(1,353)	1,353	-	(1,353)
Acquisition Facility	293	496	203	1,062	1,472	410
Revolving Credit Facility ⁽¹⁾	425	317	(108)	1,590	453	(1,137)
Other	-	20	20	47	83	36
Convertible Debentures						
NWH.DB	531	533	2	1,582	805	(777)
NWH.DB.A	370	370	-	1,100	1,098	(2)
NWH.DB.B	330	331	1	983	982	(1)
NWH.DB.C	706	708	2	2,103	2,101	(2)
NWH.DB.D	732	-	(732)	2,182	-	(2,182)
NWH.DB.E	729	-	(729)	729	-	(729)
	5,595	3,476	(2,119)	14,170	11,488	(2,682)
less: capitalized interest general borrowings	(30)	(217)	(187)	(365)	(284)	81
	5,565	3,259	(2,306)	13,805	11,204	(2,601)
Total mortgage and loan interest expense	\$ 18,902	\$ 18,089	\$ (813)	\$ 55,129	\$ 44,069	\$ (11,060)
Notes						
(1) Includes interest from the Non-Revolving Credit Facility Expansion.						

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

Canada

Included in mortgage interest expense for the three and nine months ended September 30, 2016 are debt repayment costs of \$174 and \$3,134, respectively, representing prepayment penalties associated with early mortgage repayments (three and nine months ended September 30, 2015 - \$Nil). Excluding these amounts mortgage interest expense has decreased \$1,496 over the comparable prior year quarter and increased \$8,289 over the comparable prior year to date period.

The decrease in mortgage interest expense over the comparable prior year quarter primarily reflects the disposition of 17 properties sold since June 30, 2015 and the repayment of \$69,920 of mortgages associated with those properties. In addition the REIT has refinanced 2015 and 2016 mortgage expires at lower interest rates. The weighted average interest rate of the Canadian mortgage portfolio as at September 30, 2016 was 3.94% a decrease from 4.45% as at September 30, 2015.

The increase in mortgage interest expense in the year to date period over the prior year comparable period primary reflects the consolidation of the REIT's Canadian mortgage portfolio following closing of the Combination Transaction. This is partially offset by the factors affecting the current quarter.

Brazil

The decrease in interest expense for the three months ended September 30, 2016, over the prior year quarter, reflects interest savings due to reductions in the term loans on the Rede D'Or Hospital Portfolio (the "**Brazil Term Loans**") following the repayment of the loans associated with HMB and Hospital Caxias in the fourth quarter of 2015 which carried an interest rate of 8.95%. This was partially offset by the HMB Securitization Financing which partially funded in May 2016, with the balance due received in the third quarter, that bears interest at a rate of 8.28% plus annual IPCA adjustments to the principal balance, as well as, unfavourable foreign exchange movements from the comparable prior year quarter.

The decrease in interest expense for the nine months ended September 30, 2016, over the prior year period, reflects interest savings due to reductions in the Brazil Term Loans following the repayment of the loans associated with HMB and Hospital Caxias in the fourth quarter of 2015, as well as, favourable foreign exchange movements. This was partially offset by an increase to the interest rate on the Brazil Term Loans on April 1, 2015 from 7.30% to floating rates ranging from 12%-14.5%, and to 8.95% from June 9, 2015 and finally to 10.3% from December 22, 2015, as well as, interest on the HMB Securitization Financing which partially funded in May 2016, with the balance due received in the third quarter, that bears interest at a rate of 8.28% plus annual IPCA adjustments to the principal balance.

Germany

Mortgage interest expense is comparable to the prior year quarter and year to date period as interest rates savings associated with the refinancing of mortgages secured against five of the REIT's properties located in Berlin and Fulda, Germany in August 2015, which decreased the weighted average interest rate with respect to the five properties to 1.65% from 2.27%, were offset by unfavourable foreign exchange movements, in the year to date period, and interest on the mortgage associated with the Mehrower Allee acquisition. The weighted average interest rate of the German mortgages was 1.92% as at September 30, 2016, a decrease from 1.96% as at September 30, 2015.

Australasia

The increase in the interest expense over the comparable prior year quarter and year to date period reflects an increase in Vital Trust's Term loans, associated with financing acquisitions and interest expense now recognized on completed development and no longer capitalized, as well as, unfavourable exchange rate movements. This was partially offset by a partial repayment of the Vital Trust Term Loans with proceeds from the Vital Rights Offering

and lower interest rates. The weighted average interest rate of the Vital Trust term loans was 4.75% as at September 30, 2016, a decrease from 5.21% as at September 30, 2015.

Corporate

During the second quarter of 2015, immediately prior to completing the Combination Transaction, NWI's Canadian margin facilities (the "**NWH Margin Facilities**"), with an outstanding balance of \$68,143, were repaid. As a result the interest expense associated with the NWH Margin Facilities was eliminated as compared to the prior year comparable quarter and year to date period.

On July 15, 2016 the REIT completed 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 400 basis points (6.36% on a weighted average basis as at September 30, 2016). During the quarter 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 6.68% as at September 30, 2015.

Proceeds of the Australasian Secured Financing were also used to partially fund the acquisition of GHC, as well as, the REIT's participation in the Vital Rights Offering.

The REIT's Revolving Credit Facility (as defined under **CAPITAL STRUCTURE – Debt**) bears interest at a rate equal to the bank's prime rate plus 1.00% or Bankers' Acceptances plus 2.00%. Interest expense in the current quarter and year to date period increased as a result of the consolidation of the REIT's Revolving Credit Facility following closing of the Combination Transaction, as well as, an increase in amounts drawn on the facility.

Interest expense on the Convertible Debentures has increased over the comparable prior year periods following consolidation of the REIT's NWH.DB Convertible Debentures following closing of the Combination Transaction. In addition during the fourth quarter of 2015 the REIT issued a combined \$53,000 principal amount of NWH.DB.D Convertible Debentures. The NWH.DB.D Convertible Debentures pay interest at 5.50% per annum. On July 25, 2016 the REIT also issued \$74,750 principal amount of NWH.DB.E Convertible Debentures which pay interest at 5.25% per annum.

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

General and administrative expenses ("G&A")

G&A expenses for the three months ended September 30, 2016 were \$2,734 as compared to \$5,530 in the quarter ended September 30, 2015. G&A for the three months ended September 30, 2016 includes DUP Compensation Expense (as defined under

ADJUSTED FUNDS FROM OPERATIONS (“AFFO”) – DUP Compensation Expense) of negative \$1,572 (three months ended September 30, 2015 - \$2,564). The decrease in DUP Compensation is driven by modifications to the incentive compensation and the forfeiture of certain deferred units. G&A, excluding amounts associated with DUP Compensation Expenses, increased \$1,340 over the prior year quarter primarily as a result of \$630 of G&A associated with the recent GHM acquisition as well as incremental G&A at Vital Trust.

G&A expenses for the nine months ended September 30, 2016 were \$14,538 as compared to \$18,111 in the comparable period in 2015. G&A for the nine months ended September 30, 2016 includes non-cash DUP Compensation Expense of \$2,176 (nine months ended September 30, 2015 - \$7,842). The decrease in DUP Compensation is driven by modifications to the incentive compensation during the third quarter and the forfeiture of certain deferred units. G&A, excluding amounts associated with DUP Compensation Expenses, increased \$2,093 over the prior year period primarily as a result of combining the REIT’s G&A with NWI, following completion of the Combination Transaction, and \$630 of G&A associated with the recent GHM acquisition.

Transaction costs

For the three months ended September 30, 2016 the REIT incurred transaction costs of \$230 (nine months ended September 30, 2016 - \$3,811), of which \$230 (nine months ended September 30, 2016 - \$1,234) relates to the acquisition of GHM. Of the remaining costs for the year to date period, \$1,337 of transaction costs are associated with an acquisition completed in the previous year and the residual relates primarily to the Combination Transaction.

For the three months ended September 30, 2015 the REIT incurred transaction costs of \$464 (nine months ended September 30, 2015 - \$9,859) which includes \$Nil (nine months ended September 30, 2015 - \$798) related to the Internalization Transaction and \$464 (nine months ended September 30, 2015 - \$8,873) related to costs incurred by NWI related to the Combination Transaction. As both the Internalization and Combination Transactions are business combinations, the transaction costs incurred are expensed in the period incurred.

Other Finance costs

Other finance costs for the three and nine months ended September 30, 2016 and 2015 consisted of the following:

	Three months ended September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Distributions on Exchangeable Units	\$ 3,799	\$ 3,838	\$ 39	\$ 11,399	\$ 13,161	\$ 1,762
Loss on revaluation of financial liabilities	2,160	1,544	(616)	7,587	8,263	676
Amortization of deferred financing costs	1,391	1,593	202	3,374	5,464	2,090
Amortization of marked to market adjustment	(997)	(2,284)	(1,287)	(5,187)	(2,927)	2,260
Fair value adjustment of Convertible Debentures	5,693	(158)	(5,851)	11,246	5,954	(5,292)
Convertible Debenture issuance costs	3,117	-	(3,117)	3,117	1	(3,116)
Fair value adjustment of Exchangeable Units	8,169	576	(7,593)	29,067	(30,998)	(60,065)
Total Finance Costs	\$ 23,332	\$ 5,109	\$ (18,223)	\$ 60,603	\$ (1,082)	\$ (61,685)

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. The decrease in distributions for the nine months ended September 30, 2016 over the comparable prior year period reflects the reduction in distributions per unit from \$0.0881 per month (as adjusted for the Exchange Ratio) to \$0.0667 following closing of the Combination Transaction. In addition 189,998 Exchangeable Units were exchanged and cancelled on December 1, 2015.

Loss on revaluation of financial liabilities

On maturity, the principal balance of both of the Brazil Term Loans (including the recent HMB Securitization Financing and Incremental HMB Securitization Financing) and the Hospital Caxias D'Or holdback payable (included in deferred consideration), which was acquired as part of a three hospital acquisition from Rede D'Or Sao Luiz in December 2013 (the "**Rede D'Or Hospital Portfolio Acquisition**"), are adjusted by the inflation rate (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy ("**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 and nine months ended September 30, 2016, accretion expense of \$2,160 and \$5,865, respectively (for the three and nine months ended September 30, 2015 - \$1,544 and \$8,026, respectively) was recorded to account for the related IPCA adjustments on the Brazil Term Loans. The annual inflation rate for September 30, 2016 was 8.48% as compared to 9.49% for September 30, 2015.

On January 15, 2015, the REIT was notified that the required conditions related to the Hospital Caxias D'Or holdback were not resolved as such between January 15, 2015 to June 30, 2015; no inflation adjustment was recognized in respect of the holdback. The vendor conditions were satisfied on October 16, 2015 and as such the REIT has accrued inflation adjustments for the period from October 16, 2015 until settlement of the holdback on June 15, 2016. For the three and nine months ended September 30, 2016, accretion expense of \$Nil and \$1,722, respectively, (three and nine months ended September 30, 2015 - \$Nil and \$237, respectively) 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 2015 is primarily due to the repayment of the HMB and Caxias D'or Brazil Term Loans in December 2015, as well as the foreign exchange impact of the declining Brazilian Real relative to the Canadian dollar.

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 nine quarters:

	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14
Month-end closing price (Canadian \$)									
NWH.DB ⁽¹⁾	1,045.00	1,000.00	990.00	970.00	990.00	1,000.00	N/A	N/A	N/A
NWH.DB.A ⁽²⁾	1,021.00	1,017.60	1,002.50	1,010.00	1,005.00	1,000.00	960.10	900.10	945.60
NWH.DB.B ⁽²⁾	1,050.00	1,037.50	1,013.00	1,002.00	1,017.50	1,010.00	970.00	998.70	1,020.00
NWH.DB.C ⁽²⁾	1,045.00	1,030.00	1,018.00	1,000.00	1,000.00	1,000.00	969.90	880.00	975.00
NWH.DB.D	1,043.00	1,025.10	995.00	980.00	N/A	N/A	N/A	N/A	N/A
NWH.DB.E	1,027.50	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes

(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI. As a result the REIT's NWH.DB series of convertible debentures has been excluded from the above analysis for period prior to completion of the Combination Transaction.

(2) Pursuant to the Combination Transaction 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 TSX Venture Exchange 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.

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 nine quarters:

	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14
Month-end closing price (Canadian \$)	10.46	10.03	9.64	8.93	8.00	7.97	9.09	9.62	10.53

Notes

(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI. As a result the closing price of NWI's units presented above, for periods prior to completion of the Combination Transaction, have been adjusted by the Exchange Ratio.

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 and 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.

For the three months ended September 30, 2016, the REIT recorded a foreign exchange loss of \$4,293, which is made up of a unrealized exchange loss of \$4,287 and an realized exchange loss of \$6. The unrealized foreign exchange loss for the three months ended September 30, 2016 is primarily a result of the revaluation of the Vital Margin Facilities prior to their settlement and the revaluation of the new Australasian Secured Financing. During the three months ended September 30, 2016, the New Zealand dollar and Australian dollar both increased by approximately 4% relative to the Canadian dollar, thus increasing the value of the New Zealand and Australian dollar denominated debt. During the quarter Vital Trust also recognized a \$515 unrealized foreign exchange loss, on Australian dollar term loan borrowings, as the Australian dollar strengthened slightly relative to the New Zealand dollar.

For the nine months ended September 30, 2016, the REIT recorded a foreign exchange loss of \$2,283, which is made up of a realized exchange gain of \$62 and an unrealized exchange loss of \$2,345. The unrealized foreign exchange gain for the nine months ended September 30, 2016 is primarily a result of the revaluation of the Vital Margin Facilities prior to their settlement and the revaluation of the new Australasian Secured Financing. During the nine months ended September 30, 2016, the New Zealand dollar strengthened by approximately 1% relative to the Canadian dollar, thus increasing the value of the New Zealand debt. The Australian dollar also increased by approximately 4% relative to the Canadian dollar in the period following the Australasian Secured Financing.

For the three months ended September 30, 2015 the REIT recorded a foreign exchange gain of \$857, which is made up of a realized exchange gain of \$138 and an unrealized exchange gain of \$719. The unrealized exchange gain during the three months ended September 30, 2015 is primarily due to foreign exchange gains in Vital Trust related to Australian dollar denominated loans partially offset by exchange losses on the Vital Margin Facilities. During the three months ended September 30, 2015, the New Zealand dollar strengthened by approximately 12% relative to the Canadian dollar, thus increasing the liability of the Vital Margin Facilities.

For the nine months ended September 30, 2015, the REIT recorded a foreign exchange gain of \$2,606 which is made up of a realized exchange gain of \$335 and an unrealized exchange gain of \$2,271. The exchange gain during the nine months ended September 30, 2015 is primarily due to foreign exchange gains on the Vital Margin Facilities partially offset by exchange losses in Vital Trust related to Australian dollar denominated loans. During the nine months ended September 30, 2015 the Zealand dollar weakened by approximately 5% relative to the Canadian dollar, thus decreasing the liability of the Vital Margin Facilities.

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 September 30, 2016 was a gain of \$457 (nine months ended September 30, 2016 – loss of \$1,165) as compared to a fair value gain of \$193 for the three months ended September 30, 2015 (nine months ended September 30, 2015 – gain of \$1,878). The gain during the current quarter reflects the decrease in the DUP Liability driven by modifications to the incentive compensation during the third quarter and the forfeiture of certain deferred units.

Fair value adjustment of investment properties

For the three months ended September 30, 2016, the REIT recorded a fair value gain on investment properties of \$14,978 related to a \$4,542 revaluation increase of the Brazil portfolio, \$3,413 revaluation increase of the German portfolio and a \$5,705 increase in the Vital Trust investment properties and a \$1,318 fair value gain related to the Canadian property portfolio (net of a \$169 fair value loss associated with assets held for sale). The revaluation of the Brazil portfolio during the three months ended September 30, 2016 is related to the actual and estimated increases in rents for inflation, increasing the portfolio's net operating income. The revaluation of the German portfolio during the three months ended September 30, 2016 reflects capitalization rate compression in certain German markets. The increase in the Vital Trust assets reflects capitalization rate compression in both the New Zealand and Australian markets during the quarter. The revaluation of the Canadian portfolio during the three months ended September 30, 2016 primarily reflects the stabilization of the newly developed West Toronto Health Centre.

For the nine months ended September 30, 2016, the REIT recorded a fair value gain of \$62,893 related to a

\$21,015 revaluation increase of the Brazil portfolio, \$9,807 revaluation increase of the German portfolio and a \$57,265 increase in the Vital Trust investment properties; partially offset by a net \$25,194 fair value loss related to the Canadian property portfolio (inclusive of a \$7,002 fair value loss associated with assets held for sale). The revaluation of the Brazil portfolio during the year to date period is related to the actual and estimated increases in rents for inflation, increasing the portfolio's net operating income. The revaluation of the German portfolio during the year to date period reflects capitalization rate compression in certain German markets. The increase in the Vital Trust assets reflects capitalization rate compression in both the New Zealand and Australian markets during the quarter. The revaluation of the Canadian portfolio during the year to date period primarily reflects the decline in market rents in the Alberta office space market, as well as, fair value write-downs of certain assets held for sale.

For the three months ended September 30, 2015, the REIT recorded a fair value loss on investment properties of \$1,964 primarily related to a \$6,079 fair value losses in Canada associated with capitalization rate expansion and the revaluation of properties transferred to assets held for sale; partially offset by a \$4,819 revaluation increase of the Brazil portfolio. For the nine months ended September 30, 2015, the REIT recorded a fair value gain on investment properties of \$96,626 primarily related to a \$76,608 revaluation of the Vital Trust portfolio and \$27,138 revaluation of the Brazil portfolio; partially offset by a \$6,079 fair value loss in Canada.

The revaluation of the Brazil portfolio during the three and nine months ended September 30, 2015 is related to the actual and estimated increases in rents for inflation, increasing the portfolio's net operating income. Assumptions in respect of capitalization rates and discount rates remain unchanged from December 31, 2014.

The revaluation of the Vital Trust portfolio during the three and nine months ended September 30, 2015 is primarily related to compression in discount rates and terminal capitalization rates of approximately 100 basis points.

See also **INVESTMENT PROPERTIES**.

Net loss on disposal of investment properties

During the three and nine months ended September 30, 2016, the REIT recognized a loss on sale of \$1,127 and \$2,807, respectively, due to transaction costs associated with the sale of four Canadian investment properties and thirteen Canadian investment properties, respectively. During the three and nine months ended September 30, 2015 the REIT recognized a loss of \$134 on the sale of one Canadian investment property.

Gain/Loss on derivative financial instruments

Gain/Loss on derivative financial instruments for the three and nine months ended September 30, 2016 and 2015 consisted of the following:

TABLE 6F - GAIN (LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS						
Expressed in thousands of Canadian dollars						
	Three months ended September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Canada						
Interest rate swaps	\$ 826	\$ (634)	\$ 1,460	\$ 61	\$ (875)	\$ 936
Brazil						
Brazil Loans interest rate swaps	(3)	(1,164)	1,161	742	40	702
Germany						
Interest rate swaps	58	(272)	330	(476)	76	(552)
Australasia						
Interest rate swaps	(1,310)	(2,540)	1,230	(6,118)	(2,554)	(3,564)
Foreign exchange derivatives	-	1,388	(1,388)	-	(72)	72
Foreign exchange contracts	357	(287)	644	676	24	652
Performance fee receivable	(716)	-	(716)	(716)	-	(716)
Corporate						
Vital Margin Facility interest rate swaps	(4)	5	(9)	8	(11)	19
GHC put/call option and units	(6,309)	-	(6,309)	(5,162)	-	(5,162)
Total mortgage and loan interest expense	\$ (7,101)	\$ (3,504)	\$ (3,597)	\$ (10,985)	\$ (3,372)	\$ (7,613)

Income tax expense

The combined current tax and deferred tax expense of the REIT for the three months ended September 30, 2016 was \$5,209 (nine months ended September 30, 2016 - \$26,409).

For the three months ended September 30, 2016, the REIT recognized a current income tax charge of \$2,438 (nine months ended September 30, 2016 - \$4,972). 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 September 30, 2016 was \$2,771 (nine months ended September 30, 2016 - \$21,436). 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 September 30, 2016 related to the German and Brazil investment properties was \$3,217 (nine months ended September 30, 2016 - \$11,457). Vital Trust recorded a deferred expense for the three months ended September 30, 2016 of \$767, which relates primarily to the fair value movement of investment properties and deferred tax impact of derivative valuations (nine months ended September 30, 2016 - \$10,942). Vital Manager recorded a deferred tax asset for the three months ended September 30, 2016 of \$965 (nine months ended September 30, 2016 - \$714 asset). GHM recorded a deferred tax asset for the three months ended September 30, 2016 of \$248 primarily related to the revaluation of the Performance Fee receivable (nine months ended September 30, 2016 - \$248 asset).

The combined current tax and deferred tax expense of the REIT for the three months ended September 30, 2015 was \$3,567 (nine months ended September 30, 2015 - \$26,836).

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. For the three months ended September 30, 2015, the REIT recognized a current income tax charge of \$906 (nine months ended September 30, 2015 - current tax liability - \$1,201).

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 September 30, 2015 related to the German and Brazil investment properties was \$2,458 (nine months ended September 30, 2015 - \$12,112). Vital Trust recorded a deferred tax liability for the three months ended September 30, 2015 of \$245 (nine months ended September 30, 2015 - \$13,571), which relates primarily to the increase in the carrying value of its investment properties.

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 September 30, 2016 represents income from currently owned investment properties, excluding properties held for redevelopment, acquired prior to July 1, 2015. Same property NOI for the nine months ended September 30, 2016 represents income from currently owned investment properties, excluding properties held for redevelopment, acquired prior to January 1, 2015.

The REIT's NOI for the three and nine months ended September 30, 2016 and 2015 is summarized below on a same property basis 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):

Expressed in thousands of Canadian dollars	Three months ended September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI⁽¹⁾						
Same property revenue from investment properties	\$ 63,064	\$ 58,944	\$ 4,120	\$ 87,821	\$ 78,693	\$ 9,128
Same property operating costs	(17,115)	(16,949)	(166)	(8,851)	(8,339)	(512)
	45,949	41,995	3,954	\$ 78,970	70,354	8,616
NOI of the REIT ⁽²⁾	-	-	-	\$ 57,596	31,806	25,790
Properties held for redevelopment	99	-	99			
Acquisitions	2,326	295	2,031	\$ 3,814	877	2,937
Dispositions	362	1,879	(1,517)	\$ -	-	-
Inter-company/elimination	(459)	(528)	69	\$ (1,340)	(1,326)	(14)
NOI⁽¹⁾	\$ 48,277	\$ 43,641	\$ 4,636	\$ 139,040	\$ 101,711	\$ 37,329
Notes						
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.						
(2) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI.						

TABLE 7A - SAME PROPERTY NOI - CANADA

In thousands of CAD	Three months ended September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI ⁽¹⁾⁽³⁾⁽⁴⁾						
Same property revenue from investment properties	\$ 33,096	\$ 32,978	\$ 118	\$ 97,975	\$ 97,035	\$ 940
Same property operating costs	(14,379)	(14,254)	(125)	(43,242)	(42,793)	(449)
	18,717	18,724	(7)	54,733	54,242	491
Properties held for redevelopment	99	-	99	90	132	(42)
Acquisitions	-	-	-	1,334	1,451	(117)
Dispositions	362	1,879	(1,517)	1,439	5,470	(4,031)
NOI ⁽¹⁾	\$ 19,178	\$ 20,603	\$ (1,425)	\$ 57,596	\$ 61,295	\$ (3,699)
Reclass to share of profit (loss) of associates ⁽²⁾	-	-	-	-	(29,489)	29,489
NOI ^{(1) (2)}	\$ 19,178	\$ 20,603	\$ (1,425)	\$ 57,596	\$ 31,806	\$ 25,790

Notes

- (1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.
- (2) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI.
- (3) Same property NOI is not directly comparable to the prior YTD period due to acquisition adjustments associated with the Combination Transaction that impact the pattern of straight-line rent amortization. Same property NOI includes the straight-line rent income of \$228 and \$740 for the three months and nine months ended September 30, 2016, respectively (\$376 and \$479 for the three months and nine months ended September 30, 2015, respectively).
- (4) Same Property NOI for Canada has been presented for information purposes only. On a consolidated basis excluding the current quarter, as NWI has been identified as the accounting acquirer of the REIT, all NOI generated by Canadian properties is treated as an acquisition.

TABLE 7B - SAME PROPERTY NOI - BRAZIL

In thousands of BRL and CAD	Three months ended September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI ⁽¹⁾ - in thousands of BRL						
Same property revenue from investment properties	R\$ 21,968	R\$ 19,707	R\$ 2,261	R\$ 66,290	R\$ 59,069	R\$ 7,221
Same property operating costs	-	-	-	-	-	-
	21,968	19,707	2,261	66,290	59,069	7,221
Acquisitions - in thousands of BRL	1,409	-	1,409	1,409	-	1,409
Dispositions - in thousands BRL	-	-	-	-	-	-
NOI ⁽¹⁾ - in thousands of BRL	R\$ 23,377	R\$ 19,707	R\$ 3,670	R\$ 67,699	R\$ 59,069	R\$ 8,630
FX Rate	0.4015	0.3708	0.0307	0.3746	0.4021	(0.0276)
NOI ⁽¹⁾ - in thousands of CAD	\$ 9,386	\$ 7,307	\$ 2,079	\$ 25,357	\$ 23,753	\$ 1,604

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 September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI⁽¹⁾ - in thousands of Euro						
Same property revenue from investment properties	€ 2,284	€ 2,282	€ 2	€ 6,861	€ 6,829	€ 32
Same property operating costs	(563)	(563)	-	(1,776)	(1,941)	165
	1,721	1,719	2	5,085	4,888	197
Acquisitions - in thousands of Euro	217	6	211	457	11	446
Dispositions - in thousands of Euro	-	-	-	-	-	-
NOI⁽¹⁾ - in thousands of Euro	€ 1,938	€ 1,725	€ 213	€ 5,542	€ 4,899	€ 643
FX Rate	1.4541	1.4562	(0.0022)	1.4744	1.4056	0.0688
NOI⁽¹⁾ - in thousands of CAD	\$ 2,818	\$ 2,512	\$ 306	\$ 8,171	\$ 6,887	\$ 1,284

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 September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI⁽¹⁾⁽³⁾ - in thousands of NZD						
Same property revenue from investment properties	\$ 18,925	\$ 17,996	\$ 929	\$ 57,782	\$ 50,754	\$ 7,028
Same property operating costs	(2,035)	(2,200)	165	(6,811)	(6,281)	(530)
	16,890	15,796	1,094	50,971	44,473	6,498
Acquisitions - in thousands of NZD	1,533	335	1,198	2,855	963	1,892
Dispositions in thousands of NZD	-	-	-	-	-	-
NOI⁽¹⁾ - in thousands of NZD	18,423	\$ 16,131	\$ 2,292	\$ 53,826	\$ 45,436	\$ 8,390
FX Rate	0.9420	0.8522	0.0898	0.9151	0.8934	0.0217
NOI⁽¹⁾ - in thousands of CAD	\$ 17,354	\$ 13,747	\$ 3,607	\$ 49,256	\$ 40,591	\$ 8,665

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 September 30, 2016 is \$118 greater than actual results for the three months ended September 30, 2015 primarily due to an increase in operating cost recoveries of \$234 driven by an increase in operating costs and by an increase in parking revenue of \$74; offset by a decrease in base rent of \$105 mainly due to lower occupancy, decrease in straight-line rent of \$70 reflecting the portfolio contractual leasing profile and lower termination fee income of \$30.

Same property revenue from investment properties for the nine months ended September 30, 2016 is \$940 greater than actual results for the nine months ended September 30, 2015 primarily due to increase in operating cost recoveries of \$773 driven by an increase in operating costs, an increase in straight-line rent of \$398 as a result of acquisition adjustments and an increase in parking revenue of \$288; offset by lower termination fee income of \$381.

Brazil

In Brazil, same property revenues for the three and nine months ended September 30, 2016 increased over the comparable prior year period as a result of inflationary adjustments which are implemented annually across the portfolio, in accordance with the REIT's leasing contracts. The rental increase imposed in 2016 reflects the 12 month IPCA rate as at each property rental adjustment date. On January 1, 2016, the leases relating to Rede D'Or Hospital Portfolio properties were adjusted by 10.67% and on April 1, 2016, Hospital Sabara lease was adjusted by 10.36%. Revenue in the year to date period includes a non-recurring rental adjustment of R\$851 as a result of a review of Hospital Caxias D'Or lease agreement.

Germany

Same property revenue from Germany's investment properties remained at the prior year quarter reflecting lower revenue due to higher expiries offset by inflationary rental increases to existing tenants.

Same property revenue from Germany's investment properties increased by €32 for the nine months ended September 30, 2016, against the prior year period. Year over year occupancy increased slightly. The higher same property revenue for the nine months ended September 30, 2016 is primarily inflationary rental increases to existing tenants of approximately 1%, offset by prior year tenant reconciliations after a milder winter. Furthermore a one-off claim against a developer resulted in income of €70 in the first quarter.

Australasia

For the three and nine months ended September 30, 2016, Vital Trust's same property revenue increased NZ\$929 and NZ\$7,028, respectively, over the comparable prior year periods primarily 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 September 30, 2016 increased by \$125 over the comparable prior year period driven mainly by increase in wages and benefits as well as repairs and maintenance costs; partially offset by a decrease in non-recoverable costs.

Same property operating expenses for the nine months ended September 30, 2016 increased by \$449 over the comparable prior year period driven mainly by increase in wages and benefits as well as repairs and maintenance costs; partially offset by a decrease in non-recoverable costs.

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.

Germany

Same property operating costs for the three months ended September 30, 2016 did not see any change, against the prior year comparable periods.

Same property operating costs for the nine months ended September 30, 2016 decreased €165, against the prior year comparable periods. The decrease in property operating costs for the nine months ended September 30,

2016 from the comparable prior year quarter was primarily due to lower usage based cost assumptions (heating and electricity) resulting from a milder winter than past years.

Australasia

For the three months ended September 30, 2016, Vital Trust's same property operating costs were NZ\$165 lower than the comparable prior year quarter primarily due to foreign exchange, as NZD/AUD was 0.9537 compared to 2015 of 0.898, provisions against accounts receivable not required offset by costs associated with development which became revenue producing.

For the nine months ended September 30, 2016, Vital Trust's same property operating costs were NZ\$530 higher than the comparable prior year period primarily due to costs associated with development which became revenue producing offset by provisions against accounts receivable not required.

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.

TABLE 8 - FUNDS FROM OPERATIONS						
Expressed in thousands of Canadian dollars, except per unit amounts						
	Three months ended September 30			Nine months ended September 30		
	2016 (Unaudited)	2015 (Unaudited)	Variance (Unaudited)	2016 (Unaudited)	2015 (Unaudited)	Variance (Unaudited)
Net income (loss) attributable to unitholders	\$ (5,285)	\$ 2,147	\$ (7,432)	\$ (20,494)	\$ 112,669	\$ (133,163)
Add / (Deduct):						
(i) Fair market value losses (gains)	5,528	5,693	(165)	(10,430)	(120,176)	109,746
Less: Non-controlling interests' share of fair market value losses (gains) ⁽⁵⁾	3,579	(1,091)	4,670	39,326	56,229	(16,903)
(ii) Finance cost - Exchangeable Unit distributions	3,799	3,838	(39)	11,399	13,161	(1,762)
(iii) Revaluation of financial liabilities	2,160	1,544	616	7,587	8,263	(676)
(iv) Unrealized foreign exchange loss (gain)	4,287	(719)	5,006	2,345	(2,271)	4,616
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	(388)	675	(1,063)	111	(220)	331
(v) Deferred taxes	2,771	2,661	110	21,437	25,635	(4,198)
Less: Non-controlling interests' share of deferred taxes	(574)	(186)	(388)	(8,267)	(10,310)	2,043
(vi) Non-recurring transaction costs	230	464	(234)	3,811	9,859	(6,048)
(vii) Convertible Debenture issuance costs	3,117	-	3,117	3,117	1	3,116
(viii) Net adjustments for equity accounted entities	123	-	123	123	2,221	(2,098)
(ix) Internal leasing costs	469	366	103	1,387	577	810
(x) Net loss on disposal of investment properties	1,127	134	993	2,807	134	2,673
(xi) Gain on business combination	-	-	-	(53)	(69,023)	68,970
(xii) Other FFO adjustments ⁽⁵⁾	489	-	489	1,039	-	1,039
Funds From Operations ("FFO")⁽¹⁾	\$ 21,432	\$ 15,526	\$ 5,906	\$ 55,245	\$ 26,749	\$ 28,496
FFO per Unit - Basic	\$ 0.25	\$ 0.22	\$ 0.03	\$ 0.70	\$ 0.49	\$ 0.21
FFO per Unit - fully diluted ⁽⁴⁾	\$ 0.24	\$ 0.21	\$ 0.03	\$ 0.67	\$ 0.48	\$ 0.19
Adjusted weighted average units outstanding:⁽²⁾⁽³⁾						
Basic	86,344,032	71,926,782	14,417,250	79,147,842	54,931,055	24,216,787
Diluted ⁽⁴⁾	105,023,797	75,179,491	29,844,306	91,787,290	55,373,479	36,413,811
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)	Outstanding units and weighted average unit amounts, and the associated per unit amounts, for the period prior to the Combination Transaction, reflect the capital structure of NWI as adjusted for the Exchange Ratio.					
(3)	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 September 30, 2016 and 19,188,063 Class B LP Units outstanding as at September 30, 2015.					
(4)	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.					
(5)	During the quarter the REIT reclassified \$550, of prior quarter year to date amounts, from non-controlling interests' share of fair market value losses (gains) to other FFO adjustments. The amount reflects the cash flow benefit to the REIT of certain Vital Manager fees that are capitalized by Vital Trust and funded by its non-controlling interest.					

FFO DILUTION						
	Three months ended September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Funds From Operations ("FFO") - Undiluted	\$ 21,432	\$ 15,526	\$ 5,906	\$ 55,245	\$ 26,749	\$ 28,496
Potentially Dilutive Convertible Debentures						
NWH.DB	528	528	-	1,585	-	1,585
NWH.DB.A	367	-	367	1,102	-	1,102
NWH.DB.B	328	-	328	984	-	984
NWH.DB.C	702	-	702	-	-	-
NWH.DB.D	729	-	729	2,186	-	2,186
NWH.DB.E	725	-	725	730	-	730
	<u>3,379</u>	<u>528</u>	<u>2,851</u>	<u>6,587</u>	<u>-</u>	<u>6,587</u>
Funds From Operations ("FFO") - Diluted	\$ 24,811	\$ 16,054	\$ 8,757	\$ 61,832	\$ 26,749	\$ 35,083
Adjusted weighted average units outstanding:						
Basic	86,344,032	71,926,782	14,417,250	79,147,842	54,931,055	24,216,787
Vested but unissued deferred units	534,715	418,202	116,513	472,743	442,424	30,319
Potentially Dilutive Convertible Debentures						
NWH.DB	2,834,507	2,834,507	-	2,834,507	-	2,834,507
NWH.DB.A	1,649,635	-	1,649,635	1,649,635	-	1,649,635
NWH.DB.B	1,516,464	-	1,516,464	1,516,464	-	1,516,464
NWH.DB.C	3,100,000	-	3,100,000	-	-	-
NWH.DB.D	4,711,111	-	4,711,111	4,711,111	-	4,711,111
NWH.DB.E	4,333,333	-	4,333,333	1,454,988	-	1,454,988
	<u>18,145,050</u>	<u>2,834,507</u>	<u>15,310,543</u>	<u>12,166,705</u>	<u>-</u>	<u>12,166,705</u>
Diluted	<u>105,023,797</u>	<u>75,179,491</u>	<u>29,844,306</u>	<u>91,787,290</u>	<u>55,373,479</u>	<u>36,413,811</u>

The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly FFO for the periods prior to completion of the Combination Transaction reflect the results of NWI. The FFO for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT and NWI.

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**

TABLE 8A - FAIR MARKET VALUE LOSSES (GAINS)						
Expressed in thousands of Canadian dollars						
	Three months ended September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Fair market value losses (gains)						
Fair value adjustment of Convertible Debentures	\$ 5,693	\$ (158)	\$ 5,851	\$ 11,246	\$ 5,954	\$ 5,292
Fair value adjustment of Exchangeable Units	8,169	576	7,593	29,067	(30,998)	60,065
Fair value adjustment of investment properties	(14,978)	1,964	(16,942)	(62,893)	(96,626)	33,733
Loss (Gain) on derivative financial instruments	7,101	3,504	3,597	10,985	3,372	7,613
Fair value adjustment of DUP Liability	(457)	(193)	(264)	1,165	(1,878)	3,043
Total	\$ 5,528	\$ 5,693	\$ (165)	\$ (10,430)	\$ (120,176)	\$ 109,746

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 White Paper on Funds From Operations dated April 2014 ("**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 GHM acquisition, the Internalization Transaction, and Combination Transaction which have been determined to be business combinations. In accordance with the REALpac Guidance, to allow for consistent treatment of transaction costs incurred whether a transaction is recorded as an asset acquisition or business combination, and to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, transaction costs related to the REIT's GHM acquisition, Internalization Transaction and Combination Transaction 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. Although this adjustment is not consistent with 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 which the REIT believes is consistent with industry practice.

(viii) Net adjustments for equity accounted entities

Under IFRS the REIT's investment in associates are accounted for using the equity method of accounting. As such, the REIT's share of its associate's post acquisition net income (loss) was recognized in its net income (loss), and its share of post-acquisition movements in other comprehensive income (loss) was recognized in other comprehensive income (loss). 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 associates' FFO.

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

Expressed in thousands of Canadian dollars	Three months ended September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Average % of GHC owned during the period ⁽²⁾	12.7%	n/a		12.7%	n/a	
Proportionate share of Generation Healthcare REIT ("GHC") FFO	\$ 942	\$ -	\$ 942	\$ 942	\$ -	\$ 942
Average % of NorthWest REIT owned during the period	n/a	n/a		n/a	25.4%	
Proportionate share of NorthWest REIT FFO	\$ -	\$ -	\$ -	\$ -	\$ 4,374	\$ (4,374)
Proportionate share of Funds From Operations ("FFO")⁽¹⁾ from Associates	\$ 942	\$ -	\$ 942	\$ 942	\$ 4,374	\$ (3,432)
Less: Share of profit (loss) of associates	819	-	819	819	2,153	(1,334)
Net FFO adjustments for equity accounted entities	\$ 123	\$ -	\$ 123	\$ 123	\$ 2,221	\$ (2,098)

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 September 30, 2016 the REIT held an approximate 19.8% interest in GHC.

(3) The Combination Transaction was completed on May 15, 2015. FFO for the three and nine months ended September 30, 2015 represents NorthWest REIT's FFO.

TABLE 8C - GHC FUNDS FROM OPERATIONS						
Expressed in thousands of Canadian dollars, except per unit amounts						
	Three months ended September 30			Nine months ended September 30		
	2016 (Unaudited)	2015 (Unaudited)	Variance (Unaudited)	2016 (Unaudited)	2015 (Unaudited)	Variance (Unaudited)
Share of profit (loss) of GHC	\$ 819	\$ -	\$ 819	\$ 819	\$ -	\$ 819
Add / (Deduct):						
Fair market value losses (gains)	127	-	127	127	-	127
Gain on business combination	(4)	-	(4)	(4)	-	(4)
Proportionate share of Generation Healthcare REIT ("GHC") FFO⁽¹⁾	\$ 942	\$ -	\$ 942	\$ 942	\$ -	\$ 942
Less: Share of profit (loss) of GHC	819	-	819	819	-	819
Net FFO adjustment for GHC	\$ 123	\$ -	\$ 123	\$ 123	\$ -	\$ 123
Average % of GHC owned during the period ⁽²⁾	12.7%	n/a		12.7%	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 September 30, 2016 the REIT held an approximate 19.8% 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) Gain on business combination

Consistent with REALpac Guidance the REIT has adjusted FFO for the gain recognized on the GHM acquisition and the Combination Transaction, and other acquisitions accounted for as a business combination.

(xii) Other FFO adjustments

Other FFO adjustments include the amortization of 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.

TABLE 9 - ADJUSTED FUNDS FROM OPERATIONS						
Expressed in thousands of Canadian dollars, except per unit amounts						
	Three months ended September 30			Nine months ended September 30		
	2016 (Unaudited)	2015 (Unaudited)	Variance (Unaudited)	2016 (Unaudited)	2015 (Unaudited)	Variance (Unaudited)
Funds From Operations ("FFO")⁽¹⁾	\$ 21,432	\$ 15,526	\$ 5,906	\$ 55,245	\$ 26,749	\$ 28,496
Add / (Deduct):						
(i) Interest Rate Subsidy	-	-	-	-	669	(669)
(ii) Amortization of marked to market adjustment	(997)	(2,284)	1,287	(5,187)	(2,927)	(2,260)
(iii) Amortization of deferred financing charges	1,391	1,593	(202)	3,374	5,464	(2,090)
Less: Non-controlling interests' share of amortization of deferred financing charges	(69)	(55)	(14)	(203)	(141)	(62)
(iv) Straight-line revenue	(142)	(455)	313	(430)	(16)	(414)
Less: non-controlling interests' share of straight-line revenue	(20)	36	(56)	(212)	(207)	(5)
(v) Leasing costs and non-recoverable maintenance capital expenditures	(2,507)	(2,653)	146	(7,318)	(4,587)	(2,731)
Less: non-controlling interests' share of actual capex and leasing costs	163	156	7	273	582	(309)
(vi) DUP Compensation Expense	(1,572)	2,564	(4,136)	2,176	7,842	(5,666)
(vii) Internalization Contribution	-	-	-	-	1,385	(1,385)
(viii) Debt repayment costs	174	-	174	3,134	-	3,134
(ix) Net adjustments for equity accounted entities	(145)	-	(145)	(145)	-	(145)
Adjusted Funds From Operations ("AFFO")⁽¹⁾	\$ 17,708	\$ 14,428	\$ 3,280	\$ 50,707	\$ 34,813	\$ 15,894
AFFO per Unit - Basic	\$ 0.21	\$ 0.20	\$ 0.01	\$ 0.64	\$ 0.63	\$ 0.01
AFFO per Unit - fully diluted ⁽³⁾	\$ 0.20	\$ 0.20	\$ -	\$ 0.62	\$ 0.63	\$ (0.01)
Distributions per Unit - Basic	\$ 0.20	\$ 0.20	\$ -	\$ 0.60	\$ 0.69	\$ (0.09)
Adjusted weighted average units outstanding:⁽²⁾						
Basic	86,344,032	71,926,782	14,417,250	79,147,842	54,931,055	24,216,787
Diluted ⁽³⁾	98,757,698	75,179,491	23,578,207	88,621,191	56,811,575	31,809,616
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)	Outstanding units and weighted average unit amounts, and the associated per unit amounts, for the period prior to the Combination Transaction, reflect the capital structure of NWI as adjusted for the Exchange Ratio.					
(3)	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 September 30, 2016 and 19,188,063 Class B LP Units outstanding as at September 30, 2015.					
(4)	Diluted units includes vested but unissued deferred trust units and the conversion of the REIT's Convertible Debentures that would have a dilutive effect upon conversion at the holders' contractual conversion price. Convertible Debentures are dilutive if the interest (net of tax and other changes in income or expense) per unit obtainable on conversion is less than the basic per unit measure.					

AFFO DILUTION						
	Three months ended September 30			Nine months ended September 30		
	2016 (Unaudited)	2015 (Unaudited)	Variance (Unaudited)	2016 (Unaudited)	2015 (Unaudited)	Variance (Unaudited)
Adjusted Funds From Operations ("AFFO") - Undiluted	\$ 17,708	\$ 14,428	\$ 3,280	\$ 50,707	\$ 34,813	\$ 15,894
Potentially Dilutive Convertible Debentures						
NWH.DB	528	528	-	1,585	804	781
NWH.DB.A	-	-	-	-	-	-
NWH.DB.B	-	-	-	-	-	-
NWH.DB.C	-	-	-	-	-	-
NWH.DB.D	729	-	729	2,186	-	2,186
NWH.DB.E	725	-	725	730	-	730
	1,982	528	1,454	4,501	804	3,697
Adjusted Funds From Operations ("AFFO") - Diluted	\$ 19,690	\$ 14,956	\$ 4,734	\$ 55,208	\$ 35,617	\$ 19,591
Adjusted weighted average units outstanding:						
Basic	86,344,032	71,926,782	14,417,250	79,147,842	54,931,055	24,216,787
Vested but unissued deferred units	534,715	418,202	116,513	472,743	442,424	30,319
Potentially Dilutive Convertible Debentures						
NWH.DB	2,834,507	2,834,507	-	2,834,507	1,438,095	1,396,412
NWH.DB.A	-	-	-	-	-	-
NWH.DB.B	-	-	-	-	-	-
NWH.DB.C	-	-	-	-	-	-
NWH.DB.D	4,711,111	-	4,711,111	4,711,111	-	4,711,111
NWH.DB.E	4,333,333	-	4,333,333	1,454,988	-	1,454,988
	11,878,951	2,834,507	9,044,444	9,000,606	1,438,095	7,562,510
Diluted	98,757,698	75,179,491	23,578,207	88,621,191	56,811,575	31,809,616

The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly AFFO for the periods prior to completion of the Combination Transaction reflect the results of NWI. The AFFO for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT and NWI. See **PART XII – SUPPLEMENTAL DISCLOSURE** for additional information on the components of AFFO.

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

(i) Interest Rate Subsidy

As part of NWI's original acquisition of the investment in the NorthWest from NWVP, NWVP had committed, by means of a capital contribution, that the effective interest rate payable by NWI on the assumed NWH Margin Facilities shall not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014 (the "Interest Rate Subsidy"). In 2014 and again in May 2015, NWVP and the NWI agreed to extend and amend the Interest Rate Subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the NWI on the assumed NWH Margin Facilities did not exceed 4.25% up to March 31, 2015. In connection with the Combination Transaction the NWH Margin Facilities related to the NWI's investment in the REIT were repaid in full and cancelled.

Under IFRS, the value of the Interest Rate Subsidy has been recorded as a capital contribution (direct charge to Unitholders' Equity) and a corresponding receivable from NWVP. Subsequent cash payments made by NWVP were recorded as a reduction of the receivable balance. To account for the economic impact of the reduced rate on the NWH Margin Facilities related to the investment in the REIT, NWI included an accrual of the cash to be received in respect of the Interest Rate Subsidy in AFFO. This cash amount was fully received by the REIT in the first quarter of 2016.

(ii) 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.

(iii) 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.

(iv) 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, \$9,816 (R\$24,190) as at September 30, 2016 is net against the value of investment properties. The fair value of the balance outstanding on the Sabará Securitization Facility is \$20,625 (R\$50,825) as at September 30, 2016.

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 September 30, 2016 the REIT recorded revenue of \$522 related to the Sabará Securitization Facility (nine months ended September 30, 2016 - \$1,465), while the actual rent received, less interest on the Sabará Securitization Facility, totaled \$609 (nine months ended September 30, 2016 - \$1,588). As such, the REIT has increased net income reported under IFRS in AFFO by \$87 for the three months ended September 30, 2016 (nine months ended September 30, 2016 - \$123).

For the three months ended September 30, 2015 the REIT recorded revenue of \$463 related to the Sabará Securitization Facility (nine months ended September 30, 2015 - \$1,484), while the actual rent received, less interest on the Sabará Securitization Facility, totaled \$488 (nine months ended September 30, 2015 - \$1,588). As such, the REIT has increased net income reported under IFRS in AFFO by \$25 for the three months ended September 30, 2015 (nine months ended September 30, 2015 - \$104).

(v) 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**.

(vi) 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.

(vii) Internalization Contribution

As a result of costs incurred by the REIT following completion of the Internalization Transaction, NWVP committed to make a capital contribution to NWI LP (the "**Internalization Contribution**"). For the nine months ended September 30, 2015, the REIT recorded an Internalization Contribution of \$1,385. The Internalization Contribution is recorded on the consolidated statement of unitholders' equity. To account for the economic impact of the Internalization Contribution, the REIT included an adjustment to AFFO for the expected cash contribution to be received. This cash amount was fully received by the REIT in the first quarter of 2016.

(viii) Debt repayment costs

During the quarter and year to date period the REIT incurred \$174 and \$3,134, respectively, 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.

(ix) Net adjustments for equity accounted entities

Under IFRS the REIT's investment in associates are accounted for using the equity method of accounting. As such, the REIT's share of its associate's post acquisition net income (loss) was recognized in its net income (loss), and its share of post-acquisition movements in other comprehensive income (loss) was recognized in other comprehensive income (loss). In order to enhance the usefulness and comparability of AFFO as a supplemental measure of the operating performance of the REIT, the REIT's share of its 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 associates' 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 September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Proportionate share of Generation Healthcare REIT ("GHC") FFO⁽¹⁾	\$ 942	\$ -	\$ 942	\$ 942	\$ -	\$ 942
Add / (Deduct):						
Amortization of marked to market adjustments	(45)	-	(45)	(45)	-	(45)
Amortization of deferred financing charges	4	-	4	4	-	4
Straight-line revenue	(32)	-	(32)	(32)	-	(32)
Leasing costs and non-recoverable maintenance capital expenditures	(72)	-	(72)	(72)	-	(72)
Proportionate share of GHC AFFO⁽¹⁾	\$ 797	\$ -	\$ 797	\$ 797	\$ -	\$ 797
Less: Proportionate share of GHC FFO	(942)	-	(942)	(942)	-	(942)
Net AFFO adjustment for GHC	\$ (145)	\$ -	\$ (145)	\$ (145)	\$ -	\$ (145)
Average % of GHC owned during the period ⁽²⁾	12.7%	n/a		12.7%	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 September 30, 2016 the REIT held an approximate 19.8% interest in GHC.						

DISTRIBUTIONS

The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly distributions for the periods prior to completion of the Combination Transaction reflect the distributions paid by NWI. The distributions for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT.

For the three and nine months ended September 30, 2016, the REIT declared a total of \$17,652 and \$48,247, respectively, in distributions, including distributions on Exchangeable Units. These distributions reflect an annualized distribution rate of \$0.80 per unit per annum.

For the three and nine months ended September 30, 2015, the REIT declared a total of \$14,382 and \$37,142 in distributions, respectively, including distributions on Exchangeable Units. These distributions reflect an annualized distribution rate of \$1.058 per unit per annum paid by NWI (\$0.22 per unit per annum adjusted by the Exchange Ratio), for the period prior to completion of the Combination Transaction and \$0.80 per unit per annum for the two month period following completion of the Combination Transaction.

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

	Sep-16	Aug-16	Jul-16	Jun-16	May-16	Apr-16	Mar-16	Feb-16	Jan-16	Dec-15	Nov-15	Oct-15
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 (\$)	10.46	10.59	10.21	10.03	9.57	9.65	9.64	9.11	8.73	8.93	8.74	8.56
Date of Record	30-Sep-16	31-Aug-16	29-Jul-16	30-Jun-16	31-May-16	29-Apr-16	31-Mar-16	29-Feb-16	29-Jan-16	31-Dec-15	30-Nov-15	30-Oct-15
Date Paid	17-Oct-16	15-Sep-16	15-Aug-16	15-Jul-16	15-Jun-16	16-May-16	15-Apr-16	15-Mar-16	16-Feb-16	15-Jan-16	15-Dec-15	16-Nov-15

Distribution Reinvestment Plan

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

During the three and nine months ended September 30, 2016, a total of 104,142 and 379,888 trust units, respectively, were issued under the DRIP (three and nine months ended September 30, 2015, a total of 153,946 and 260,636 trust units, respectively, as adjusted for the Exchange Ratio).

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 September 30		Nine months ended September 30	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income (loss) attributable to unitholders	\$ (5,285)	\$ 2,147	\$ (20,494)	\$ 112,669
Add: Finance cost - Exchangeable Unit distributions	3,799	3,838	11,399	13,161
Adjusted net income (loss)	\$ (1,486)	\$ 5,985	\$ (9,095)	\$ 125,830
Cash flow from operating activities attributable to unitholders	\$ 26,728	\$ 14,555	\$ 49,073	\$ 14,601
Distributions paid and payable				
Trust Units	\$ 13,853	\$ 10,544	\$ 36,848	\$ 23,981
Exchangeable Units	3,799	3,838	11,399	13,161
	\$ 17,652	\$ 14,382	\$ 48,247	\$ 37,142
Surplus (shortfall) of adjusted net income (loss) attributable to unitholders over distributions paid and payable	\$ (19,138)	\$ (8,397)	\$ (57,342)	\$ 88,688
Surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	\$ 9,076	\$ 173	\$ 826	\$ (22,541)
Value of Trust Units issued pursuant to the DRIP	\$ 1,031	\$ 1,185	\$ 3,488	\$ 2,095

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	\$ 9,076	\$ 173	\$ 826	\$ (22,541)
Add: Distribution income from equity accounted associates	-	-	-	3,172
Adjusted surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	\$ 9,076	\$ 173	\$ 826	\$ (19,369)

Prior to the Combination Transaction cash flow from operating activities attributable to unitholders excluded the distribution income from the REIT which was classified as cash flow from investing activities under IFRS, and therefore was not considered in the surplus (shortfall) relative to the distributions paid. 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. After considering the distribution income earned from the REIT's investments in associates, Table 11A therefore identifies \$19,369 of distributions for nine months ended September 30, 2015 that were financed from other sources being primarily draws on the REIT's Revolving Credit Facility (which matures in November 2017) 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 and nine months ended September 30, 2016, there was \$1,031 and \$3,488 in value of Trust Units, respectively, issued under the DRIP (three and nine months ended September 30, 2015, there was \$1,185 and \$2,095 in value of Trust Units, respectively). While reducing the cash required to settle the REIT's distributions, the Trust Units issued, pursuant to the DRIP, may in future result in additional cash distributions, should the holders of these Trust Units opt out of the DRIP.

See section PART IV – CAPITALIZATION AND LIQUIDITY.

In assessing its distribution policy, the REIT considers not only cash flows from operating activities (attributable to unitholders) but also AFFO. Due to the timing of cash receipts relating to certain adjustments affecting AFFO and the fact that certain AFFO adjustments are non-cash, a portion of the 2016 and 2015 distributions were funded by financing activities. The REIT believes that it will be 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.

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.

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 historically paid cash distributions which exceed cash flow from operating activities and distribution income earned from its strategic investments in Vital Trust. Distributions paid historically to unitholders have therefore been an economic return of capital. If management is not able to increase operating cash flows over time, the REIT may be required to use additional debt capacity to finance its distributions, which would represent a further economic return of capital, or to 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 September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flow from operating activities	\$ 37,602	\$ 17,065	\$ 20,537	\$ 72,861	\$ 26,390	\$ 46,471
Add (deduct):						
Non-cash interest expense	(975)	2,798	(3,773)	796	4,255	(3,459)
Non-cash current taxes	(285)	1,550	(1,835)	50	3,169	(3,119)
Changes in non-cash working capital balances	(11,515)	(659)	(10,856)	(7,347)	2,478	(9,825)
FFO of equity accounted entities	797	-	797	797	4,374	(3,577)
Other FFO adjustments	489	-	489	1,039	-	1,039
Internal leasing costs	469	366	103	1,387	577	810
Interest rate subsidy	-	-	-	-	669	(669)
Non-recurring transaction costs	230	464	(234)	3,811	9,559	(5,748)
Leasing costs and non-recoverable maintenance capital expenditures	(2,507)	(2,653)	146	(7,318)	(4,587)	(2,731)
Internalization contribution	-	-	-	-	1,385	(1,385)
Amortization of deferred revenue	298	463	(165)	863	897	(34)
Straight-line revenue	(142)	(455)	313	(430)	(16)	(414)
Redemption of units issued under the DUP	-	138	(138)	54	724	(670)
Amortization of furniture and office equipment	(156)	(116)	(40)	(311)	(199)	(112)
Foreign exchange	(411)	287	(698)	(795)	(24)	(771)
Convertible debenture issuance costs	-	-	-	-	1	(1)
Debt repayment costs	174	-	174	3,134	-	3,134
Share of profit (loss) from associates	(133)	-	(133)	(133)	-	(133)
AFFO attributable to non-controlling interest	(6,227)	(4,820)	(1,407)	(17,751)	(14,839)	(2,912)
	\$ (19,894)	(2,637)	(17,257)	(22,154)	8,423	(30,577)
AFFO	\$ 17,708	\$ 14,428	\$ 3,280	\$ 50,707	\$ 34,813	\$ 15,894

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								
	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14
Summary of Financial information ⁽¹⁾								
Gross Book Value ("GBV") ⁽²⁾	\$ 3,166,994	\$ 2,914,693	\$ 2,711,496	\$ 2,700,009	\$ 2,521,248	\$ 2,539,814	\$ 1,369,933	\$ 846,271
Debt - Declaration of Trust ⁽³⁾	\$ 1,364,757	\$ 1,402,740	\$ 1,334,625	\$ 1,329,514	\$ 1,321,178	\$ 1,304,335	\$ 618,462	\$ 436,432
Debt to GBV - Declaration of Trust	43.1%	48.1%	49.2%	49.2%	52.4%	51.4%	45.1%	51.6%
Debt - Including Convertible Debentures ⁽³⁾	\$ 1,620,846	\$ 1,578,387	\$ 1,507,039	\$ 1,499,608	\$ 1,440,295	\$ 1,423,610	\$ 694,719	\$ 508,351
Debt to GBV - Incl. Convertible Debentures	51.2%	54.2%	55.6%	55.5%	57.1%	56.1%	50.7%	60.1%
Operating results ⁽⁴⁾								
Net income (loss)	\$ 3,633	\$ 25,838	\$ (1,186)	\$ 43,984	\$ 6,502	\$ 164,045	\$ 2,893	\$ 21,165
NOI ⁽⁴⁾	\$ 48,277	\$ 46,056	\$ 44,707	\$ 44,250	\$ 43,641	\$ 34,093	\$ 23,977	\$ 10,044
FFO ⁽⁴⁾	\$ 21,432	\$ 17,710	\$ 16,103	\$ 13,199	\$ 15,526	\$ 9,091	\$ 2,130	\$ 3,217
AFFO ⁽⁴⁾	\$ 17,708	\$ 17,325	\$ 15,674	\$ 14,016	\$ 14,428	\$ 11,684	\$ 8,699	\$ 7,847
Distributions ⁽⁵⁾	\$ 17,652	\$ 16,173	\$ 14,422	\$ 14,345	\$ 14,382	\$ 12,898	\$ 9,862	\$ 9,578
Per Unit amounts ⁽¹⁾⁽⁶⁾⁽⁷⁾								
FFO per unit - Basic	\$ 0.25	\$ 0.22	\$ 0.22	\$ 0.18	\$ 0.22	\$ 0.16	\$ 0.06	\$ 0.09
AFFO per unit - Basic	\$ 0.21	\$ 0.22	\$ 0.22	\$ 0.20	\$ 0.20	\$ 0.21	\$ 0.23	\$ 0.22
Distributions	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.22	\$ 0.26	\$ 0.26
Adjusted Weighted Average units outstanding ⁽⁶⁾⁽⁷⁾								
Basic	86,344,032	78,982,759	72,037,654	71,715,369	71,926,782	55,259,676	37,286,974	35,449,014
Notes								
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI. The financial results for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT and NWI.								
(2) Gross Book Value is defined as total assets.								
(3) As defined in Non-IFRS measures used in this MD&A.								
(4) 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.								
(5) 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.								
(6) Outstanding units and weighted average unit amounts, and the associated per unit amounts, for the period prior to the Combination Transaction, reflect the capital structure of NWI as adjusted for the Exchange Ratio.								
(7) 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 Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. The REIT is the legal acquirer; however, NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI and the outstanding units and weighted average unit amounts, and associated per unit amounts, for these periods, reflect the capital structure of NWI as adjusted for the Exchange Ratio.

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

The following table shows the REIT's total capital as at September 30, 2016 and December 31, 2015:

TABLE 14 - CAPITAL STRUCTURE		
Expressed in thousands of Canadian dollars	As at	As at
	September 30,	December 31, 2015
	(Unaudited)	(Unaudited)
Mortgages and loans payable	\$ 1,356,310	\$ 1,243,762
Deferred consideration	8,447	34,073
Mortgages related to assets held for sale	-	51,679
Debt - Declaration of Trust ⁽¹⁾	1,364,757	1,329,514
Convertible Debentures at Fair Value	256,089	170,094
Debt - Including Convertible Debentures ⁽¹⁾	1,620,846	1,499,608
Mortgages and loans payable - marked to market	12,074	16,265
Mortgages related to assets held for sale - marked to market	-	995
Mortgages and loans payable - unamortized financing costs	(11,002)	(7,034)
Total Debt	1,621,918	1,509,834
DUP Liability	14,940	15,597
Class B LP Exchangeable Units	198,720	169,653
Unitholders' equity	655,705	515,478
Total Capitalization	\$ 2,491,283	\$ 2,210,562
Notes		
(1) As defined in Non-IFRS measures used in this MD&A.		

Unitholders' Equity

The following table reconciles the movements in the units outstanding for the three and nine months ended September 30, 2016:

TABLE 14 -UNITS OUTSTANDING	
	(Unaudited)
Trust Units outstanding, December 31, 2015	52,691,943
Issuance of Trust Units under the DRIP	149,253
Issuance of Trust Units under the DUP	348,491
Cancellation of Trust Units pursuant to NCIB	(34,500)
Trust Units outstanding, March 31, 2016	53,155,187
Issuance of Trust Units pursuant to equity offering	8,619,456
Issuance of Trust Units under the DRIP	126,493
Trust Units outstanding, June 30, 2016	61,901,136
Issuance of Trust Units pursuant to equity offering	7,295,204
Issuance of Trust Units under the DRIP	104,142
Trust Units outstanding, September 30, 2016	69,300,482

NCIB

On June 29, 2015 the REIT announced its intention to make a normal course issuer bid (“NCIB”) for a portion of its Trust Units as appropriate opportunities arise from time to time. On July 13, 2015, the TSX approved the REIT’s NCIB. The REIT could acquire up to a maximum of 4,762,579 of its Trust Units, or approximately 10% of its public float, for cancellation over the NCIB’s 12 month term. The number of Trust Units that could be purchased pursuant to the bid was subject to a current daily maximum of 18,054 Trust Units (which was equal to 25% of 72,218, being the average daily trading volume from January 1, 2015 through to June 30, 2015), subject to the REIT’s ability to make one block purchase of Trust Units per calendar week that exceeds such limits. Any Trust Units purchased under the normal course issuer bid were cancelled upon their purchase. The NCIB expired on July 15, 2016.

During the three and nine months ended September 30, 2016, the REIT acquired nil and 34,500 Trust Units, respectively, for cancellation at a volume weighted average price per unit of \$8.19 and a total cost of \$286, including commissions and costs.

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.

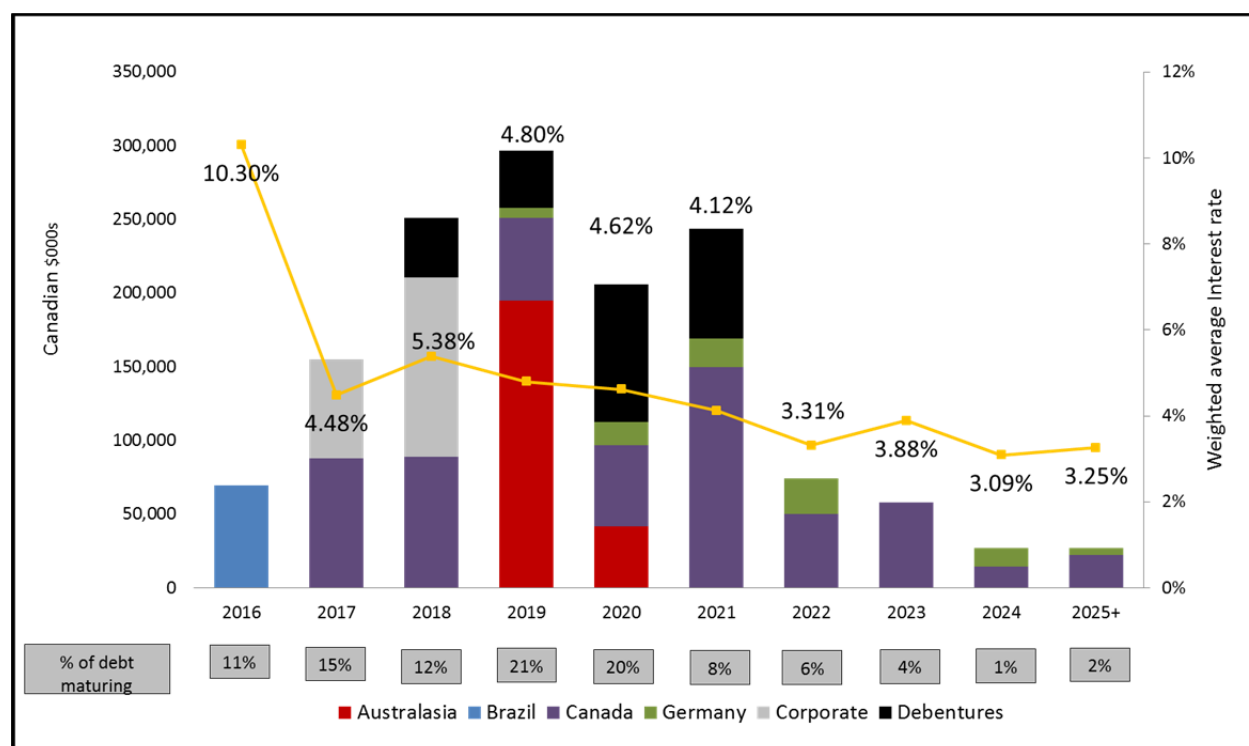
There were 18,998,065 Exchangeable Units outstanding as at September 30, 2016, unchanged from December 31, 2015.

Debt

The following table summarizes the REIT's debt as at September 30, 2016 and December 31, 2015:

TABLE 15- DEBT							
Expressed in thousands of Canadian dollars (Unaudited)							
As at September 30, 2016							
	Weighted average interest rate ⁽¹⁾	Outstanding Balance	Marked to Market	Unamortized Financing Costs	Balance	Maturity	
Canada							
Mortgages	3.94%	\$ 673,507	\$ 12,074	\$ (1,502)	\$ 684,079	April 2017 - January 2029	
Brazil							
Brazil Term Loans ⁽²⁾	9.22%	160,804	-	(5,540)	155,264	December 2016 - May 2026	
Germany							
Mortgages	1.92%	96,732	-	(1,718)	95,014	June 2019 - August 2025	
Australasia							
Term loans	4.75%	236,353	-	(1,009)	235,344	March 2019 to October 2020	
Corporate							
Australasian Secured Financing	6.36%	121,914	-	(836)	121,078	July 2018	
Acquisition Facility	8.20%	8,000	-	(122)	7,878	January 2017	
Revolving Credit Facility	3.26%	59,000	-	(275)	58,725	November 2017	
	5.47%	\$ 188,914	\$ -	\$ (1,233)	\$ 187,681		
Total Mortgages and Loans Payable	4.77%	\$ 1,356,310	\$ 12,074	\$ (11,002)	\$ 1,357,382		
Deferred Consideration	n/a	8,447	-	-	8,447	n/a	
Total Debt excluding Convertible Debentures		\$ 1,364,757	\$ 12,074	\$ (11,002)	\$ 1,365,829		
Convertible Debentures (Corporate)	5.89%	246,850	9,239	-	256,089	March 2018 - July 2021	
Total Debt	4.95%	\$ 1,611,607	\$ 21,313	\$ (11,002)	\$ 1,621,918		
As at December 31, 2015							
	Weighted average interest rate ⁽¹⁾	Outstanding Balance	Marked to Market	Unamortized Financing Costs	Balance	Maturity	
Canada							
Mortgages	4.23%	\$ 663,068	\$ 16,265	\$ (1,066)	\$ 678,267	May 2016 - January 2029	
Brazil							
Brazil Term Loans	10.30%	56,058	-	(1,930)	54,128	December 2016	
Germany							
Mortgages	1.96%	84,690	-	(1,857)	82,833	June 2019 - August 2025	
Australasia							
Term loans	5.16%	270,607	-	(1,298)	269,309	March 2019 to October 2020	
Corporate							
Vital Margin Facilities	6.08%	48,839	-	(122)	48,717	December 2016 - August 2018	
Acquisition Facility	8.20%	24,000	-	(508)	23,492	January 2017	
Revolving Credit Facility	3.12%	71,500	-	(224)	71,276	November 2017	
Non-Revolving Credit Facility Expansion	3.70%	25,000	-	(29)	24,971	March 2016	
	4.78%	169,339	-	(883)	168,456		
Total Mortgages and Loans Payable	4.63%	\$ 1,243,762	\$ 16,265	\$ (7,034)	\$ 1,252,993		
Deferred Consideration	n/a	34,073	-	-	34,073	n/a	
Total Debt excluding Convertible Debentures		\$ 1,277,835	\$ 16,265	\$ (7,034)	\$ 1,287,066		
Convertible Debentures (Corporate)	6.17%	172,100	(2,006)	-	170,094	March 2018 - October 2019	
Total Debt	4.82%	\$ 1,449,935	\$ 14,259	\$ (7,034)	\$ 1,457,160		
Mortgages related to assets held for sale	4.78%	\$ 51,679	\$ 995	\$ -	\$ 52,674	May 2016 - April 2020	
Notes							
(1) Weighted average interest rate of Total Debt has been calculated excluding Deferred Consideration							
(2) A portion of the Brazil Term Loans fully amortized over a ten year period.							

The following chart summarizes, as at September 30, 2016, the REIT's debt maturities:



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

Canada – Mortgages

The following table summarizes, as at September 30, 2016, 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				
As at September 30, 2016	Scheduled principal payments (Unaudited)	Debt maturing during the year (Unaudited)	Total mortgages payable (Unaudited)	Weighted average interest rates (Unaudited)
2016	\$ 4,230	\$ -	\$ 4,230	-
2017	17,125	87,798	104,923	4.96%
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 and thereafter	2,697	22,170	24,867	3.49%
	\$ 91,535	\$ 581,972	\$ 673,507	3.94%
Marked to market premium			12,074	-0.86%
			685,581	3.07%
Unamortized financings costs			(1,502)	
Total			\$ 684,079	

On June 28, 2016 the REIT refinanced the \$9,582, 5.87% mortgage outstanding on its 950 Montee des Pionniers property with a \$6,700 mortgage at 2.61% and a 5 year term.

On May 10, 2016 the REIT renewed the \$2,070 mortgage outstanding on its Queenston Medical-Dental Centre property; extending the 4.96% mortgage for two years at 3.74%.

On April 18, 2016 the REIT refinanced the mortgages outstanding on its Fairview Health Centre property replacing the existing \$15,718, 5.35% 1st mortgage and \$6,127, 5.60% 2nd mortgage, with a \$22,000 mortgage at 3.30% and a 5 year term, generating a net shortfall to the REIT of approximately \$650. The interest rate on the mortgage is fixed utilizing an interest rate swap.

On April 18, 2016 the REIT refinanced the mortgages outstanding on its Rockyview Health Centre I property replacing the existing \$8,610, 5.38% 1st mortgage and \$817, 5.60% 2nd mortgage with a \$13,000 mortgage at 3.40% and a 5 year term, generating net proceeds to the REIT of approximately \$3,300. The interest rate on the mortgage is fixed utilizing an interest rate swap.

Brazil – Loans

TABLE 15B - BRAZIL TERM LOANS				
Expressed in thousands of Canadian dollars				
As at September 30, 2016	Scheduled principal payments (Unaudited)	Debt maturing during the year (Unaudited)	Total mortgages payable (Unaudited)	Weighted average interest rates⁽¹⁾ (Unaudited)
2016	\$ 1,459	\$ 69,264	\$ 70,723	10.30%
2017	6,622	-	6,622	-
2018	7,189	-	7,189	-
2019	7,792	-	7,792	-
2020	8,447	-	8,447	-
2021	9,156	-	9,156	-
2022	9,925	-	9,925	-
2023	10,758	-	10,758	-
2024	11,662	-	11,662	-
2025 and thereafter	18,530	-	18,530	-
	\$ 91,540	\$ 69,264	\$ 160,804	9.22%
Unamortized financings costs			(5,540)	
Total			\$ 155,264	

Notes

(1) A portion of the Brazil Term Loans with a 8.40% interest rate fully amortizes over a ten year period.

On August 31, 2016, the REIT completed the Incremental HMB Securitization Financing. The financing, representing securitization of an additional 15% of future rents, during a 10 year term, of the REIT's HMB asset and generated net proceeds of \$11,992 (R\$32,796) after financing costs. The facility bears an interest rate of 9.09% plus annual IPCA adjustments to the principal balance.

On May 13, 2016, the REIT completed the initial long term financing of its HMB asset. The financing, representing the securitization of 85% of future rents during a 10 year term, was for \$70,939 (R\$191,315) of gross proceeds at an interest rate of 8.28% plus annual IPCA adjustments to the principal balance (the "HMB Securitization Financing"). Net proceeds were approximately \$66,664 (R\$179,648) with \$10,011 (R\$30,110) of the proceeds received subsequent to the quarter on July 6, 2016.

Germany – Mortgages

The following table summarizes, as at September 30, 2016, scheduled principal payments, debt maturity amounts and weighted average interest rates of the REIT's mortgages secured by its German investment properties:

TABLE 15C - GERMAN MORTGAGES

Expressed in thousands of Canadian dollars				
	<u>Scheduled principal payments</u>	<u>Debt maturing during the year</u>	<u>Total mortgages payable</u>	<u>Weighted average interest rates</u>
As at September 30, 2016	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
2016	\$ 616	\$ -	\$ 616	-
2017	2,501	-	2,501	-
2018	2,545	-	2,545	-
2019	2,401	7,056	9,457	2.23%
2020	2,084	15,825	17,909	1.42%
2021	1,560	19,195	20,755	2.55%
2022	916	23,969	24,885	1.70%
2023	652	-	652	-
2024	250	12,497	12,747	1.71%
2025 and thereafter	58	4,607	4,665	2.11%
	<u>\$ 13,583</u>	<u>\$ 83,149</u>	<u>\$ 96,732</u>	<u>1.92%</u>
Unamortized financings costs			(1,718)	
Total			<u>\$ 95,014</u>	

The acquisition of Mehrower Allee, during the second quarter, was partially financed through a first mortgage of approximately \$16,203 (€11,200) from a German lending institution, having a term of 8 years and a fixed interest rate of 1.705%.

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

Australasia – Term Loans

TABLE 15D - AUSTRALASIA TERM LOANS

Expressed in thousands of Canadian dollars				
	<u>Scheduled principal payments</u>	<u>Debt maturing during the year</u>	<u>Total mortgages payable</u>	<u>Weighted average interest rates</u>
As at September 30, 2016	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
2019	\$ -	\$ 194,574	\$ 194,574	4.75%
2020	-	41,779	41,779	4.75%
	<u>\$ -</u>	<u>\$ 236,353</u>	<u>\$ 236,353</u>	<u>4.75%</u>
Unamortized financings costs			(1,009)	
Total			<u>\$ 235,344</u>	

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 \$125,000 (A\$125,000) which expires March 31, 2019; Tranche B: approximately \$100,000 (A\$100,000) which expires March 31, 2019; Tranche C: approximately \$100,000 (A\$100,000) which expires October 30, 2020; Tranche D approximately \$100,000 (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 9 years and have fixed interest rates ranging from 2.69% to 4.99% that fix interest on \$205,690 (NZ\$215,427) of the syndicated facility.

Corporate – Australasian Secured Financing

On July 15, 2016 the REIT completed the Australasian Secured Financing. The facility is a combined New Zealand Dollar and Australian Dollar credit facility financing with an available amount equal to the equivalent of A\$120,165. 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 400 basis points (6.36% on a weighted average basis as at September 30, 2016). The facility is currently secured by a pledge of 103,099,451 Vital Trust units held by the REIT and 43,427,736 units GHC held by the REIT. The principal balance outstanding on the facilities as at September 30, 2016, was \$121,914 (NZ\$90,343 and A\$35,542). The facility has a term of two years.

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.

Proceeds of the Australasian Secured Financing were used to repay the Vital Margin Facilities and partially fund the acquisition of GHC, as well as, the REIT's participation in the Vital Rights Offering.

Corporate – Vital Margin Facilities

During the quarter the REIT drew on Australasian Secured Financing to fund the repayment in full of the Vital Margin Facilities, on July 18, 2016, 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.

The Vital Margin Facilities were secured by Vital Trust units owned by the REIT and required a minimum loan-to-fair market value of the Vital Trust units pledged of 50-57%. The margin facilities were to mature between December 31, 2016 and August 26, 2018.

The REIT had entered into an interest rate swap with respect to one of the margin facilities secured by the Vital Trust units to limit its exposure to fluctuations in the interest rates on approximately \$4,329 (NZ \$4,700) of the outstanding margin facility balance. The interest rate swap fixes the base interest rate at 2.335%, which matured on March 31, 2017. During the quarter the REIT closed out the related interest rate swap with a notional value of \$4,329 (NZ \$4,700) on July 15, 2016, for a nominal cost.

Corporate – Acquisition Facility

On December 19, 2013, in connection with the Rede D’Or Hospital Portfolio Acquisition, the REIT obtained an interest-only credit facility which has a principal of \$24,000 (the “**Acquisition Facility**”). The Acquisition Facility bears interest at the greater of 8.20% per annum or the Canadian prime rate plus 4.00% per annum, payable monthly. The Acquisition Facility is secured by a general security agreement (with the exclusion of certain specific assets) and matures on January 1, 2017. The Acquisition Facility is divided into two sub-facilities: 1) \$8,000 non-revolving facility, and 2) \$16,000 revolving facility.

Corporate – Revolving Credit Facility

As at September 30, 2016, 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 \$59,000 drawn against the Revolving Credit Facility as at September 30, 2016.

Non-Revolving Credit Facility Expansion

On December 21, 2015 the REIT negotiated and drew down a temporary \$25,000 non-revolving expansion of the Revolving Credit Facility (the “**Non-Revolving Credit Facility Expansion**”). During the second quarter the REIT repaid \$8,800 of the Non-Revolving Credit Facility Expansion and it is now fully repaid.

Convertible Debentures

The following table summarizes, as at September 30, 2016, the REIT’s Convertible Debentures:

TABLE 15E - CONVERTIBLE DEBENTURES						
Expressed in thousands of Canadian dollars	Fair Value ⁽¹⁾	Face Value	Interest Rate	Conversion Price per Unit	Maturity Date	Interest Payment Dates
As at September 30, 2016						
Series NWH.DB	42,060	40,250	5.25%	\$ 14.20	September 30, 2020	March 31, September 30
Series NWH.DB.A	23,075	22,600	6.50%	\$ 13.70	March 31, 2018	March 31, September 30
Series NWH.DB.B	18,375	17,500	7.50%	\$ 11.54	September 30, 2018	March 31, September 30
Series NWH.DB.C	40,494	38,750	7.25%	\$ 12.50	October 31, 2019	April 30, October 31
Series NWH.DB.D	55,279	53,000	5.50%	\$ 11.25	October 31, 2020	April 30, October 31
Series NWH.DB.E	76,806	74,750	5.25%	\$ 12.75	July 31, 2021	January 31, July 31
	\$ 256,089	\$ 246,850	5.89%			
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 September 30, 2016 deferred consideration includes \$6,015 (A\$5,995) related to the acquisition of GHM and \$22 (€15) related to the acquisition of Mehrower Allee. 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.

In connection with the Rede D’Or Hospital Portfolio Acquisition on December 23, 2013, the REIT held back a portion of the purchase price until the vendor complied with conditions related to certain title and zoning matters. On October 17, 2014, the purchase and sale agreement with respect to the Rede D’Or Hospital Portfolio Acquisition was amended to extend the payment date of the holdback related to Hospital Caxias D’Or to the later of December 15, 2015 or 180 days after the completion of certain conditions by the vendor. Effective from the date of amendment (October 17, 2014) to the payment date the holdback will be adjusted by the variation of the CDI plus 7.34% annually. The amendment provided that should the vendor not complete the required conditions to resolve the title matters by January 15, 2015, the amount of the inflation adjustment to the holdback shall be nil between January 15, 2015 and the date the vendor conditions are resolved. On January 15, 2015, the REIT was notified that the required conditions related to the Hospital Caxias D’Or holdback were not resolved. As such, between January 15, 2015 and October 16 2015, no inflation adjustment has been recognized in respect of the holdback. On October 16, 2015 the REIT was notified that the vendor conditions relating to the purchase and sale agreement of the REIT’s Hospital Caxias D’Or property were resolved and the holdback became payable on April

15, 2016. In March 2016 the maturity date of the Hospital Caxias D'Or holdback was extended to June 15, 2016. On June 15, 2016, the REIT paid the balance of the holdback payable for its Hospital Caxias D'Or asset of \$30,643 (R\$83,180).

For the three and nine months ended September 30, 2016, accretion expense of \$Nil and \$1,722, respectively, (three and nine months ended September 30, 2015 - \$Nil and \$237, respectively) was recorded to account for the related CDI adjustments on the holdback payable which has been recorded as finance costs in the consolidated statement of income (loss) and comprehensive income (loss).

On August 29, 2014, in connection with the acquisition of Hohenschoenhausen, the REIT held back a portion of the purchase price for potential working capital adjustments and information deficiencies. During the second quarter of 2016 the balance of \$207, remaining to be paid, was settled.

DUP Liability

Under IFRS, the REIT's DUP Liability is measured at fair value each reporting period. The fair value of the DUP Liability mirrors the trading price of the REIT Trust Units. As at September 30, 2016 the DUP Liability is \$14,940 (December 31, 2015 - \$15,597).

RATIOS AND COVENANTS

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

The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with a term to maturity that is appropriate having regard to the lease maturity profile for each property and which allows the REIT to (i) achieve and maintain staggered debt maturities to lessen exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix the rates and extend loan terms as long as possible when borrowing conditions are favourable. The following summarizes the status of these key ratios as at and for the three and nine months ended September 30, 2016 and 2015:

TABLE 15F- RATIOS ⁽¹⁾						
Expressed in thousands of Canadian dollars						
	As at	As at				
	September	December				
	30, 2016	31, 2015				
	<u>(Unaudited)</u>	<u>(Unaudited)</u>				
Gross Book Value ⁽²⁾	\$ 3,166,994	\$ 2,700,009				
Debt - Declaration of Trust ⁽³⁾	\$ 1,364,757	\$ 1,329,514				
Debt to Gross Book Value - Declaration of Trust	43.1%	49.2%				
Debt - Including Convertible Debentures ⁽³⁾	\$ 1,620,846	\$ 1,499,608				
Debt to Gross Book Value - Including Convertible Debentures	51.2%	55.5%				
	Three months ended September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Income (Loss) before taxes	\$ 8,842	\$ 10,069	\$ (1,227)	\$ 54,694	\$ 200,277	\$ (145,583)
Add (deduct):						
Mortgage and loan interest expense	18,902	18,089	813	55,129	44,069	11,060
Distributions on Exchangeable Units	3,799	3,838	(39)	11,399	13,161	(1,762)
Amortization of deferred financing costs	1,391	1,593	(202)	3,374	5,464	(2,090)
Amortization of marked to market adjustment	(997)	(2,284)	1,287	(5,187)	(2,927)	(2,260)
Amortization of intangible asset	-	-	-	-	-	-
EBITDA	\$ 31,937	\$ 31,305	\$ 632	\$ 119,409	\$ 260,044	\$ (140,635)
Loss on revaluation of financial liabilities	2,160	1,544	616	7,587	8,263	(676)
Fair market value losses (gains)	5,528	5,693	(165)	(10,430)	(120,176)	109,746
DUP Compensation Expense	(1,572)	2,564	(4,136)	2,176	7,842	(5,666)
Foreign exchange loss (gain)	4,293	(857)	5,150	2,283	(2,606)	4,889
Net loss on disposal of investment properties	1,127	134	993	2,807	134	2,673
Convertible Debenture issuance costs	3,117	-	3,117	3,117	1	3,116
Gain on business combination	-	-	-	(53)	(69,023)	68,970
Transaction costs	230	464	(234)	3,811	9,859	(6,048)
Less: Share of (profit) loss of associates	(819)	-	(819)	(819)	(2,153)	1,334
Add: Distribution income from equity accounted associates	-	-	-	-	3,172	(3,172)
Adjusted EBITDA	\$ 46,001	\$ 40,847	\$ 5,154	\$ 129,888	\$ 95,357	\$ 34,531
Mortgage and loan interest expense	\$ 18,902	\$ 18,089	\$ (813)	\$ 55,129	\$ 44,069	\$ (11,060)
Less: Debt repayment costs	(174)	-	174	(3,134)	-	3,134
Adjusted mortgage and loan interest expense	\$ 18,728	\$ 18,089	\$ (639)	\$ 51,995	\$ 44,069	\$ (7,926)
Interest Coverage	2.46	2.26	0.20	2.50	2.16	0.34
Notes						
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. The REIT is the legal acquirer; however, NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results and capital structure reflect the results of NWI for the periods prior to completion of the Combination Transaction.						
(2) 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	
	September 30,	December 31, 2015
	(Unaudited)	(Unaudited)
Cash	\$ 73,654	\$ 14,835
Restricted Cash	1,182	561
Total	\$ 74,836	\$ 15,396

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil Term Loans.

The REIT also has a Revolving Credit Facility that may provide additional liquidity. The liquidity of the Australasian Secured Financing fluctuates based on the market price (as defined in the respective agreements) 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 September 30, 2016:

Expressed in thousands of Canadian dollars	Carrying amount	Contractual cash flow	Year					
			2016	2017	2018	2019	2020	Thereafter
Accounts payable and accrued liabilities	\$ 44,621	\$ 44,621	\$ 44,621	\$ -	\$ -	\$ -	\$ -	\$ -
Distributions payable	4,620	4,620	4,620	-	-	-	-	-
Income tax payable	12,580	12,580	12,580	-	-	-	-	-
Deferred consideration	8,447	8,447	8,447	-	-	-	-	-
Convertible debentures	256,089	301,752	3,873	14,543	53,909	50,512	102,203	76,712
Mortgages and loans payable	1,357,382	1,485,942	84,391	214,023	262,554	304,873	151,936	468,165
Total	\$ 1,683,739	\$ 1,857,962	\$ 158,532	\$ 228,566	\$ 316,463	\$ 355,385	\$ 254,139	\$ 544,877

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 \$261,220, exceeding current assets of \$101,543, resulting in a working capital deficiency of \$159,677 as at September 30, 2016.

Current liabilities include:

- Brazil Term Loans of \$69,264 which mature December 21, 2016. The REIT is currently considering refinancing options which may include the repayment of the existing term loans.
- The Acquisition Facility of \$8,000 which matures January 2017. The REIT is currently considering refinancing options which may include the repayment of the remaining balance.
- \$87,798 of Canadian mortgage maturities that the REIT expects to refinance in the normal course as they mature.

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

Changes in Cash

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

Expressed in thousands of Canadian dollars	Three months ended September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash provided by / (used in):						
Operating activities	\$ 37,602	\$ 17,065	\$ 20,537	\$ 72,861	\$ 26,390	\$ 46,471
Investing activities	(160,065)	(21,968)	(138,097)	(289,490)	(43,890)	(245,600)
Financing activities	163,707	11,686	152,021	274,285	12,081	262,204
Net increase / (decrease) in cash during the period	41,244	6,783	34,461	57,656	(5,419)	63,075
Effect of foreign currency translation	(948)	(2,267)	1,319	1,163	(2,465)	3,628
Net increase / (decrease) in cash during the period	\$ 40,296	\$ 4,516	\$ 35,780	\$ 58,819	\$ (7,884)	\$ 66,703
Notes						
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI. The financial results for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT and NWI.						

Operating activities

Cash provided by operating activities totaled \$37,602 for the three months ended September 30, 2016 as compared to cash flow provided by operating activities of \$17,065 for the three months ended September 30, 2015, an increase of \$20,537. Of this increase, \$4,636 is attributable to NOI improvements, \$3,773 to a decrease in interest paid and \$898 to an increase in interest revenue. In addition working capital movements contributed

\$10,821 to the operating cash flow improvement from the prior year period.

For the nine months ended September 30, 2016, cash provided by operating activities totaled \$72,861 as compared to cash flow provided by operating activities of \$26,390 for the nine months ended September 30, 2015, an increase of \$46,471. Of this increase, \$37,329 is attributable to NOI improvements, including \$27,215 related to the consolidation of the results of the REIT with NWI following completion of the Combination Transaction. Transaction costs also decreased by \$6,048 and interest paid decreased by \$3,459.

Investing activities

Cash used by investing activities totaled \$160,065 for the three months ended September 30, 2016, which is primarily due to \$95,314 related to the acquisition of GHC, \$94,076 related to the acquisition of investment properties and \$15,073 of additions to investment properties; partially offset by proceeds from dispositions of investment properties of \$34,774 and receipts from foreign exchange contracts of \$9,898.

Cash used by investing activities totaled \$21,968 for the three months ended September 30, 2015, which is primarily due to \$21,829 of additions to investment properties.

Cash used in investing activities totaled \$289,490 for the nine months ended September 30, 2016, which is primarily due to which is primarily due to \$95,314 related to the acquisition of GHC, \$56,388 related to the acquisition of GHM, \$169,696 related to the acquisition of investment properties and \$62,404 of additions to investment properties; partially offset by proceeds from dispositions of investment properties of \$79,193 and receipts from foreign exchange contracts of \$17,438.

Cash used in investing activities totaled \$43,890 for the nine months ended September 30, 2015, which is primarily \$50,713 of additions to investment properties partially offset by distribution income from associates of \$3,172 and cash acquired on the Combination Transaction of \$3,217.

Financing activities

Cash generated in financing activities totaled \$163,707 for the three months ended September 30, 2016 as compared to an inflow of \$11,686 during the three months ended September 30, 2015.

During the three months ended September 30, 2016, the REIT received net proceeds of \$176,348 from the REIT equity offering and the Vital Rights Offering, \$74,750 from the NWH.DB.E Convertible Debentures, made net repayments of mortgages, loans payable and credit facilities of \$59,689, paid financing fees of \$5,084, paid distributions to REIT unitholders of \$16,126, paid distributions to non-controlling unitholders of Vital Trust of \$6,564 and received \$72 from related parties.

During the three months ended September 30, 2015, the REIT received net payments on mortgages and loans payable and credit facilities of \$35,400, paid financing fees of \$1,123, paid distributions to REIT unitholders of \$13,222, paid distributions to non-controlling unitholders of Vital Trust of \$4,431 and acquired Trust Units for cancellation, pursuant to the REIT's NCIB, at a total cost of \$4,934.

Cash generated in financing activities totaled \$274,285 for the nine months ended September 30, 2016 as compared to \$12,081 during the nine months ended September 30, 2015.

During the nine months ended September 30, 2016, the REIT received net proceeds of \$251,786 from equity offerings and the Vital Rights Offering, \$74,750 from the NWH.DB.E Convertible Debentures, received, net of repayments, from mortgages, loans payable and credit facilities \$50,435, paid financing fees of \$11,413, paid distributions to REIT unitholders of \$43,653, paid distributions to non-controlling unitholders of Vital Trust of \$16,144, paid deferred consideration of \$30,627, acquired Trust Units for cancellation, pursuant to the REIT's NCIB, at a total cost of \$286 and made net advances to related parties of \$563.

During the nine months ended September 30, 2015, the REIT received net payments on mortgages and loans payable and credit facilities of \$47,353, paid financing fees of \$4,537, received net advances from related parties of \$32,183, paid distributions to REIT unitholders of \$45,234, paid distributions to non-controlling unitholders of Vital Trust of \$12,750 and acquired Trust Units for cancellation, pursuant to the REIT's NCIB, at a total cost of \$4,934.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months ended September 30, 2016, approximately 68% 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 four quarters is presented below:

AFFO by Currency by Quarter ⁽¹⁾	Trading Range				
	(Against CAD)	BRL	EUR	NZD	AUD
	Three months ended September 30, 2016:				
	High	0.4158	1.4846	0.9673	1.0127
	Low	0.3881	1.4303	0.9115	0.9659
	Average	0.4015	1.4545	0.9419	0.9885
	Balance Sheet:				
	September 30, 2016	0.4058	1.4692	0.9548	1.0032
	June 30, 2016	0.3957	1.4412	0.9210	0.9640
	December 31, 2015	0.3499	1.5126	0.9493	1.0083
	Profit & Loss:				
	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	
Q4 2015 Average Rate	0.3474	1.4624	0.8910	0.9612	
Q3 2015 Average Rate	0.3708	1.4559	0.8522	0.9496	
Q2 2015 Average Rate	0.4004	1.3597	0.8996	0.9617	
Q1 2015 Average Rate	0.4353	1.3967	0.9324	0.9758	
Notes					
(1) Canadian Dollar AFFO represents the REIT's proportionate share of FFO from NorthWest REIT prior to the Combination Transaction, the consolidated AFFO of the REIT's Canadian operations after the Combination Transaction and interest income less interest expense paid on Canadian-denominated debt and certain general and administrative expenses, net of subsidies.					

For the three months ended September 30, 2016, a portion of the AFFO generated in foreign currencies was retained in those foreign currencies to provide funds for operations, future investments in those foreign jurisdictions and to minimize currency conversion costs, while a portion has been repatriated back to Canada to fund distributions, interest payments and other corporate expenses.

For the three months ended September 30, 2016, Canadian dollar AFFO was \$5,618 while Canadian dollar distributions paid in cash to Unitholders totaled \$17,652. Deficiencies were funded from cash repatriated to Canada from Brazil, Germany and New Zealand and the draws on the Revolving Credit Facility.

As at September 30, 2016 the REIT held approximately \$9,777 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 September 30, 2016, NWVP indirectly owned approximately 30% of the outstanding Trust Units (approximately 24% 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) From the initiation of NWI until January 28, 2015, affiliates of NWVP served as the NWI's asset manager, property manager and developer pursuant to certain management and partnership agreements that are filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. On January 28, 2015, the NWI internalized its external management arrangements, terminating the asset management, property management and development functions of NWI carried on by affiliates of NWVP. The Internalization Transaction also resulted in NWI acquiring from NWVP all of the rights and obligations relating to the management of Vital Trust.

Post the Internalization Transaction, the REIT entered into a Cost-Sharing Agreement with an affiliate of NWVP for certain general management and administration support services for a fee based on cost-sharing. The REIT also has entered into a monthly Sublease Agreement with an affiliate of NWVP for the REIT to lease its head office premises.

The following table summarizes the related party transactions with NWVP and its affiliates related to the former Asset Management Agreement, Property Management Agreement, Development Agreement and Management Fee Participation Agreement as well as the Cost-Sharing and Sublease Agreements during the period:

TABLE 19A - RELATED PARTY TRANSACTIONS						
Expressed in thousands of Canadian dollars	Three months ended September 30			Nine months ended September 30		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Base asset management fees paid ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest revenue (i)	-	-	-	-	(305)	305
Out-of-pocket costs paid	45	-	45	255	600	(345)
Cost-sharing and sublease amounts paid	\$ 166	\$ -	\$ 166	\$ 525	\$ 225	\$ 300
Notes						
(1) During the three months ended March 31, 2015 NWI issued 143,538 NWI trust units to settle outstanding asset management fees owing to a subsidiary of NWVP (29,856 Trust Units adjusted for the Exchange Ratio).						

- (i) Interest income on working capital and closing adjustment

The working capital and closing adjustment receivable from a subsidiary of NWVP arose as a result of the differences in the values of the working capital and debt indirectly assumed on acquisition of the initial international assets by NWI as compared to the values assigned at the time of the signing of the agreement entered into in connection with the acquisition. The working capital and closing adjustment receivable was unsecured and was previously due on December 31, 2013, but was fully repaid during the second quarter of 2015. The working capital and closing adjustment receivable accrued an approximate economic return of 8% per annum when permissible. For the three months ended March 31, 2015, NWVP agreed to pay interest of \$305.

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

TABLE 19B - RELATED PARTY BALANCE SHEET AMOUNTS				
Expressed in thousands of Canadian dollars	As at		Variance	
	September 30,	December 31, 2015		
	2016			
	(Unaudited)	(Unaudited)	(Unaudited)	
Amounts receivable				
Interest Rate Subsidy (i)	\$ -	\$ 669	\$	(669)
Internalization Contribution (ii)	\$ -	\$ 1,385	\$	(1,385)
Cost-sharing and sublease amounts	\$ 516	-	\$	516
Amounts payable				
Class B Exchangeable Unit distributions	\$ 1,267	\$ 1,267	\$	-
Cost-sharing and sublease amounts	\$ 22	\$ 318	\$	(296)

(i) Interest Rate Subsidy

As part of NWI's acquisition of the investment in the REIT, NWVP had committed, by means of a capital contribution (referenced in this MD&A as the Interest Rate Subsidy), that the effective interest rate payable by the REIT on the assumed NWH Margin Facilities should not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014. At the date of acquisition the present value of the Interest Rate Subsidy was \$1,874 and was recorded as a receivable from NWVP, and subsequent cash payments by NWVP will be recorded as a reduction of the receivable balance.

Throughout 2014 and again in March 2015, NWVP and NWI agreed to extend and amend the Interest Rate Subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to March 31, 2015. To reflect the extension of the Interest Rate Subsidy in 2014 and again in March 2015, the NWI recorded an additional receivable from NWVP of \$2,282 and \$669 respectively with the offset recorded directly to equity as a capital contribution. In connection with the Combination Transaction the NWH Margin Facilities related to the NWI's investment in the REIT were repaid in full and cancelled.

On March 24, 2016 the interest rate subsidy was settled.

(ii) Internalization Contribution

As a result of costs incurred by NWI following completion of the Internalization Transaction, NWVP had committed to making an Internalization Contribution to NWI LP. For the three and nine months ended September 30, 2015, the REIT recorded an Internalization Contribution of \$Nil and \$1,385, respectively. The Internalization Contribution is recorded in the consolidated statement of unitholders' equity. On March 24, 2016 the Internalization Contribution was settled.

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

PART VI – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies is described in note 2 of the REIT's condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 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 condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2016 and the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2015.

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 and Internal Controls Over Financial Reporting

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 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, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

In designing these internal controls the REIT has considered the Committee of Sponsoring Organizations of the Treadway Commission (COSO) updated Internal Control – Integrated Framework: 2013.

Changes in Internal Controls Over Financial Reporting

There were no significant changes made in internal controls over financial reporting during the three months ended September 30, 2016 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, 2015, which can be found on SEDAR at www.sedar.com.

PART IX – OUTLOOK

During the remainder of 2016 and into 2017, the REIT will, 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 September 30, 2016

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%	0.8
2 Sunridge Professional Centre	Calgary, AB	Mar 25 2010	1985	132,702	32	98.8%	4.6
3 Riley Park Health Centre ⁽⁷⁾	Calgary, AB	Mar 25 2010	1956/92	72,808	9	100.0%	4.0
4 Rockyview Health Centre I	Calgary, AB	Mar 25 2010	1977/97/2013/14	68,818	28	89.4%	4.2
5 Foothills Professional Building	Calgary, AB	Mar 25 2010	1980/2013	58,607	21	100.0%	4.1
6 Sunpark Plaza	Calgary, AB	Dec 7 2011	2005	53,150	8	67.1%	2.8
7 Rockyview Health Centre II	Calgary, AB	Mar 25 2010	1975/2009	53,353	5	75.2%	7.6
8 Willow Brook Medical Centre	Airdrie, AB	Apr 10 2012	2010	34,680	5	100.0%	7.0
9 Hys Centre	Edmonton, AB	Feb 1 2011	1978/87/90	179,563	33	90.3%	3.2
10 Tawa Centre	Edmonton, AB	May 31 2011	1986	95,450	24	99.4%	4.0
11 Mira Health Centre	Edmonton, AB	Mar 25 2010	1992	67,527	16	96.3%	2.1
12 Garneau Professional Building	Edmonton, AB	Mar 25 2010	1980	58,637	17	61.9%	3.2
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	1974/91/2009	43,750	3	100.0%	10.0
15 Hargrave Place	Winnipeg, MB	Jul 31 2013	1977/88/2011/12	70,947	2	99.0%	12.9
16 Dundas-Edward Centre	Toronto, ON	Jan 25 2011	1964/78/87/90	416,433	80	91.2%	5.3
17 Davisville Medical Dental Centre	Toronto, ON	Mar 25 2010	1964	95,778	83	96.0%	3.5
18 Fairview Health Centre	Toronto, ON	Mar 25 2010	1971	87,168	55	98.7%	4.3
19 North York Medical Arts Building	Toronto, ON	Mar 25 2010	1969	75,862	58	96.5%	4.5
20 The Stewart Building	Toronto, ON	Mar 25 2010	1892/1999	43,118	1	100.0%	2.6
21 Malvem Medical Arts	Toronto, ON	Apr 1 2011	1987	40,667	16	87.9%	4.4
22 Albany Medical Clinic	Toronto, ON	Sep 27 2012	2010	42,582	1	100.0%	13.6
23 One Medical Place	Toronto, ON	Mar 25 2010	1964	40,867	17	82.4%	5.9
24 Danforth Health Centre	Toronto, ON	Mar 25 2010	1991	29,492	7	97.8%	1.3
25 Bathurst Health Centre	Toronto, ON	Mar 25 2010	1984	29,127	17	82.8%	5.9
26 81 The East Mall ⁽⁶⁾	Toronto, ON	Jan 16 2015	1975	35,402	5	76.1%	13.4
85 The East Mall ⁽⁶⁾	Toronto, ON	Jan 16 2015	2016	46,448	5	78.5%	16.0
27 Queensway Professional Centre	Mississauga, ON	Mar 25 2010	1977/80	169,940	62	74.2%	4.5
28 Trafalgar Professional Centre	Oakville, ON	Mar 25 2010	1985	66,009	29	92.8%	4.5
29 Dundas-Centre Medical	Whitby, ON	Oct 1 2012	1987	33,086	22	94.4%	4.2
30 Wentworth - Limeridge Medical Centre	Hamilton, ON	Mar 25 2010	1989	40,716	19	89.6%	4.1
31 Queenston Medical-Dental Centre	Hamilton, ON	Oct 1 2012	1992	18,355	14	93.4%	2.3
32 Oxford Health Centre	London, ON	Mar 25 2010	1994	39,184	18	81.1%	4.8
33 Springbank Medical Centre	London, ON	Mar 30 2012	2011	53,082	31	94.6%	2.1
34 Canamera Medical Centre	Cambridge, ON	Sep 15 2011	2007	81,971	20	100.0%	2.4
35 Guelph Medical Place I	Guelph, ON	Oct 1 2012	1991/2008	36,013	13	95.7%	5.2
36 Guelph Medical Place II	Guelph, ON	Oct 1 2012	2011	26,695	10	86.6%	4.4
37 Collingwood Health Centre	Collingwood, ON	Mar 25 2010	1989/2013	26,350	16	86.4%	4.0
38 Owen Sound Medical Building	Owen Sound, ON	Feb 9 2015	2011	77,542	11	86.7%	6.9
39 Smyth Medical Centre	Ottawa, ON	Sep 10 2012	1983	18,400	14	91.0%	2.9
40 CSSS Haut-Richelieu	Richelieu, QC	Sep 1 2010	2009	54,659	1	100.0%	7.3
41 Clinique Bois-De-Boulogne	Montreal, QC	Mar 25 2010	1976/89	96,190	29	87.8%	3.3
42 Le Carrefour Medical	Laval, QC	Mar 25 2010	1990	117,963	33	87.1%	3.9
43 Clinique CAMU	Longueuil, QC	Mar 25 2010	1988	25,772	5	88.9%	5.5
44 2924 Taschereau Boulevard	Longueuil, QC	Mar 25 2010	1988/2010	24,644	1	100.0%	4.0
45 CLSC Saint-Hubert	Saint Hubert, QC	Mar 25 2010	1991	46,639	2	100.0%	1.7
46 950 Montee des Pionniers	Lachenaie, QC	Mar 25 2010	2004	64,539	15	94.6%	5.2
47 Agence Lanaudiere	Joliette, QC	Dec 20 2012	1994/2008	53,771	1	100.0%	6.8
48 CSSS Grand Littoral	Levis, QC	Sep 1 2010	2008	64,563	2	100.0%	6.2
49 Polyclinique Val-Belair	Quebec City, QC	Jul 22 2011	2009	46,053	12	99.2%	5.2
50 Centre Medicale de L'Hetriere	Quebec City, QC	Jan 19 2012	2007	36,591	7	100.0%	2.0
51 Fredericton Medical Centre	Fredericton, NB	Mar 25 2010	1985	70,569	40	91.2%	4.5
52 Moncton Medical Clinic	Moncton, NB	Jan 23 2012	1984	40,677	17	100.0%	4.1
53 Cobequid Centre	Lower Sackville, NS	Mar 25 2010	2006	30,009	1	100.0%	5.9
54 Halifax Professional Centre	Halifax, NS	Mar 25 2010	1969/74	115,753	80	88.5%	4.0
55 Gladstone Professional Centre	Halifax, NS	Mar 25 2010	1985	41,860	11	100.0%	3.1
56 New Glasgow Medical Centre	New Glasgow, NS	Dec 21 2011	2009	33,800	1	100.0%	8.1
				3,831,575	1,102	92.0%	4.8
Redevelopment Properties:							
Barrie Primary Care Campus	Barrie, ON	Feb 9 2015	2016	78,719	n/a	0.0%	n/a
57 490 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
				123,447	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

PART XI – PROPERTY TABLE (CON'T.)

PROPERTY TABLE							
Property	Location	Date Acquired	Year Built ⁽¹⁾	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE ⁽²⁾
Brazil							
58 Sabará Children's Hospital	São Paulo	Nov 16 2012	2010	104,915	1	100.0%	8.0
<i>Rede D'Or Hospital Portfolio:</i>							
59 Hospital e Maternidade Brasil ("HMB")	São Paulo	Dec 27 2012	1970 - 2007	342,000	1	100.0%	21.3
60 Hospital Santa Luzia*	Brasilia's South Wing	Dec 23 2013	2003	185,139	1	100.0%	22.3
61 Hospital Do Coracao*	Brasilia's South Wing	Dec 23 2013	2007	96,875	1	100.0%	22.3
62 Hospital Caxias*	Rio de Janeiro	Dec 23 2013	2013	290,626	1	100.0%	22.3
63 Hospital IFOR	São Paulo	July 19 2016	2001	150,000	1	100.0%	24.8
				1,169,555	6	100.0%	21.0
Germany							
64 Adlershof 1	Berlin	Nov 16 2012	2004	55,285	49	95.1%	5.5
65 Adlershof 2	Berlin	Nov 16 2012	2010	47,507	40	100.0%	4.4
66 Berlin Neukölln	Berlin	Nov 16 2012	2000	33,991	15	99.4%	3.4
67 König's Wusterhausen 1	König's Wusterhausen	Nov 16 2012	2001	35,689	20	74.7%	3.1
68 Fulda	Fulda	Mar 31 2013	2010	110,844	33	100.0%	3.9
69 Polimedica Centre**	Berlin	Jun 25 2014	2007	113,937	32	98.2%	9.1
70 Hollis Centre **	Ingolstadt	Jun 25 2014	1996	99,651	36	99.2%	4.3
71 Leipzig am Park**	Leipzig	Jun 25 2014	1977	19,048	10	100.0%	6.8
72 Leipzig Baestlein**	Leipzig	Jun 25 2014	1975	19,163	11	93.4%	5.9
73 Leipzig Gruenauer**	Leipzig	Jun 25 2014	1980	15,932	8	83.9%	5.2
74 Leipzig Karlsruher**	Leipzig	Jun 25 2014	1982	18,990	6	60.0%	1.7
75 Leipzig Lidicestrasse**	Leipzig	Jun 25 2014	1975	19,201	12	88.4%	4.5
76 Leipzig Pfaffensteinstrasse**	Leipzig	Jun 25 2014	1985	18,277	8	79.5%	3.5
77 Leipzig Plodiver**	Leipzig	Jun 25 2014	1975	18,217	5	100.0%	4.7
78 Leipzig Schlehenweg**	Leipzig	Jun 25 2014	1989	18,537	11	100.0%	1.5
79 Leipzig Stuttgarter**	Leipzig	Jun 25 2014	1978	18,047	9	93.9%	2.8
80 Leipzig Tauchaer Strasse**	Leipzig	Jun 25 2014	1982	18,681	10	100.0%	4.5
81 Leipzig Yorckstrasse**	Leipzig	Jun 25 2014	1975	11,624	6	91.5%	4.7
82 Hohenschonhausen	Berlin	Aug 30 2014	1996	63,410	38	95.5%	3.3
83 Mehrower Alle	Berlin	Apr 14 2016	2013	82,242	59	97.3%	3.2
** - the "Core German MOB Portfolio"				838,273	418	95.3%	4.7
Development Land:							
Vivantes Auguste-Viktoria Hospital land	Berlin	Apr 1 2015	n/a	n/a	n/a	n/a	n/a
Australia							
84 Allamanda Private Hospital	Southport, Queensland	Dec 22 2010	1979	318,773	1	100.0%	21.4
85 Belmont Private Hospital	Carina, Queensland	Dec 22 2010	1973/2015	94,023	1	100.0%	19.4
86 Clover Lea Residential Aged Care	Sydney, New South Wales	Mar 1 2016	1919/1960/2003	16,146	1	100.0%	19.4
87 Dubbo Private Hospital	Dubbo, New South Wales	Dec 22 2010	1994	55,972	1	100.0%	15.3
88 Epworth Eastern Hospital	Melbourne, Victoria	Mar 30 1999	2005	136,609	8	100.0%	17.3
89 Epworth Eastern Medical Centre	Melbourne, Victoria	Mar 30 1999	1986	33,421	25	100.0%	10.6
90 Epworth Rehabilitation	Melbourne, Victoria	Feb 01 1999	1971	35,489	1	100.0%	2.4
91 Fairfield Residential Aged Care	Sydney, New South Wales	Mar 1 2016	1968/2009	31,000	1	100.0%	19.4
92 Gold Coast Surgery Centre	Southport, Queensland	Dec 22 2010	1999	29,495	8	96.1%	1.1
93 Hamersley Residential Aged Care	Perth, Western Australia	Mar 1 2016	1971	20,279	1	100.0%	19.4
94 Hurstville Private Hospital	Sydney, New South Wales	Apr 30 2012	1894/2015	135,238	1	100.0%	25.6
95 Lingard Private Hospital	Merewether, New South Wales	Dec 22 2010	1975/2015	99,566	1	100.0%	24.4
96 Maitland Private Hospital	Maitland, New South Wales	Dec 22 2010	2001/2015	126,863	2	100.0%	21.3
97 Marian Centre	Perth, Western Australia	Aug 12 2014	1965	38,212	1	100.0%	17.9
98 Mayo Private Hospital	Taree, New South Wales	Dec 16 2011	1997	62,700	1	100.0%	15.2
99 North West Private Hospital	Burnie, Tasmania	Dec 22 2010	1988	87,360	2	100.0%	15.3
100 Palm Beach Currumbin Clinic	Currumbin, Queensland	Dec 22 2010	1980	53,443	1	100.0%	15.4
101 Rockingham Residential Aged Care	Perth, Western Australia	Mar 1 2016	1968/1992	14,596	1	100.0%	19.4
102 South Eastern Private Hospital	Melbourne, Victoria	Dec 22 2010	1970	91,461	1	100.0%	24.4
103 Sportsmed Private Hospital	Adelaide, South Australia	Dec 3 2012	1990/2008	56,607	2	100.0%	18.6
104 Sportsmed Consulting ⁽⁹⁾	Adelaide, South Australia	Jan 20 2016	1990	9,074	1	100.0%	19.3
105 Sportsmed Office ⁽⁹⁾	Adelaide, South Australia	Jan 20 2016	1988	15,252	1	100.0%	19.3
106 Toronto Private Hospital	Toronto, New South Wales	Dec 22 2010	1988	55,682	2	100.0%	26.3
107 Mons Road	Westmead, New South Wales	Sept 30 2016	2010	31,179	4	100.0%	5.9
				1,648,440	69	99.9%	19.2
Development Land:							
108 25 Nelson Road ⁽¹⁰⁾	Box Hill, Victoria	Nov 28 2014	n/a	n/a	n/a	n/a	n/a
109 142 Brighton Avenue ⁽¹¹⁾	Toronto, New South Wales	Jul 22 2015	n/a	n/a	n/a	n/a	n/a
110 27 Hopkins Street ⁽¹²⁾	Merewether, New South Wales	Nov 25 2015	n/a	n/a	n/a	n/a	n/a
111 6 Lingard Street ⁽¹²⁾	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							
112 Apollo Health and Wellness Centre	Albany, Auckland	Sep 01 2008	2005	53,237	22	91.5%	3.8
113 Ascot Central	Greenlane East, Auckland	May 1 2008	2008	51,437	18	100.0%	3.6
114 Ascot Central Car Park	Greenlane East, Auckland	ground lease	1999	4,833	17	100.0%	3.2
115 Ascot Hospital	Greenlane East, Auckland	Mar 25 1999	1999	122,496	20	99.5%	18.9
116 Kensington Hospital	Whangarei, Northland	Mar 12 2001	2001	25,371	1	100.0%	29.8
117 Napier Health Centre	Napier, Hawke's Bay	Dec 23 1999	1999	46,231	1	100.0%	3.2
118 Boulcott Private Hospital	Lower Hutt	Jul 1 2016	1985	45,671	1	100.0%	21.8
				349,276	80	98.5%	13.2
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⁾				1,997,716	149	99.7%	18.2
119	to Generation Healthcare REIT^(1,3) (17 Properties)			1,062,826	118	98.7%	12.2
135	Portfolio Totals / Weighted Averages⁽⁵⁾			9,023,392	1,793	95.9%	10.8
Portfolio Totals / Weighted Averages - Proportionate Consolidation⁽⁴⁾⁽⁵⁾				6,666,908		94.6%	8.9
Notes							
(1) Year built/renovated or expanded, as applicable.							
(2) As at September 30, 2016. Weighted average lease expiry in years.							
(3) Represents 100% of Vital Trust. The REIT has an exposure to an approximate 24% 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 19% interest in Generation Healthcare REIT. WALE reflects the weighted average rental income over the net effective annual rents							

PART XII – SUPPLEMENTAL DISCLOSURE

SUPPLEMENTAL DISCLOSURE										
Unaudited										
Three months ended September 30, 2016										
Expressed in thousands of Canadian dollars										
	Canada	Brazil	Germany	Australia/New Zealand				Corporate ⁽³⁾	Consolidated	
				Vital Trust	Vital Manager	GHM	Elimination	Total		
Net Operating Income⁽¹⁾										
Revenue from investment properties	\$ 34,346	\$ 9,386	\$ 3,838	\$ 19,426	\$ -	\$ -	\$ (508)	\$ 18,918	\$ -	\$ 66,488
Property operating costs	(15,168)	-	(1,020)	(2,072)	-	-	49	(2,023)	-	(18,211)
	19,178	9,386	2,818	17,354	-	-	(459)	16,895	-	48,277
Other income										
Share of profit (loss) from associates	-	-	-	-	308	-	511	819	-	819
Management fees	-	-	-	-	3,919	1,093	(4,052)	960	-	960
Interest income	1	969	-	55	-	1	-	56	44	1,070
	1	969	-	55	4,227	1,094	(3,541)	1,835	44	2,849
	19,179	10,355	2,818	17,409	4,227	1,094	(4,000)	18,730	44	51,126
Other expenses										
Mortgage and loan interest expense	(6,738)	(3,119)	(462)	(3,018)	-	-	-	(3,018)	(5,565)	(18,902)
General and administrative expenses	(283)	(612)	(588)	(3,800)	(1,258)	(630)	3,449	(2,239)	988	(2,734)
Transaction costs	-	-	-	-	-	-	-	-	(230)	(230)
Other Finance costs	877	(2,847)	(82)	(91)	-	-	-	(91)	(21,189)	(23,332)
Foreign exchange gain (loss)	(1)	126	-	(515)	(32)	-	-	(547)	(3,871)	(4,293)
Income / (Loss) before the undernoted items	13,034	3,903	1,686	9,985	2,937	464	(551)	12,835	(29,823)	1,635
Fair value adjustment of DUP liability	-	-	-	-	256	-	-	256	201	457
Fair value adjustment of investment properties	1,318	4,542	3,413	5,228	-	-	477	5,705	-	14,978
Net loss on disposal of investment properties	(1,127)	-	-	-	-	-	-	-	-	(1,127)
Gain on business combination	-	-	-	-	-	-	-	-	-	-
Gain / (Loss) on derivative financial instruments	826	(3)	58	(953)	-	(716)	-	(1,669)	(6,313)	(7,101)
Income / (Loss) before taxes	14,051	8,442	5,157	14,260	3,193	(252)	(74)	17,127	(35,935)	8,842
Income tax expense	-	(2,515)	(772)	(2,352)	377	53	-	(1,922)	-	(5,209)
Net income (loss)	\$ 14,051	\$ 5,927	\$ 4,385	\$ 11,908	\$ 3,570	\$ (199)	\$ (74)	\$ 15,205	\$ (35,935)	\$ 3,633
Non-Controlling Interest	-	-	-	8,942	-	-	(24)	8,918	-	8,918
Income attributable to Unitholders	\$ 14,051	\$ 5,927	\$ 4,385	\$ 2,966	\$ 3,570	\$ (199)	\$ (50)	\$ 6,287	\$ (35,935)	\$ (5,285)
<u>Add / (Deduct):</u>										
Fair market value losses (gains)	(2,144)	(4,539)	(3,471)	(4,275)	(256)	716	(477)	(4,292)	19,974	5,528
Less: Non-controlling interests' share of fair market value losses (gains)	-	-	-	3,219	-	-	360	3,579	-	3,579
Finance cost - Exchangeable Unit distributions	-	-	-	-	-	-	-	-	3,799	3,799
Revaluation of financial liabilities	-	2,160	-	-	-	-	-	-	-	2,160
Unrealized foreign exchange loss (gain)	1	(184)	-	515	32	-	-	547	3,923	4,287
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-	-	-	(388)	-	-	-	(388)	-	(388)
Deferred taxes	-	2,468	749	767	(965)	(248)	-	(446)	-	2,771
Less: Non-controlling interests' share of deferred taxes	-	-	-	(574)	-	-	-	(574)	-	(574)
Non-recurring transaction costs	-	-	-	-	-	-	-	-	230	230
Convertible Debenture issuance costs	-	-	-	-	-	-	-	-	3,117	3,117
Net adjustments for equity accounted entities	-	-	-	-	-	-	123	123	-	123
Internal Leasing Costs	421	-	48	-	-	-	-	-	-	469
Net loss on disposal of investment properties	1,127	-	-	-	-	-	-	-	-	1,127
Other FFO adjustments	-	-	-	-	-	129	360	489	-	489
Funds From Operations ("FFO")⁽²⁾	\$ 13,456	\$ 5,832	\$ 1,711	\$ 2,230	\$ 2,381	\$ 398	\$ 316	\$ 5,325	\$ (4,892)	\$ 21,432

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)											
Unaudited											
Three months ended September 30, 2016											
Expressed in thousands of Canadian dollars											
	Canada	Brazil	Germany	Australia/New Zealand					Corporate ⁽³⁾	Consolidated	
				Vital Trust	Vital Manager	GHM	Elimination	Total			
Funds From Operations ("FFO")⁽²⁾	\$ 13,456	\$ 5,832	\$ 1,711	\$ 2,230	\$ 2,381	\$ 398	\$ 316	\$ 5,325	\$ (4,892)	\$ 21,432	
<u>Add / (Deduct):</u>											
Amortization of marked to market adjustment	(997)	-	-	-	-	-	-	-	-	(997)	
Amortization of deferred financing charges	120	687	82	91	-	-	-	91	411	1,391	
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	(69)	-	-	-	(69)	-	(69)	
Straight line revenue	(256)	87	-	27	-	-	-	27	-	(142)	
Less: non-controlling interests' share of straight-line revenue	-	-	-	(20)	-	-	-	(20)	-	(20)	
Leasing costs and non-recoverable maintenance capital expenditures	(2,061)	-	(230)	(216)	-	-	-	(216)	-	(2,507)	
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	163	-	-	-	163	-	163	
DUP Compensation Expense	-	-	-	-	244	-	-	244	(1,816)	(1,572)	
Internalization Contribution	-	-	-	-	-	-	-	-	-	-	
Debt repayment costs	174	-	-	-	-	-	-	-	-	174	
Net adjustments for equity accounted entities	-	-	-	-	-	-	(145)	(145)	-	(145)	
Adjusted Funds From Operations ("AFFO")⁽²⁾	\$ 10,436	\$ 6,606	\$ 1,563	\$ 2,206	\$ 2,625	\$ 398	\$ 171	\$ 5,400	\$ (6,297)	\$ 17,708	

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited										
As at September 30, 2016										
Expressed in thousands of Canadian dollars										
	Canada	Brazil	Germany	Australia/New Zealand				Corporate ⁽³⁾	Consolidated	
				Vital Trust	Vital Manager	GHM	Elimination	Total		
Assets										
Investment properties	\$ 1,193,195	\$ 448,206	\$ 190,159	\$ 992,923	\$ -	\$ -	\$ 689	\$ 993,612	\$ -	\$ 2,825,172
Investment in associate	-	-	-	-	-	-	92,690	92,690	-	92,690
Intangible Asset	-	-	-	-	46,757	58,556	-	105,313	-	105,313
Goodwill	-	-	-	-	-	-	-	-	41,671	41,671
Financial instruments	-	-	-	605	-	-	-	605	-	605
Assets held for sale	-	-	-	-	-	-	-	-	-	-
Other assets	11,708	63,788	2,508	7,051	3,025	8,770	(29)	18,817	4,722	101,543
	\$ 1,204,903	\$ 511,994	\$ 192,667	\$ 1,000,579	\$ 49,782	\$ 67,326	\$ 93,350	\$ 1,211,037	\$ 46,393	\$ 3,166,994
Liabilities										
Mortgages and loans payable	\$ 684,079	\$ 155,264	\$ 95,014	\$ 235,344	\$ -	\$ -	\$ -	\$ 235,344	\$ 187,681	\$ 1,357,382
Deferred Consideration	-	2,410	22	-	-	-	-	-	6,015	8,447
Convertible Debentures	-	-	-	-	-	-	-	-	256,089	256,089
Deferred Revenue	-	-	-	6,695	-	-	(5,065)	1,630	-	1,630
Deferred tax liability	-	48,259	6,461	59,263	(180)	2,299	-	61,382	-	116,102
Financial instruments	2,731	178	1,615	20,410	-	-	-	20,410	4	24,938
Liabilities related to assets held for sale	-	-	-	-	-	-	-	-	-	-
Exchangeable Units	65,321	-	-	-	-	-	-	-	133,399	198,720
Other liabilities	23,544	943	772	20,381	3,738	676	(559)	24,236	27,266	76,761
	\$ 775,675	\$ 207,054	\$ 103,884	\$ 342,093	\$ 3,558	\$ 2,975	\$ (5,624)	\$ 343,002	\$ 610,454	\$ 2,040,069
Net assets	\$ 429,228	\$ 304,940	\$ 88,783	\$ 658,486	\$ 46,224	\$ 64,351	\$ 98,974	\$ 868,035	\$ (564,061)	\$ 1,126,925
Less: Non-controlling interest	-	-	-	(470,150)	-	-	(1,070)	(471,220)	-	(471,220)
Unitholders' Equity	\$ 429,228	\$ 304,940	\$ 88,783	\$ 188,336	\$ 46,224	\$ 64,351	\$ 97,904	\$ 396,815	\$ (564,061)	\$ 655,705
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 September 30, 2015									
Expressed in thousands of Canadian dollars									
	Canada	Brazil	Germany	Australia/New Zealand			Corporate ^(B)	Consolidated	
				Vital Trust	Vital Manager	Elimination	Total		
Net Operating Income ⁽¹⁾									
Revenue from investment properties	\$ 37,445	\$ 7,307	\$ 3,332	\$ 15,622	\$ -	\$ (443)	\$ 15,179	\$ -	\$ 63,263
Property operating costs	(16,842)	-	(820)	(1,875)	-	(85)	(1,960)	-	(19,622)
	20,603	7,307	2,512	13,747	-	(528)	13,219	-	43,641
Other income									
Share of profit (loss) from associates	-	-	-	-	191	(191)	-	-	-
Management fees	-	-	-	-	2,849	(2,849)	-	-	-
Interest income	7	99	-	15	47	-	62	4	172
	7	99	-	15	3,087	(3,040)	62	4	172
	20,610	7,406	2,512	13,762	3,087	(3,568)	13,281	4	43,813
Other expenses									
Mortgage and loan interest expense	(8,060)	(3,379)	(448)	(2,943)	(3)	-	(2,946)	(3,256)	(18,089)
General and administrative expenses	-	(667)	(546)	(3,178)	(929)	3,260	(847)	(3,470)	(5,530)
Transaction costs	-	-	8	-	-	-	-	(472)	(464)
Other Finance costs	2,236	(2,768)	(53)	(72)	-	-	(72)	(4,452)	(5,109)
Foreign exchange gain (loss)	-	143	2	890	(26)	171	1,035	(323)	857
Income / (Loss) before the undernoted items	14,786	735	1,475	8,459	2,129	(137)	10,451	(11,969)	15,478
Fair value adjustment of DUP liability	-	-	-	-	(5)	-	(5)	198	193
Fair value adjustment of investment properties	(6,079)	4,819	(482)	-	-	(222)	(222)	-	(1,964)
Net loss on disposal of investment properties	(134)	-	-	-	-	-	-	-	(134)
Gain on business combination	-	-	-	-	-	-	-	-	-
Gain / (Loss) on derivative financial instruments	(634)	(1,164)	(272)	(1,439)	-	-	(1,439)	5	(3,504)
Income / (Loss) before taxes	7,939	4,390	721	7,020	2,124	(359)	8,785	(11,766)	10,069
Income tax expense	-	(2,386)	(128)	(1,023)	(30)	-	(1,053)	-	(3,567)
Net income (loss)	\$ 7,939	\$ 2,004	\$ 593	\$ 5,997	\$ 2,094	\$ (359)	\$ 7,732	\$ (11,766)	\$ 6,502
Non-Controlling Interest	-	-	-	4,524	-	(169)	4,355	-	4,355
Income attributable to Unitholders	\$ 7,939	\$ 2,004	\$ 593	\$ 1,473	\$ 2,094	\$ (190)	\$ 3,377	\$ (11,766)	\$ 2,147
Add / (Deduct):									
Fair market value losses (gains)	6,713	(3,655)	754	1,439	5	222	1,666	215	5,693
Less: Non-controlling interests' share of fair market value losses (gains)	-	-	-	(1,091)	-	-	(1,091)	-	(1,091)
Finance cost - Exchangeable Unit distributions	-	-	-	-	-	-	-	3,838	3,838
Revaluation of financial liabilities	-	1,544	-	-	-	-	-	-	1,544
Unrealized foreign exchange loss (gain)	-	-	1	(890)	26	(172)	(1,036)	316	(719)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-	-	-	675	-	-	675	-	675
Deferred taxes	-	2,335	123	245	(42)	-	203	-	2,661
Less: Non-controlling interests' share of deferred taxes	-	-	-	(186)	-	-	(186)	-	(186)
Non-recurring transaction costs	-	-	(8)	-	-	-	-	472	464
Convertible Debenture issuance costs	-	-	-	-	-	-	-	-	-
Net adjustments for equity accounted entities	-	-	-	-	-	-	-	-	-
Internal Leasing Costs	366	-	-	-	-	-	-	-	366
Net loss on disposal of investment properties	134	-	-	-	-	-	-	-	134
Funds From Operations ("FFO") ⁽²⁾	\$ 15,152	\$ 2,228	\$ 1,463	\$ 1,665	\$ 2,083	\$ (140)	\$ 3,608	\$ (6,925)	\$ 15,526

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited	Three months ended September 30, 2015									
	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⁾	\$ 15,152	\$ 2,228	\$ 1,463	\$ 1,665	\$ 2,083	\$ (140)	\$ 3,608	\$ (6,925)	\$ 15,526	
<u>Add / (Deduct):</u>										
Amortization of marked to market adjustment	(2,284)	-	-	-	-	-	-	-	(2,284)	
Amortization of deferred financing charges	48	1,224	53	72	-	-	72	196	1,593	
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	(55)	-	-	(55)	-	(55)	
Straight line revenue	(432)	25	-	(48)	-	-	(48)	-	(455)	
Less: non-controlling interests' share of straight-line revenue	-	-	-	36	-	-	36	-	36	
Leasing costs and non-recoverable maintenance capital expenditures	(2,247)	-	(200)	(206)	-	-	(206)	-	(2,653)	
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	156	-	-	156	-	156	
DUP Compensation Expense	-	-	-	-	96	-	96	2,468	2,564	
Internalization Contribution	-	-	-	-	-	-	-	-	-	
Debt repayment costs	-	-	-	-	-	-	-	-	-	
Adjusted Funds From Operations ("AFFO")⁽²⁾	\$ 10,237	\$ 3,477	\$ 1,316	\$ 1,620	\$ 2,179	\$ (140)	\$ 3,659	\$ (4,261)	\$ 14,428	

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, NWH Margin Facilities, Vital Margin Facilities and distributions paid on Class B LP Units, treated as finance costs. Includes general and administrative costs of NWH's head office for period prior to completion of the Combination Transaction. Includes general and administrative costs of NWH's head office for the period subsequent to completion of the Combination Transaction.

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE											
Unaudited											
Expressed in thousands of Canadian dollars											
Nine months ended September 30, 2016											
	Canada	Brazil	Germany	Australia/New Zealand				Corporate ⁽³⁾	Consolidated		
				Vital Trust	Vital Manager	GHM	Elimination	Total			
Net Operating Income⁽¹⁾											
Revenue from investment properties	\$ 104,795	\$ 25,357	\$ 11,145	\$ 55,746	\$ -	\$ -	\$ (1,480)	\$ 54,266	\$ -	\$ -	\$ 195,563
Property operating costs	(47,199)	-	(2,974)	(6,490)	-	-	140	(6,350)	-	-	(56,523)
	57,596	25,357	8,171	49,256	-	-	(1,340)	47,916	-	-	139,040
Other income											
Share of profit (loss) from associates	-	-	-	-	1,162	-	(343)	819	-	-	819
Management fees	-	-	-	-	10,978	1,093	(11,111)	960	-	-	960
Interest income	31	2,046	-	122	3	1	-	126	47	-	2,250
	31	2,046	-	122	12,143	1,094	(11,454)	1,905	47	-	4,029
	57,627	27,403	8,171	49,378	12,143	1,094	(12,794)	49,821	47	-	143,069
Other expenses											
Mortgage and loan interest expense	(23,581)	(6,375)	(1,376)	(9,992)	(18)	-	-	(10,010)	(13,787)	-	(55,129)
General and administrative expenses	(863)	(1,460)	(1,972)	(10,717)	(3,755)	(630)	9,664	(5,438)	(4,805)	-	(14,538)
Transaction costs	-	-	-	-	-	-	-	-	(3,811)	-	(3,811)
Other Finance costs	4,954	(9,332)	(245)	(268)	-	-	-	(268)	(55,712)	-	(60,603)
Foreign exchange gain (loss)	(1)	(17)	2	145	(60)	-	-	85	(2,352)	-	(2,283)
Income / (Loss) before the undernoted items	38,136	10,219	4,580	28,546	8,310	464	(3,130)	34,190	(80,420)	-	6,705
Fair value adjustment of DUP liability	-	-	-	-	104	-	-	104	(1,269)	-	(1,165)
Fair value adjustment of investment properties	(25,194)	21,015	9,807	55,847	-	-	1,418	57,265	-	-	62,893
Net loss on disposal of investment properties	(2,807)	-	-	-	-	-	-	-	-	-	(2,807)
Gain on business combination	-	-	-	-	-	-	-	-	53	-	53
Gain / (Loss) on derivative financial instruments	61	742	(476)	(5,442)	-	(716)	-	(6,158)	(5,154)	-	(10,985)
Income / (Loss) before taxes	10,196	31,976	13,911	78,951	8,414	(252)	(1,712)	85,401	(86,790)	-	54,694
Income tax expense	-	(9,472)	(2,227)	(14,280)	(483)	53	-	(14,710)	-	-	(26,409)
Net income (loss)	\$ 10,196	\$ 22,504	\$ 11,684	\$ 64,671	\$ 7,931	\$ (199)	\$ (1,712)	\$ 70,691	\$ (86,790)	\$ -	\$ 28,285
Non-Controlling Interest											
	-	-	-	48,826	-	-	(47)	48,779	-	-	48,779
Income attributable to Unitholders	\$ 10,196	\$ 22,504	\$ 11,684	\$ 15,845	\$ 7,931	\$ (199)	\$ (1,665)	\$ 21,912	\$ (86,790)	\$ -	\$ (20,494)
Add / (Deduct):											
Fair market value losses (gains)	25,133	(21,757)	(9,331)	(50,405)	(104)	716	(1,418)	(51,211)	46,736	-	(10,430)
Less: Non-controlling interests' share of fair market value losses (gains)	-	-	-	38,095	-	-	1,231	39,326	-	-	39,326
Finance cost - Exchangeable Unit distributions	-	-	-	-	-	-	-	-	11,399	-	11,399
Revaluation of financial liabilities	-	7,587	-	-	-	-	-	-	-	-	7,587
Unrealized foreign exchange loss (gain)	1	18	(2)	(144)	60	-	-	(84)	2,412	-	2,345
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-	-	-	111	-	-	-	111	-	-	111
Deferred taxes	-	9,278	2,179	10,942	(714)	(248)	-	9,980	-	-	21,437
Less: Non-controlling interests' share of deferred taxes	-	-	-	(8,267)	-	-	-	(8,267)	-	-	(8,267)
Non-recurring transaction costs	-	-	-	-	-	-	-	-	3,811	-	3,811.00
Convertible Debenture issuance costs	-	-	-	-	-	-	-	-	3,117	-	3,117
Net adjustments for equity accounted entities	-	-	-	-	-	-	123	123	-	-	123
Internal Leasing Costs	1,243	-	144	-	-	-	-	-	-	-	1,387
Net loss on disposal of investment properties	2,807	-	-	-	-	-	-	-	-	-	2,807
Gain on business combination	-	-	-	-	-	-	-	-	(53)	-	(53)
Other FFO adjustments	-	-	-	-	-	129	910	1,039	-	-	1,039
Funds From Operations ("FFO")⁽²⁾	\$ 39,380	\$ 17,630	\$ 4,674	\$ 6,177	\$ 7,173	\$ 398	\$ (819)	\$ 12,929	\$ (19,368)	\$ -	\$ 55,245

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited	Nine months ended September 30, 2016									
	Expressed in thousands of Canadian dollars									
	Canada	Brazil	Germany	Australia/New Zealand			Corporate ⁽³⁾	Consolidated		
			Vital Trust	Vital Manager	GHM	Elimination	Total			
Funds From Operations ("FFO")⁽²⁾	\$ 39,380	\$ 17,630	\$ 4,674	\$ 6,177	\$ 7,173	\$ 398	\$ (819)	\$ 12,929	\$ (19,368)	\$ 55,245
Add / (Deduct):										
Amortization of marked to market adjustment	(5,187)	-	-	-	-	-	-	-	-	(5,187)
Amortization of deferred financing charges	233	1,745	245	268	-	-	-	268	883	3,374
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	(203)	-	-	-	(203)	-	(203)
Straight line revenue	(834)	123	-	281	-	-	-	281	-	(430)
Less: non-controlling interests' share of straight-line revenue	-	-	-	(212)	-	-	-	(212)	-	(212)
Leasing costs and non-recoverable maintenance capital expenditures	(6,288)	-	(669)	(361)	-	-	-	(361)	-	(7,318)
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	273	-	-	-	273	-	273
DUP Compensation Expense	-	-	-	-	699	-	-	699	1,477	2,176
Internalization Contribution	-	-	-	-	-	-	-	-	-	-
Debt repayment costs	3,134	-	-	-	-	-	-	-	-	3,134
Net adjustments for equity accounted entities	-	-	-	-	-	-	(145)	(145)	-	(145)
Adjusted Funds From Operations ("AFFO")⁽²⁾	\$ 30,438	\$ 19,498	\$ 4,250	\$ 6,223	\$ 7,872	\$ 398	\$ (964)	\$ 13,529	\$ (17,008)	\$ 50,707

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									
Expressed in thousands of Canadian dollars									
Nine months ended September 30, 2015									
	Canada ⁽⁴⁾	Brazil	Germany	Australia/New Zealand			Corporate ⁽⁵⁾	Consolidated	
				Vital Trust	Vital Manager	Elimination	Total		
Net Operating Income ⁽¹⁾⁽²⁾									
Revenue from investment properties	\$ 56,921	\$ 23,753	\$ 9,608	\$ 46,208	\$ -	\$ (1,457)	\$ 44,751	\$ -	\$ 135,033
Property operating costs	(25,115)	-	(2,721)	(5,617)	-	131	(5,486)	-	(33,322)
	31,806	23,753	6,887	40,591	-	(1,326)	39,265	-	101,711
Other income									
Share of profit (loss) from associates	2,153	-	-	-	233	(233)	-	-	2,153
Management fees	-	-	-	-	8,925	(8,925)	-	-	-
Interest income	26	288	-	66	51	-	117	312	743
	2,179	288	-	66	9,209	(9,158)	117	312	2,896
	33,985	24,041	6,887	40,657	9,209	(10,484)	39,382	312	104,607
Other expenses									
Mortgage and loan interest expense	(12,158)	(11,006)	(1,333)	(8,368)	(13)	-	(8,381)	(11,191)	(44,069)
General and administrative expenses	-	(1,963)	(1,662)	(10,015)	(3,776)	9,986	(3,805)	(10,681)	(18,111)
Transaction costs	-	-	(199)	-	-	-	-	(9,660)	(9,859)
Other Finance costs	2,867	(12,077)	(164)	(185)	-	-	(185)	10,641	1,082
Foreign exchange gain (loss)	-	135	(1)	(288)	16	6	(266)	2,738	2,606
	24,694	(870)	3,528	21,801	5,436	(492)	26,745	(17,841)	36,256
Fair value adjustment of DUP liability	-	-	-	-	(21)	-	(21)	1,899	1,878
Fair value adjustment of investment properties	(6,079)	27,138	(1,041)	75,595	-	1,013	76,608	-	96,626
Net loss on disposal of investment properties	(134)	-	-	-	-	-	-	-	(134)
Gain on business combination	-	-	-	-	-	-	-	69,023	69,023
Gain / (Loss) on derivative financial instruments	(875)	40	76	(2,602)	-	(16)	(2,618)	5	(3,372)
	17,606	26,308	2,563	94,794	5,415	505	100,714	53,086	200,277
Income tax expense	-	(11,910)	(370)	(14,318)	(235)	-	(14,553)	(3)	(26,836)
Net income (loss)	\$ 17,606	\$ 14,398	\$ 2,193	\$ 80,476	\$ 5,180	\$ 505	\$ 86,161	\$ 53,083	\$ 173,441
Non-Controlling Interest	-	-	-	60,941	-	(169)	60,772	-	60,772
Income attributable to Unitholders	\$ 17,606	\$ 14,398	\$ 2,193	\$ 19,535	\$ 5,180	\$ 674	\$ 25,389	\$ 53,083	\$ 112,669
Add / (Deduct):									
Fair market value losses (gains)	6,954	(27,178)	965	(72,993)	21	(997)	(73,969)	(26,948)	(120,176)
Less: Non-controlling interests' share of fair market value losses (gains)	-	-	-	56,229	-	-	56,229	-	56,229
Finance cost - Exchangeable Unit distributions	-	-	-	-	-	-	-	13,161	13,161
Revaluation of financial liabilities	-	8,263	-	-	-	-	-	-	8,263
Unrealized foreign exchange loss (gain)	-	-	3	288	(16)	(6)	266	(2,540)	(2,271)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-	-	-	(220)	-	-	(220)	-	(220)
Deferred taxes	-	11,749	363	13,571	(48)	-	13,523	-	25,635
Less: Non-controlling interests' share of deferred taxes	-	-	-	(10,310)	-	-	(10,310)	-	(10,310)
Non-recurring transaction costs	-	-	199	-	-	-	-	9,660	9,859
Convertible Debenture issuance costs	-	-	-	-	-	-	-	1	1
Net adjustments for equity accounted entities	2,221	-	-	-	-	-	-	-	2,221
Internal Leasing Costs	577	-	-	-	-	-	-	-	577
Net loss on disposal of investment properties	134	-	-	-	-	-	-	-	134
Gain on business combination	-	-	-	-	-	-	-	(69,023)	(69,023)
Funds From Operations ("FFO") ⁽¹⁾⁽³⁾	\$ 27,492	\$ 7,232	\$ 3,723	\$ 6,100	\$ 5,137	\$ (329)	\$ 10,908	\$ (22,606)	\$ 26,749

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited										
Expressed in thousands of Canadian dollars										
Nine months ended September 30, 2015										
	Canada ⁽⁴⁾	Brazil	Germany	Australia/New Zealand			Corporate ⁽⁵⁾	Consolidated		
				Vital Trust	Vital Manager	Elimination	Total			
Funds From Operations ("FFO")⁽¹⁾⁽³⁾	\$ 27,492	\$ 7,232	\$ 3,723	\$ 6,100	\$ 5,137	\$ (329)	\$ 10,908	\$ (22,606)	\$	\$ 26,749
<u>Add / (Deduct):</u>										
Interest rate subsidy	669	-	-	-	-	-	-	-	-	669
Amortization of marked to market adjustment	(2,927)	-	-	-	-	-	-	-	-	(2,927)
Amortization of deferred financing charges	60	3,814	164	185	-	-	185	1,241	-	5,464
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	(141)	-	-	(141)	-	-	(141)
Straight line revenue	(636)	104	-	272	-	244	516	-	-	(16)
Less: non-controlling interests' share of straight-line revenue	-	-	-	(207)	-	-	(207)	-	-	(207)
Leasing costs and non-recoverable maintenance capital expenditures	(3,416)	-	(404)	(767)	-	-	(767)	-	-	(4,587)
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	582	-	-	582	-	-	582
DUP Compensation Expense	-	-	-	-	304	-	304	7,538	-	7,842
Internalization Contribution	-	-	-	-	-	-	-	1,385	-	1,385
Debt repayment costs	-	-	-	-	-	-	-	-	-	-
Adjusted Funds From Operations ("AFFO")⁽¹⁾⁽³⁾	\$ 21,242	\$ 11,150	\$ 3,483	\$ 6,024	\$ 5,441	\$ (85)	\$ 11,380	\$ (12,442)	\$	\$ 34,813

Notes

(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI.

(2) 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"

(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. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.

(4) Includes NWI's share of profit(loss) in the REIT prior to completion of Combination Transaction. Includes the REIT's consolidated Canadian regional operations for period following completion of Combination Transaction.

(5) Includes cost of corporate borrowings including the REIT's Secured Revolving Credit Facility, Convertible Debentures, NWH Margin Facilities, Vital Margin Facilities and distributions paid on Class B LP Units, treated as finance costs. Includes general and administrative costs of NWI's head office for period prior to completion of the Combination Transaction. Includes general and administrative costs of NWH's head office for the period subsequent to completion of the Combination Transaction.

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, the revenues to be earned from the Hospital Santa Helena acquisition and items relating to expected amounts for normalized revenues and general and administrative expenses. As a result, the discussion in this section is qualified in its entirety by the forward-looking statements set out under **PART I - BASIS OF PRESENTATION - FORWARD-LOOKING INFORMATION ADVISORY**.

Expressed in thousands of Canadian dollars, except per unit amounts				
	Q3 2016	Q3 2016	Q3 2016	Annualized
	Q3 2016	Per Unit	Annualized	Per Unit
AFFO as reported	\$ 17,708	\$ 0.21	\$70,832	\$0.82
Normalization adjustments ⁽¹⁾ :				
(2) Accrued indexation related to Brazil leases			1,850	
(3) Vital Manager base fee			389	
(4) Normalization of revenue and general & administrative expenses			(534)	
(5) Canada mortgage refinancings			-	
(5) IFOR acquisition			630	
(6) Santa Helena acquisition			12,075	
(7) Disposition of Canadian properities			(99)	
(8) 5.25% NWH.DB.E convertible debentures			(1,066)	
(9) Australasian Financing			(1,779)	
(10) HMB CRI - 2			(815)	
(11) Caxias CRI			(4,283)	
(12) Repay Vital margin facility			517	
(13) Partial repayment of acquisition facility			841	
(14) RCF interest adjustment			(865)	
(15) Generation Healthcare			3,519	
Normalized AFFO on an annualized basis			\$ 81,210	\$ 0.92
Weighted average units outstanding for the Q3 2016 period (000s)				86,344
Normalization adjustment				1,955
Normalized Units Outstanding (000s) - September 30, 2016				88,299

See notes on the following page.

PART XIII – NORMALIZED AFFO (CON'T.)

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 YTD inflation rate observed of approximately 4.9%
- (3) Estimated increase in Vital Manager's base management fees, assessed on total AUM, due to additions or valuation adjustments to Vital Trust's investment properties
- (4) The estimated impact of recognizing certain annual revenue and general and administrative expense items, recognized in the quarter, over a normalized 12 month period
- (5) To adjust for the full year impact of the acquisition of Hospital Ifor in July, 2016
- (6) To adjust for the full year impact of the acquisition of Hospital Santa Helena in October, 2016
- (7) To adjust for the full year impact of the disposition of Canadian non-core assets in the quarter
- (8) To adjust for the full year impact of the 5.25% \$74.5M convertible debenture offering completed July 25, 2016
- (9) To adjust for the full year impact of the \$115.8M Australasian financing at 6.3% that closed in three tranches on July 18, 2016, July 26, 2016, and August 8, 2016
- (10) To adjust for the full year impact of the second HMB CRI issuance R\$33.1M (C\$13.3M) at 9.09% that closed on August 31, 2016
- (11) To adjust for increased interest expense from the Caxias CRI R\$151.5M (C\$60.8M) at 7.04% that closed October 24, 2016
- (12) To adjust for the full year impact of repaying the C\$47.4M Vital Margin facilities at 5.58% on July 18, 2016
- (13) To reflect the full year impact of interest savings from the \$16M partial repayment of the acquisition facility (8.3% interest rate) on August 2, 2016
- (14) Adjustment to reflect the full year impact of higher expected average borrowing on the RCF
- (15) To reflect the annualized impact of equity income from GHC units acquired on July 26, 2016 and August 8, 2016 and stabilization of asset management fees of GHM

PART XIV –NET ASSET VALUE

Expressed in thousands of Canadian dollars, except per unit amounts		<u>Q3 2016</u>
Total Assets		\$3,166,994
less Total Liabilities		(2,040,069)
less Non-controlling interest		(471,220)
Unitholders' equity		655,705
Add/(deduct):		
Deferred unit plan liability		14,940
Deferred tax liability	116,102	
less NCI	<u>(44,532)</u>	71,570
Financial instruments - net	24,333	
less NCI	<u>(14,882)</u>	9,451
Exchangeable Units		198,720
Vital Manager valuation adjustment		13,500
Other		2,471
Net Asset Value ("NAV")		\$ 966,357
Adjusted Units Outstanding (000s)- period end ⁽¹⁾		<u>88,299</u>
NAV per Unit		\$ 10.94
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

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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

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.