NORTHWEST HEALTHCARE PROPERTIES
REAL ESTATE INVESTMENT TRUST

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

For the year ended December 31, 2017

March 8, 2018

CEO'S MESSAGE

2017 was another transformative year for the REIT, with our asset base growing by over 40%, completion of $330 million of equity financing, inclusion in the Solactive REIT Index, completion of $975 million of acquisitions and developments and $200M of dispositions, all while delivering improved operational metrics and per unit AFFO and NAV growth. Among a series of achievements, the acquisition of Generation REIT stands out as significant for the REIT which together with the integration and rebranding of our two Australasian management platforms, as NWH Healthcare Properties Management, has solidified our leadership position in the region and positions the REIT to capitalize on future growth opportunities in this exciting region.

2017 Full Year Financial and Operational Highlights:

During 2017, the REIT executed its international growth strategy to build regional scale, enhance portfolio quality, and solidify leading market positions in key geographic markets all while delivering growth on an absolute and per unit basis to unitholders. Key highlights are as follows:

- Net Income increased from 129.1M to $225.2M (+74.4%);
- Total operating income[1] has increased by 33.2% to $288M;
- AFFO per unit has increased by 5.8% from $0.86 in 2016 to $0.91 in 2017 ($0.93 on a normalized basis);
- AFFO payout ratio of 88.2% (85.8% normalized) for the full year 2017 based on the REIT's $0.80 per unit annual distribution;
- Strong organic growth with Canadian dollar and source currency weighted cash recurring SPNOI growth of 3.6% and 2.8%, respectively, in 2017, driven largely by inflation indexation on leases at the REIT's international assets;
- Gross book value has increased by 40.7% from $3.3 billion to $4.7 billion;
- Net asset value per unit has increased by 2.9% to $12.00 primarily driven by portfolio valuation gains;
- Strong portfolio occupancy of 95.9% rising 30 bps from Q4 2016 and the international portfolio holding stable above 99% occupancy;
- Weighted average lease expiry of12.1 years increased by 1.0 year, underpinned by the international portfolio with a weighted average lease expiry of 16.3 years; and
- The percentage of leases subject to annual indexation[2] is 67.7% and serves as a strong base to deliver organic growth and a natural hedge in a rising interest rate environment.

Fourth Quarter 2017 Financial and Operational Highlights:

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

- Revenue increased 3% in Q4 2017 to $84.4M from $81.8M in Q4 2016 primarily driven by the acquisition of the Australia REIT which was partially offset by a lease termination fee earned in Q4 2016 at Vital Trust;
- AFFO per unit for the fourth quarter 2017 of $0.20 as compared to $0.22 in the fourth quarter 2016;
- Recognition of a $53.1M fair value gain in the REIT's total investment property portfolio, driven by gains in Brazil, Australasia, and Germany but partially offset by a fair value decline in Canada;
- Leverage of 46.8% (53.1% including convertible debentures) at the end of Q4 2017. The REIT continues to target a 40% leverage ratio and expects leverage to decline towards that target; and,
- Canadian dollar and source currency weighted cash recurring SPNOI growth of 1.2% and 4.4%, respectively, in Q4-2017 as compared to Q4-2016

During 2017 and subsequent to year-end, the REIT has continued to execute on committed, low-risk development and expansion projects, completing accretive debt and equity financings, capital recycling, and pursuing select accretive acquisitions. Significant achievements included:

- During 2017, the REIT completed two equity offerings raising combined proceeds of $327.4M, including $143.8M raised in Q4 2017. Proceeds of the fourth quarter offering were used to repay two series of convertible debentures totaling $40M with a weighted average interest rate of 7.0% and repay acquisition financing related to the acquisition of Generation REIT;
- On December 22, 2017, the REIT completed a new 5 year, $475.5M (A$485M) term loan facility to refinance existing Generation REIT ("NWH Australia") portfolio lending facilities and acquisition facilities which is expected to generate $3.3M in annual interest savings on a leverage neutral basis;
- In October the REIT completed a new 10 year, 6.35% Brazilian long term financing. The REIT's borrowing cost in Brazil continues to decline with this financing 69 bps lower than its previous financing;
- Completion of 5 development projects in 2017 with a combined cost of $102.7M ($80.9M at the REIT's share), including Melbourne acute care hospitals at Casey and Frankston that were acquired as part of the Generation REIT transaction;
- Active development pipeline; the REIT has committed or agreed in principal to develop eleven properties with a combined value of approximately $290M over the next 36 months at accretive project yields; and,
- Executed on its capital recycling program with $32.3M of property sales during Q4-17 and a further $167.0M of dispositions completed subsequent to quarter end;

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

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

- In Q1-2018, the REIT completed the integration of its two Australasian management platforms and rebranded the combined entity NWH Healthcare Properties Management with management responsibilities for the REITs directly held Australian assets and all of Vital Trust's Australian and New Zealand assets. NWH Healthcare Properties Management is the leading healthcare real estate asset manager in the region; and
- Enhanced capital market profile; during 2017 the REIT was added to the Solactive Equal Weight REIT Index. Subsequent to year end the FTSE EPRA NAREIT Index will add the REIT to its Global Developed Index at the close of markets on March 16, 2018.
- 100% of the distributions paid by the REIT in 2017 were classified as return of capital for income tax purposes.

Looking ahead and building on strong and consistent quarterly and full year operational results, the REIT is focused on further deleveraging consistent with its 40% LTV target as well as continuing to execute on its accretive acquisition and development pipeline and capital recycling. The REIT continues to advance ongoing discussions with new institutional capital partners in each of its international markets as a means to leverage its platform in the continuing consolidation of healthcare real estate globally.

Sincerely,

Paul Dalla Lana

Chief Executive Officer

PART I - BASIS OF PRESENTATION

This Management's Discussion and Analysis of the results of operations and financial condition ("**MD&A**") of NorthWest Healthcare Properties Real Estate Investment Trust ("**NorthWest**" or the "**REIT**") should be read in conjunction with the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2017, prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are presented in thousands of Canadian dollars, except where otherwise stated. Per unit amounts are presented in Canadian dollars, and are calculated including Class B LP Units (as defined hereafter), except where otherwise stated.

This MD&A should also be read in conjunction with the Annual Information Form of the REIT dated March 31, 2017 (the "**Annual Information Form**") and the REIT's Management Information Circular dated April 14, 2017 (the "**Circular**"). This MD&A is current as of March 8, 2018 unless otherwise stated. Additional information relating to the REIT, including its continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and can be accessed electronically at www.sedar.com.

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

- "**Convertible Debentures**" has the meaning set out in the Section "**CAPITAL STRUCTURE– Convertible Debentures**" and includes the following series of convertible debentures:
    a) NWH.DB;
    b) NWH.DB.A (redeemed December 11, 2017);
    c) NWH.DB.B (redeemed December 11, 2017);
    d) NWH.DB.C;
    e) NWH.DB.D;
    f) NWH.DB.E;
    g) NWH.DB.F.

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

FORWARD-LOOKING INFORMATION ADVISORY

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

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

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

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

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

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

MARKET AND INDUSTRY DATA

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

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

PERFORMANCE MEASUREMENT

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

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

- Same Property NOI.

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

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

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

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

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

"**FFO**" is defined as net income (computed in accordance with IFRS), excluding: (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments and other effects of redeemable units classified as liabilities; (v) revaluation adjustments of financial liabilities; (vi) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vii) deferred income tax expense; (viii) Convertible Debentures issuance costs; (ix) goodwill impairment; (x) internal leasing costs; and (xi) 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 by management as FFO, subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired; (ii) amortization of deferred financing charges; (iii) compensation expense related to deferred unit incentive plans; (iv) differences, if any, resulting from recognizing property revenues on a straight line basis as opposed to contractual rental amounts, (v) amortization and adjustments relating to assets expected to provide an economic benefit to the REIT; (vi) adjusting for differences, if any, resulting from recognizing acquired contracts at fair value rather than the contracted rate; (vii) incentive amount expense, and (viii) deducting stabilized amounts for tenant inducements, leasing costs, and sustaining capital expenditures, as determined by the REIT. Other adjustments may be made to AFFO as determined by management at their discretion. Management's definition of AFFO is intended to reflect a stabilized operating environment.

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

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

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

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

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

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

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

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

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

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

Explanation of additional IFRS measure used in this MD&A

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

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

KEY PERFORMANCE DRIVERS

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

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

PART II – BUSINESS OVERVIEW

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

The REIT

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

The REIT's objectives are to:

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

Declaration of Trust

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

Investment Guidelines (condensed summary)

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

Operating Policies (condensed summary)

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

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

Strategic Direction

Market Opportunity

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

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

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

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

Target Markets

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

- **Canada:** an established market with selective, incremental growth opportunities and the stability of a government backed tenant base;
- **Brazil:** a high-growth market with experienced hospital operators, where the REIT has investments through long-term inflation indexed triple-net leases;
- **Germany:** a fragmented market with available first mover advantage, NOI growth through active management and the building of scale, which is similar to the REIT's experiences growing in Canada; and
- **Australasia:** an established market with consolidation opportunities and inflation indexed triple net rents, where the REIT owns 14 healthcare assets in Australia and has an investment in Vital Healthcare Property Trust ("**Vital Trust**").

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

TABLE 1 - KEY MARKET DATA

				Australasia	
	Canada	**Brazil**	**Germany**	**New Zealand**	**Australia**
Population(1)	36.7 Million	206.1 Million	82.8 Million	4.8 Million	24.1 Million
GDP Annual Growth Rate(2)	3.00%	1.40%	2.20%	2.70%	2.80%
Inflation (3)	2.10%	2.95%	1.70%	1.60%	1.90%
5 Yr. Government Bond Yield (4)	1.86%	9.69%	(0.21)%	2.26%	2.35%
Health Care System	Publicly-funded healthcare system	Hybrid public and private healthcare systems	Hybrid public and private healthcare systems	Hybrid public and private healthcare systems	Hybrid public and private healthcare systems

Notes

(1) 2017 Estimate
(2) September 2017
(3) December 2017
(4) December 31, 2017 closing rate

Sources: Statistics Canada, Bank of Canada, Trading Economics, investing.com

RELATIONSHIP WITH NWVP

As at December 31, 2017, NorthWest Value Partners Inc. ("**NWVP**") indirectly owned approximately 22% (approximately 18% on a fully-diluted basis assuming conversion of the REIT's Convertible Debentures and redemption of its deferred Trust Units) of the REIT through a combination of Trust Units of the REIT and Class B LP Units. Established in 1994, Toronto-based NWVP is one of Canada's leading privately-owned real estate companies. The scope of its business includes real estate, ownership and management, in Canada and internationally with a significant focus on the healthcare sector. The Principal of NWVP serves as an officer and trustee of the REIT.

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 December 31, 2017 (Unaudited)	As at December 31, 2016 (Unaudited)
Operational Information (1)				
Number of Properties			146	138
Gross Leasable Area (sf)			10,199,039	9,376,600
Occupancy %			95.9%	95.6%
WALE (Years)			12.1	11.1
Summary of Financial Information				
Gross Book Value (2)			$ 4,684,028	$ 3,328,533
Debt - Declaration of Trust (3)			$ 2,190,179	$ 1,382,784
Debt to Gross Book Value - Declaration of Trust			46.8%	41.5%
Debt - Including Convertible Debentures (3)			$ 2,487,036	$ 1,714,618
Debt to Gross Book Value - Including Convertible Debentures			53.1%	51.5%
Percentage of Mortgages and Loans Payable at Fixed Rates(9)			41.0%	81.8%
Weighted Average Interest Rate on Fixed Rate Mortgages and Loans Payable			4.42%	4.39%
Adjusted Units Outstanding - period end (5)				
Basic			120,037,252	88,435,233
	For the three months ended December 31, 2017 (Unaudited)	**For the three months ended December 31, 2016 (Unaudited)**	**For the year ended December 31, 2017 (Unaudited)**	**For the year ended December 31, 2016 (Unaudited)**
Operating Results				
Net Income / (Loss)	$ 60,119	$ 100,846	$ 225,239	$ 129,131
NOI (6)	$ 63,229	$ 63,557	$ 232,059	$ 202,597
Funds From Operations ("FFO") (6)	$ 23,009	$ 21,354	$ 97,568	$ 76,599
Adjusted Funds From Operations ("AFFO") (6)	$ 23,332	$ 19,184	$ 96,480	$ 69,891
Distributions (7)	$ 21,323	$ 17,674	$ 83,355	$ 65,921
Interest Coverage (4)	2.03	2.99	2.25	2.64
Per Unit Amounts (5)				
FFO per unit - Basic (8)	$ 0.19	$ 0.24	$ 0.92	$ 0.94
FFO per unit - fully diluted (8)	$ 0.19	$ 0.23	$ 0.87	$ 0.90
AFFO per unit - Basic	$ 0.20	$ 0.22	$ 0.91	$ 0.86
AFFO per unit - fully diluted (8)	$ 0.19	$ 0.21	$ 0.87	$ 0.83
Distributions per unit	$ 0.20	$ 0.20	$ 0.80	$ 0.80
AFFO Payout Ratio			89%	93%
AFFO Payout Ratio - fully diluted (8)			93%	96%
Adjusted Weighted Average Units Outstanding (5)				
Basic	118,191,998	88,366,983	106,318,041	81,465,221
Diluted - FFO (8)	138,554,550	109,701,240	126,628,027	95,511,014
Diluted - AFFO (8)	138,554,550	103,435,141	126,628,027	92,344,915

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

HIGHLIGHTS FOR THE QUARTER

Brazilian Financings

On October 10, 2017, the REIT completed long term financing in respect of Hospital Santa Helena located in Brasilia Brazil, raising gross proceeds of approximately $83,495 (R$218,000). The financing is secured by 100% of future rents during a ten year term and bears an interest rate of 6.35%.

Equity Offering

On October 13, 2017, the REIT completed a public offering of 13,133,000 REIT units, including 1,713,000 units issued pursuant to the exercise in full of an over-allotment option, at a price of $10.95 per unit, representing gross proceeds of $143,806. The REIT used the net proceeds from the public offering to repay in full the $125,000 additional tranche of its revolving credit facility, which was utilized by the REIT to partially fund the acquisition of Generation Healthcare Properties REIT ("GHC"), subsequently renamed NorthWest Healthcare Properties Australia REIT ("**Australia REIT**").

Vital Trust Property Acquisitions

On December 11, 2017, Vital Trust completed the acquisition of Eden Rehabilitation Hospital ("**Eden**") in Cooroy, Australia for $24,599 (NZ$27,796), including transaction costs, which was financed with capacity on their existing credit facility. Eden, a 48 bed private rehabilitation hospital, is leased to Healthe Care Australia ("**Healthe Care**") for 20 years and has future brownfield potential.

On December 14, 2017, Vital Trust completed the acquisition of Wakefield Hospital, Bowen Hospital, and Royston Hospital from Acurity Health Group (the "**Acurity Portfolio"**) for combined proceeds of $108,325 (NZ$122,401), including transaction costs, which was financed with capacity on their existing credit facility. The properties, all located in New Zealand, have a total area of approximately 334,000 square feet and are 100% leased to Acurity Health Group for a lease term of 30 years. As part of the acquisition, Vital Trust has also committed up to $95,000 (NZ$106,500) to fully leased future brownfield expansions at the properties over the next four years.

German Property Acquisition

On December 18, 2017, the REIT completed the property acquisition of Alten Holstenstrasse, an approximately 67,000 square foot medical office building in Hamburg, Germany for $20,404 (€13,635), including transaction costs. The property acquisition was partially financed by a new property specific mortgage of $13,802 (€9,150) which bears interest at 2.1% and a term of 9 years. Alten Holstenstrasse is 99.8% occupied and has a WALE of 7.6 years.

Canadian Property Disposition

On December 7, 2017, the REIT completed the disposition of Clinique Bois-De-Boulogne, an approximately 96,000 square foot medical office building in Montreal, Quebec for gross proceeds of $10,435. Clinique Bois-De-Boulogne was 86% occupied with a WALE of 3.1 years.

Development

During the fourth quarter the Australia REIT completed the development of the St John of God Private Hospital (Casey Stage II) and $57,063 was transferred from properties under development to investment properties. The property is a 180,728 square foot state-of-the-art private hospital that is 100% leased to St John of God, Australia's largest not for profit healthcare group, for a 20 year lease term.

During the quarter Vital Trust achieved practical completion of Palm Beach Currumbin. The property is a mental health hospital fully leased to Healthe Care Australia and the expansion was completed at a total cost of approximately $6,200 (A$6,300).

Australia REIT Refinancing

During the quarter, the REIT completed a new five year $475,543 (A$485,000) syndicated term loan facility, bearing interest at an all-in initial rate of approximately 4.65%, to refinance existing Australia REIT portfolio lending facilities, higher cost corporate debt, and to provide working capital and funding for ongoing expansions committed in region. The facility will be advanced in multiple stages with the initial $244,000 (A$249,000) draw having been used to repay existing debt with a weighted average interest rate of approximately 5.4%. Further draws will be used to repay additional Australia REIT portfolio lending facilities and fund future acquisition and development activity in the region.

In December 2017, the REIT also completed the financing of a $42,260 (A$43,100) term loan at Divine Logistics Trust ("Divine"), the Australia REIT's approximately 56.9% investment interest in which it consolidates. The proceeds from the term loan, which matures in December 2022, were used to repay existing debt of $42,260 (A$43,100) of which $24,500 (A$25,494) was borrowed by the Australia REIT, and the remaining $17,760 (A$17,668) borrowed by Divine's non-controlling interest shareholders.

SUBSEQUENT EVENTS

ANZ Manager Integration

On January 29, 2018, the REIT announced the integration of its Vital Healthcare Management Limited ("Vital Manager") and Generation Healthcare Management Pty Ltd Management ("GHM") teams resulting in an additional investment and strengthening of its industry leading healthcare real estate management platform in Australia and New Zealand. The integrated management platform was rebranded, with the combined platform to be known as NorthWest Healthcare Properties Management (the "**ANZ Manager**"). The management entity will provide management services to both Vital Trust and Generation Healthcare REIT, subsequently renamed to NorthWest Healthcare Properties Australia REIT (the "**Australia REIT**").

German Property Acquisitions

The REIT completed property acquisitions of two German healthcare investment properties on January 31, 2018 and February 26, 2018 for combined purchase price of $39,973. The property acquisitions were partially financed by existing and new property specific mortgages of $28,459, bearing weighted average interest rate of 2.49% and with weighted average term to maturity of approximately 8 years.

Canadian Disposition

On March 2, 2018, the REIT completed the sale of a Canadian investment property classified as asset held for sale, for gross proceeds of approximately $167,000, subject to customary closing conditions. The REIT settled a mortgage related to the property of $57,785 bearing interest rate of 5.11% and repaid $75,000 of its revolving secured credit facility.

Canadian Refinancing

On March 2, 2018 the REIT amended the terms of its revolving secured credit facility to increase the allowable borrowings by $22,000 by securing charges on four additional Canadian investment properties and removing a charge against the Canadian investment property that was sold. The proceeds from the sale of Canadian investment property were partially used to repay existing mortgages on the properties added to the security pool of the revolving credit facility of $32,203, with weighted average interest rate of 4.12%. All mortgages repaid had terms maturing in 2018. Concurrently, the REIT extended the maturity date of the additional tranches of $75,000 and $50,000 to its revolving credit facility, originally maturing on March 20, 2018 to June 20, 2018.

Other

On January 15, 2018, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on January 31, 2018, paid February 15, 2018. On February 15, 2018, the REIT declared a distribution of $0.06667 per REIT unit to unitholders of record on February 28, 2018, payable March 15, 2018.

ASSETS OF THE REIT

Summary

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

TABLE 3 - SUMMARY OF ASSETS

	Canada	Brazil	Germany	Vital Trust (1)	Australia REIT	Consolidated Total (2)
				(Australasia)	(Australasia)	
Number of Properties	57	7	23	45	14	146
Asset Mix	100% MOB	100% Hospital	100% MOB	24% MOB/76% Hospital	57% MOB/43% Hospital	50% MOB/50% Hospital
Gross Leaseable Area ("GLA") (million sf)	3.9	1.5	1.0	2.6	1.3	10.2
Total Assets (Cdn$ millions)(2)	$1,225	$709	$274	$1,505	$858	$4,684
Occupancy	91.2%	100.0%	96.1%	99.3%	98.5%	95.9%
WALE (Years)	5.2	20.7	4.9	19.0	14.4	12.1
Average Building Age (Years)	31	14	26	18	12	22
Weighted Average Implied Cap Rate	6.6%	7.7%	5.7%	5.9%	5.8%	6.3%

Notes

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

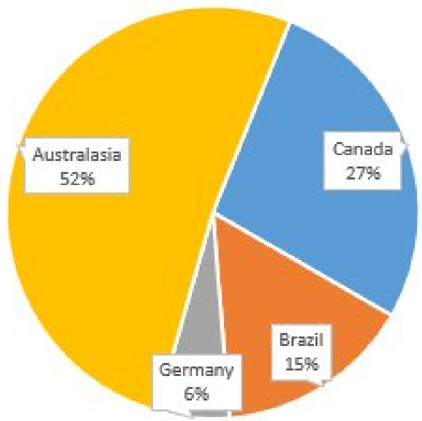
(2) Consolidated Total includes corporate assets

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

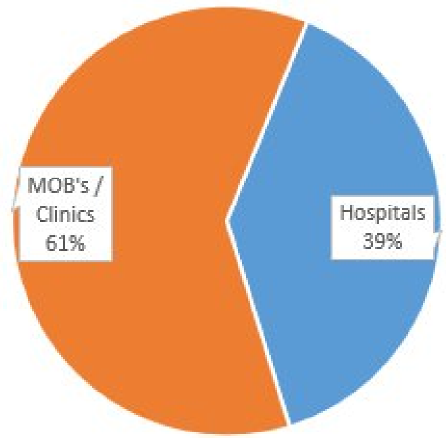
Diversification of Assets

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

Geographic Profile by Total Assets



Asset Mix by GLA



Notes

(1) As at December 31, 2017

(2) Total assets excludes corporate assets.

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

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 and 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 material 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, RSL Care, RDNS, and 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 December 31, 2017, and including the REIT's interest in Vital Trust on a 100% basis, the REIT had interests in 39 hospitals, 8 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 MOBs and healthcare facilities. The REIT owns and operates, as at December 31, 2017, a portfolio of 57 properties, located primarily in major markets such as Toronto, Montreal and Calgary, with a GLA of 3.9 million million square feet, 91.2% occupancy and approximately 1,100 tenants. The REIT's portfolio has a well-diversified tenant profile, reflecting an attractive mix of healthcare-related tenants, including regional health authorities, primary care networks, family health teams, medical and diagnostic imaging clinics, medical practitioners, pharmacies and laboratories, as well as institutional and non-healthcare tenants. The Canadian region has a fully-integrated team of investment, development, asset management and portfolio operations professionals.

Brazil – Long term net leases to private hospital operators

The REIT owns a portfolio of seven private hospitals varying in size, with the smallest comprising 96,875 square feet with 56 beds and the largest consisting of a 342,000 square foot full-service hospital with 350 beds. The assets are located in São Paulo, Brasilia and Rio de Janeiro. The hospitals are single tenant properties. Six hospitals are leased to Rede D'Or Sao Luiz (the "**Rede D'Or Hospital Portfolio**"), a privately owned Brazilian hospital operator with 30 hospitals across the country, and one hospital (the "**Sabará Children's Hospital**") is leased to Hospital Sabará (the "Sabará Tenant"), who uses the property to operate one of the region's largest private children's hospitals. All the leases are triple-net, indexed to inflation, ranging in term from 15 years (6.8 years remaining) to 25 years (23.8 years remaining) with a WALE of 20.7 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 December 31, 2017 the REIT's German portfolio consists of 23 high quality MOB assets strategically located in the country's major markets, including Berlin, Frankfurt, Ingolstadt and Leipzig. As at December 31, 2017 the portfolio has a 96.1% occupancy rate and an approximate 4.9 year average lease term. The REIT also benefits from the strength of its fully-integrated investment, property management and asset management capabilities located in the market, which allow for efficient operation and transaction sourcing in the country.

Australasia – Direct investment in Australian hospitals and strategic interest in Vital Trust

100% of Australia REIT (formerly Generation Healthcare REIT)

In July 2017, the REIT completed the 100% acquisition of Generation Healthcare REIT ("**GHC**"), subsequently renamed to NorthWest Healthcare Properties Australia REIT ("**Australia REIT**"). GHC (ASX: GHC.AX) was an Australian Securities Exchange ("**ASX**") listed investment fund and was Australia's only listed real estate entity that invests exclusively in healthcare property. As at December 31, 2017, Australia REIT owns a portfolio of 14 hospitals, medical centers and aged care facilities centered around the major markets of Sydney, Melbourne and Brisbane. Australia REIT's portfolio comprises approximately 1.3 million square feet, is approximately 98.5% occupied and has a weighted average lease expiry term of 14.4 years. The Australia REIT portfolio offers stable and growing cash flows underpinned by tenancies of high quality hospital and healthcare operators with long-term, inflation-indexed leases.

25% of Vital Trust

The REIT acts as manager and owns an approximate 25% strategic stake in Vital Healthcare Property Trust ("**Vital Trust**"). Vital Trust (NZX: VHP) is a New Zealand Stock Exchange ("**NZX**") listed investment fund and is Australasia's largest healthcare real estate owner. As at December 31, 2017 Vital Trust owns 26 private hospitals, 14 MOBs, 5 aged care facilities and 4 development sites in Australia and New Zealand, with a 99.3% occupancy rate and an approximate 19 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.

As at December 31, 2017, the REIT's equity interest in Vital Trust represents 108,417,366 units (December 31, 2016 - 105,977,179) which had a fair value at December 31, 2017 of $2.06 (NZ$2.21) per unit (December 31, 2016 - $1.88 (NZ$2.02)). Table 3 above highlights certain information about Vital Trust as at, on a 100% basis; noting, however, that the REIT has a 25% interest in Vital Trust.

ANZ Manager

On January 29, 2018, the REIT announced the integration of its Vital Manager and GHM teams. The ANZ Manager 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.

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

In exchange for its services, the ANZ 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 ANZ Manager earns management fees in its capacity as manager, with an Australian Financial Services License, of both of Vital Trust's Australian subsidiary trusts.

The following table summarizes the management fees earned by ANZ Manager for the year ended December 31, 2017 and 2016:

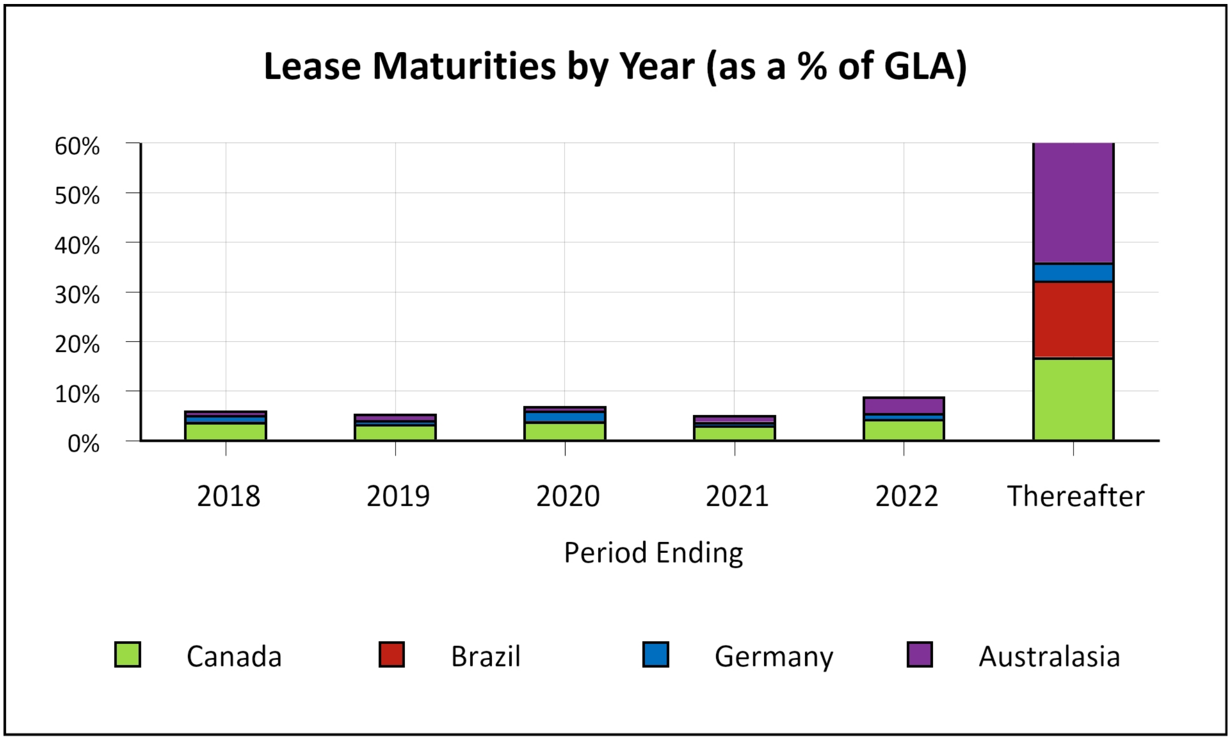
ANZ MANAGER MANAGEMENT FEES						
Expressed in thousands of Canadian dollars	**Three months ended December 31,**			**Year ended December 31,**		
	2017	**2016**	**Variance**	**2017**	**2016**	**Variance**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Base fee	$ 2,606	$ 2,655	$ (49)	$ 10,966	$ 8,203	$ 2,763
Incentive and performance fee	3,019	1,786	1,233	24,332	5,990	18,342
Trustee fees	172	100	72	559	360	199
Project and Acquisition fees	3,387	906	2,481	7,020	2,795	4,225
Other fees	115	147	(32)	958	317	641
Total Management Fees	**$ 9,299**	**$ 5,594**	**$ 3,705**	**$ 43,835**	**$ 17,665**	**$ 26,170**
less inter-company component	(9,184)	(4,452)	(4,732)	(36,112)	(15,563)	(20,549)
Consolidated Management Fees	**$ 115**	**$ 1,142**	**$ (1,027)**	**$ 7,723**	**$ 2,102**	**$ 5,621**

The ANZ 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.

PORTFOLIO PROFILE

Lease Maturities

The REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 12.1 years as at December 31, 2017.



Notes:

- As at December 31, 2017
- Includes 100% of Vital Trust

	2018	2019	2020	2021	2022	Thereafter	Total
Canada	3.9%	3.4%	4.0%	3.1%	4.4%	16.9%	35.7%
Brazil	—%	—%	—%	—%	—%	15.4%	15.4%
Germany	1.3%	0.8%	2.1%	0.8%	1.2%	3.7%	9.9%
Australasia	0.9%	1.3%	0.9%	1.4%	3.4%	31.1%	39.0%
Total	6.1%	5.5%	7.0%	5.3%	9.0%	67.1%	100.0%

The REIT's expiry profile benefits from its Brazilian properties which are subject to long term leases. The seven Brazil hospitals are each occupied by single tenants that are leading hospital operators, and have leases expiring between September 30, 2024 and October 24, 2041. The expiry profile also reflects the longer term nature of many of the hospital tenants within the Vital Trust portfolio which has a WALE of 19.0 years and the Australia REIT which has a WALE of 14.4 years.

The below table summarizes the REIT's WALE allocated by asset type as at December 31, 2017:

	Asset Mix		WALE		
	MOB	**Hospitals/ Clinics**	**MOB**	**Hospitals/ Clinics**	**Total**
Canada[1]	100%	—%	5.2	—	**5.2**
Brazil	—%	100%	—	20.7	**20.7**
Germany	100%	—%	4.9	—	**4.9**
Vital[1]	24%	76%	10.7	20.7	**19.0**
Australia REIT[1]	57%	43%	13.5	16.0	**14.4**

Notes

1 Excluding development projects

Lease Indexation

As at December 31, 2017, over 67.7% of the REIT's revenue (95.1% of the International Portfolio) is subject to inflationary adjustments and market reviews. The below table summarizes the percentage of revenue by region which receives the benefit of regular inflationary adjustments:

Revenue Subject to Inflationary/Market Based Adjustments

As at December 31, 2017	% of Revenue [(1)]
Canada	—%
Brazil	100.0%
Germany	91.1%
Vital	91.1%
Australia REIT	98.8%
International Total/Weighted Average	**95.1%**
Portfolio Total / Weighted Average	**67.7%**

Notes

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

Leasing Activity

TABLE 3A - LEASING ACTIVITY						
	Three months ended December 31, 2017					
	Canada	Brazil	Germany	Vital Trust (1)	Australia REIT	Total
Opening Occupancy	90.5%	100.0%	96.3%	99.3%	98.2%	95.4%
Opening Balance	3,546,385	1,493,329	896,627	2,181,407	1,101,649	9,219,397
Acquisition	—	—	66,597	374,297	—	440,894
Disposition	(83,003)	—	—	—	(47,496)	(130,499)
Expires	(139,218)	—	(37,695)	—	—	(176,913)
Renewal	142,707	—	28,699	—	—	171,406
Early Terminations	(2,288)	—	—	—	—	(2,288)
New Leasing	66,787	—	2,828	—	180,728	250,343
Month-to-Month	(45,115)	—	—	—	—	(45,115)
Remeasurements and other	4,305	—	—	—	—	4,305
Closing Balance	3,490,560	1,493,329	957,056	2,555,704	1,234,881	9,731,530
Closing Occupancy	**91.2%**	**100.0%**	**96.1%**	**99.1%**	**98.5%**	**95.9%**
	Year ended December 31, 2017					
	Canada	Brazil	Germany	Vital Trust (1)	Australia REIT (2)	Total
Opening Occupancy	91.6%	100.0%	95.4%	98.7%	98.1%	95.6%
Opening Balance	3,581,880	1,493,329	801,391	1,998,501	1,100,594	8,975,695
Acquisition	—	—	151,934	548,670	—	700,604
Disposition	(83,003)	—	—	—	(47,496)	(130,499)
Expires	(658,162)	—	(151,271)	(18,240)	(2,902)	(830,575)
Renewal	469,669	—	115,771	16,286	1,998	603,724
Early Terminations	(27,399)	—	—	—	—	(27,399)
New Leasing	196,564	—	46,404	2,148	182,687	427,803
Month-to-Month	(2,327)	—	—	2,273	—	(54)
Remeasurements and other	13,338	—	(7,173)	6,066	—	12,231
Closing Balance	3,490,560	1,493,329	957,056	2,555,704	1,234,881	9,731,530
Closing Occupancy	**91.2%**	**100.0%**	**96.1%**	**99.1%**	**98.5%**	**95.9%**

Notes

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

(2) Australia REIT leasing activity for the year to date period represents the period from acquisition in July 2017.

Canada

During the quarter the REIT completed 142,707 square feet of renewal leasing. The REIT completed the renewals at an initial net rent of $17.40 per square foot versus an expiring net rent per square foot of $17.63, a 1.3% decrease. Excluding the asset sold in the quarter, the initial renewing net rent versus expiring rent per square foot was broadly flat. During the quarter the REIT also completed 66,787 square feet of new leasing at an initial net rent of $13.81 per square foot.

Year to date the REIT completed 469,669 square feet of renewal leasing representing a 71% renewal rate. The REIT completed the renewals at an initial net rent of $14.24 per square foot versus an expiring net rent per square foot of

$17.02 per square foot, a 16.3% decrease. The decrease was attributable to one single non-medical tenant renewal in the West region in the third quarter. Excluding this particular non-medical tenant renewal, renewing net rent versus expiring net rent per square foot would have been increased by 1.9%. Year to date the REIT also completed 196,564 square foot of new leasing at an initial net rent of $13.89 per square foot.

As at December 31, 2017 the REIT had 114,143 square feet of committed leasing against future expiries at an initial net rent of $17.39 per square foot versus expiring net rent per square foot of $17.57, a decrease of $0.19 per square foot. The decrease was primarily due to two committed renewals in the Quebec region. The REIT also had 49,813 square feet of committed leasing against vacant space at an initial net rent of $14.97 per square foot.

Expiring net rent increased slightly to $17.96 per square foot in the fourth quarter 2017, from $17.75 per square foot in the third quarter 2017, primarily due to the sale of a Quebec property in the quarter, as well as a significant increase in renewing net rent rate of a pharmacy in the Ontario region.

TABLE 3B - EXPIRING NET RENT ($PSF)		
December 31, 2017		
	Canada	
Month-to-Month	$	18.24
2017	$	17.43
2018	$	16.31
2019	$	17.66
2020	$	19.10
2021	$	15.97
2022+	$	18.82
Total Expires	$	17.96

Brazil

The REIT's Brazil properties are subject to long term leases (portfolio WALE of 20.7 years) and there was no leasing activity during the quarter.

Germany

During the quarter, the REIT completed 28,699 square feet of renewal leasing. These renewals were completed at an initial net rent of €11.65 per square foot versus an expiring net rent per square foot of €11.53, a 1.0% increase. Averages are supported by higher priced buildings in Berlin.

During the quarter, the REIT completed 2,828 square feet of new leasing at an initial net rent of €11.91 per square foot, above the Q3 new leasing rate, as Q3 included a high weighting of a lease to a health oriented fitness operator that occupied in Q3.

Year to date, the REIT has completed 115,771 square feet of renewal leasing representing a 77% renewal rate. The REIT completed the renewals at an initial net rent of €10.47 per square foot versus an expiring net rent per square foot of €10.37, a 0.9% increase. Year to date the REIT also completed 46,404 square feet of new leasing at an initial net rent of €8.19 per square foot, which is lower than the renewal leasing because of a high weighting of the Leipzig leasing activity and of a lease to a health oriented fitness operator.

TABLE 3B - EXPIRING NET RENT (€PSF)	
December 31, 2017	
	Germany
Month-to-Month	€ 5.70
2017	9.83
2018	9.81
2019	10.01
2020	13.11
2021	11.77
2022+	11.16
Total Expires	€ 10.75

Vital Trust

Vital Trust's properties are generally subject to long term leases, and as such there was no material leasing activity during the quarter other than the acquisition of the Eden Rehabilitation Hospital (40,171 square feet; WALE 19.9 years), Royston Hospital (63,723 square feet, WALE 30 years), Wakefield Hospital (155,626 square feet, WALE 30 years) and Bowen Hospital (114,777 square feet, WALE 30 years).

Australia REIT

During the year the Australia REIT completed 2 new leasing deals totaling 182,687 square feet, which is made up of a 180,728 square feet deal with a 20 year term generating initial annual rent of approximately AU$55.55 per square foot at St. John of God Private Hospital which became an investment property in Q4, and a 1,367 square feet with a 5 year term generating initial annual rent of approximately AU$28.86 per square foot.

Tenant Mix

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

TABLE 3C - 10 LARGEST TENANTS BY PERCENTAGE OF RENT				
	Tenant	Country	%	# of locations
1	Rede D'Or	Brazil	14.4%	6
2	Healthe Care	Australia	12.9%	17
3	Epworth Foundation	Australia	5.2%	5
4	Healthscope Limited	Australia	1.9%	3
5	CISSS / CIUSSS	Canada	1.7%	5
6	St John of God	Australia	1.7%	2
7	Bolton Clarke	Australia	1.6%	4
8	Hall & Prior	Australia	1.2%	5
9	Mercy Ascot	New Zealand	1.1%	3
10	Sportsmed SA	Australia	1.1%	2
			42.8%	52

Note:
Vital Trust included on a 100% basis. The REIT has an approximate 25% interest in Vital Trust and consolidates its investment in Vital Trust.

INVESTMENT PROPERTIES

The fair value of investment properties as at December 31, 2017 was $4,144,789 (December 31, 2016 - $3,040,354) representing an implied weighted average capitalization rate of 6.3% (December 31, 2016 - 7.0%).

TABLE 4 - INVESTMENT PROPERTIES

Expressed in thousands of Canadian dollars	Three months ended December 31, 2017					
Unaudited	Income Properties					
	Canada	Brazil	Germany	Vital Trust	Australia REIT	Total
Opening Balance	$ 1,227,443	$ 647,283	$ 229,005	$ 1,286,788	$ 598,113	$ 3,988,632
Acquisition of Australia REIT	—	—	—	—	—	—
Acquisitions of investment properties	153	—	20,404	131,600	—	152,157
Addition to investment properties	8,470	—	1,739	11	906	11,126
Increase in straight-line rents	378	—	—	—	(145)	233
Transfers from (to) properties under development	—	—	—	20,081	57,063	77,144
Transfers from (to) assets held for sale	(168,500)	—	—	—	—	(168,500)
Amortization of deferred revenue	—	295	—	—	—	295
Fair value gain (loss)	(30,472)	48,568	10,242	31,382	(7,886)	51,834
Foreign currency translation	—	(19,743)	6,287	910	2,773	(9,773)
Closing Balance	$ 1,037,472	$ 676,403	$ 267,677	$ 1,470,772	$ 650,824	$ 4,103,148
	Properties Under Development					
	Canada	Brazil	Germany	Vital Trust	Australia REIT	Total
Opening Balance	$ 10,489	$ —	$ —	$ 35,119	$ 66,209	$ 111,817
Acquisition of Australia REIT	—	—	—	—	—	—
Addition to investment properties	176	—	—	3,509	2,136	5,821
Increase in straight-line rents	—	—	—	—	—	—
Transfers from (to) income properties	—	—	—	(20,081)	(57,063)	(77,144)
Transfers from (to) assets held for sale	—	—	—	—	—	—
Amortization of deferred revenue	—	—	—	—	—	—
Fair value gain (loss)	(176)	—	—	—	1,336	1,160
Foreign currency translation	—	—	—	(84)	71	(13)
Closing Balance	$ 10,489	$ —	$ —	$ 18,463	$ 12,689	$ 41,641
	Total					
	Canada	Brazil	Germany	Vital Trust	Australia REIT	Total
Opening Balance	$ 1,237,932	$ 647,283	$ 229,005	$ 1,321,907	$ 664,322	$ 4,100,449
Acquisition of Australia REIT	—	—	—	—	—	—
Acquisitions of investment properties	153	—	20,404	131,600	—	152,157
Addition to investment properties	8,646	—	1,739	3,520	3,042	16,947
Increase in straight-line rents	378	—	—	—	(145)	233
Transfers from (to) assets held for sale	(168,500)	—	—	—	—	(168,500)
Amortization of deferred revenue	—	295	—	—	—	295
Fair value gain (loss)	(30,648)	48,568	10,242	31,382	(6,550)	52,994
Foreign currency translation	—	(19,743)	6,287	826	2,844	(9,786)
Closing Balance	$ 1,047,961	$ 676,403	$ 267,677	$ 1,489,235	$ 663,513	$ 4,144,789

TABLE 4A - INVESTMENT PROPERTIES						
Expressed in thousands of Canadian dollars	Year ended December 31, 2017					
Unaudited	Income Properties					
	Canada	Brazil	Germany	Vital Trust	Australia REIT	Total
Opening Balance	**$ 1,201,788**	**$ 642,901**	**$ 189,432**	**$ 994,113**	**$ —**	**$ 3,028,234**
Acquisition of Australia REIT		—	—	—	631,805	631,805
Acquisitions of investment properties	593	—	52,975	277,338	—	330,906
Addition to investment properties	28,242	82	4,491	1,618	2,354	36,787
Increase in straight-line rents	1,693	—	—	—	(16)	1,677
Transfers from (to) properties under development	—	—	—	20,081	57,063	77,144
Transfers from (to) assets held for sale	(179,025)	—	—	—	(21,674)	(200,699)
Amortization of deferred revenue	—	1,229	—	—	—	1,229
Fair value gain (loss)	(15,819)	87,766	5,889	188,046	(9,230)	256,652
Foreign currency translation	—	(55,575)	14,890	(10,424)	(9,478)	(60,587)
Closing Balance	**1,037,472**	**$ 676,403**	**$ 267,677**	**$ 1,470,772**	**$ 650,824**	**$ 4,103,148**
	Properties Under Development					
	Canada	Brazil	Germany	Vital Trust	Australia REIT	Total
Opening Balance	**$ 8,494**	**$ —**	**$ —**	**$ 3,626**	**$ —**	**$ 12,120**
Acquisition of Australia REIT	—	—	—	—	59,869	59,869
Acquisitions of investment properties	2,214	—	—	—	—	2,214
Addition to investment properties	327	—	—	34,661	7,657	42,645
Transfers from (to) income properties	—	—	—	(20,081)	(57,063)	(77,144)
Fair value gain (loss)	(546)	—	—	—	3,418	2,872
Foreign currency translation	—	—	—	257	(1,192)	(935)
Closing Balance	**$ 10,489**	**$ —**	**$ —**	**$ 18,463**	**$ 12,689**	**$ 41,641**
	Total					
	Canada	Brazil	Germany	Vital Trust	Australia REIT	Total
Opening Balance	**$ 1,210,282**	**$ 642,901**	**$ 189,432**	**$ 997,739**	**$ —**	**$ 3,040,354**
Acquisition of Australia REIT					691,674	691,674
Acquisitions of investment properties	2,807	—	52,975	277,338	—	333,120
Addition to investment properties	28,569	82	4,491	36,279	10,011	79,432
Increase in straight-line rents	1,693	—	—	—	(16)	1,677
Transfers from (to) assets held for sale	(179,025)	—	—	—	(21,674)	(200,699)
Amortization of deferred revenue	—	1,229	—	—	—	1,229
Fair value gain (loss)	(16,365)	87,766	5,889	188,046	(5,812)	259,524
Foreign currency translation	—	(55,575)	14,890	(10,167)	(10,670)	(61,522)
Closing Balance	**$ 1,047,961**	**$ 676,403**	**$ 267,677**	**$ 1,489,235**	**$ 663,513**	**$ 4,144,789**

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

<u>Canada</u>

During the three months ended December 31, 2017 the REIT completed the sale of Clinique Bois-De-Boulogne for gross proceeds of $10,435. There were no material acquisitions of investment properties during the three months ended December 31, 2017. During the year ended December 31, 2017 the REIT acquired a 5-acre land parcel in Collingwood, Ontario and condo units in Ottawa, Ontario.

The REIT recognized net fair value loss of $30,648 for the three months ended December 31, 2017 (year ended December 31, 2017 - $16,365). The year to date change in value primarily reflects the change in density value attributed to specific properties and a slight increase in valuation parameters.

During the three months ended December 31, 2017 external valuations were performed on properties with an aggregate value of $144,566 (year ended December 31, 2017 - $352,506).

Brazil

The REIT recognized net fair value gain of $48,568 for the three months ended December 31, 2017 (year ended December 31, 2017 - $87,766) with respect to the Brazilian investment properties. The year to date change in value primarily reflects a decrease in cap rates and discount rates across the portfolio, as well as, increases in rents for driven by contracted inflation indexation.

A weakening of the Brazilian Real relative to the Canadian dollar during the three months ended December 31, 2017 resulted in foreign currency translation loss of $19,743 (year ended December 31, 2017 - $55,575).

During the three months ended December 31, 2017 external valuations were performed on properties with an aggregate value of $676,403 (year ended December 31, 2017- $676,403).

Germany

During the three months ended December 31, 2017 the REIT completed the property acquisition of Alten Holstenstrasse for $20,404 (€13,635), including transaction costs. During the year ended December 31, 2017, the REIT completed the acquisitions of the Medical Care Centre Hamburg-Bergedorf, the Alstadt-Caree Fulda Medical Centre and Alten Holstenstrasse for combined consideration of $52,975 (€35,916) including transaction costs. During the year the REIT also acquired a small parcel of land next to the Mehrower Allee complex.

During the three months ended December 31, 2017, the REIT recorded a fair value gain of $10,242 related to the German investment properties (year ended December 31, 2017 - $5,889). The year to date change in value primarily reflects higher same property net operating income and modest capitalization rate compression, partially offset by the write off of transaction costs associated with the above noted acquisitions.

A strengthening of the Euro relative to the Canadian dollar during three months ended December 31, 2017 resulted in a foreign currency translation gain of $6,287 (year ended December 31, 2017 - $14,890).

During the three months ended December 31, 2017 external valuations were performed on properties with an aggregate value of $26,229 (year ended December 31, 2017 - $26,229).

Vital Trust

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

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

On April 5, 2017, Vital Trust completed the acquisition of a private surgical hospital, Ormiston Hospital, located in Auckland, New Zealand for $31,598 (NZ$33,328).

On June 1, 2017, Vital Trust completed the acquisition of Hirondelle Private Hospital, 53-bed private rehabilitation hospital located within Sydney's lower North Shore suburb of Chatsworth for $25,449 (NZ$27,093).

On August 1, 2017, Vital Trust completed the acquisition of The Hills Clinic, a two-level purpose-built private mental health hospital located in Sydney, Australia for approximately $31,472 (NZ$34,367).

On December 11, 2017, Vital Trust completed the acquisition of Eden Rehabilitation Hospital in Cooroy, Australia for $24,599 (NZ$27,796) including transaction costs.

On December 14, 2017, Vital Trust completed the acquisition of Wakefield Hospital, Bowen Hospital, and Royston Hospital from Acurity Health Group (the "**Acurity Portfolio"**) for combined proceeds of $108,325 (NZ$122,401) including transaction costs.

During the three months ended December 31, 2017 the REIT recognized fair value gains of $31,382 (year ended December 31, 2017 - $188,046). The increase for the year to date period reflects capitalization rate compression that Vital Trust is seeing in certain markets consistent with declining long-term interest rates. Healthcare real estate markets in Australia and New Zealand continue to benefit from strong demand from institutional investors that are increasingly devoting capital to the sector. The broader institutionalization of the asset class has supported higher valuations and put downward pressure on capitalization rates.

A strengthening of the New Zealand dollar relative to the Canadian dollar during the three months ended December 31, 2017 resulted in foreign currency translation gain of $826 (year ended December 31, 2017 - a weakening of the New Zealand dollar relative to the Canadian dollar resulted in a currency translation loss of $10,167).

During the three months ended December 31, 2017 external valuations were performed on properties with an aggregate value of $nil (year ended December 31, 2017 - $1,301,719).

Australia REIT

In July 2017, the REIT completed the 100% acquisition of the Australia REIT and as a result the REIT consolidates the Australia REIT as a subsidiary.

During the fourth quarter the Australia REIT completed the development of the St John of God Private Hospital (Casey Stage II) and therefore $57,063 was transfered from properties under development to investment properties. The property is 100% leased to St John of God with a lease term of 20 years.

During the three months ended December 31, 2017, the Australia REIT recorded a fair value loss of $6,550 (year ended December 31, 2017 - $5,812). The year to date fair value loss primarily reflects modest cap rate expansion at select assets, partially offset by a fair value gain on development completions.

A strengthening of the Australian dollar relative to the Canadian dollar during the three months ended December 31, 2017, resulted in foreign currency translation gain of $2,844 (year ended December 31, 2017 - Australian dollar weakening resulting in a foreign currency translation loss of $1,192).

During the three months and year ended December 31, 2017, external valuations were performed on properties with an aggregate value of $607,596.

Valuations

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

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

TABLE 4B - INVESTMENT PROPERTIES VALUATION ASSUMPTIONS

Unaudited	As at December 31, 2017				
	Canada	**Brazil**	**Germany**	**Vital Trust**	**Australia REIT**
Discount rate - range	5.3% - 8.5%	8.0%	5.2% - 6.7%	6.4% - 9.5%	6.3% - 7.5%
Discount rate - weighted average	7.3%	8.0%	5.7%	6.7%	7.1%
Terminal capitalization rate - range	5.0% - 8.0%	7.5%	5.0% - 6.8%	6.1% - 9.0%	5.5% - 7.3%
Terminal capitalization rate - weighted average	6.7%	7.5%	5.6%	6.2%	6.2%
Implied capitalization rate - range	3.0% - 9.4%	7.7%	4.5% - 6.6%	5.3% - 8.4%	5.3% - 6.8%
Implied capitalization rate - weighted average	6.6%	7.7%	5.7%	5.9%	5.8%
	As at December 31, 2016				
	Canada	**Brazil**	**Germany**	**Vital Trust**	**Australia REIT**
Discount rate - range	5.8% - 8.8%	8.5 - 10.5%	5.2% - 7.3%	7.2% - 9.5%	n/a
Discount rate - weighted average	7.1%	8.8%	6.2%	8.0%	n/a
Terminal capitalization rate - range	5.5% - 8.0%	8.0% - 10.0%	5.5% - 8.4%	6.5% - 8.9%	n/a
Terminal capitalization rate - weighted average	6.5%	8.3%	6.1%	7.0%	n/a
Implied capitalization rate - range	5.1% - 10.6%	8.2% - 10.7%	4.8% - 7.1%	6.3% - 8.5%	n/a
Implied capitalization rate - weighted average	6.4%	8.5%	5.8%	6.9%	n/a

ASSETS HELD FOR SALE

Canada

As at December 31, 2017, the REIT had classified a medical office building located in Toronto, Canada with value of $168,500, as held for sale. Liabilities associated with the properties as at December 31, 2017 are $57,785 representing a first mortgage secured by the property. The sale closed in the first quarter of 2018. See **Subsequent Events**.

DEVELOPMENT ACTIVITY

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

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

TABLE 4C - MAJOR DEVELOPMENT ACTIVITY BY REGION

Expressed in thousands of Canadian dollars, except percentage amounts

	Number of Projects	Estimated Completion Date	Estimated Project Costs	Estimated Costs to Complete	% Pre-leased	Anticipated Project Yield	Anticipated Stabilized NOI	Potential value accretion
Vital Trust	6	Q2 2018 to Q2 2021	128,249	113,470	100%	7.3%	9,290	26,650
Australia REIT	2	Q2 2018 to Q3 2019	89,609	82,466	100%	6.0%	5,377	17,922
Brazil	2	Q4 2019	55,231	55,231	100%	8.0%	4,418	7,890
Canada	1	Q4 2019	17,000	17,000	20%	7.5%	1,275	2,615
	11		$ 290,089	$ 268,167	95%	7.0%	$ 20,360	$ 55,077

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

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

Vital Trust has 6 expansion projects with completion dates ranging from the second quarter of 2018 to the second quarter of 2021. The projects include a mix of modernisation and expansion at acute surgical and mental health facilities to meet the growing demand for healthcare services. Expansion projects are primarily with Vital Trust's largest tenant, Healthe Care. The developments are expected to be funded through Vital Trust's existing resources and availability on existing debt facilities.

Expansion projects are fully leased at premium yields and expected to generate significant NAV growth on completion. During the quarter Vital achieved practical completion of Palm Beach Currumbin at a cost of approximately $6,200 (A $6,300).

In addition to those projects included in Table 4C above, Vital has an active pipeline of potential expansions and developments that are expected to replace development completions over time.

The Australia REIT's development activity pertains to two projects with completion dates ranging from the second quarter of 2018 to the second half of 2019. Collectively the projects will add approximately 68,000 square feet of new specialist suites, multiple specialist consulting tenancies, a GP clinic, 12 hospital beds, 3 operating theatres plus a 330 bay underground parking facility. The projects are 100% pre-leased to Epworth Foundation and Healthe Care. Remaining development costs will be funded through the Australia REIT's existing resources.

During the quarter, the REIT reached substantial completion of St John of God Private Hospital (Casey Stage II) . Casey Stage II and $57,063 (A$58,430) was transferred from properties under development to investment properties. The property is 100% leased to St John of God with a lease term of 20 years.

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

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

LEASING COSTS AND CAPITAL EXPENDITURES

TABLE 5 - LEASING COSTS AND CAPITAL EXPENDITURES

Expressed in thousands of Canadian dollars	Three months ended December 31, 2017					
Unaudited	Canada[4]	Brazil	Germany	Vital Trust	Australia REIT	Total
Additions to investment properties						
Leasing costs [1]	$ 685	$ —	$ 268	$ —	$ 23	$ 976
Tenant improvements [2]	4,269	—	—	—	548	4,817
Maintenance capital expenditures	1,394	—	1,503	—	329	3,226
Other capital expenditures	2,122	—	(32)	11	6	2,107
	8,470	—	1,739	11	906	11,126
Internal leasing costs expensed [1]	363	—	235	—	—	598
	8,833	—	1,974	11	906	11,724
Less:						
Recoverable maintenance capital expenditures	(1,394)	—	—	—	—	(1,394)
Other value enhancing and non-recurring capital expenditures	(1,961)	—	—	—	(163)	(2,124)
Leasing costs and non-recoverable maintenance capital expenditures	**$ 5,478**	**$ —**	**$ 1,974**	**$ 11**	**$ 743**	**$ 8,206**
AFFO adjustment for leasing costs and and non-recoverable maintenance capital expenditures [3]	**$ 2,028**	**$ —**	**$ 311**	**$ 11**	**$ 743**	**$ 3,093**
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	**$ 3,450**	**$ —**	**$ 1,663**	**$ —**	**$ —**	**$ 5,113**
	Year ended December 31, 2017					
	Canada[4]	**Brazil**	**Germany**	**Vital Trust**	**Australia REIT**	**Total**
Additions to investment properties						
Leasing costs [1]	$ 5,530	$ —	$ 1,599	$ —	$ 43	$ 7,172
Tenant improvements [2]	12,343	—	—	—	1,683	14,026
Maintenance capital expenditures	4,064	—	2,692	—	603	7,359
Other capital expenditures	6,288	82	200	1,618	25	8,213
	28,225	82	4,491	1,618	2,354	36,770
Internal leasing costs expensed [1]	1,421	—	620	—	—	2,041
	29,646	82	5,111	1,618	2,354	38,811
Less:						
Recoverable maintenance capital expenditures	(4,064)	—	—	—	—	(4,064)
Other value enhancing and non-recurring capital expenditures	(9,595)	—	—	—	(1,103)	(10,698)
Leasing costs and non-recoverable maintenance capital expenditures	**$ 15,987**	**$ 82**	**$ 5,111**	**$ 1,618**	**$ 1,251**	**$ 24,049**
AFFO adjustment for leasing costs and and non-recoverable maintenance capital expenditures [3]	**$ 8,198**	**$ 82**	**$ 1,128**	**$ 1,618**	**$ 1,251**	**$ 12,277**
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	**$ 7,789**	**$ —**	**$ 3,983**	**$ —**	**$ —**	**$ 11,772**

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 months and year ended December 31, 2017 include $nil and $17 of additions related to assets held for sale, respectively.

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

Canada

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

During the three months ended December 31, 2017 additions for the Canadian investment properties totaled $8,470 (year ended December 31, 2017 - $28,225). During the quarter leasing costs included costs attributable to nine transactions (including three initiated prior to the quarter), of which three are lease renewals or expansions, with an aggregate WALE of 12.7 years.

Included in other value enhancing and non-recurring capital expenditures for the quarter were primarily costs incurred for one building expansion and conversion of a single-tenant building into a multi-tenant property, as well as non-recurring leasing costs to lease up a property developed in 2016.

Brazil

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

Germany

On a quarterly basis leasing costs, tenant improvements and capital expenditures can fluctuate and as such, should not be regarded as stabilized. Additions to the German investment properties for the three months ended December 31, 2017 were $1,739 (year ended December 31, 2017 - $4,491). 90% of the year to date leasing costs were incurred in connection with new leasing, and 75% of the year to date leasing costs are attributable to a new tenancy in two buildings within in the REIT's Leipzig portfolio for one of the area's primary hospital operators on a longer term 12-year lease to accommodate community-based healthcare services.

Vital Trust and Australia REIT

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

During the year ended December 31, 2017, Australia REIT incurred $1,683 of tenant improvements of which $1,103 was non-recurring related to leasing costs incurred to lease up its Frankston property which was recently completed in the first quarter of 2017.

PART III – RESULTS FROM OPERATIONS

NET INCOME

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

TABLE 6 - RESULTS FROM OPERATIONS

Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Unaudited)
Net Operating Income [1]						
Revenue from investment properties	$ 84,436	$ 81,783	$ 2,653	$ 313,966	$ 277,346	$ 36,620
Property operating costs	(21,207)	(18,226)	(2,981)	(81,907)	(74,749)	(7,158)
	63,229	**63,557**	**(328)**	**232,059**	**202,597**	**29,462**
Other income						
Share of profit (loss) from associates	—	7,860	(7,860)	43,681	8,679	35,002
Management fees	115	1,142	(1,027)	7,723	2,102	5,621
Interest income	2,090	602	1,488	4,550	2,852	1,698
	2,205	**9,604**	**(7,399)**	**55,954**	**13,633**	**42,321**
	65,434	**73,161**	**(7,727)**	**288,013**	**216,230**	**71,783**
Other expenses						
Mortgage and loan interest expense	(30,728)	(20,722)	(10,006)	(101,771)	(75,851)	(25,920)
General and administrative expenses	(6,726)	(5,234)	(1,492)	(25,125)	(19,772)	(5,353)
Transaction costs	(858)	(295)	(563)	(13,291)	(4,106)	(9,185)
Other Finance costs	(1,019)	(1,134)	115	(50,678)	(61,737)	11,059
Foreign exchange gain (loss)	7,343	818	6,525	7,412	(1,465)	8,877
Income (Loss) before the under noted items	**33,446**	**46,594**	**(13,148)**	**104,560**	**53,299**	**51,261**
Fair value adjustment of DUP Liability	(97)	(286)	189	(1,793)	(1,451)	(342)
Fair value adjustment of investment properties	53,091	73,473	(20,382)	259,551	136,366	123,185
Net loss on disposal of investment properties	(675)	—	(675)	(675)	(2,807)	2,132
Gain (loss) on business combination	—	—	—	(89,578)	53	(89,631)
Gain (Loss) on derivative financial instruments	(13)	9,040	(9,053)	4,352	(1,945)	6,297
Income (Loss) before taxes	**85,752**	**128,821**	**(43,069)**	**276,417**	**183,515**	**92,902**
Income tax expense	(25,633)	(27,975)	2,342	(51,178)	(54,384)	3,206
Net income (loss)	**$ 60,119**	**$ 100,846**	**$ (40,727)**	**$ 225,239**	**$ 129,131**	**$ 96,108**
Net income (loss) attributable to:						
Unitholders	$ 34,384	$ 77,457	$ (43,073)	$ 67,387	$ 56,963	$ 10,424
Non-controlling interest	25,735	23,389	2,346	157,852	72,168	85,684
	$ 60,119	**$ 100,846**	**$ (40,727)**	**$ 225,239**	**$ 129,131**	**$ 96,108**

Notes

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

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

Revenue from investment properties

Revenue from investment properties for the three months ended December 31, 2017 was $84,436 which is $2,653 higher than the three months ended December 31, 2016. The increase is primarily due to the consolidation of the Australia REIT starting in the third quarter of 2017 which increased revenue by $10,795; Brazil revenue improvements of $934 driven by source currency rent indexation and the acquisition of Hospital Ifor and Hospital Santa Helena, partially offset by a weakening of the Brazilian Real against the Canadian dollar; and German revenue improvements of $1,089 driven by source currency rent from acquisitions, and a strengthening of the Euro relative to the Canadian dollar. These improvements were partially offset by a decrease in revenue in the Canadian region of $45 driven by property dispositions and lower portfolio occupancy and a decrease in revenue at Vital Trust revenue by $10,288 driven by a lease surrender payment received in Q4 2016 of $13,009, the weakening of the New Zealand dollar against the Canadian dollar from the comparable prior year period, partially offset by source currency revenue increases due to rent increases and the completion of acquisitions and development activity.

Revenue from investment properties for the year ended December 31, 2017 was $313,966 as compared to $277,346 for the year ended December 31, 2016. The increase of $36,620 is primarily due to the consolidation of the Australia REIT starting in the third quarter of 2017 which increased revenue by $21,315; Brazil revenue improvements of $15,277 driven by source currency rent indexation and the acquisition of Hospital Ifor and Hospital Santa Helena, as well as the strengthening of the Brazilian Real against the Canadian dollar; and German revenue improvements of $3,564 driven by source currency rent from acquisition activity. These improvements were partially offset by a decrease in revenue in the Canadian region of $1,908, driven by property dispositions and lower portfolio occupancy and a decrease of $1,684 at Vital Trust, driven by a lease surrender payment received in Q4 2016 of $13,009, partially offset by source currency revenue increases due to rent increases and the completion of acquisitions and development activity.

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.

Property operating costs for the three months ended December 31, 2017 were $21,207 as compared to $18,226 for the three months ended December 31, 2016. Of the $2,981 increase, $1,650 is related to the consolidation of the Australia REIT starting in the third quarter of 2017, $730 is related to Vital Trust and $250 is related to Germany which saw an increase in operating costs driven by acquisitions.

Property operating costs for the year ended December 31, 2017 were $81,907 as compared to $74,749 for the year ended December 31, 2016. Of the increase of $7,158, $3,274 is related to the consolidation of the Australia REIT starting in the third quarter of 2017, and operating cost increases at Vital Trust and Germany of $2,809 and $1,261 respectively, driven by acquisitions. The property operating cost increases at the Australia REIT, Vital Trust and in Germany were partially offset by a decrease in property operating costs in Canada of $182 driven by asset sales.

See also **NET OPERATING INCOME**.

Share of profit (loss) of associate

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

Management Fees

Management fees represent the management fees earned by the ANZ Manager (less the intercompany elimination for the portion of the Australia REIT owned by the REIT) for the year ended December 31, 2017. During the three months ended December 31, 2017 the REIT owned 100% of the Australia REIT and the ANZ Manager and therefore all intercompany fees were eliminated. Prior to consolidation by the REIT, during the six months ended June 30, 2017, the REIT owned on average 32.5% of the Australia REIT, and therefore the management fees were only eliminated during this period to the extent of the REIT's ownership.

For the year ended December 31, 2016 the management fees represent the management fees earned by the ANZ Manager (less the intercompany elimination for the portion of the Australia REIT owned by the REIT) from the date of acquisition in June 2016. For the three months ended December 31, 2016 the REIT's weighted average ownership of the Australia REIT was 12.7%.

Interest income

Interest income represents amounts earned on invested cash balances as well as interest earned on loans receivable at the Australia REIT. For the three months ended December 31, 2017 and 2016, the REIT recorded interest income of $2,090 and $602, respectively. The increase from the comparable prior year quarter is primarily driven by the consolidation of the Australia REIT beginning in July 2017, which accounts for $1,062 of the interest income for the period. The remaining interest income is primarily related to interest earned on cash balances in Brazil, which in the fourth quarter for 2017 had surplus cash from the long-term financing of Hospital Santa Helena which was not immediately redeployed.

For the year ended December 31, 2017 and 2016, the REIT recorded interest income of $4,550 and $2,852, respectively. The increase from the comparable prior year period is primarily driven by the consolidation of the Australia REIT beginning in July 2017, which accounts for $2,213 of the interest income for the period, which is partially offset by lower interest income earned in Brazil due to lower average cash balances invested during the year.

Mortgage and loan interest expense

The mortgage and loan interest expense for the three months ended December 31, 2017 was $30,728, an increase of $10,006 over the prior year period. The mortgage and loan interest expense for the year ended December 31, 2017 was $101,771, an increase of $25,920 over the prior year period.

The composition of mortgage and loan interest expense for the year ended December 31, 2017 and 2016 is as follows:

TABLE 6B - MORTGAGE AND LOAN INTEREST EXPENSE

Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2017 (Unaudited)	2016 (Unaudited)	Variance (Unaudited)	2017 (Audited)	2016 (Audited)	Variance (Unaudited)
Canada						
Mortgages[(1)]	$ 6,125	$ 6,609	$ 484	$ 24,962	$ 27,056	$ 2,094
Brazil						
Brazil debt	4,472	3,879	(593)	13,023	10,254	(2,769)
Germany						
Mortgages	600	479	(121)	2,245	1,855	(390)
Australasia						
Term loans	8,018	3,248	(4,770)	22,657	13,240	(9,417)
Corporate						
Vital Margin Facilities	—	—	—	—	1,439	1,439
Australasian Secured Financing	4,126	1,828	(2,298)	12,591	3,181	(9,410)
Acquisition Facility	605	287	(318)	1,950	1,349	(601)
Revolving Credit Facility	1,254	586	(668)	5,428	2,176	(3,252)
Other	4	1	(3)	9	48	39
Convertible Debentures						
NWH.DB	532	531	(1)	2,113	2,113	—
NWH.DB.A	287	369	82	1,386	1,469	83
NWH.DB.B	256	330	74	1,238	1,313	75
NWH.DB.C	708	706	(2)	2,809	2,809	—
NWH.DB.D	733	733	—	2,913	2,915	2
NWH.DB.E	989	969	(20)	3,924	1,698	(2,226)
NWH.DB.F	1,065	167	(898)	4,226	167	(4,059)
	10,559	6,507	(4,052)	38,587	20,677	(17,910)
less: capitalized interest	(326)	—	326	(1,158)	(365)	793
add: prepayment penalties	1,280	—	(1,280)	1,455	3,134	1,679
Total mortgage and loan interest expense	**$ 30,728**	**$ 20,722**	**$ (10,006)**	**$ 101,771**	**$ 75,851**	**$ (25,920)**

Notes

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

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

Canada

Mortgage interest expense for the three months ended December 31, 2017 has decreased $484 over the three months ended December 31, 2016 (year ended December 31, 2016 - $2,094). The decrease in mortgage interest expense over the comparable prior year quarter primarily reflects the 2016 property dispositions and repayment of mortgages associated with those properties. In addition, during 2016, the REIT has refinanced 2017 and 2016 mortgage expires at lower interest rates. The weighted average interest rate of the Canadian mortgage portfolio as at December 31, 2017 was 3.86%, a decrease from 3.93% as at December 31, 2016.

Brazil

The increase in interest expense for the three months ended December 31, 2017 over the prior year quarter, primarily relates to the Hospital Santa Helena financing which funded on October 10, 2017, partially offset by the decrease in the weighted average interest rate of the Brazilian debt from December 31, 2016 (7.84%) to December 31, 2017 (7.28%) as well as the weakening of the Brazilian Real against the Canadian dollar.

The increase in interest expense for the year ended December 31, 2017 over the prior year quarter, primarily reflects increased borrowings in Brazil, namely, the Hospital Santa Helena financing which funded on October 10, 2017 and the HMB financing which funded in the second and third quarter of 2016 and the Caxias long-term financing which funded October 24, 2016 as well as the strengthening of the Brazilian Real against the Canadian dollar by approximately 7% as compared to the prior year to date period. The increase was partially offset by the decrease in the weighted average interest rate of the Brazilian debt from December 31, 2016 (7.84%) to December 31, 2017 (7.28%).

Germany

Mortgage interest expense increased for the three months and year ended December 31, 2017 over the comparable prior year due to interest on the mortgage associated with the four German acquisitions that occurred throughout 2017, further compounded by a strengthening of the Euro against the Canadian dollar over the year to date period.

The weighted average interest rate of the German mortgages was 1.91% as at December 31, 2017, a decrease from 1.92% as at December 31, 2016.

Australasia

The increase in the interest expense over the comparable prior quarter and year to date is primarily a result of the consolidation of the Australia REIT in July 2017 which increased interest expense by $2,676 and $4,855, respectively for the three months and year ended December 31, 2017. The remaining increase for the quarter to date and year to date period reflects increased borrowings related to development and acquisition activity, partially offset by lower interest rates. The weighted average interest rate of the Vital Trust term loans was 4.09% as at December 31, 2017, a decrease from 4.66% as at December 31, 2016.

Corporate

The increase in the interest expense for the three months and year ended December 31, 2017 over the comparable prior year period reflects an increase in corporate borrowings related to the REIT's investment in the Australia REIT as well as the two Convertible Debenture issuances in the second half of 2016.

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

General and administrative expenses ("G&A")

G&A expenses for the three months ended December 31, 2017 were $6,726 as compared to $5,234 in the prior year quarter. G&A for the three months ended December 31, 2017 includes DUP Compensation Expense (as defined under **ADJUSTED FUNDS FROM OPERATIONS ("AFFO") - DUP Compensation Expense**) of $1,063 (three months ended December 31, 2016 - $(54)). G&A, excluding amounts associated with DUP Compensation Expenses, increased $375 over the prior year quarter primarily as a result of the growth of the portfolio and related platform costs.

G&A expenses for the year ended December 31, 2017 were $25,125 as compared to $19,772 for the year ended December 31, 2016. G&A for the year ended December 31, 2017 includes DUP Compensation Expense (as defined under **ADJUSTED FUNDS FROM OPERATIONS ("AFFO") - DUP Compensation Expense**) of $4,791 (year ended December 31, 2016 - $2,122). G&A, excluding amounts associated with DUP Compensation Expenses, increased $2,684 over the prior year quarter primarily as a result of G&A associated with the 100% acquisition of Australia REIT in July 2017, the GHM acquisition at the end of June 2016, and the growth of the portfolio and related platform costs.

DUP expense for the year ended December 31, 2017 has increased over the prior year period; which is primarily a result of a change in the composition of the REIT's management team and modifications to DUP incentive plans in the third quarter of 2016.

Transaction costs

For the year ended December 31, 2017 the REIT incurred transaction costs of $858 and $13,291 respectively, which are primarily related to the Australia REIT acquisition. For the year ended December 31, 2016 transaction costs were $295 and $4,106 respectively, which were related to the acquisition of GHM in late June 2016.

Other Finance costs

Other finance costs for the year ended December 31, 2017 and 2016 consisted of the following:

TABLE 6C - OTHER FINANCE COSTS

	Three months ended December 31,			Year ended December 31,		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Unaudited)
Distributions on Exchangeable Units	$ 3,800	$ 3,800	$ —	$ 15,199	$ 15,199	$ —
Loss on revaluation of financial liabilities	558	2,466	1,908	3,667	10,053	6,386
Amortization of deferred financing costs	1,892	1,394	(498)	7,446	4,768	(2,678)
Amortization of marked to market adjustment	(889)	(777)	112	(3,165)	(5,964)	(2,799)
Fair value adjustment of Convertible Debentures	(5,102)	(4,756)	346	5,303	6,490	1,187
Convertible Debenture issuance costs	—	3,947	3,947	—	7,064	7,064
Fair value adjustment of Exchangeable Units	760	(4,940)	(5,700)	22,228	24,127	1,899
Total Finance Costs	**$ 1,019**	**$ 1,134**	**$ 115**	**$ 50,678**	**$ 61,737**	**$ 11,059**

Distributions on exchangeable units

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

Loss on revaluation of financial liabilities

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

For the three months and year ended December 31, 2017, accretion expense of $558 and $3,667 respectively (for the year ended December 31, 2016 - $2,466 and $10,053) was recorded to account for the related IPCA adjustments on the Brazil debt and deferred consideration. The annual inflation rate for December 31, 2017 was 2.95% as compared to 6.99% for December 31, 2016.

Amortization of deferred financing costs

Included in finance costs is amortization of deferred financing costs incurred to arrange mortgage or debt financing. The increase in deferred financing costs is primarily due to the Hospital Santa Helena long-term financing that funded in October 2017, the consolidation of the Australia REIT starting in the third quarter of 2017 as well as increase in corporate debt related to the Australia REIT acquisition in the first and second quarter of 2017.

Amortization of marked to market adjustments

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

Fair value adjustment of Convertible Debentures

Under IFRS, the REIT has elected to measure Convertible Debentures at fair value. The fair value of the Convertible Debentures is based on the closing trading price of the REIT's Convertible Debentures as at the reporting date. Table 6D summarizes the closing prices of the REIT's Convertible Debentures at each quarter end for the last six quarters:

TABLE 6D - CLOSING PRICE OF CONVERTIBLE DEBENTURES

	Dec-17	Sep-17	Jun-17	Mar-17	Dec-16	Sep-16
Month-end closing price (Canadian $)						
NWH.DB	1,030.00	1,040.00	1,025.00	1,020.00	1,017.50	1,045.00
NWH.DB.A (redeemed December 11, 2017)	N/A	1,010.00	1,003.00	1,030.00	1,020.00	1,021.00
NWH.DB.B (redeemed December 11, 2017)	N/A	1,030.00	1,022.50	1,032.70	1,020.00	1,050.00
NWH.DB.C	1,037.50	1,050.00	1,050.60	1,050.00	1,025.00	1,045.00
NWH.DB.D	1,050.00	1,064.60	1,042.50	1,050.00	1,020.00	1,043.00
NWH.DB.E	1,027.00	1,050.00	1,060.00	1,025.50	1,010.00	1,027.50
NWH.DB.F	1,030.50	1,042.60	1,042.00	1,031.10	1,002.50	N/A

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

Exchangeable Units – Fair value adjustment

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

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

TABLE 6E - CLOSING PRICE OF REIT TRUST UNITS

	Dec-17	Sep-17	Jun-17	Mar-17	Dec-16	Sep-16
Month-end closing price (Canadian $)	11.37	11.33	10.68	10.55	10.20	10.46

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 relate primarily to the revaluation of the New Zealand denominated debt which is held by a Canadian subsidiary of the REIT, and which is predominantly an unrealized exchange movement.

For the three months ended December 31, 2017, the REIT recorded a foreign exchange gain of $7,343, which is almost entirely made up of an unrealized exchange gain of $7,358. For the year ended December 31, 2017, the REIT recorded a foreign exchange gain of $7,412, which is made up of an unrealized exchange gain of $7,394 and a realized exchange gain of $18. During the year ended December 31, 2017, the New Zealand dollar weakened by approximately 4.60% relative to the Canadian dollar, thus decreasing the New Zealand dollar denominated debt at the REIT. During the three months ended December 31, 2017, the Brazilian region also incurred unrealized foreign exchange gains of $2,738 ($2,849 for the year ended December 31, 2017), which relates to translation of intercompany loans with a Canadian subsidiary which are denominated in Canadian dollars.

For the three months ended December 31, 2016, the REIT recorded a foreign exchange gain of $818, which is made up of a realized exchange loss of $1,574 and an unrealized exchange gain of $2,392. The unrealized foreign exchange gain for the three months ended December 31, 2016 is primarily a result of the revaluation exchange gain on the Australasian Secured Financing of approximately $3,577, partially offset by unrealized exchange loss on the Vital Trust Australasian Term Loans of $1,256. During the three months ended December 31, 2016, the New Zealand dollar and Australian dollar both decreased by approximately 2% and 3%, respectively, relative to the Canadian dollar, thus decreasing the value of the New Zealand and Australian dollar denominated debt. During the quarter Vital Trust also recognized a $1,256 unrealized foreign exchange loss, on Australian dollar term loan borrowings, as the New Zealand dollar strengthened relative to the Australian dollar. The realized foreign exchange loss of $1,574 reflects the settlement of intercompany loans between a Canadian subsidiary and a Brazilian subsidiary.

For the year ended December 31, 2016, the REIT recorded a foreign exchange loss of $1,465, which is made up of a realized exchange loss of $1,512 and an unrealized exchange gain of $47. The unrealized foreign exchange gain for the year ended December 31, 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, combined approximately $1,165 exchange gain, partially offset by unrealized exchange loss on the Vital Trust Australasian Term loans of $1,112. During the year ended December 31, 2016, the New Zealand dollar weakened by approximately 2% relative to the Canadian dollar, thus decreasing the value of the New Zealand debt. The Australian dollar also increased by less than 1% relative to the Canadian dollar in the period following the Australasian Secured Financing. The realized foreign exchange loss of $1,512 primarily reflects the settlement of intercompany loans between a Canadian subsidiary and a Brazilian subsidiary.

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 year ended December 31, 2017 was a loss of $97 and $1,793 respectively as compared to a loss of $286 and loss of $1,451 for the year ended December 31, 2016, respectively. The reduction in the fair value adjustment related to the DUP liability over the comparable prior year period reflects changes in the trading price of the REIT's Trust Units and Vital Trust's units during the period.

Fair value adjustment of investment properties

For the three months ended December 31, 2017, the REIT recorded a fair value gain on investment properties of $53,091 consisting of a $30,659 fair value loss related to the Canadian portfolio, a $48,568 revaluation increase of the Brazil portfolio, a $10,242 revaluation gain of the German portfolio, a $31,382 increase in the Vital Trust investment properties and a $6,442 revaluation loss in the Australia REIT portfolio. The revaluation of the Canadian portfolio during the three months ended December 31, 2017 primarily reflects the change in density value attributed to specific properties. The revaluation of the Brazil portfolio during the three months ended December 31, 2017 is related to a decrease in cap rates and discount across the portfolio during the quarter as well as the actual and estimated increases in rents for inflation, increasing the portfolio's net operating income. The revaluation gain on the German portfolio during the three months ended December 31, 2017 reflects higher same property net operating income and modest capitalization rate compression, partially offset by the write off of transaction costs associated with acquisitions. The increase in the Vital Trust assets reflects capitalization rate compression in both the New Zealand and Australian markets during the quarter. The revaluation loss in the Australia REIT is primarily related to modest cap rate expansion at select assets, partially offset by a fair value gain on development completions.

For the year ended December 31, 2017, the REIT recorded a fair value gain on investment properties of $259,551 consisting of a $16,446 fair value loss related to the Canadian properties, a $87,766 revaluation increase of the Brazil portfolio, a $4,353 revaluation loss of the German portfolio, a $185,200 increase in the Vital Trust investment properties and a $5,704 revaluation loss in the Australia REIT portfolio. The revaluation of the Canadian portfolio during the year ended December 31, 2017 primarily reflects the change in density value attributed to specific properties and a slight increase in valuation parameters. The revaluation of the Brazil portfolio during the year ended December 31, 2017 is related to a decrease in weighted average capitalization rates and discount rates during the year, and the actual and estimated increases in rents for inflation, increasing the portfolio's net operating income. The revaluation loss on the German portfolio during the year ended December 31, 2017 reflects movements in capital to be spent and the write off of transaction costs related to acquisition activity in the first and fourth quarters, partially offset by higher same property net operating income and modest capitalization rate compression. The increase in the Vital Trust assets reflects capitalization rate compression in both the New Zealand and Australian markets during the year to date period. The revaluation loss in the Australia REIT is primarily related to modest cap rate expansion at select assets, partially offset by a fair value gain on development completions.

For the three months ended December 31, 2016, the REIT recorded a fair value gain on investment properties of $73,473 consisting of a $9,627 fair value gain related to the Canadian property, a $52,723 revaluation increase of the Brazil portfolio, a $3,547 revaluation increase of the German portfolio and a $7,576 increase in the Vital Trust investment properties. The revaluation of the Canadian portfolio during the three months ended December 31, 2016 primarily reflects increased density value at the REIT's Dundas-Edward Centre property in Toronto, partially offset by a valuation decrease at the REIT's Glenmore Professional Centre property in Calgary, Alberta. The revaluation of the Brazil portfolio during the three months ended December 31, 2016 is related to the actual and estimated increases in rents for inflation, increasing the portfolio's net operating income and a capitalization rate decrease of approximately 70 basis points. The revaluation of the German portfolio during the three months ended December 31, 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.

For the year ended December 31, 2016, the REIT recorded a fair value gain of $136,366 related to a $73,738 revaluation increase of the Brazil portfolio, $13,354 revaluation increase of the German portfolio and a $64,841 increase in the Vital Trust investment properties; partially offset by a $15,567 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 and a capitalization rate decrease of approximately 70 basis points. 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; partially offset by increased density value at the REIT's Dundas-Edward Centre property in Toronto.

See also **INVESTMENT PROPERTIES**.

Net loss on disposal of investment properties

During the three months and year ended December 31, 2017, the REIT recognized a loss on sale of $675 related to the sale of Clinique Bois-De-Boulogne in Canada and Harvester Centre in Australia.

During the three months and year ended December 31, 2016, the REIT recognized a loss on sale of $nil and $2,807, respectively, due to transaction costs associated with the sale of thirteen Canadian investment properties.

Gain/Loss on derivative financial instruments

Gain/Loss on derivative financial instruments for the year ended December 31, 2017 and 2016 consisted of the following:

TABLE 6F - GAIN (LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS						
Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Canada						
Interest rate swaps	$ 156	$ 693	$ (537)	$ 945	$ 754	$ 191
Brazil						
Brazil Loans interest rate swaps	—	178	(178)	—	920	(920)
Germany						
Interest rate swaps	23	300	(277)	359	(176)	535
Australasia						
Interest rate swaps	(1,813)	8,329	(10,142)	1,015	2,211	(1,196)
Foreign exchange derivatives	—	—	—	—	—	—
Foreign exchange contracts	1,621	551	1,070	442	1,227	(785)
Performance fee receivable	—	(364)	364	1,473	(1,080)	2,553
Corporate						
Vital Margin Facility interest rate swaps	—	4	(4)	—	12	(12)
Australia REIT put/call option and units	—	—	—	(548)	—	(548)
Australia REIT future contract	—	(651)	651	666	(5,813)	6,479
Total gain (loss) on derivative financial instruments	**$ (13)**	**$ 9,040**	**$ (9,053)**	**$ 4,352**	**$ (1,945)**	**$ 6,297**

Income tax expense

The combined current tax and deferred tax expense of the REIT for the three months ended December 31, 2017 was $25,633.

For the three months ended December 31, 2017, the REIT recognized current income tax income of $2,849 (year ended December 31, 2017 - current tax expense of $939). The current taxes relate primarily to the income taxes payable by the ANZ Manager of $1,318, offset by current tax income of $4,193 at Vital Trust (year ended December 31, 2017 - current tax expense at the ANZ manager of $5,051 and current tax income of $3,730). The income tax expense generated for the ANZ Manager is largely driven by the level of management fees earned. Current tax for Vital Trust can fluctuate period over period depending on the settlement of foreign currency derivatives utilized in Vital Trust's hedging program. During the three months and year ended December 31, 2017 the Vital Trust current taxes were impacted by the reclassification of an approximate $5,200 (NZ$5,900) historic current income tax payable to deferred tax.

The deferred tax expense of the REIT for the three months ended December 31, 2017 was $28,482 (year ended December 31, 2017 - $50,240). The REIT records deferred tax liabilities in Germany, Brazil and the Australia REIT arising primarily due to the difference between the carrying value and tax cost of its investment properties. The deferred tax expense of the REIT for the three months ended December 31, 2017 related to Germany and Brazil was $1,984 and $17,342, respectively (year ended December 31, 2017 - $2,253 and $32,489 respectively). Vital Trust recorded a deferred expense for the three months ended December 31, 2017 of $8,841 (year ended December 31, 2017 - $14,615), which relates primarily to the significant fair value increase of Vital Trust's investment properties, and the reclassification of an approximate $5,200 (NZ$5,900) historic current income tax payable to deferred tax during the fourth quarter. The ANZ Manager recorded a deferred tax liability for the three months ended December 31, 2017 of $314 (year ended December 31, 2017 - $883), primarily related to deferred compensation liabilities.

The combined current tax and deferred tax expense of the REIT for the three months ended December 31, 2016 was $27,975 (year ended December 31, 2016 - $54,384).

For the three months ended December 31, 2016, the REIT recognized a current income tax charge of $3,263 (year ended December 31, 2016 - $8,235). The current taxes relate primarily to the income taxes payable by the ANZ Manager and Vital Trust of $567 and $2,592 respectively (three months ended December 31, 2016 - $1,959 and $5,930 respectively). 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 December 31, 2016 was $24,712 (year ended December 31, 2016 - $46,149). The REIT records deferred tax liabilities in Germany, Brazil and the Australia REIT arising primarily due to the difference between the carrying value and tax cost of its investment properties. The deferred tax expense of the REIT for the three months ended December 31, 2016 is primarily related to the German and Brazil investment properties which totaled $20,297 (year ended December 31, 2016 - $31,754). Vital Trust recorded a deferred expense for the three months ended December 31, 2016 of $4,064, which relates primarily the fair value movement of investment properties partially offset by the deferred tax asset related to derivative valuations (year ended December 31, 2016 - $15,006). The ANZ Manager recorded a deferred tax liability for the three months ended December 31, 2016 of $351 (year ended December 31, 2016 - $611 asset).

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 December 31, 2017 represents income from currently owned investment properties, excluding properties held for redevelopment, acquired prior to October 1, 2016. Same property NOI for the year ended December 31, 2017 represents income from currently owned investment properties, excluding properties held for redevelopment, acquired prior to January 1, 2016. The same property NOI analysis below has included the Australia REIT in acquisitions as the portfolio was only consolidated from July 2017.

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

TABLE 7 - SAME PROPERTY NOI

In thousands of CAD	Three months ended December 31,				Year ended December 31,			
	2017	**2016**	**Var $**	**Var %**	**2017**	**2016**	**Var $**	**Var %**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI [1]								
Same property revenue from investment properties	$66,579	$79,107	$(12,528)	(15.8)%	$257,683	$262,134	$(4,451)	(1.7)%
Same property operating costs	(18,223)	(17,765)	(458)	(2.6)%	(72,705)	(69,386)	(3,319)	(4.8)%
	48,356	**61,342**	**(12,986)**	(21.2)%	**184,978**	**192,748**	**(7,770)**	(4.0)%
Properties held for redevelopment	250	141	109		2,175	527	1,648	
Acquisitions [2]	14,842	2,276	12,566		45,639	8,697	36,942	
Dispositions	207	295	(88)		1,043	2,462	(1,419)	
Inter-company/elimination	(426)	(497)	71		(1,776)	(1,837)	61	
NOI [1]	**$63,229**	**$63,557**	**$(328)**	(0.5)%	**$232,059**	**$202,597**	**$29,462**	14.5%

Notes

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

(2) For the three months ended December 31, 2017, acquisitions includes $9.1M NOI related to the Australia REIT acquisition effective July 1 2017 ($18.0M for the year ended December 31, 2017).

TABLE 7A - SAME PROPERTY NOI - CANADA								
In thousands of CAD	Three months ended December 31,				Year ended December 31,			
	2017	2016	Var $	Var %	2017	2016	Var $	Var %
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI (1)								
Same property revenue from investment properties	$32,861	$32,812	$49	0.1%	$130,467	$130,989	$(522)	(0.4)%
Same property operating costs	(14,971)	(14,602)	(369)	(2.5)%	(59,169)	(57,736)	(1,433)	(2.5)%
	17,890	**18,210**	**(320)**	(1.8)%	**71,298**	**73,253**	**(1,955)**	(2.7)%
Properties held for redevelopment	250	141	109		2,174	527	1,647	
Acquisitions	—	—	—		—	—	—	
Dispositions	207	295	(88)		1,044	2,462	(1,418)	
NOI (1)	**$18,347**	**$18,646**	**$(299)**	(1.6)%	**$74,516**	**$76,242**	**$(1,726)**	(2.3)%

Notes

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

TABLE 7B - SAME PROPERTY NOI - BRAZIL								
In thousands of BRL and CAD	Three months ended December 31,				Year ended December 31,			
	2017	2016	Var $	Var %	2017	2016	Var $	Var %
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI (1)								
Same property revenue from investment properties	R$25,027	R$23,613	R$1,414	6.0%	R$92,789	R$88,133	R$4,656	5.3%
Same property operating costs	—	—	—	—%	—	—	—	—%
	25,027	**23,613**	**1,414**	6.0%	**92,789**	**88,133**	**4,656**	5.3%
Acquisitions	7,306	5,297	2,009		35,867	8,476	27,391	
Dispositions	—	—	—		—	—	—	
NOI (1) **- in thousands of BRL**	**R$32,333**	**R$28,910**	**R$3,423**	11.8%	**R$128,656**	**R$96,609**	**R$32,047**	33.2%
FX rate	0.3909	0.4049	(0.0140)	(3.5)%	0.4068	0.3836	0.0232	6.0%
NOI (1) **- in thousands of CAD**	**$12,640**	**$11,706**	**$934**	8.0%	**$52,340**	**$37,063**	**$15,277**	41.2%

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 December 31,**				**Year ended December 31,**			
	2017	**2016**	**Var $**	**Var %**	**2017**	**2016**	**Var $**	**Var %**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Same property NOI [(1)]								
Same property revenue from investment properties	€2,977	€2,845	€132	4.6%	€9,863	€9,331	€532	5.7%
Same property operating costs	(800)	(806)	6	0.7%	(2,774)	(2,383)	(391)	(16.4)%
	2,177	**2,039**	**138**	6.8%	**7,089**	**6,948**	**141**	2.0%
Acquisitions	347	—	347		2,061	633	1,428	
Dispositions	—	—	—		—	—	—	
NOI [(1)]- in thousands of Euro	**€2,524**	**€2,039**	**€485**	23.8%	**€9,150**	**€7,581**	**€1,569**	20.7%
FX rate	1.4965	1.4410	0.0555	3.9%	1.4658	1.4653	0.0005	—%
NOI [(1)] - in thousands of CAD	**$3,777**	**$2,938**	**$839**	**28.6%**	**$13,412**	**$11,108**	**$2,304**	**20.7%**

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 - VITAL								
In thousands of NZD and CAD	**Three months ended December 31,**				**Year ended December 31,**			
	2017	**2016**	**Var $**	**Var %**	**2017**	**2016**	**Var $**	**Var %**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Same property NOI [(1)]								
Same property revenue from investment properties	$21,636	$34,359	$(12,723)	(37.0)%	$75,101	$90,114	$(15,013)	(16.7)%
Same property operating costs	(2,322)	(2,107)	(215)	(10.2)%	(9,416)	(8,767)	(649)	(7.4)%
	19,314	**32,252**	**(12,938)**	(40.1)%	**$65,685**	**81,347**	**(15,662)**	(19.3)%
Acquisitions	2,998	138	2,860		16,311	4,868	11,443	
Dispositions	—	—	—		—	—	—	
NOI [(1)] - in thousands of NZD	**$22,312**	**$32,390**	**$(10,078)**	(31.1)%	**$81,996**	**$86,215**	**$(4,219)**	(4.9)%
FX rate	0.8850	0.9498	(0.0648)	(6.8)%	0.9211	0.9281	(0.0070)	(0.8)%
NOI [(1)] - in thousands of CAD	**$19,746**	**$30,764**	**$(11,018)**	(35.8)%	**$75,527**	**$80,020**	**$(4,493)**	(5.6)%

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.

Canada

Same Property NOI

Same property NOI for the three months ended December 31, 2017 decreased by 1.8% over the comparable prior year period due to higher vacancy mainly driven by a non-medical tenant contraction of 65,000 sf upon renewal partly offset by a decrease in non-recoverable operating costs. Same property NOI for the three months ended December 31, 2017 on a cash-recurring[1] basis, decreased by 1.6% over the comparable prior year period and increased by 4.9% excluding the impact of the non-medical tenant contraction noted above.

Same property NOI for the year ended December 31, 2017 decreased by 2.7% over the comparable prior year period, due to higher vacancy mainly driven by a non-medical tenant contraction of 65,000 square feet upon renewal, increase in non-recoverable operating costs offset by higher parking income and lease surrender fees. Same property NOI for the twelve months ended December 31, 2017 on a cash-recurring[1] basis, decreased by 2.2% over the comparable prior year period and increased by 0.3% excluding the impact of the non-medical tenant contraction noted above.

Revenue from investment properties

Same property revenue from investment properties for the three months ended December 31, 2017 is $49 higher than the three months ended December 31, 2016 primarily due to increase in operating cost recoveries of $639 driven by an increase in recoverable operating costs and increase in miscellaneous income of $95; offset by a decrease in net rent of $571 mainly attributable to a non-medical tenant contraction of 65,000 square feet upon renewal in previous quarter, and free rent and straight-line rent adjustments of $99.

Same property revenue from investment properties for the year ended December 31, 2017 is $522 lower than actual results for the year ended December 31, 2016 primarily due to lower base rent of $1,334 after corporate management office adjustments, essentially a result of a non-medical tenant contraction of 65,000 square feet upon renewal, free rent and straight-line rent adjustments of $434; offset by an increase in operating cost recoveries of $386 driven by an increase in recoverable operating costs, lease termination fee of $349, a non-recurring tenant improvement reimbursement repayment of $220 and higher parking revenue $154 reflecting efficiencies of internalization of parking management.

Property operating costs

Same property operating expenses for the three months ended December 31, 2017 increased by $369 over the comparable prior year period driven by an increase in recoverable operating costs relating to repairs and maintenance, property taxes and salaries and benefits; offset partially by a decrease in non-recoverable parking, consulting and bad debt expenses.

Same property operating expenses for the year ended December 31, 2017 increased by $1,433 over the comparable prior year period driven by an increase in recoverable costs relating heating and ventilation, repairs and maintenance and property taxes; and an increase in non-recoverable costs primarily due to IT software license fees as a result of an upgrade, fees associated with implementation of an improved tenant service program and amortization of an operating lease of a parking facility; offset partially by a decrease in non-recoverable parking and bad debt expenses.

1 Excluding straight-line rental revenue recognition, amortization of operating leases, lease termination fees and one time transactions that are not expected to recur

Brazil

Same Property NOI

Same property NOI for the three months ended December 31, 2017 in BRL, increased by 6.0% (2.3% higher in C$) over the comparable prior year period mainly driven by inflationary adjustments to rents. Same property NOI for the three months ended December 31, 2017 on a cash-recurring[1] basis in BRL, increased by 6.0% (2.3% in C$), over the comparable prior year period.

Same property NOI for the year ended December 31, 2017 in BRL, increased by 5.3% (11.6% in C$) over the comparable prior year period mainly driven by inflationary adjustments to rents. Same property NOI for the twelve months ended December 31, 2017 on a cash-recurring[1] basis in BRL, increased by 6.5% (12.9% in C$), over the comparable prior year period.

Revenue from investment properties

Same property revenues for the three months ended December 31, 2017 increased by R$1,414 (R$4,656 for the year ended December 31, 2017) over the comparable prior year period as a result of inflationary adjustments which are implemented across the portfolio, in accordance with the REIT's leasing contracts. The rental increase imposed in 2017 reflects the 12 month IPCA rate as at each property rental adjustment date. On January 1, 2017, the leases relating to Rede D'Or Hospital Portfolio properties were adjusted by 6.6% on average. This increase was partially offset by a weakening of the Brazil foreign exchange by 3.5% over the fourth quarter 2016.

Property operating costs

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 NOI

Same property NOI for the three months ended December 31, 2017 in Euros increased by 6.8% (10.9% in C$) over the comparable prior year period, mainly driven by higher occupancy in Leipzig, Berlin and Brandenburg regions, inflationary rental increases and prior year tenant adjustments. Same property NOI for the three months ended December 31, 2017 on a cash-recurring[1] basis, in Euros, increased by 3.2% (7.1% in C$) over the comparable prior year period.

Revenue from investment properties

Same property revenue for the three months ended December 31, 2017 from Germany's investment properties increased by €132 (year ended December 31, 2017 - €532) against prior year quarter reflecting favourable impact of prior year cost adjustments with tenants, inflationary rental increases to existing tenants, leasing out vacant units in Sachsen, Bayern and Berlin properties and higher operating cost recoveries driven by favourable renegotiation of leases on renewal, better covenanted new deals and higher recoverable operating costs.

1 Excluding straight-line rental revenue recognition, amortization of operating leases, lease termination fees and one time transactions that are not expected to recur

Property operating costs

Same property operating costs for the three months ended December 31, 2017 decreased by €6 against the prior year comparable period mainly due to lower consumption based costs (electricity and heating) in the period.

Same property operating costs for the year ended December 31, 2017 increased by €391 against the prior year comparable period mainly due to higher consumption based costs (such as heating) and an increase in expenses for caretakers (increase in attendance) in the period.

Vital Trust

Same Property NOI

Same property NOI for the three months ended December 31, 2017 in NZ$ decreased by 40.1% (44.2% in C$) over the comparable prior year period, mainly driven by lease surrender payment of A$13M received in Q4 2016 from Allamanda Private Hospital (Healthscope) and a lower rent replacement tenant (Ramsay Healthcare) at Southport Private Hospital off-set by rentalized expansions at several properties.

Same property NOI for the three months ended December 31, 2017 in NZ$ on a cash-recurring[1] basis increased by 1.0% (decreased by 5.9% in C$) over the comparable prior year period and increased in NZ$ by 3.2% (decreased by 3.8% in C$) excluding the impact of the Ramsey Healthcare deal noted above.

Same property NOI for the year ended December 31, 2017 in NZ$ decreased by 19.3% (19.9% in C$) over the comparable prior year period, mainly driven by lease surrender payment of A$13M received in Q4 2016 from Allamanda Private Hospital (Healthscope) and a lower rent replacement tenant (Ramsay Healthcare) at Southport Private Hospital off-set by rentalized expansions at several properties.

Same property NOI for the year ended December 31, 2017 in NZ$ on a cash-recurring[1] basis decreased by 2.8% (3.6% in C$) over the comparable prior year period and increased in NZ$ by 3.1% (2.4% in C$) excluding the impact of the Ramsay Healthcare deal noted above.

Revenue from investment properties

Vital Trust's same property revenue for the three months ended December 31, 2017, decreased by NZ$12,723 over the comparable prior year period due to lease surrender payment of NZ$13,000 received in Q4 2016 from Allamanda Private Hospital (Healthscope) and a lower rent replacement tenant (Ramsay Healthcare) at Southport Private Hospital off-set by property rent increases and rentalization of the expansions at Epworth Eastern Hospital, South Eastern Private Hospital, Hurstville Private Hospital, Dubbo Private Hospital, Maitland Private Hospital and Fairfield.

For the year ended December 31, 2017 same property revenue decreased by NZ$15,013 as a result of the departure of a large tenant at the Southport Hospital, Allamanda Private Hospital (Healthscope), net of a lower rent replacement tenant (Ramsay Healthcare) and at Gold Coast Surgery Centre. This was partially offset by property rent increases and rentalization of the expansions as noted above.

Property operating costs

For the three months ended December 31, 2017, Vital Trust's same property operating costs increased by NZ$215 (year ended December 31, 2017 - NZ$649) over the comparable prior year quarter primarily due to costs associated with development which became revenue producing.

1 Excluding straight-line rental revenue recognition, amortization of operating leases, lease termination fees and one time transactions that are not expected to recur

FUNDS FROM OPERATIONS ("FFO")

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

TABLE 8 - FUNDS FROM OPERATIONS

Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended December 31,			Year ended December 31,		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income (loss) attributable to unitholders	**$ 34,384**	**$ 77,457**	**$ (43,073)**	**$ 67,387**	**$ 56,963**	**$ 10,424**
Add / (Deduct):						
(i) Fair market value losses (gains)	(57,323)	(91,923)	34,600	(234,579)	(102,353)	(132,226)
Less: Non-controlling interests' share of fair market value losses (gains)	22,398	12,368	10,030	141,237	51,694	89,543
(ii) Finance cost - Exchangeable Unit distributions	3,800	3,800	—	15,199	15,199	—
(iii) Revaluation of financial liabilities	558	2,466	(1,908)	3,667	10,053	(6,386)
(iv) Unrealized foreign exchange loss (gain)	(7,358)	(2,392)	(4,966)	(7,394)	(47)	(7,347)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	5	(944)	949	995	(833)	1,828
(v) Deferred taxes	28,481	24,712	3,769	50,239	46,149	4,090
Less: Non-controlling interests' share of deferred taxes	(6,637)	(3,057)	(3,580)	(10,978)	(11,324)	346
(vi) Non-recurring transaction costs	858	295	563	13,291	4,106	9,185
(vii) Convertible Debenture issuance costs	—	3,947	(3,947)	—	7,064	(7,064)
(viii) Net adjustments for equity accounted entities	—	(6,547)	6,547	(38,943)	(6,424)	(32,519)
(ix) Internal leasing costs	598	736	(138)	2,041	2,123	(82)
(x) Net loss on disposal of investment properties	675	—	675	675	2,807	(2,132)
(xi) Gain on business combination	—	—	—	89,578	(53)	89,631
(xii) Amortization of finance leases	(77)	—	(77)	(154)	—	(154)
(xiii) Other FFO adjustments	2,647	436	2,211	5,307	1,475	3,832
Funds From Operations ("FFO") (1)	**$ 23,009**	**$ 21,354**	**$ 1,655**	**$ 97,568**	**$ 76,599**	**$ 20,969**
FFO per Unit - Basic	$ 0.19	$ 0.24	$ (0.05)	$ 0.92	$ 0.94	$ (0.02)
FFO per Unit - fully diluted (3)	$ 0.19	$ 0.23	$ (0.04)	$ 0.87	$ 0.90	$ (0.03)
Adjusted weighted average units outstanding (2)						
Basic	118,191,998	88,366,983	29,825,015	106,318,041	81,465,221	24,852,820
Diluted (3)	138,554,550	109,701,240	28,853,310	126,628,027	95,511,014	31,117,013

Notes

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

(2) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 18,998,065 Class B LP Units outstanding as at December 31, 2017 and December 31, 2016.

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

FFO DILUTION						
	Three months ended December 31,			Year ended December 31,		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Funds From Operations ("FFO") - Undiluted	**$ 23,009**	**$ 21,354**	**$ 1,655**	**$ 97,568**	**$ 76,599**	**$ 20,969**
Potentially Dilutive Convertible Debentures						
NWH.DB	528	528	—	2,113	2,113	—
NWH.DB.A	—	367	(367)	—	1,469	(1,469)
NWH.DB.B	—	328	(328)	—	1,313	(1,313)
NWH.DB.C	—	702	(702)	—	—	—
NWH.DB.D	729	729	—	2,915	2,915	—
NWH.DB.E	981	981	—	3,924	1,715	2,209
NWH.DB.F	1,057	186	871	4,226	187	4,039
	3,295	3,821	(526)	13,178	9,712	3,466
Funds From Operations ("FFO") - Diluted	**$ 26,304**	**$ 25,175**	**$ 1,129**	**$ 110,746**	**$ 86,311**	**$ 24,435**
Adjusted weighted average units outstanding:						
Basic	118,191,998	88,366,983	29,825,015	106,318,041	81,465,221	24,852,820
Vested but unissued deferred units	665,126	551,184	113,942	612,560	492,460	120,100
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	5,862,745	5,862,745	—	5,862,745	2,562,949	3,299,796
NWH.DB.F	6,289,063	1,108,611	5,180,452	6,289,063	278,667	6,010,396
	19,697,426	20,783,073	(1,085,647)	19,697,426	13,553,333	6,144,093
Diluted	138,554,550	109,701,240	28,853,310	126,628,027	95,511,014	31,117,013

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 losses (gains)**

TABLE 8A - FAIR MARKET VALUE LOSSES (GAINS)						
Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Unaudited)
Fair market value losses (gains)						
Fair value adjustment of Convertible Debentures	$ (5,102)	$ (4,756)	$ (346)	$ 5,303	$ 6,490	$ (1,187)
Fair value adjustment of Exchangeable Units	760	(4,940)	5,700	22,228	24,127	(1,899)
Fair value adjustment of investment properties	(53,091)	(73,473)	20,382	(259,551)	(136,366)	(123,185)
Loss (Gain) on derivative financial instruments	13	(9,040)	9,053	(4,352)	1,945	(6,297)
Fair value adjustment of DUP liability	97	286	(189)	1,793	1,451	342
Total	**$ (57,323)**	**$ (91,923)**	**$ 34,600**	**$ (234,579)**	**$ (102,353)**	**$ (132,226)**

Additional details are below:

(a) Convertible Debentures

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

(b) Exchangeable Units and DUP Liability

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

(c) Investment properties

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

(d) Derivative financial instruments

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

REIT's net income.

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

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

(iii) **Revaluation of financial liabilities**

On maturity, the principal balance of the Brazil term loans 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 therefore adjusted for when calculating FFO. Although this adjustment is not consistent with REALpac Guidance, the REIT believes the adjustment is consistent with industry practice.

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

Under IFRS, financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. The REIT's unrealized foreign exchange movements for the periods relate primarily to the revaluation of the Australasian debt which are denominated in Australian and/or New Zealand dollars and held by a Canadian 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 Australia REIT acquisition and the GHM acquisition which have been determined to be business combinations. In accordance with the REALpac Guidance, to allow for consistent treatment of transaction costs incurred whether a transaction is recorded as an asset acquisition or business combination, and to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, costs related to the REIT's strategic transactions have been added back to net income.

(vii) **Convertible Debenture issuance costs**

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

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

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

(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 Australia REIT and GHM acquisitions accounted for as a business combination.

(xii) **Amortization of finance leases**

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

(xiii) **Other FFO adjustments**

Other FFO adjustments include the amortization of the free rent asset associated with the sale and lease back of the mid-town Toronto parking garage as well as the amortization intangibles recognized on the acquisition of 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 financial measure of a REIT's operating performance and is intended to reflect a stabilized operating environment. The REIT calculates AFFO as FFO, plus/minus certain adjustments as detailed below. Other adjustments may be made to AFFO as determined by management at their discretion.

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

TABLE 9 - ADJUSTED FUNDS FROM OPERATIONS

Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended December 31,			Year ended December 31,		
	2017	**2016**	**Variance**	**2017**	**2016**	**Variance**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Funds From Operations ("FFO") (1)	**$ 23,009**	**$ 21,354**	**$ 1,655**	**$ 97,568**	**$ 76,599**	**$ 20,969**
Add / (Deduct):						
(i) Amortization of marked to market adjustment	(889)	(777)	(112)	(3,165)	(5,964)	2,799
(ii) Amortization of deferred financing charges	1,892	1,394	498	7,446	4,768	2,678
Less: Non-controlling interests' share of amortization of deferred financing charges	(66)	(69)	3	(207)	(272)	65
(iii) Straight-line revenue	359	81	278	1,011	(349)	1,360
Less: non-controlling interests' share of straight-line revenue	(316)	(202)	(114)	(1,101)	(414)	(687)
(iv) Leasing costs and non-recoverable maintenance capital expenditures	(3,093)	(2,526)	(567)	(12,277)	(9,844)	(2,433)
Less: non-controlling interests' share of actual capex and leasing costs	93	192	(99)	1,709	465	1,244
(v) DUP Compensation Expense	1,063	(54)	1,117	4,791	2,122	2,669
(vi) Debt repayment costs	1,280	—	1,280	1,455	3,134	(1,679)
(vii) Net adjustments for equity accounted entities	—	(209)	209	(750)	(354)	(396)
Adjusted Funds From Operations ("AFFO") (1)	**$ 23,332**	**$ 19,184**	**$ 4,148**	**$ 96,480**	**$ 69,891**	**$ 26,589**
AFFO per Unit - Basic	$ 0.20	$ 0.22	$ (0.02)	$ 0.91	$ 0.86	$ 0.05
AFFO per Unit - fully diluted (3)	$ 0.19	$ 0.21	$ (0.02)	$ 0.87	$ 0.83	$ 0.04
Distributions per Unit - Basic	$ 0.20	$ 0.20	$ —	$ 0.80	$ 0.80	$ —
Adjusted weighted average units outstanding: (2)						
Basic	118,191,998	88,366,983	29,825,015	106,318,041	81,465,221	24,852,820
Diluted (3)	138,554,550	103,435,141	35,119,409	126,628,027	92,344,915	34,283,112

Notes

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

(2) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 18,998,065 Class B LP Units outstanding as at December 31, 2017 and December 31, 2016.

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

AFFO DILUTION						
	Three months ended December 31,			Year ended December 31,		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Adjusted Funds From Operations ("AFFO") - Undiluted	**$ 23,332**	**$ 19,184**	**$ 4,148**	**$ 96,480**	**$ 69,891**	**$ 26,589**
Potentially Dilutive Convertible Debentures						
NWH.DB	528	528	—	2,113	2,113	—
NWH.DB.A	—	—	—	—	—	—
NWH.DB.B	—	—	—	—	—	—
NWH.DB.C	—	—	—	—	—	—
NWH.DB.D	729	729	—	2,915	2,915	—
NWH.DB.E	981	981	—	3,924	1,715	2,209
NWH.DB.F	1,057	186	871	4,226	187	4,039
	3,295	2,424	871	13,178	6,930	6,248
Adjusted Funds From Operations ("AFFO") - Diluted	**$ 26,627**	**$ 21,608**	**$ 5,019**	**$ 109,658**	**$ 76,821**	**$ 32,837**
Adjusted weighted average units outstanding:						
Basic	118,191,998	88,366,983	29,825,015	106,318,041	81,465,221	24,852,820
Vested but unissued deferred units	665,126	551,184	113,942	612,560	492,460	120,100
Potentially Dilutive Convertible Debentures						
NWH.DB	2,834,507	2,834,507	—	2,834,507	2,834,507	—
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	5,862,745	5,862,745	—	5,862,745	2,562,949	3,299,796
NWH.DB.F	6,289,063	1,108,611	5,180,452	6,289,063	278,667	6,010,396
	19,697,426	14,516,974	5,180,452	19,697,426	10,387,234	9,310,192
Diluted	138,554,550	103,435,141	35,119,409	126,628,027	92,344,915	34,283,112

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

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

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

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

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

(iii) **Straight-line revenue**

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

Also included in the straight-line revenue adjustments are amounts related to the Sabará Securitization Facility. At the time of securitization, deferred revenue was recognized at an amount equal to the present value of the proceeds received upon the securitization. Under IFRS, the REIT has recorded deferred revenue in respect of the Sabará Securitization Facility, which is amortized into income over the remaining term of the lease. The unamortized balance of the deferred revenue, $7,774 (R$20,411) as at December 31, 2017 is net against the value of investment properties. The fair value of the balance outstanding on the Sabará Securitization Facility is $18,605 (R$48,845) as at December 31, 2017.

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

For the three months ended December 31, 2017 the REIT recorded revenue of $522 related to the Sabará Securitization Facility (year ended December 31, 2017 - $2,164), while the actual rent received, less interest on the Sabará Securitization Facility, totaled $577 (year ended December 31, 2017 - $2,400). As such, the REIT has increased net income reported under IFRS in AFFO by $54 for the three months ended December 31, 2017 (year ended December 31, 2017 - $236).

For the three months ended December 31, 2016 the REIT recorded revenue of $79 related to the Sabará Securitization Facility (year ended December 31, 2016 - $202), while the actual rent received, less interest on the Sabará Securitization Facility, totaled $614 (year ended December 31, 2016 - $2,202). As such, the REIT has increased net income reported under IFRS in AFFO by $535 for the three months ended December 31, 2016 (year ended December 31, 2016 - $2,000).

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

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

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

(v) **DUP Compensation Expense**

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

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

(vi) **Debt repayment costs**

During the three months ended December 31, 2017, the REIT has incurred debt repayment costs of $1,280 (year ended December 31, 2017 - $1,455) related to the early repayment of the mortgage related to Clinique Bois-De-Boulogne in Canada which was sold in the forth quarter as well as prepayment costs related to the redemption of the two series of Convertible Debentures . During the three months ended December 31, 2016 the REIT incurred $nil (year ended December 31, 2016 - $3,134) of costs associated with the early repayment of mortgages. As the costs are non-recurring in nature the REIT has added them back to income when determining AFFO.

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

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

DISTRIBUTIONS

For the year ended December 31, 2017, the REIT declared a total of $21,323 and $83,355, respectively, in distributions, including distributions on Exchangeable Units. These distributions reflect an annualized distribution rate of $0.80 per unit per annum.

For the year ended December 31, 2016, the REIT declared a total of $17,674 and $65,921, respectively, in distributions, including distributions on Exchangeable Units. These distributions reflect an annualized distribution rate of $0.80 per unit per annum.

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

TABLE 10 - MONTHLY DISTRIBUTIONS

	Dec-17	Nov-17	Oct-17	Sep-17	Aug-17	Jul-17	Jun-17	May-17	Apr-17	Mar-17	Feb-17	Jan-17
Monthly distribution ($)	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667
Month-end closing price ($)	11.37	11.43	11.37	11.33	11	10.62	10.68	10.75	10.77	10.55	10.2	10
Date of Record	12/29/2017	11/30/2017	10/31/2017	9/29/2017	8/31/2017	7/31/2017	6/30/2017	5/31/2017	4/28/2017	3/31/2017	2/28/2017	1/31/2017
Date Paid	1/15/2018	12/15/2017	11/15/2017	8/13/2017	9/15/2017	8/15/2017	7/14/2017	6/15/2017	5/15/2017	4/14/2017	3/15/2017	2/15/2017

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 year ended December 31, 2017, a total of 162,179 and 612,236 trust units respectively were issued under the DRIP (year ended December 31, 2016, a total of 104,142 and 379,888 trust units, respectively).

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

TABLE 11 - DIFFERENCES BETWEEN CASH FLOW FROM OPERATIONS/NET INCOME AND CASH DISTRIBUTIONS				
Expressed in thousands of Canadian dollars	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income (loss) attributable to unitholders	$ 34,384	$ 77,457	$ 67,387	$ 56,963
Add: Finance cost - Exchangeable Unit distributions	3,800	3,800	15,199	15,199
Adjusted net income (loss)	$ 38,184	$ 81,257	$ 82,586	$ 72,162
Cash flow from operating activities attributable to unitholders	$ 9,170	$ 18,156	$ 66,488	$ 67,229
Distributions paid and payable				
Trust Units	$ 17,523	$ 13,874	$ 68,156	$ 50,722
Exchangeable Units	3,800	3,800	15,199	15,199
	$ 21,323	$ 17,674	$ 83,355	$ 65,921
Surplus (shortfall) of adjusted net income (loss) attributable to unitholders over distributions paid and payable	$ 16,861	$ 63,583	$ (769)	$ 6,241
Surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	$ (12,153)	$ 482	$ (16,867)	$ 1,308
Value of Trust Units issued pursuant to the DRIP	$ 1,773	$ 1,333	$ 6,363	$ 4,821

TABLE 11A - ADJUSTMENT FOR DISTRIBUTION INCOME FROM ASSOCIATES				
	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	$ (12,153)	$ 482	$ (16,867)	$ 1,308
Add: Distribution income from equity accounted associates	—	1,898	1,898	1,898
Adjusted surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	$ (12,153)	$ 2,380	$ (14,969)	$ 3,206

Cash flow from operating activities attributable to unitholders excludes the distribution income from the REIT's investment in the Australia REIT up until July 2017 when the REIT began consolidating the Australia REIT. The distributions earned from its investment in associate were considered by management to be an integral part of the REIT's cash flow from operations due to the strategic nature of the equity investment. During the last three months of 2017, the REIT completed significant new financings, most notably, the long term financing in respect of Hospital Santa Helena located in Brazil of approximately $83,495, and raised approximately $144,000 of new equity, both of which has not yet been fully redeployed. During year ended December 31, 2017, the REIT's cash flow from operating activities were insufficient to pay distributions. For the year ended December 31, 2017, after considering the distribution income earned from the REIT's investments in associates, Table 11A therefore identifies $12,153 and $14,969 respectively, of distributions that were financed from other sources being primarily draws on the REIT's Revolving Credit Facility and the DRIP.

Participants in the REIT's DRIP have their distribution entitlement used to purchase Trust Units and also receive a "bonus distribution" of Trust Units equal in value to 3% of each distribution. During the year ended December 31, 2017, there was $1,773 and $6,363 in value of Trust Units issued respectively, under the DRIP (year ended December 31, 2016, there was $1,333 and $4,821 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 2017 distributions were funded by financing activities. The REIT believes that it is able to sustain distributions in the near term as the REIT measures distributions in relation to AFFO and the REIT believes it will be able to obtain new financing to meet its cash flow requirements due to the timing of cash receipts relating to certain adjustments affecting AFFO.

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

REIT's distributions during 2017 were deemed a 100% return of capital for tax purposes. Since IPO, annually, approximately 94% to 100% of the REIT's distributions have been deemed a return of capital for tax purposes. As the REIT has a relatively short operating history since IPO, the real estate assets of the REIT have a relatively higher tax base. As such, the REIT will optimize tax deductions available to it in relation to the depreciation of its properties. Over time, all else remaining equal, as the REIT grows, its taxable income is expected to grow, and a greater proportion of the REIT's distributions will be allocated to a return on capital (and less a return of capital) for tax purposes. The REIT has chosen to make distributions partly representing an economic return on capital for tax purposes as its distribution policy is based on AFFO earned rather than the expected tax attributes of the distributions.

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

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

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

TABLE 12 - RECONCILIATION OF CASH FLOW FROM OPERATIONS TO AFFO						
Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flow from operating activities	**$ 20,510**	**$ 28,617**	**$ (8,107)**	**$ 90,840**	**$ 99,228**	**$ (8,388)**
Add (deduct):						
Non-cash interest expense	(3,429)	(5,950)	2,521	(10,017)	(5,154)	(4,863)
Non-cash current taxes	4,006	(2,487)	6,493	4,140	(2,437)	6,577
Changes in non-cash working capital balances	7,154	13,861	(6,707)	16,157	6,514	9,643
AFFO of equity accounted entities	—	(6,756)	6,756	(39,693)	(6,778)	(32,915)
Other FFO adjustments	2,647	436	2,211	5,307	1,475	3,832
Internal leasing costs	598	736	(138)	2,041	2,123	(82)
Non-recurring transaction costs	858	295	563	13,291	4,106	9,185
Leasing costs and non-recoverable maintenance capital expenditures	(3,093)	(2,526)	(567)	(12,277)	(9,844)	(2,433)
Interest income	2,090	602	1,488	4,550	2,852	1,698
Amortization of deferred revenue	355	265	90	1,229	1,128	101
Straight-line revenue	359	81	278	1,011	(349)	1,360
Redemption of units issued under the DUP	560	54	506	2,371	108	2,263
Amortization of furniture and office equipment	(304)	(439)	135	(1,409)	(750)	(659)
Foreign exchange	(1)	(497)	496	—	(1,292)	1,292
Debt repayment costs	1,280	—	1,280	1,455	3,134	(1,679)
Share of profit (loss) from associates	—	7,993	(7,993)	43,681	8,679	35,002
AFFO attributable to non-controlling interest	(10,258)	(15,101)	4,843	(26,197)	(32,852)	6,655
	$ 2,822	$ (9,433)	$ 12,255	$ 5,640	$ (29,337)	$ 34,977
AFFO	**$ 23,332**	**$ 19,184**	**$ 4,148**	**$ 96,480**	**$ 69,891**	**$ 26,589**

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	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16
Summary of Financial information								
Gross Book Value ("GBV") (1)	$ 4,684,027	$ 4,454,086	$ 4,161,721	$ 3,645,527	$ 3,328,533	$ 3,166,994	$ 2,914,693	$ 2,711,496
Debt - Declaration of Trust (2)	$ 2,190,179	$ 2,079,307	$ 1,810,466	$ 1,480,961	$ 1,382,784	$ 1,364,757	$ 1,402,740	$ 1,334,625
Debt to GBV - Declaration of Trust	46.8%	46.7%	43.5%	40.6%	41.5%	43.1%	48.1%	49.2%
Debt - Including Convertible Debentures (2)	$ 2,487,036	$ 2,421,546	$ 2,151,363	$ 1,819,363	$ 1,714,618	$ 1,620,846	$ 1,578,387	$ 1,507,039
Debt to GBV - Incl. Convertible Debentures	53.1%	54.4%	51.7%	49.9%	51.5%	51.2%	54.2%	55.6%
Operating results								
Net income (loss)	$ 60,119	$ (71,213)	$ 161,799	$ 74,534	$ 100,846	$ 3,633	$ 25,838	$ (1,186)
NOI (3)	$ 63,229	$ 61,805	$ 54,131	$ 52,894	$ 63,557	$ 48,277	$ 46,056	$ 44,707
FFO (3)	$ 23,009	$ 24,123	$ 25,912	$ 24,524	$ 21,354	$ 21,432	$ 17,710	$ 16,103
AFFO (3)	$ 23,332	$ 24,080	$ 25,983	$ 23,083	$ 19,184	$ 17,708	$ 17,325	$ 15,674
Distributions (4)	$ 21,323	$ 21,322	$ 21,291	$ 19,419	$ 17,674	$ 17,652	$ 16,173	$ 14,422
Per Unit amounts (5)								
FFO per unit - Basic	$ 0.19	$ 0.23	$ 0.24	$ 0.26	$ 0.24	$ 0.25	$ 0.22	$ 0.22
AFFO per unit - Basic	$ 0.20	$ 0.23	$ 0.25	$ 0.25	$ 0.22	$ 0.21	$ 0.22	$ 0.22
Distributions	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Adjusted Weighted Average units outstanding (5)								
Basic	118,191,998	106,585,010	106,015,975	94,212,738	88,366,983	86,344,032	78,982,759	72,037,654

Notes

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

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

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

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

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

PART IV – CAPITALIZATION AND LIQUIDITY

CAPITAL STRUCTURE

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

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

The following table shows the REIT's total capital as at December 31, 2017 and December 31, 2016:

TABLE 14 - CAPITAL STRUCTURE

Expressed in thousands of Canadian dollars	As at December 31, 2017 (Unaudited)	As at December 31, 2016 (Unaudited)
Mortgages and loans payable	$ 2,132,356	$ 1,369,665
Deferred consideration	38	13,119
Mortgages related to assets held for sale	57,785	—
Debt - Declaration of Trust [1]	**2,190,179**	**1,382,784**
Convertible Debentures at Fair Value	296,857	331,834
Debt - Including Convertible Debentures [1]	**2,487,036**	**1,714,618**
Mortgages and loans payable - marked to market	5,376	11,296
Mortgages related to assets held for sale - marked to market	—	—
Mortgages and loans payable - unamortized financing costs	(22,765)	(15,285)
Total Debt	2,469,647	1,710,629
DUP Liability	18,009	14,935
Class B LP Exchangeable Units	216,008	193,780
Unitholders' equity	947,670	704,285
Total Capitalization	**$ 3,651,334**	**$ 2,623,629**

Notes

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

Unitholders' Equity

The following table reconciles the movements in the units outstanding for the year ended December 31, 2017:

TABLE 14 -UNITS OUTSTANDING	
	(Unaudited)
Trust Units outstanding, December 31, 2016	**69,437,168**
Issuance of Trust Units pursuant to equity offering	8,544,500
Issuance of Trust Units under the DRIP	142,291
Issuance of Trust Units under the DRIP	21,868
Trust Units outstanding, March 31, 2017	**78,145,827**
Issuance of Trust Units pursuant to equity offering	9,179,300
Issuance of Trust Units under the DRIP	147,520
Issuance of Trust Units under the DUP	31,385
Trust Units outstanding, June 30, 2017	**87,504,032**
Issuance of Trust Units under the DRIP	160,246
Trust Units outstanding, September 30, 2017	**87,664,278**
Issuance of Trust Units pursuant to equity offering	13,133,000
Issuance of Trust Units under the DRIP	162,179
Issuance of Trust Units under the DUP	42,011
Issuance of Trust Units pursuant to conversion of Convertible Debentures	37,719
Trust Units outstanding, December 31, 2017	**101,039,187**

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 December 31, 2017, unchanged from December 31, 2016.

Debt

The following table reconciles the movements in the units outstanding for the year ended December 31, 2017:

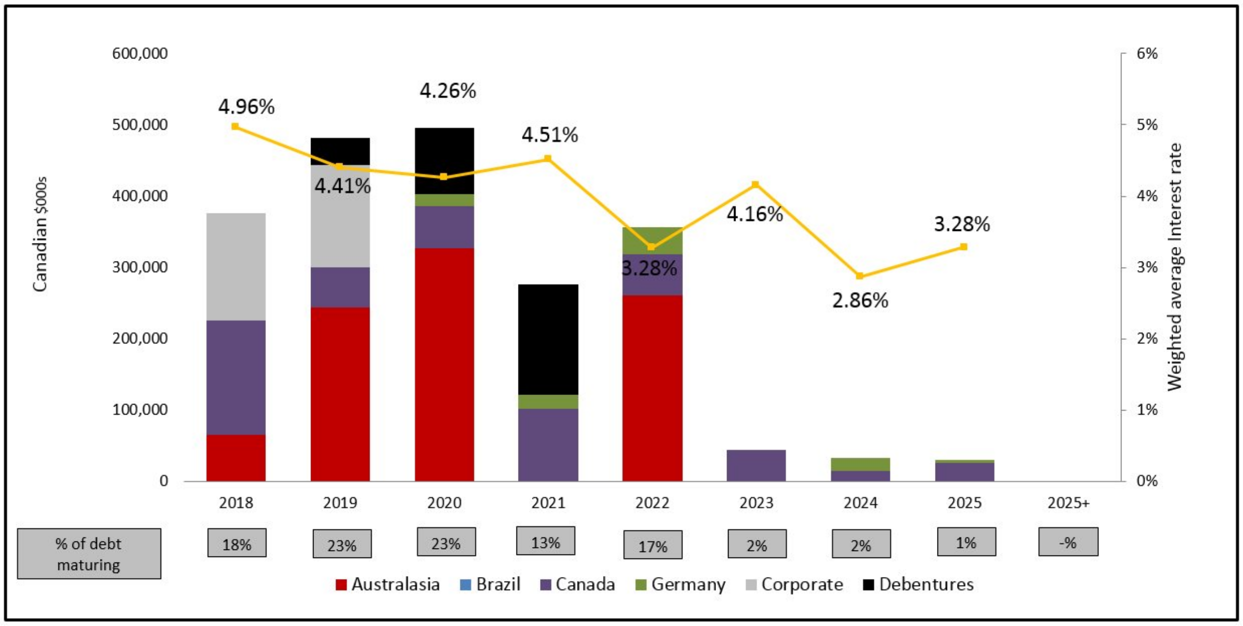
TABLE 15- DEBT						
Expressed in thousands of Canadian dollars (Unaudited)	As at December 31, 2017					
	Weighted Average Interest Rate (1)	Outstanding Balance	Marked to Market	Unamortized Financing Costs	Balance	Maturity
Canada						
Mortgages	3.83%	$ 582,684	$ 5,376	$ (1,344)	$ 586,716	July 2018 - January 2029
Brazil						
Brazil debt(2)	7.28%	221,208	—	(10,803)	210,405	May 2026 - November 2027
Germany						
Mortgages	1.91%	137,608	—	(1,458)	136,150	August 2020 - December 2027
Australasia						
Term loans	3.96%	897,672	—	(4,725)	892,947	July 2018 - November 2021
Corporate						
Australasian Secured Financing	6.01%	146,684	—	(3,534)	143,150	July 2018 - April 2019
Acquisition Facility	8.20%	8,000	—	(300)	7,700	December 2018
Revolving Credit Facility	4.29%	138,500	—	(601)	137,899	March 2018 - November 2019
	5.26%	$ 293,184	$ —	$ (4,435)	$ 288,749	
	4.31%	**2,132,356**	**5,376**	**(22,765)**	**2,114,967**	
Finance Lease	7.00%	9,802	—	—	9,802	February 2088
Total Mortgages and Loans Payable	**4.33%**	**2,142,158**	**5,376**	**(22,765)**	**2,124,769**	
Deferred Consideration	n/a	38	—	—	38	n/a
Total Debt excluding Convertible Debentures		**2,142,196**	**5,376**	**(22,765)**	**2,124,807**	
Convertible Debentures (Corporate)	5.57%	287,083	9,774	—	296,857	October 2019 - December 2021
Total Debt	**4.47%**	**2,429,279**	**15,150**	**(22,765)**	**2,421,664**	
	As at December 31, 2016					
	Weighted Average Interest Rate (1)	Outstanding Balance	Marked to Market	Unamortized Financing Costs	Balance	Maturity
Canada						
Mortgages	3.93%	$ 670,734	$ 11,296	$ (1,397)	$ 680,633	April 2017 - January 2029
Brazil						
Brazil Term Loans	7.84%	157,035	—	(9,947)	147,088	May 2026 - December 2026
Germany						
Mortgages	1.92%	92,837	—	(1,601)	91,236	June 2019 - August 2025
Australasia						
Term loans	4.66%	243,340	—	(889)	242,451	March 2019 to October 2020
Corporate						
Australasian Facilities	5.86%	118,719	—	(720)	117,999	July 2018
Acquisition Facility	8.20%	18,000	—	(544)	17,456	December 2018
Revolving Credit Facility	3.01%	69,000	—	(187)	68,813	November 2017
	5.11%	205,719	—	(1,451)	204,268	
Total Mortgages and Loans Payable	**4.55%**	**$ 1,369,665**	**$ 11,296**	**$ (15,285)**	**$ 1,365,676**	
Deferred Consideration	n/a	13,119	—	—	13,119	n/a
Total Debt excluding Convertible Debentures		**$ 1,382,784**	**$ 11,296**	**$ (15,285)**	**$ 1,378,795**	
Convertible Debentures (Corporate)	5.73%	327,350	4,484	—	331,834	March 2018 - December 2021
Total Debt	**4.78%**	**$ 1,710,134**	**$ 15,780**	**$ (15,285)**	**$ 1,710,629**	

Notes

(1) Weighted average interest rate of Total Debt has been calculated excluding Deferred Consideration

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

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

TABLE 15A - CANADIAN MORTGAGES				
Expressed in thousands of Canadian dollars	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Weighted average interest rates [1]
As at December 31, 2017	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
2018	$ 15,505	$ 159,649	$ 175,154	3.83%
2019	13,058	56,192	69,250	3.58%
2020	11,877	59,504	71,381	4.01%
2021	7,902	101,530	109,432	3.76%
2022	6,522	58,510	65,032	4.05%
2023	3,605	43,979	47,584	4.16%
2024	2,227	14,225	16,452	4.30%
2025	975	25,653	26,628	3.50%
2026	541	—	541	—%
2027 and thereafter	1,230	—	1,230	—%
	$ 63,442	**$ 519,242**	**$ 582,684**	**3.86%**
Marked to market premium			5,376	-1.10%
			588,060	**2.76%**
Unamortized financings costs			(1,344)	
Total			**$ 586,716**	

Notes

(1) One Canadian mortgage with a 5.73% interest rate fully amortizes over the period to January 2029.

On June 15, 2017, the REIT renegotiated and extended by one year to July 1, 2018 the maturity date of a Canadian mortgage with a balance of $16,280, bearing a floating interest rate of prime rate plus 2.75% or floor rate of 5.60%.

On May 2, 2017, the REIT entered into a non-revolving secured credit facility of $51,203, which has a term maturing subject to renewal options, and bears interest at bank's prime rate plus 1.00% or Bankers' Acceptances plus 2.00%. The non-revolving secured credit facility is secured by three Canadian investment properties, and the terms of a general security agreement. The properties previously had mortgages of $47,456 bearing a weighted average interest rate of 4.43%, which were repaid using proceeds of the the non-revolving secured credit facility.

On April 12, 2017, the REIT repaid a second mortgage on a Canadian investment property with an outstanding balance of $20,000 and interest rate of 5.75% using proceeds from refinancing of the secured revolving credit facility.

Brazil – Debt

TABLE 15B - BRAZIL DEBT

Expressed in thousands of Canadian dollars	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Weighted average interest rates (1)
As at December 31, 2017	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
2018	$ 17,995	$ —	$ 17,995	—
2019	19,314	—	19,314	—
2020	20,731	—	20,731	—
2021	22,254	—	22,254	—
2022	23,891	—	23,891	—
2023	25,650	—	25,650	—
2024	27,540	—	27,540	—
2025	29,572	—	29,572	—
2026	23,598	—	23,598	—
2027 and thereafter	10,663	—	10,663	—
	$ 221,208	**$ —**	**$ 221,208**	**7.28%**
Unamortized financings costs			(10,803)	
Total			**$ 210,405**	

Notes

(1) The Brazil Term Loans fully amortize over a ten year period.

On October 10, 2017, the REIT completed long term financing in respect of Hospital Santa Helena located in Brasilia Brazil, raising gross proceeds of approximately $83,495 (R$218,000). The financing is secured by 100% of future rents during a ten year term and bears an interest rate of 6.35%.

As at December 31, 2017, the outstanding balance of the four long-term financings relating to the Hospital Caxias D'Or, HMB and Hospital Santa Helena assets was $221,208 (R$580,751) (December 31, 2016 - $157,035 (R$379,772), with terms maturing between May 7, 2026 and December 6, 2026 and bearing a weighted average interest rate of 7.28% (December 31, 2016 - 7.84%).

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

Germany – Mortgages

The following table summarizes, as at December 31, 2017, 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	**Scheduled principal payments**	**Debt maturing during the year**	**Total mortgages payable**	**Weighted average interest rates**
As at December 31, 2017	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
2018	$ 3,931	$ —	$ 3,931	—%
2019	3,595	—	3,595	—%
2020	3,468	16,246	19,714	1.42%
2021	2,946	19,711	22,657	2.55%
2022	2,164	36,962	39,126	1.74%
2023	1,773	—	1,773	—%
2024	1,213	19,301	20,514	1.80%
2025	974	4,730	5,704	2.11%
2026	927	—	927	—%
2027 and thereafter	641	19,026	19,667	2.03%
	$ 21,632	**$ 115,976**	**$ 137,608**	**1.91%**
Unamortized financings costs			(1,458)	
Total			**$ 136,150**	

On June 30, 2017, the REIT completed the refinancing of mortgages secured against 12 of the REIT's properties located in Leipzig and Hamburg, Germany. The refinancing represents two mortgages totaling $27,222 (€18,400), bearing interest rates ranging from 1.83% to 1.94% (weighted average interest rate of 1.89%) and terms ranging from 5-10 years representing a weighted average term of 7.53 years. The refinancing replaced mortgages with an outstanding balance of $20,081 (€13,573), weighted average interest rate of 1.97% and weighted average term to maturity of 2.66 years.

During the year ended December 31, 2017, the REIT also entered or assumed four mortgages for total of $19,236 (€27,550) with respect to acquisition of three investment properties in Germany.

Australasia – Term Loans

The following table summarizes, as at December 31, 2017, scheduled principal payments, debt maturity amounts and weighted average interest rates of Vital Trust and Australia REIT's term loan facilities:

TABLE 15D - AUSTRALASIA TERM LOANS				
Expressed in thousands of Canadian dollars	**Scheduled principal payments**	**Debt maturing during the year**	**Total mortgages payable**	**Weighted average interest rates**
As at December 31, 2017	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
2018	$ —	$ 65,838	65,838	5.63%
2019	$ —	$ 244,640	244,640	4.02%
2020	—	326,892	326,892	4.09%
2022	$ —	$ 260,303	260,303	3.32%
	$ —	**$ 897,673**	**$ 897,673**	**3.96%**
Unamortized financings costs			(4,725)	
Total			**$ 892,948**	

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 approximately $589,000 (A$600,000) facility, a multi-currency facility, is split between several tranches ranging from $18,000 (NZ$20,000) to $172,000 (A$175,000) which mature between October 30, 2020 and November 20, 2021.

As at December 31, 2017, Vital Trust had borrowings on the term loan facilities totaling $547,019 (December 31, 2016 - $243,341).

Borrowings are secured by a security trust deed dated April 1, 2003 and as amended and restated on November 29, 2016. 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.

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 2.41% to 4.99% that fix interest on $283,720 (NZ $318,786) of the syndicated facility. The weighted average effective interest rate on the Vital Trust Term Loans was 4.09% as at December 31, 2017.

The Australia REIT has five bank facilities:

i. A syndicated term loan facility with a total limit of $475,543 (A$485,000) drawn to $218,043 (A$222,379) at December 31, 2017, and is repayable in December 2022;
ii. A term loan of $42,260 (A$43,100) with a maturity of December 2022;
iii. A term facility with a limit of $24,513 (A$25,000) fully drawn at December 31, 2017, with a maturity of October 2019 (repaid in full in February 2018 with proceeds from the syndicated term loan facility (i));
iv. A revolving cash advance facility with a limit of $40,397 (A$41,200) fully drawn at December 31, 2017, repayable in July 2018 (repaid in full in February 2018 with proceeds from the syndicated term loan facility (i));
v. A joint and several facility with St. John of God HealthCare for the construction costs of the St. John of God Private Hospital which has a total limit of $26,422 (A$26,947) of which $25,442 (A$25,948) was drawn at December 31, 2017 and has a maturity of December 2018 (repaid in full in March 2018 with proceeds from the syndicated term loan facility (i)).

All of the Australia REIT's assets are pledged as security for these loans. The facilities are also secured by a negative pledge that imposes certain covenants with respect to the particular security pool for each facility.

The Australia REIT has entered into interest rate swaps that mature over the next 5 years and have fixed interest rates ranging from 2.19% to 7.37% that fix interest on $70,034 (A$71,427) of their total facilities. The weighted average effective interest rate on the Australia REIT Term Loans was 4.02% as at December 31, 2017.

Corporate

TABLE 15D - CORPORATE DEBT				
Expressed in thousands of Canadian dollars				
	Scheduled principal payments	Debt maturing during the year	Total loans payable	Weighted average interest rates
As at December 31, 2017	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
2018	$—	$150,659	$150,659	5.86%
2019	—	142,525	142,525	4.63%
2020	—	—	—	—%
	$—	**$293,184**	**$293,184**	**5.26%**
Unamortized financings costs			(4,435)	
Total			**$288,749**	

The REIT's corporate borrowings include the Revolving Credit Facility, the Australasian Secured Financing, and the Acquisition Facility (defined hereafter).

During the quarter, with proceeds from the equity offering, the REIT fully repaid Tranche D ($125,000) maturing in November 2017, with an interest rate of 5.86% of the Revolving Credit Facility. In the fourth quarter the REIT also added two separate additional tranches in the amount of $75,000 and $50,000 respectively. Tranches bear interest rates ranging from the bank's prime rate plus 3.00% or Bankers' Acceptances plus 4.25%. As at December 31, 2017, the REIT had drawn $45,000 on the additional tranches. Both tranches have initial terms maturing March 20, 2018, subject to extension rights. See **Subsequent Events**.

As at December 31, 2017, the Revolving Credit Facility has total borrowing capacity of $230,000, of which $138,500 was borrowed. The various tranches have a maturity dates between March 2018 and November 2019. The weighted average interest rate on the Revolving Credit Facility as at December 31, 2017 was 4.29%.

The Australasian Secured Financing is made up of two separate facilities: the Australasian Secured Financing, a New Zealand dollar denominated facility which has a borrowing capacity of $97,659 (NZ$109,729) and matures in July 2018, and the Australasian Secured Acquisition Facility, an Australian dollar denominated facility which has a borrowing capacity of $49,025 (A$50,000) and matures in April 2019. As at December 31, 2017, both facilities were fully drawn. The weighted average interest rate as at December 31, 2017 on the Australasian Secured Financing and the Australasian Secured Acquisition Facility was 5.82% and 6.39% respectively.

During the quarter, the REIT repaid $119,621 (A$122,000) of the Australasian Secured Acquisition Facility using net proceeds from Australia REIT term loan financing. The Australia REIT term loan financing bears an interest rate of 3.09% and matures December, 2022

The Acquisition Facility has a borrowing capacity of $32,000 (of which $8,000 is non-revolving) and matures on December 31, 2018 (the "**Acquisition Facility**"). As at December 31, 2017, the Acquisition Facility was drawn to $8,000, and had a weighted average interest rate of 8.2%.

Finance Lease Payable

The lease of land on which one of Australia REIT's investment properties is built is accounted for as a finance lease. The remaining term of the lease at December 31, 2017 was 69 years. There is no purchase option.

Convertible Debentures

The following table summarizes, as at December 31, 2017, 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 December 31, 2017						
Series NWH.DB	41,458	40,250	5.25%	$ 14.20	**September 30, 2020**	**March 31, September 30**
Series NWH.DB.C	40,202	38,750	7.25%	$ 12.50	**October 31, 2019**	**April 30, October 31**
Series NWH.DB.D	55,474	52,833	5.50%	$ 11.25	**October 31, 2020**	**April 30, October 31**
Series NWH.DB.E	76,768	74,750	5.25%	$ 12.75	**July 31, 2021**	**January 31, July 31**
Series NWH.DB.F	82,955	80,500	5.25%	$ 12.80	**December 31, 2021**	**June 30, December 31**
	$ 296,857	**$ 287,083**	**5.57%**			

Notes

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

On December 11, 2017, the REIT completed redemption of the NWH.DB.A (6.5% convertible unsecured subordinate debentures maturing March 31, 2018) and NWH.DB.B (7.5% convertible unsecured subordinate debentures maturing September 30, 2018) of which aggregate principal of $22,600 and $17,236 respectively was outstanding on redemption date.

During the three months and year ended December 31, 2017, $444 of the NWH.DB.B debentures were converted to REIT units (three months and year ended December 31, 2016 - nil).

Deferred Consideration

Deferred consideration relates to holdback payable and transaction costs not yet paid related to previously completed acquisitions. As at December 31, 2017 deferred consideration is related to the German acquisition of Mehrower Allee.

DUP Liability

Under IFRS, the REIT's DUP Liability is measured at fair value each reporting period. The fair value of the DUP Liability mirrors the trading price of the REIT Trust Units. As at December 31, 2017 the DUP Liability is $18,009 (December 31, 2016 - $14,935).

RATIOS AND COVENANTS

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

The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with a term to maturity that is appropriate having regard to the lease maturity profile for each property and which allows the REIT to (i) achieve and maintain staggered debt maturities to lessen exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix the rates and extend loan terms as long as possible when borrowing conditions are favourable. The following summarizes the status of these key ratios as at and for the year ended December 31, 2017 and 2016:

TABLE 15F- RATIOS (1)

Expressed in thousands of Canadian dollars	As at December 31, 2017	As at December 31, 2016
	(Audited)	(Audited)
Gross book value (2)	$ 4,684,028	$ 3,328,533
Debt - declaration of trust (3)	$ 2,190,179	$ 1,382,784
Debt to Gross Book Value - Declaration of Trust	**46.8%**	**41.5%**
Debt - including convertible debentures (3)	$ 2,487,036	$ 1,714,618
Debt to Gross Book Value - Including Convertible Debentures	**53.1%**	**51.5%**

	Three months ended December 31,			Year ended December 31,		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Unaudited)
Income (Loss) before taxes	$ 85,752	$ 128,821	$ (43,069)	$ 276,417	$ 183,515	$ 92,902
Add (deduct):						
Mortgage and loan interest expense	30,728	20,722	10,006	101,771	75,851	25,920
Distributions on Exchangeable Units	3,800	3,800	—	15,199	15,199	—
Amortization of deferred financing costs	1,892	1,394	498	7,446	4,768	2,678
Amortization of marked to market adjustment	(889)	(777)	(112)	(3,165)	(5,964)	2,799
EBITDA	$ 121,283	$ 153,960	$ (32,677)	$ 397,668	$ 273,369	$ 124,299
Loss on revaluation of financial liabilities	558	2,466	(1,908)	3,667	10,053	(6,386)
Fair market value losses (gains)	(57,323)	(91,923)	34,600	(234,579)	(102,353)	(132,226)
DUP compensation expense	1,063	(54)	1,117	4,791	2,122	2,669
Foreign exchange loss (gain)	(7,343)	(818)	(6,525)	(7,412)	1,465	(8,877)
Net loss on disposal of investment properties	675	—	675	675	2,807	(2,132)
Convertible debenture issuance costs	—	3,947	(3,947)	—	7,064	(7,064)
Gain on business combination	—	—	—	89,578	(53)	89,631
Transaction costs	858	295	563	13,291	4,106	9,185
Less: share of (profit) loss of associates	—	(7,860)	7,860	(43,681)	(8,679)	(35,002)
Add: distribution income from equity accounted associates	—	1,898	(1,898)	1,898	1,898	—
Adjusted EBITDA	$ 59,771	$ 61,911	$ (2,140)	$ 225,896	$ 191,799	$ 34,097
Mortgage and loan interest expense	$ 30,728	$ 20,722	$ (10,006)	$ 101,771	$ 75,851	$ (25,920)
Less: debt repayment costs	(1,280)	—	1,280	(1,455)	(3,134)	(1,679)
Adjusted mortgage and loan interest expense	$ 29,448	$ 20,722	$ (8,726)	$ 100,316	$ 72,717	$ (27,599)
Interest coverage	**2.03**	**2.99**	**(0.96)**	**2.25**	**2.64**	**(0.39)**

Notes

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

LIQUIDITY AND CASH RESOURCES

Cash Resources and Liquidity

TABLE 16 - CASH AND LIQUIDITY		
Expressed in thousands of Canadian dollars		
	As at December 31, 2017	**As at December 31, 2016**
	(Audited)	**(Audited)**
Cash	$ 71,704	$ 19,955
Restricted Cash	363	296
Total	**$ 72,067**	**$ 20,251**

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

The REIT also has a Revolving Credit Facility that provides for additional liquidity. As at December 31, 2017, the drawn balance on the Revolving Credit Facility was $138,500 of the $230,000 available to be drawn. The liquidity of the Australasian Secured Financing fluctuates based on the market price (as defined in the agreement) of the pledged units securing the facilities and is currently fully drawn.

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

Contractual cash flows

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

The following table sets out the REIT's contractual cash flows as at December 31, 2017:

TABLE 17 - CONTRACTUAL CASH FLOWS								
Expressed in thousands of Canadian dollars	**Carrying amount**	**Contractual cash flow**	**2017**	**2018**	**2019**	**2020**	**2021**	**Thereafter**
Accounts payable and accrued liabilities	$ 59,044	$ 59,044	$ 59,044	$ —	$ —	$ —	$ —	$ —
Distributions payable	6,736	6,736	6,736	—	—	—	—	—
Income tax payable	9,759	9,759	9,759	—	—	—	—	—
Liabilities associated with assets held for sale	57,785	57,785	57,785	—	—	—	—	—
Deferred consideration	38	38	38	—	—	—	—	—
Convertible debentures	296,857	338,399	14,017	54,729	106,253	163,400	—	—
Finance lease payable	9,802	9,803	408	392	377	362	348	7,916
Mortgages and loans payable	2,114,967	2,285,542	449,320	509,331	465,117	173,965	404,278	283,531
Total	**$ 2,554,988**	**$ 2,767,106**	**$ 597,107**	**$ 564,452**	**$ 571,747**	**$ 337,727**	**$ 404,626**	**$ 291,447**

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

The REIT's current liabilities totaled $547,362, exceeding current assets of $95,491, resulting in a working capital deficiency of $451,871 as at December 31, 2017.

Current liabilities include:

- $57,785 of liabilities related to assets held for sale. The proceeds of the sale of these assets are expected to be sufficient to settle the associated liabilities.
- Australia REIT term loans of $65,838 maturing between July 2018 and December 2018, which will has repaid and replaced by capacity on ANZ Facility in February and March 2018. See Subsequent Events.
- Tranche E of the Revolving Credit Facility of $45,000 which matures March 20, 2018 (subsequently extended to June 2018). See Subsequent Events. The REIT currently expects to renew the facility on or before its maturity or repay through further capital recycling and balance sheet optimization initiatives.
- The Canadian Non-Revolving Secured Credit Facility with a balance of $51,203 which matures on May 2, 2018. The REIT currently expects to renew the facility on or before its maturity on comparable terms.
- Australasian Secured Financing of $97,659 maturing in July 2018. The REIT currently expects to renew the facility on or before its maturity or repay through further capital recycling and balance sheet optimization initiatives.
- The Acquisition Facility with an outstanding balance of $8,000 which matures December 31, 2018. The REIT currently expects to repay or renew the facility on or before its maturity.
- $108,446 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:

TABLE 18 - NET CHANGE IN CASH (1)

Expressed in thousands of Canadian dollars	Three months ended December 31, 2017			Year ended December 31, 2017		
	2017	**2016**	**Variance**	**2017**	**2016**	**Variance**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Audited)**	**(Audited)**	**(Unaudited)**
Cash provided by / (used in):						
Operating activities	$ 20,510	$ 28,617	$ (8,107)	$ 90,840	$ 99,228	$ (8,388)
Investing activities	(153,213)	(162,086)	8,873	(773,306)	(449,326)	(323,980)
Financing activities	169,309	71,987	97,322	739,651	346,272	393,379
Net increase / (decrease) in cash during the period	**36,606**	**(61,482)**	**98,088**	**57,185**	**(3,826)**	**61,011**
Effect of foreign currency translation	631	7,783	(7,152)	(5,436)	8,946	(14,382)
Net increase / (decrease) in cash during the period	**$ 37,237**	**$ (53,699)**	**$ 90,936**	**$ 51,749**	**$ 5,120**	**$ 46,629**

Operating activities

Cash provided by operating activities totaled $20,510 for the three months ended December 31, 2017 as compared to cash flow provided by operating activities of $28,617 for the three months ended December 31, 2016, a decrease of $8,107. Of this decrease, $12,527 relates to an increase in mortgage and loan interest paid, $375 relates to an increase in general and administrative expenses, net of DUP expense, $506 relates to an increase in DUP redemptions, $328 to lower NOI, $1,027 to lower management fee revenue; an increase in transaction costs of $563, and an increase to taxes paid of $382, partially offset by positive working capital movements of $6,708 and a decrease in foreign exchange losses of $1,559.

Cash provided by operating activities totaled $90,840 for the year ended December 31, 2017 as compared to cash flow provided by operating activities of $99,228 for the year ended December 31, 2016, a decrease of $8,388. Of this decrease, $9,643 relates to working capital movements, $21,057 relates to an increase in mortgage and loan interest paid, $2,684 relates to an increase in general and administrative expenses, net of DUP expense, $2,263 relates to an increase in DUP redemptions, and an increase in transaction costs of $9,185, partially offset by NOI improvements of $29,462, a decrease to taxes paid of $719 and a increase in management fee revenue of $5,621.

Investing activities

Cash used by investing activities totaled $153,213 for the three months ended December 31, 2017, which related to acquisitions of investment properties of $152,155 and of additions to investment properties of $16,904, partially offset by net proceeds from disposal of investment properties of $31,548.

Cash used by investing activities totaled $162,086 for the three months ended December 31, 2016, which is primarily related to the acquisition of investment properties of $155,743 and additions to investment properties of $9,784.

Cash used by investing activities totaled $773,306 for the year ended December 31, 2017, which is primarily due to $409,846 used to increase the REIT's investment in the Australia REIT from approximately 22% to 100%, $313,870 related to acquisitions of investment properties, and $79,389 of additions to investment properties; partially offset by distributions from associates of $7,354 and the net proceeds from disposal of investment properties of $31,548.

Cash used in investing activities totaled $449,326 for the year ended December 31, 2016, which is primarily due to $56,387 related to the acquisition of GHM, $325,439 related to the acquisition of investment properties and $72,188 of additions to investment properties; partially offset by proceeds from dispositions of investment properties of $79,193.

Financing activities

Cash generated in financing activities totaled $169,309 for the three months ended December 31, 2017 as compared to $71,987 during the three months ended December 31, 2016.

During the three months ended December 31, 2017 the REIT received net proceeds of $137,219 from the issuance of equity, received, net of repayments, from mortgages, loans payable and credit facilities of $106,285, redeemed Convertible Debentures with a balance outstanding of $39,836, paid financing fees of $7,432, paid distributions to REIT unitholders of $21,317, paid distributions to non-controlling unitholders of Vital Trust and the Australia REIT of $5,557 and made net advances to related parties of $53.

During the three months ended December 31, 2016, the REIT received net proceeds $73,601 from the issuance of convertible debentures, made net of repayments to mortgages, loans payable and credit facilities of $22,840, paid financing fees of $2,979, paid distributions to REIT unitholders of $16,331, paid distributions to non-controlling unitholders of Vital Trust of $5,243, and received net advances from related parties of $201.

Cash generated in financing activities totaled $739,651 for the year ended December 31, 2017 as compared to $346,272 during the year ended December 31, 2016.

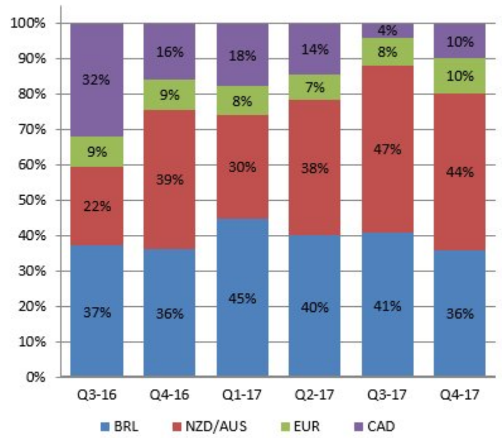
During the year ended December 31, 2017 the REIT received net proceeds, $318,577 from the issuance of equity, received, net of repayments, from mortgages, loans payable and credit facilities of $587,268, redeemed Convertible Debentures with a balance outstanding of $39,836, paid financing fees of $15,173, paid distributions to REIT unitholders of $77,495, paid distributions to non-controlling unitholders of Vital Trust and the Australia REIT of $21,109, settled deferred consideration of $12,836, and received net advances from related parties of $255.

During the year ended December 31, 2016, the REIT received net proceeds of $251,684 from an equity offering and $148,351 from the issuance of convertible debentures, received net of repayments from mortgages, loans payable and credit facilities of $73,275, paid financing fees of $14,392, paid distributions to REIT unitholders of $59,984, paid distributions to non-controlling unitholders of Vital Trust of $21,387, settled 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 $362.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months ended December 31, 2017, approximately 90% of the REIT's AFFO was conducted in currencies other than Canadian dollars, while its distributions to Unitholders, certain general and administrative expenses, interest expenses and interest income were denominated in Canadian dollars. A summary of the REIT's currency exposure by quarter for the last five quarters is presented below:

AFFO by Currency by Quarter [1]



Trading Range

(Against CAD)	BRL	EUR	NZD	AUD
Three months ended December 31, 2017:				
High	0.4128	1.5298	0.8816	1.0127
Low	0.3205	1.3902	0.8313	0.9659
Average	0.3909	1.4965	0.8850	0.9766
Balance Sheet:				
December 31, 2017	0.3809	1.5084	0.8900	0.9805
December 31, 2016	0.4135	1.4153	0.9329	0.9691
Profit & Loss:				
Q4 2017 Average Rate	0.3909	1.4965	0.8850	0.9766
Q3 2017 Average Rate	0.3961	1.4729	0.9157	0.9897
Q2 2017 Average Rate	0.4193	1.4795	0.9481	1.0102
Q1 2017 Average Rate	0.4211	1.4099	0.9413	1.0028
Q4 2016 Average Rate	0.4049	1.4410	0.9498	1.0007

Notes

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

For the three months ended December 31, 2017, a portion of the AFFO generated in foreign currencies was retained in those foreign currencies to provide funds for operations, future investments in those foreign jurisdictions and to minimize currency conversion costs, while a portion has been repatriated back to Canada to fund distributions, interest payments and other corporate expenses.

For the three months ended December 31, 2017, Canadian dollar AFFO was $2,241 while Canadian dollar distributions paid in cash to unitholders totaled $21,323. Deficiencies were funded from cash repatriated to Canada from Brazil, Germany, Australia, and New Zealand and the draws on the Revolving Credit Facility.

As at December 31, 2017 the REIT held approximately $12,905 of cash and receivables denominated in Canadian Dollars.

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

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

Among The REIT's global currencies the BRL and NZD have has been the most volatile with the BRL/CAD and NZD/CAD spot exchange rates down 7.9% and 4.6% respectively since the beginning of the year. The decline in BRL and NZD has been partially offset by positive movements in the EUR/CAD exchange rate (+6.6%) and AUD/CAD (+1.2%).

PART V – RELATED PARTY TRANSACTIONS

a) As at December 31, 2017, NWVP indirectly owned approximately 22% of the outstanding Trust Units (approximately 18% on a fully-diluted basis assuming conversion of the REIT's Convertible Debentures and redemption of its deferred units) of the REIT through a combination of Trust Units of the REIT and Class B LP Units. Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer ("**CEO**") of the REIT, is the sole shareholder, sole director and President of NWVP.

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

TABLE 19A - RELATED PARTY TRANSACTIONS						
Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Out-of-pocket costs paid	$ 170	$ 175	$ (5)	$ 964	$ 430	$ 534
Cost-sharing and sublease amounts paid	(2)	171	(173)	139	696	(557)

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 December 31, 2017	As at December 31, 2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Amounts receivable (payable)			
Cost-sharing and sublease amounts	$ 60	$ 315	$ (255)
Amounts payable			
Class B Exchangeable Unit distributions	$ 1,267	$ 1,267	$ —

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

PART VI – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies is described in note 2 of the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2017.

The preparation of financial statements in conformity with IFRS requires the REIT to make judgments, estimates, and assumptions that affect the reported amounts recognized in the financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the financial statements. Actual results could differ from estimates. The significant judgments and key estimates made by the REIT are outlined below:

Critical accounting estimates

Intangible asset

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

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

Incentive and performance fee revenue

At the end of the measurement period, revenues from incentive fees and performance fees earned by ANZ Manager, are recorded on the accrual basis based on the estimated amount that would be due under the Vital Trust and Australia REIT fee formula as established by the respective contract. The calculated incentive fee from Vital Trust includes management estimates of capitalization rates, foreign currency exchange rates, and the timing of completion of development and acquisition activities. The Australia REIT performance fee calculation requires management estimates of rate of return on the units and index, and foreign currency exchange rates.

As the REIT consolidates Vital Trust and Australia REIT (from July 2017), the management fees do not appear on the consolidated income statement of the REIT as it is an inter-company transaction. However, the REIT's Unitholders receive the benefit of approximately 75% of the management fees earned from Vital Trust, representing the amount that is paid by the non-controlling interest of Vital Trust.

Investment properties

Investment properties are re-measured to fair value at each reporting date, determined based either on internal valuation models incorporating available market evidence, or on valuations performed by third-party appraisers. When estimating the fair value of investment properties, the REIT makes estimates and assumptions that have a significant effect on the reported value of investment properties. Estimates used in determining the fair value of the investment properties include capitalization rates, discount rates, inflation rates, vacancy rates, net operating income and capital expenditures.

Interests in associates

If it is determined that objective evidence exists that indicate that the REIT's interest in its associates has been impaired, the investment must be written down to its estimated fair value. Estimates used in determining the fair value of the associates include discount rates, inflation rates, net operating income and cash flows.

Derivative financial instruments

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

Critical Judgments in Applying Accounting Policies

Leases

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

Investment Acquisitions

When investments are acquired, the REIT is required to apply judgment as to whether or not the transaction should be accounted for as an asset acquisition or business combination. A transaction is considered to be a business combination if the acquired investment meets the definition of a business in accordance with IFRS 3, "Business Combinations" ("IFRS 3"), being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return.

Business Combinations are measured at fair value on the date of acquisition based on the aggregate of the consideration transferred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date and acquisition-related costs are recognized in the consolidated statement of income as incurred.

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

All of the REIT's property acquisitions, with the exception of any interest in investment properties acquired as a result of the business combination of Northwest Healthcare Australia RE Limited, Australia REIT, and Acquisition of GHM have been accounted for as asset acquisitions.

Consolidation of Vital Trust

The REIT accounts for its investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust. The REIT's interest in Vital Trust, as at December 31, 2017, is 24.9%. The REIT assessed it has control over Vital Trust based on the definition of control and certain criteria provided for in IFRS 10-Consolidated Financial Statements. The REIT has assessed it has control over Vital Trust based on the following key observations: i) the REIT controls the external manager of Vital Trust through the 100% indirect ownership of ANZ Manager. The ownership of the VHML results in the REIT directing all activities of Vital Trust; ii) the REIT has the right to appoint a majority of directors of the board of Vital Healthcare Management Limited, which acts as the board of directors of Vital Trust; and iii) the 75.1% non-controlling interest of Vital Trust is widely held with no known investor holding more than a 5% interest in Vital Trust, other than the REIT.

Income Taxes

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

PART VII – RISKS AND UNCERTAINTIES

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

RISKS RELATING TO REAL PROPERTY OWNERSHIP

Real Property Ownership and Tenant Risks

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

Fixed Costs

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

Liquidity

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

Competition

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

Current Economic Environment

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

Environmental Matters

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

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

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

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

Terrorism

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

Litigation at the Property Level

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

General Litigation Risks

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

Property Development, Redevelopment and Renovations

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

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

RISKS RELATING TO THE BUSINESS OF THE REIT

Financing and Interest Rate Risks

As at December 31, 2017 the REIT had outstanding indebtedness of $2,469,647, including the Convertible Debentures, but excluding Class B LP Units. Although a portion of the cash flow generated by investment properties will be devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

The REIT will be subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce AFFO. In order to minimize this risk, the REIT will attempt to diversify the term structure of its debt so that in no one year a disproportionate amount of its debt matures. As at December 31, 2017, $896,935 of the REIT's total indebtedness is at variable rates (excludes $485,716 of variable rate loans that have been hedged to fixed interest rates with interest rate swaps). This will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise, the REIT's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution.

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

Acquisitions

The REIT's business plan includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If the REIT is unable to manage its growth effectively, it could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to Unitholders will increase in the future. Acquisitions and development agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of the REIT. Representations and warranties given by such third parties to the REIT may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Moreover, the acquired properties may not meet expectations of operational or financial performance due to unexpected costs associated with developing an acquired property, as well as the general investment risks inherent in any real estate investment.

Development

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

Access to Capital

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

General Insured and Uninsured Risks

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

Investment Concentration

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

Joint Venture Investments

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

Risks Related to the Healthcare Industry

The healthcare industry is heavily regulated by various federal, provincial/regional and local regulatory bodies. As a result, the REIT's tenants will generally be subject to significant laws and regulations regarding licensing and reimbursement programs. Changes in these laws and regulations, including the imposition of caps on healthcare spending and claw-backs to doctor billings in certain regions, could negatively affect the ability of the REIT's tenants to make lease payments.

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

Land Leases

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

Specific Lease Considerations

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

Reliance on Key Personnel

The management and governance of the REIT depends on the services of certain key personnel including senior management. The loss of the services of any key personnel could have an adverse effect on the REIT and adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. The REIT does not have key man insurance on any of its key employees.

Limit on Activities

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

Occupancy by Tenants

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

Forecasted Occupancy Rates and Revenues in Excess of Historical Occupancy Rates and Revenues

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

Lease Renewals and Rental Increases

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

Location of Properties in Foreign Countries

A substantial portion of the REIT's assets are located in foreign countries, specifically Brazil, Germany and Australasia and, as a result, are impacted by economic and other factors specifically affecting the real estate markets in those countries. These factors may differ from those affecting the real estate markets in other regions, including those in Canada. Although the REIT's international assets are dispersed across several foreign countries, a number of the REIT's international assets could nevertheless experience any of the same conditions at the same time due to global correlations. If real estate conditions in these countries decline relative to real estate conditions in other regions, the

REIT's cash flows, operating results and financial condition may be more adversely affected than those of companies in Canada or that have different, or more, geographically diversified portfolios of properties.

Competition in Foreign Real Estate Markets

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

Exchange Rate Risks

Approximately 90% of the REIT's AFFO is generated in currencies other than Canadian dollars; however, the REIT pays distributions to Unitholders and interest on certain of its indebtedness in Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on the REIT's financial results, which is denominated and reported in Canadian dollars, and on the REIT's ability to pay cash distributions to Unitholders.

The REIT monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. The REIT intends to maintain a hedging policy to mitigate the impact of foreign currency fluctuations and to provide more certainty regarding the payment of distributions to Unitholders if the Canadian dollar increases in value compared to foreign currencies. The REIT's hedging policy includes natural currency hedges as well as selectively implementing specific foreign currency hedging transactions, if economically viable. However, to the extent that the REIT fails to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge changes in foreign currency rates, the REIT's financial results, and the REIT's ability to pay distributions to Unitholders, may be negatively impacted.

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

Breach of Privacy or Information Security Systems

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

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

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

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

Expanding Social Media Vehicles

The use of social media could cause the REIT to suffer brand damage or information leakage. Negative posts or comments about the REIT or its properties on any social networking website could damage the REIT's reputation. In addition, employees or others might disclose non-public sensitive information relating to the REIT's business through external media channels. The continuing evolution of social media will present the REIT with new challenges and risks.

Risks Relating to Operating in an Emerging Market

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

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

The REIT believes its risks of operating in the Brazil market are minimized as a result of the following:

- The REIT's business activities in Brazil are limited to the ownership of five well established, reputable and institutional quality hospitals in the urban centres of São Paulo, Brasilia and Rio de Janeiro.
- Each of the REIT's Brazilian hospitals are leased to investment grade single tenants.
- Each of the Brazil leases are "net leases", which in effect transfers the operating risk of the property to the tenant. As a result, the REIT's business in Brazil is not operationally intensive.
- The REIT is represented on local corporate and real estate legal matters by two of Brazil's leading law firms. On non-legal matters, the REIT only engages with leading, global service providers that perform at the highest governance levels, and all banking is conducted through leading global banks.
- The REIT's Brazilian leases have terms that mitigate any title risk on its assets whereby should expropriation of the assets occur, the lessee remains liable for all payments under the lease. The REIT believes there is a limited risk of the REIT's Brazilian assets being subject to government expropriation and nationalization.

Further, the REIT considers the Brazilian healthcare industry to be economically and politically stable, and free of many of the risks associated with other industries and emerging market jurisdictions. According to Anahp (associacao nacional de hospitals privados), Brazil is the third largest global private healthcare market, behind the United States and China. Due to positive macroeconomic indicators, including the size of Brazil's economy with a population over 200 million, comparative unemployment rate relative to Canada, increasing consumer consumption and a growing middle class, management believes that the long-term outlook for the Brazilian healthcare market is optimistic.

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

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

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

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

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

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

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

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

Price Risk

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

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

Vendor Indemnities and Prior Commercial Operations

When acquiring assets, the REIT endeavours to obtain certain representations and warranties with respect to the assets being acquired. Such representations and warranties, to the extent obtained, are subject to limitations, and generally represent unsecured contractual rights. As a result, there can be no assurance that the REIT will be fully protected by such representations and warranties against all adverse circumstances that may arise or in the event of a breach of such representations and warranties or that the vendors of the assets will be in a position to indemnify the REIT for any such breach. The REIT may not be able to successfully enforce claims it may have against vendors of its assets. The REIT may also be subject to undisclosed liability to third parties as a result of the prior history of its assets and such liability may be material, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Significant Dependency on Single Tenant Leases in Brazil and Australia / New Zealand

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

Significant Ownership by NWVP

NWVP currently indirectly owns approximately 22% of the issued and outstanding Trust Units (assuming the redemption of its Class B LP Units). Each Class B LP Unit is redeemable for a Trust Unit, and is attached to a Special Voting Unit of the REIT, providing for voting rights in the REIT.

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

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

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

Potential Conflicts of Interest

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

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

Limitations on Enforcement of Certain Civil Judgments by Canadian Investors

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

RISKS RELATING TO THE STRUCTURE OF THE REIT

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

Taxation of Mutual Fund Trusts

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

REIT Exception

The REIT Exception is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of that taxation year. The REIT expects to qualify for the REIT Exception in 2017 and subsequent taxation years. However, subsequent investments or activities undertaken by the REIT and/or fluctuations in asset values could result in the REIT failing to qualify for the REIT Exception. In addition, the REIT owns a minority interest in certain of its foreign subsidiaries. No assurances can be given that the REIT's subsidiaries will satisfy the tests contained in the REIT Exception. In these circumstances, the REIT may not satisfy the REIT Exception. NWI LP will not be subject to the SIFT Rules provided it is an "excluded subsidiary entity", which among other things, requires that only specified persons own units of NWI LP. No assurances can be given that NWI LP will be exempt from the SIFT Rules, which could have a material adverse effect on the REIT and Unitholders. The likely effect of the SIFT Rules on the market for Trust Units, and on the REIT's ability to finance future acquisitions through the issue of Trust Units or other securities, is unclear. If the SIFT Rules apply to the REIT, they may adversely affect the marketability of the Trust Units, the amount of cash available for distributions and the after-tax return to investors.

FAPI

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

Change of Tax Law

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

Non-Residents of Canada

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

Foreign Tax Credits and Deductions

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

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

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

General Taxation

Although the REIT and its subsidiaries have been structured with the objective of maximizing after-tax distributions, taxes (including corporate, withholding, land transfer, and other taxes) in the various jurisdictions in which the REIT invests will reduce the amount of cash available for distribution to the REIT by its subsidiaries and, therefore, reduce the amount of cash available for distribution by the REIT to Unitholders. No assurance can be given as to the future level of taxation suffered by the REIT or its subsidiaries. In addition, certain tax positions adopted by the REIT and its subsidiaries may be challenged by the CRA or another taxing authority. Any such challenge could materially increase taxes payable by the REIT and its subsidiaries, and thereby adversely affect the REIT's financial position and cash available for distribution to Unitholders. In particular, the REIT is currently evaluating the impact on the REIT and unitholders of the amendments to regulation 70/91 of the Land Transfer Tax Act (Ontario) released on February 18, 2016 which may impose land transfer tax on acquisitions of interests in partnerships that directly or indirectly own real property situated in Ontario (including previously completed transactions).

Accrued Gains

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

RISKS RELATING TO THE TRUST UNITS

Cash Distributions are Not Guaranteed

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

Structural Subordination of Trust Units

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

Potential Volatility of Trust Unit Prices

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

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

Nature of Investment

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

Availability of Cash Flow

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

Sustainability and Growth of Distributions

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

Dilution

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

Restrictions on Redemptions

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

Unitholder Liability

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

RISKS RELATED TO THE CONVERTIBLE DEBENTURES

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

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

Market for the Convertible Debentures

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

Absence of Covenant Protection

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

Redemption Prior to Maturity

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

Conversion Following Certain Transactions

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

Subordination of Convertible Debentures

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

Dilution Upon Redemption of Convertible Debentures

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

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

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

The REIT's failure to purchase the Convertible Debentures would constitute an event of default under the Indenture, which might constitute a default under the terms of the REIT's other indebtedness at that time.

Market Price of the Convertible Debentures

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

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

Volatility of Market Price of Trust Units and Convertible Debentures

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

Restriction on Ownership of Convertible Debentures

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

PART VIII – CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

As of December 31, 2017, an evaluation was carried out, under the supervision of the REIT's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the REIT's disclosure controls and procedures (as defined by NI 52-109). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the REIT's disclosure controls and procedures were effective as at December 31, 2017.

Internal Controls Over Financial Reporting

The REIT's Chief Executive Officer and Chief Financial Officer have designed the REIT's internal control over financial reporting (as defined in NI 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and Chief Financial Officer assessed, or caused an assessment under their direct supervision of, the design and operating effectiveness of the REIT's internal controls over financial reporting as at December 31, 2017, and based on that assessment determined that the REIT's internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the Internal Control – Integrated Framework, 2013, published by the Committee of Sponsoring Organizations of the Treadway Commission.

Changes in Internal Controls Over Financial Reporting

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

Inherent Limitation

Internal controls over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of their inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusions or improper management override. Because of such limitations, there is risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

PART IX – OUTLOOK

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

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

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

PART X – INDEX TO DEFINED TERMS

PART XI – PROPERTY TABLE

As at December 31, 2017

	PROPERTY TABLE							
	Property	Location	Date Acquired	Year Built [1]	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE [2]
	Canada							
1	Glenmore Professional Centre	Calgary, AB	Dec 31 2010	2007	137,821	2	60.7%	4.9
2	Sunridge Professional Centre	Calgary, AB	Mar 25 2010	1985	132,827	35	100.0%	3.9
3	Riley Park Health Centre (7)	Calgary, AB	Mar 25 2010	1956	72,808	9	100.0%	3.2
4	Rockyview Health Centre I	Calgary, AB	Mar 25 2010	1977	68,237	31	96.4%	4.6
5	Foothills Professional Building	Calgary, AB	Mar 25 2010	1980	58,607	21	97.2%	3.3
6	Sunpark Plaza	Calgary, AB	Dec 7 2011	2005	53,185	8	67.2%	3.5
7	Rockyview Health Centre II	Calgary, AB	Mar 25 2010	1992	53,126	6	82.0%	6.8
8	Willow Brook Medical Centre	Airdrie, AB	Apr 10 2012	2010	34,680	5	100.0%	5.8
9	Hys Centre	Edmonton, AB	Feb 1 2011	1978	181,560	35	90.2%	4.3
10	Tawa Centre	Edmonton, AB	May 31 2011	1986	87,651	24	99.4%	4.3
11	Mira Health Centre	Edmonton, AB	Mar 25 2010	1992	69,352	18	100.0%	3.9
12	Garneau Professional Building	Edmonton, AB	Mar 25 2010	1980	58,326	14	70.1%	3.5
13	Queen Street Place	Spruce Grove, AB	Jul 7 2010	2007	73,743	14	93.2%	5.5
14	WRHA Downtown West Community	Winnipeg, MB	May 16 2013	1974	43,685	3	100.0%	10.4
15	Hargrave Place	Winnipeg, MB	Jul 31 2013	1977	71,154	3	100.0%	11.6
16	Dundas-Edward Centre (15)	Toronto, ON	Jan 25 2011	1973	416,638	76	87.5%	5.2
17	Davisville Medical Dental Centre	Toronto, ON	Mar 25 2010	1964	95,778	82	95.0%	2.8
18	Fairview Health Centre	Toronto, ON	Mar 25 2010	1971	87,192	53	98.1%	5.3
19	North York Medical Arts Building	Toronto, ON	Mar 25 2010	1978	75,865	60	100.0%	4.7
20	The Stewart Building	Toronto, ON	Mar 25 2010	1951	43,118	1	100.0%	1.3
21	Malvern Medical Arts	Toronto, ON	Apr 1 2011	1987	40,584	17	90.7%	3.6
22	Albany Medical Clinic	Toronto, ON	Sep 27 2012	2010	42,582	1	100.0%	12.3
23	One Medical Place	Toronto, ON	Mar 25 2010	1964	41,122	21	89.8%	5.4
24	Danforth Health Centre	Toronto, ON	Mar 25 2010	1991	29,496	9	96.5%	3.5
25	Bathurst Health Centre	Toronto, ON	Mar 25 2010	1984	29,089	15	100.0%	7.2
26	81 The East Mall (6)	Toronto, ON	Jan 16 2015	1994	35,402	6	83.1%	12.1
	85 The East Mall (6)	Toronto, ON	Jan 16 2015	2016	46,448	8	93.2%	14.4
27	Queensway Professional Centre	Mississauga, ON	Mar 25 2010	1977	170,023	69	83.0%	5.2
28	Trafalgar Professional Centre	Oakville, ON	Mar 25 2010	1985	66,000	30	93.1%	4.3
29	Dundas-Centre Medical	Whitby, ON	Oct 1 2012	1987	34,099	23	96.2%	4.4
30	Wentworth Limeridge Medical Centre	Hamilton, ON	Mar 25 2010	1989	40,716	21	95.5%	4.4
31	Queenston Medical-Dental Centre	Hamilton, ON	Oct 1 2012	1992	18,526	15	100.0%	1.8
32	Oxford Health Centre	London, ON	Mar 25 2010	1994	39,184	21	86.3%	3.6
33	Springbank Medical Centre	London, ON	Mar 30 2012	2011	53,110	29	90.0%	4.5
34	Canamera Medical Centre	Cambridge, ON	Sep 15 2011	2007	86,283	20	100.0%	5.6
35	Guelph Medical Place I	Guelph, ON	Oct 1 2012	1991	36,013	16	100.0%	4.0
36	Guelph Medical Place II	Guelph, ON	Oct 1 2012	2011	27,950	12	88.6%	4.2
37	Collingwood Health Centre	Collingwood, ON	Mar 25 2010	1995	26,354	13	93.5%	4.3
38	Owen Sound Medical Building	Owen Sound, ON	Feb 9 2015	2011	77,542	13	91.2%	5.7
39	Smyth Medical Centre	Ottawa, ON	Sep 10 2012	1983	21,631	17	95.2%	3.4
40	CSSS Haut-Richelieu	Richelieu, QC	Sep 1 2010	2009	54,659	1	100.0%	6.1
41	Le Carrefour Medical	Laval, QC	Mar 25 2010	1990	118,336	35	85.7%	3.7
42	Clinique Bleue	Longueuil, QC	Mar 25 2010	1988	25,633	7	97.2%	5.4
43	2924 Taschereau Boulevard	Longueuil, QC	Mar 25 2010	1988	24,644	1	100.0%	2.8

PART XI – PROPERTY TABLE (CON'T.)

	PROPERTY TABLE							
	Property	Location	Date Acquired	Year Built (1)	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE (2)
44	CLSC Saint-Hubert	Saint Hubert, QC	Mar 25 2010	1991	49,415	2	100.0%	9.7
45	950 Montee des Pionniers	Lachenaie, QC	Mar 25 2010	2004	64,516	15	98.0%	4.6
46	Agence Lanaudiere	Joliette, QC	Dec 20 2012	1994	53,771	1	100.0%	5.5
47	CSSS Grand Littoral	Levis, QC	Sep 1 2010	2008	64,563	2	100.0%	4.9
48	Polyclinique Val-Belair	Quebec City, QC	Jul 22 2011	2009	46,053	12	100.0%	4.1
49	Centre Medicale de L'Hetriere	Quebec City, QC	Jan 19 2012	2007	36,619	6	90.4%	4.5
50	Fredericton Medical Centre	Fredericton, NB	Mar 25 2010	1985	70,569	38	89.3%	4.0
51	Moncton Medical Clinic	Moncton, NB	Jan 23 2012	1984	40,999	17	97.4%	5.5
52	Cobequid Centre	Lower Sackville, NS	Mar 25 2010	2006	30,009	1	100.0%	4.7
53	Halifax Professional Centre	Halifax, NS	Mar 25 2010	1972	115,830	76	87.8%	4.3
54	Gladstone Professional Centre	Halifax, NS	Mar 25 2010	1985	41,860	12	100.0%	2.0
55	New Glasgow Medical Centre	New Glasgow, NS	Dec 21 2011	2009	33,800	1	100.0%	6.9
56	Barrie Primary Care Campus	Barrie, ON	Feb 9 2015	2016	79,229	10	62.8%	10.2
					3,828,012	**1,113**	**91.2%**	**5.2**
	Redevelopment Properties:							
57	490 Harwood Boulevard	Vaudreuil-Dorion, QC	Mar 25 2010	1985	24,457	n/a	—%	n/a
	Parkwood (7)	Calgary, AB	Mar 25 2010	1956	20,271	n/a	—%	n/a
					44,728	**n/a**	**n/a**	**n/a**
	Development Land:							
	St. Albert Land	St. Albert, AB	Feb 9 2015	n/a	n/a	n/a	n/a	n/a
	479 Hume	Collingwood, ON	Jan 26 2017	n/a	n/a	n/a	n/a	n/a

PART 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		Nov 16 2012	2010	104,915	1	100.0%	6.8
	Rede D'Or Hospital Portfolio:							
59	Hospital e Maternidade Brasil ("HMB")	São Paulo	Dec 27 2012	1970 - 2007	342,000	1	100.0%	20.0
60	Hospital Santa Luzia	Brasilia's South Wing	Dec 23 2013	2003	185,139	1	100.0%	21.0
61	Hospital Do Coracao	Brasilia's South Wing	Dec 23 2013	2007	96,875	1	100.0%	21.0
62	Hospital Caxias	Rio de Janeiro	Dec 23 2013	2013	290,626	1	100.0%	21.0
63	Hospital IFOR	São Paulo	July 19 2016	2001	150,000	1	100.0%	23.6
64	Hospital Santa Helena	Brasilia - DF	Oct 24 2016	2006	323,774	1	100.0%	23.8
					1,493,329	**7**	**100.0%**	**20.7**
	Germany							
65	Adlershof 1	Berlin	Nov 16 2012	2004	55,291	53	95.1%	4.9
66	Adlershof 2	Berlin	Nov 16 2012	2010	47,507	41	100.0%	3.1
67	Berlin Neukölln	Berlin	Nov 16 2012	2000	33,991	16	99.8%	4.9
68	Königs Wusterhausen 1	Königs Wusterhausen	Nov 16 2012	2001	35,693	25	91.6%	3.4
69	Fulda - 3-5flem	Fulda	Mar 31 2013	2010	111,205	30	97.2%	2.9
70	Polimedica Centre**	Berlin	Jun 25 2014	2007	113,937	34	98.8%	8.5
71	Hollis Centre**	Ingolstadt	Jun 25 2014	1996	99,651	38	99.2%	3.6
72	Leipzig am Park**	Leipzig	Jun 25 2014	1977	19,048	9	93.6%	6.2
73	Leipzig Baestlein**	Leipzig	Jun 25 2014	1975	19,163	11	93.4%	5.2
74	Leipzig Gruenauer**	Leipzig	Jun 25 2014	1980	15,932	9	83.9%	6.7
75	Leipzig Karlsruher**	Leipzig	Jun 25 2014	1982	19,013	7	91.4%	7.3
76	Leipzig Lidicestrasse**	Leipzig	Jun 25 2014	1975	19,201	13	100.0%	5.6
77	Leipzig Pfaffensteinstrasse**	Leipzig	Jun 25 2014	1985	18,277	8	79.5%	3.6
78	Leipzig Plovdiver**	Leipzig	Jun 25 2014	1975	18,217	4	93.6%	3.9
79	Leipzig Schlehenweg**	Leipzig	Jun 25 2014	1989	18,537	11	100.0%	1.8
80	Leipzig Stuttgarter**	Leipzig	Jun 25 2014	1978	18,047	9	83.6%	3.8
81	Leipzig Tauchaer Strasse**	Leipzig	Jun 25 2014	1982	18,681	10	100.0%	5.0
82	Leipzig Yorckstrasse**	Leipzig	Jun 25 2014	1975	11,624	5	86.0%	4.7
83	Hohenschonhausen	Berlin	Aug 30 2014	1996	64,640	38	94.1%	2.5
84	Mehrower Alle	Berlin	Apr 14 2016	2013	82,242	59	97.3%	4.1
85	Alstadt-Caree Fulda Medical Centre	Fulda	Feb 1 2017	2017	30,638	11	95.4%	7.6
86	Medical Care Centre Hamburg-Bergedorf	Hamburg	Feb 1 2017	1989	60,453	31	92.8%	5.3
87	Praxis-Klinik Bergedorf	Hamburg	Dec 18 2017	1994	66,699	30	99.8%	7.6
	**** - the "Core German MOB Portfolio"**				**997,687**	**502**	**96.1%**	**4.9**
	Development Land:							
	Vivantes Auguste-Viktoria Hospital land	Berlin	Apr 1 2015	n/a	n/a	n/a	n/a	n/a
	Mehrower Lands	Berlin	Feb 1 2017	n/a	n/a	n/a	n/a	n/a

PART XI – PROPERTY TABLE (CON'T.)

PROPERTY TABLE								
	Property	Location	Date Acquired	Year Built (1)	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE (2)
	Vital Trust							
	Australia							
88	The Southport Private Hospital	Southport, Queensland	Dec 22 2010	1979	318,776	1	100.0%	20.1
89	Belmont Private Hospital	Carina, Queensland	Dec 22 2010	1973/2015	94,024	1	100.0%	18.2
90	Clover-Lea Residential Aged Care	Sydney, New South Wales	Mar 1 2016	1919/1960/2003	16,146	1	100.0%	18.2
91	Dubbo Private Hospital	Dubbo, New South Wales	Dec 22 2010	1994	60,144	1	100.0%	14.1
92	Epworth Eastern Hospital	Melbourne, Victoria	Mar 30 1999	2005	136,610	6	100.0%	21.5
93	Epworth Eastern Medical Centre	Melbourne, Victoria	Mar 30 1999	1986	33,421	24	100.0%	9.6
94	Epworth Rehabilitation	Melbourne, Victoria	Feb 01 1999	1971	37,136	1	100.0%	6.1
95	Fairfield Residential Aged Care	Sydney, New South Wales	Mar 1 2016	1968/2009	31,000	1	100.0%	18.2
96	Gold Coast Surgery Centre	Southport, Queensland	Dec 22 2010	1999	29,496	6	67.6%	2.2
97	Hamersley Residential Aged Care	Perth, Western Australia	Mar 1 2016	1971	20,279	1	100.0%	18.2
98	Hurstville Private Hospital	Sydney, New South Wales	Apr 30 2012	1894/2015	135,239	1	100.0%	24.3
99	Lingard Private Hospital	Merewether, New South Wales	Dec 22 2010	1975/2015	99,567	1	100.0%	23.2
100	Maitland Private Hospital	Maitland, New South Wales	Dec 22 2010	2001/2015	127,435	2	100.0%	15.0
101	Marian Centre	Perth, Western Australia	Aug 12 2014	1965	38,212	1	100.0%	16.6
102	Mayo Private Hospital	Taree, New South Wales	Dec 16 2011	1997	62,700	1	100.0%	14.0
103	North West Private Hospital	Burnie, Tasmania	Dec 22 2010	1988	87,361	2	100.0%	14.1
104	Palm Beach Currumbin Clinic	Currumbin, Queensland	Dec 22 2010	1980	53,443	1	100.0%	29.1
105	Rockingham Residential Aged Care	Perth, Western Australia	Mar 1 2016	1968/1992	14,596	1	100.0%	18.2
106	South Eastern Private Hospital	Melbourne, Victoria	Dec 22 2010	1970	91,462	1	100.0%	23.2
107	Sportsmed Private Hospital	Adelaide, South Australia	Dec 3 2012	1990/2008	56,608	2	100.0%	14.9
108	Sportsmed Consulting (9)	Adelaide, South Australia	Jan 20 2016	1990	9,074	1	100.0%	18.1
109	Sportsmed Office (9)	Adelaide, South Australia	Jan 20 2016	1988	15,253	1	100.0%	18.1
110	Toronto Private Hospital	Toronto, New South Wales	Dec 22 2010	1988	55,682	2	100.0%	25.0
111	Mons Road	Westmead, New South Wales	Sept 30 2016	2010	31,179	5	100.0%	4.9
112	Ekera Medical Centre	Box Hill, Victoria	Nov 17 2016	2014	30,753	11	92.1%	3.0
113	Abbotsford Private Hospital	West Leederville, WA	Feb 24 2017	2012	16,695	1	100.0%	24.2
114	Grafton Aged Care Home	South Grafton, NSW	Mar 31 2017	1940	37,674	1	100.0%	19.3
115	Hirondelle Private Hospital	Chatswood, NSW	May 31 2017	2013	34,402	1	100.0%	24.4
116	The Hills Clinic	Kellyville, NSW	July 31 2017	2011	31,797	1	100.0%	29.6
117	Eden Rehabilitation Hospital	Cooroy, Queensland	Dec 8 2017	1979	40,171	1	100.0%	19.9
					1,846,335	**81**	**98.9%**	**18.7**
	Development Land:							
118	25 Nelson Road(10)	Box Hill, Victoria	Nov 28 2014	n/a	n/a	n/a	n/a	n/a
119	142 Brighton Avenue(11)	Toronto, New South Wales	Jul 22 2015	n/a	n/a	n/a	n/a	n/a
120	27 Hopkins Street (12)	Merewether, New South Wales	Nov 25 2015	n/a	n/a	n/a	n/a	n/a
121	6 Lingard Street (12)	Merewether, New South Wales	Dec 4 2015	n/a	n/a	n/a	n/a	n/a
	New Zealand							
122	Apollo Health and Wellness Centre	Albany, Auckland	Sep 1 2008	2005	52,925	21	95.5%	3.3
123	Ascot Central	Greenlane East, Auckland	May 1 2008	2008	51,437	17	98.4%	2.3
124	Ascot Central Car Park	Greenlane East, Auckland	ground lease	1999	4,833	16	100.0%	14.7
125	Ascot Hospital	Greenlane East, Auckland	Mar 25 1999	1999	122,497	20	99.5%	18.1
126	Kensington Hospital	Whangarei, Northland	Mar 12 2001	2001	25,371	1	100.0%	28.5
127	Napier Health Centre	Napier, Hawke's Bay	Dec 23 1999	1999	46,231	1	100.0%	2.0
128	Boulcott Private Hospital	Lower Hutt	Jul 1 2016	1985	45,672	1	100.0%	20.5
129	Ormiston Hospital	Flatbush, South Auckland	Apr 04 2017	2008	53,805	8	100.0%	4.7
130	Royston Hospital	Hastings, Hawke's Bay	Dec 12 2017	1931	63,723	1	100.0%	30.0
131	Wakefield Hospital	Newtown, Wellington	Dec 12 2017	1910	155,626	1	100.0%	30.0
132	Bowen Hospital	Crofton Downs, Wellington	Dec 12 2017	1971	114,777	1	100.0%	30.0
					736,897	**88**	**99.1%**	**19.8**
	Development Land:							
	678 High Street	Lower Hutt	Jul 1 2016	n/a	n/a	n/a	n/a	n/a
	Australasia - Vital Trust (3)				**2,583,232**	**169**	**99.3%**	**19.0**

PART XI – PROPERTY TABLE (CON'T.)

PROPERTY TABLE

	Property	Location	Date Acquired	Year Built (1)	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE (2)
	Australia REIT							
133	Epworth Freemasons Private Hospital	East Melbourne,Victoria	Jun 1 2006	1935/1950/1960 /1970/1990/ 2007/2014/2015	**150,588**	**1**	100.0%	16.4
134	Epworth Freemasons Private Hospital and Medical Centre	East Melbourne, Victoria	Jun 1 2006	1980	**92,398**	**32**	100.0%	6.2
135	Pacific Private Clinic	Southport, Queensland	Jun 1 2007	2000	**85,622**	**21**	80.0%	3.3
136	Frankston Private Hospital (13)	Frankston,Victoria	Jun 1 2007	2006/2017	**127,672**	**9**	100.0%	16.2
137	ARCBS (Australian Red Cross Blood Service) Facility	Brisbane, Queensland	Jun 1 2008	2008	**217,960**	**11**	100.0%	15.6
138	Westmead Rehabilitation Hospital	Merrylands ,New South Wales	Apr 19 2013	2005	**30,699**	**1**	100.0%	20.4
139	Spring Hill	Brisbane, Queensland	May 23 2014	1988	**90,321**	**12**	98.0%	5.0
140	Frankston Specialist Centre (13)	Frankston, Victoria	Nov 3 2014	1989	**6,458**	**1**	100.0%	6.9
141	St John Of God Berwick Specialist Centre	Berwick, Victoria	Jun 1 2015	2015	**38,502**	**13**	100.0%	6.9
142	Bolton Clarke Tantula Rise Aged Care Facility	Alexandra Headland, Queensland	Jun 25 2015	2005/2007	**83,615**	**1**	100.0%	18.5
143	Bolton Clarke Baycrest Aged Care Facility	Pialba, Queensland	Jun 25 2015	1990/2006	**71,860**	**1**	100.0%	18.5
144	Bolton Clarke Darlington Aged Care Facility	Banora Point, New South Wales	Jun 25 2015	2005/2007	**67,695**	**1**	100.0%	18.8
145	Waratah Private Hospital Ground Floor Suites	Hurstville,New South Wales	Sept 11 2015	2010	**7,933**	**1**	100.0%	18.0
146	St John of God Private Hospital (Casey Stage II)	Berwick,Victoria	Jun 1 2013	2017	**180,728**	**1**	100.0%	19.8
	Development Property:							
	Gray Street Centre and Albert Street Car Park (14)	East Melbourne,Victoria	Jun 1 2006	n/a	**n/a**	**n/a**	n/a	n/a
	St John of God Private Hospital (Casey Stage III)	Berwick,Victoria	Jun 1 2013	n/a	**n/a**	**n/a**	n/a	n/a
					1,252,051	**106**	**98.5%**	**14.4**
	Portfolio Totals / Weighted Averages (5)				**10,199,039**	**1,897**	**95.9%**	**12.1**
	Portfolio Totals / Weighted Averages-at ownership interest (4)(5)				**8,261,619**		**95.1%**	**10.5**

Notes

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

(2) As at December 31 , 2017 weighted average lease expiry in years.

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

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

(5) Weighted Average Occupancy and WALE excluding Redevelopment Properties

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

(7) 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 Eastern Hospital

(11) Adjacent to Toronto Private Hospital

(12) Adjacent Lingard Private Hospital

(13) Frankston assets are shown on a 100% basis, noting that the REIT has an approximate 57% interest in the Frankston assets through its interest in Divine Logistics Trust, which it accounts for as a subsidiary.

(14) Adjoining the Epworth Freemasons Private Hospital.

(15) Dundas-Edward Centre sold March 2, 2018.

PART XII – SUPPLEMENTAL DISCLOSURE

SUPPLEMENTAL DISCLOSURE										
Unaudited	**Three months ended December 31, 2017**									
Expressed in thousands of Canadian dollars	**Canada**	**Brazil**	**Germany**	**Australia/New Zealand**					**Corporate[3]**	**Consolidated**
				Vital Trust	**Australia REIT**	**ANZ Manager**	**Elimination**	**Total**		
Net Operating Income [1]										
Revenue from investment properties	$ 33,798	$ 12,640	$ 5,189	$ 22,485	$ 10,795	$ —	$ (471)	$ 32,809	$ —	$ 84,436
Property operating costs	(15,451)	—	(1,412)	(2,739)	(1,650)	—	45	(4,344)	—	(21,207)
	18,347	**12,640**	**3,777**	**19,746**	**9,145**	**—**	**(426)**	**28,465**	**—**	63,229
Other income										
Share of profit (loss) from associates	—	—	—	—	—	57	(57)	—	—	—
Management fees	—	—	—	—	—	9,299	(9,184)	115	—	115
Interest income	4	976	—	30	1,062	4	—	1,096	14	2,090
	4	**976**	**—**	**30**	**1,062**	**9,360**	**(9,241)**	**1,211**	**14**	**2,205**
	18,351	**13,616**	**3,777**	**19,776**	**10,207**	**9,360**	**(9,667)**	**29,676**	**14**	**65,434**
Other expenses										
Mortgage and loan interest expense	(6,931)	(4,472)	(600)	(5,016)	(2,676)	—	—	(7,692)	(11,033)	(30,728)
General and administrative expenses	(535)	(737)	(762)	(6,016)	(68)	(2,729)	6,290	(2,523)	(2,169)	(6,726)
Transaction costs	—	—	—	—	(286)	(126)	—	(412)	(446)	(858)
Other Finance costs	741	(1,010)	(82)	(88)	(218)	—	—	(306)	(362)	(1,019)
Foreign exchange gain (loss)	15	2,738	(5)	6	—	18	—	24	4,571	7,343
Income / (Loss) before the under noted items	**11,641**	**10,135**	**2,328**	**8,662**	**6,959**	**6,523**	**(3,377)**	**18,767**	**(9,425)**	**33,446**
Fair value adjustment of DUP liability	—	—	—	—	—	17	—	17	(114)	(97)
Fair value adjustment of investment properties	(30,659)	48,568	10,242	31,146	(6,442)	—	236	24,940	—	53,091
Net loss on disposal of investment properties	(384)	—	—	—	(291)	—	—	(291)	—	(675)
Loss on business combination	—	—	—	—	—	—	—	—	—	—
Gain / (Loss) on derivative financial instruments	156	—	23	117	(309)	—	—	(192)	—	(13)
Income / (Loss) before taxes	**(19,246)**	**58,703**	12,593	**39,925**	**(83)**	**6,540**	**(3,141)**	**43,241**	**(9,539)**	**85,752**
Income tax expense	—	(17,399)	(1,980)	(4,648)	—	(1,632)	—	(6,280)	26	(25,633)
Net income (loss)	**$ (19,246)**	**$ 41,304**	**$ 10,613**	**$ 35,277**	**$ (83)**	**$ 4,908**	**$ (3,141)**	**$ 36,961**	**$ (9,513)**	**$ 60,119**
Non-Controlling Interest	—	—	—	26,464	(550)	—	(179)	25,735	—	25,735
Income attributable to Unitholders	**$ (19,246)**	**$ 41,304**	**$ 10,613**	**$ 8,813**	**$ 467**	**$ 4,908**	**$ (2,962)**	**$ 11,226**	**$ (9,513)**	**$ 34,384**
Add / (Deduct):										
Fair market value losses (gains)	30,503	(48,568)	(10,265)	(31,263)	6,751	(17)	(236)	(24,765)	(4,228)	(57,323)
Less: Non-controlling interests' share of fair market value losses (gains)	—	—		23,469	(1,248)		177	22,398	—	22,398
Finance cost - Exchangeable Unit distributions	—	—	—	—	—	—	—	—	3,800	3,800
Revaluation of financial liabilities	—	558	—	—	—	—	—	—	—	558
Unrealized foreign exchange loss (gain)	(15)	(2,738)	—	(6)	—	(18)	—	(24)	(4,581)	(7,358)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	—	—		5	—	—	—	5	—	5
Deferred taxes	—	17,342	1,984	8,841	—	314	—	9,155	—	28,481
Less: Non-controlling interests' share of deferred taxes	—			(6,637)	—	—	—	(6,637)	—	(6,637)
Non-recurring transaction costs	—	—	—	—	286	126	—	412	446	858
Internal Leasing Costs	363		235	—	—	—	—	—	—	598
Net loss on disposal of investment properties	384			—	291	—	—	291	—	675
Loss on business combination	—		—	—	—	—	—	—	—	—
Amortization of finance leases	—	—	—	—	(77)	—	—	(77)	—	(77)
Other FFO adjustments	144			—	—	—	2,503	2,503	—	2,647
Funds From Operations ("FFO") [2]	**$ 12,133**	**$ 7,898**	**$ 2,567**	**$ 3,222**	**$ 6,470**	**$ 5,313**	**$ (518)**	**$ 14,487**	**$ (14,076)**	**$ 23,009**

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited	**Three months ended December 31, 2017**									
Expressed in thousands of Canadian dollars	**Canada**	**Brazil**	**Germany**	**Australia/New Zealand**					**Corporate[3]**	**Consolidated**
				Vital Trust	**Australia REIT**	**ANZ Manager**	**Elimination**	**Total**		
Funds From Operations ("FFO") [2]	**$ 12,133**	**$ 7,898**	**$ 2,567**	**$ 3,222**	**$ 6,470**	**$ 5,313**	**$ (518)**	**$ 14,487**	**$ (14,076)**	**$ 23,009**
Add / (Deduct):										
Amortization of marked to market adjustment	(889)	—	—	—	—	—	—	—	—	(889)
Amortization of deferred financing charges	148	452	82	88	218	—	—	306	904	1,892
Less: Non-controlling interests' share of amortization of deferred financing charges	—		—	(66)	—	—	—	(66)	—	(66)
Straight line revenue	(15)	54	—	403	(83)	—	—	320	—	359
Less: non-controlling interests' share of straight-line revenue	—		—	(303)	(13)	—	—	(316)	—	(316)
Leasing costs and non-recoverable maintenance capital expenditures	(2,028)	—	(311)	(11)	(743)	—	—	(754)	—	(3,093)
Less: non-controlling interests' share of actual capex and leasing costs	—		—	8	85	—	—	93	—	93
DUP Compensation Expense	—	—	—	—	—	405	—	405	658	1,063
Debt repayment costs	806	—	—	—	—	—	—	—	474	1,280
Adjusted Funds From Operations ("AFFO") [2]	**$ 10,155**	**$ 8,404**	**$ 2,338**	**$ 3,341**	**$ 5,934**	**$ 5,718**	**$ (518)**	**$ 14,475**	**$ (12,040)**	**$ 23,332**

Unaudited										
Expressed in thousands of Canadian dollars	Canada	Brazil	Germany	Australia/New Zealand					Corporate(3)	Consolidated
				Vital Trust	Australia REIT	ANZ Manager	Elimination	Total		
Assets										
Investment properties	$ 1,047,961	$ 676,403	$ 267,677	$ 1,487,053	$ 663,108	$ —	$ 2,587	$ 2,152,748	$ —	$ 4,144,789
Intangible Asset	—	—	—	—	545	46,757	—	47,302	—	47,302
Goodwill	—	—	—	—	92,959	—	—	92,959	41,671	134,630
Financial instruments	—	—	—	1,935	—	—	—	1,935	—	1,935
Assets held for sale	168,500	—	—	—	—	—	—	—	—	168,500
Other assets	8,897	33,002	6,401	15,921	101,050	7,519	(4,049)	120,441	18,130	186,871
	$ 1,225,358	**$ 709,405**	**$ 274,078**	**$ 1,504,909**	**$ 857,662**	**$ 54,276**	**$ (1,462)**	**$ 2,415,385**	**$ 59,801**	**$ 4,684,027**
Liabilities										
Mortgages and loans payable	586,716	210,405	136,150	546,093	356,657	—	—	902,750	288,748	2,124,769
Deferred Consideration	—	—	38	—	—	—	—	—	—	38
Convertible Debentures	—	—	—	—	—	—	—	—	296,857	296,857
Deferred tax liability	—	94,550	10,051	74,559	42,932	2,237	—	119,728	—	224,329
Financial instruments	1,094	—	977	12,623	1,075	—	—	13,698	—	15,769
Liabilities related to assets held for sale	57,785	—	—	—	—	—	—	—	—	57,785
Exchangeable Units	65,321	—	—	—	—	—	—	—	150,687	216,008
Other liabilities	26,251	299	3,245	23,813	8,981	6,150	(5,420)	33,524	30,229	93,548
	$ 737,167	**$ 305,254**	**$ 150,461**	**$ 657,088**	**$ 409,645**	**$ 8,387**	**$ (5,420)**	**$ 1,069,700**	**$ 766,521**	**$ 3,029,103**
Net assets	**488,191**	**404,151**	**123,617**	**847,821**	**448,017**	**45,889**	**3,958**	**1,345,685**	**(706,720)**	**1,654,924**
Less: Non-controlling interest	—	—	—	(648,189)	(55,550)	—	(3,516)	(707,255)	—	(707,255)
Unitholders' Equity	**$ 488,191**	**$ 404,151**	**$ 123,617**	**$ 199,632**	**$ 392,467**	**$ 45,889**	**$ 442**	**$ 638,430**	**$ (706,720)**	**$ 947,669**

Notes

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

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

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

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE										
Unaudited	**Three months ended December 31, 2016**									
Expressed in thousands of Canadian dollars	**Canada**	**Brazil**	**Germany**	**Australia/ New Zealand**					**Corporate[3]**	**Consolidated**
				Vital Trust	**Vital Manager**	**Elimination**	**Australia REIT [4]**	**Total**		
Net Operating Income [1]										
Revenue from investment properties	$ 33,753	$ 11,706	$ 4,100	$ 32,773	$ —	$ (549)	$ —	$ 32,224	$ —	$ 81,783
Property operating costs	(15,107)	—	(1,162)	(2,009)	—	52	—	(1,957)	—	(18,226)
	18,646	**11,706**	**2,938**	**30,764**	**—**	**(497)**	**—**	**30,267**	**—**	**63,557**
Other income										
Share of profit (loss) from associates	—	—	—	—	(622)	8,482	—	7,860	—	7,860
Management fees	—	—	—	—	4,216	(4,452)	1,378	1,142	—	1,142
Interest income	42	543	—	12	2	—	2	16	1	602
	42	**543**	**—**	**12**	**3,596**	**4,030**	**1,380**	**9,018**	**1**	**9,604**
	18,688	**12,249**	**2,938**	**30,776**	**3,596**	**3,533**	**1,380**	**39,285**	**1**	**73,161**
Other expenses										
Mortgage and loan interest expense	(6,609)	(3,879)	(479)	(3,248)	—	—	—	(3,248)	(6,507)	(20,722)
General and administrative expenses	(407)	(673)	(912)	(4,346)	(1,433)	4,118	(671)	(2,332)	(910)	(5,234)
Transaction costs	—	—	—	—	—	(290)	—	(290)	(5)	(295)
Other Finance costs	648	(3,236)	(85)	(92)	—	—	—	(92)	1,631	(1,134)
Foreign exchange gain (loss)	(31)	(543)	—	(1,256)	(54)	—	—	(1,310)	2,702	818
Income / (Loss) before the undernoted items	**12,289**	**3,918**	**1,462**	**21,834**	**2,109**	**7,361**	**709**	**32,013**	**(3,088)**	**46,594**
Fair value adjustment of DUP liability	—	—	—	—	146	—	—	146	(432)	(286)
Fair value adjustment of investment properties	9,627	52,723	3,547	7,171	—	405	—	7,576	—	73,473
Net loss on disposal of investment properties	—	—	—	—	—	—	—	—	—	—
Gain / (Loss) on derivative financial instruments	693	178	300	8,880	—	—	(364)	8,516	(647)	9,040
Income / (Loss) before taxes	**22,609**	**56,819**	**5,309**	**37,885**	**2,255**	**7,766**	**345**	**48,251**	**(4,167)**	**128,821**
Income tax expense	—	(19,287)	(1,098)	(6,656)	(749)	(16)	(169)	(7,590)	—	(27,975)
Net income (loss)	**$ 22,609**	**$ 37,532**	**$ 4,211**	**$ 31,229**	**$ 1,506**	**$ 7,750**	**$ 176**	**$ 40,661**	**$ (4,167)**	**$ 100,846**
Non-Controlling Interest	—	—	—	23,493	—	(104)	—	23,389	—	23,389
Income attributable to Unitholders	**$ 22,609**	**$ 37,532**	**$ 4,211**	**$ 7,736**	**$ 1,506**	**$ 7,854**	**$ 176**	**$ 17,272**	**$ (4,167)**	**$ 77,457**
Add / (Deduct):										
Fair market value losses (gains)	(10,320)	(52,901)	(3,847)	(16,051)	(146)	(405)	364	(16,238)	(8,617)	(91,923)
Less: Non-controlling interests' share of fair market value losses (gains)	—			12,063		305		12,368		12,368
Finance cost - Exchangeable Unit distributions	—	—	—	—	—	—	—	—	3,800	3,800
Revaluation of financial liabilities	—	2,466	—	—	—	—	—	—	—	2,466
Unrealized foreign exchange loss (gain)	31	(156)	—	1,256	54	—		1,310	(3,577)	(2,392)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	—			(944)	—			(944)		(944)
Deferred taxes	—	19,199	1,098	4,064	476	—	(125)	4,415	—	24,712
Less: Non-controlling interests' share of deferred taxes	—			(3,057)	—			(3,057)		(3,057)
Non-recurring transaction costs	—	—	—	—	—	290	—	290	5	295
Convertible Debenture issuance costs	—	—	—	—	—	—	—	—	3,947	3,947
Net adjustments for equity accounted entities	—			—		(6,547)		(6,547)		(6,547)
Internal Leasing Costs	371		365	—	—			—		736
Net loss on disposal of investment properties	—	—	—	—	—		—	—	—	—
Other FFO adjustments	—			—	—	305	131	436		436
Funds From Operations ("FFO") [2]	**$ 12,691**	**$ 6,140**	**$ 1,827**	**$ 5,067**	**$ 1,890**	**$ 1,802**	**$ 546**	**$ 9,305**	**$ (8,609)**	**$ 21,354**

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited	**Three months ended December 31, 2016**									
Expressed in thousands of Canadian dollars	**Canada**	**Brazil**	**Germany**	**Australia/ New Zealand**					**Corporate[3]**	**Consolidated**
				Vital Trust	**Vital Manager**	**Elimination**	**Australia REIT [4]**	**Total**		
Funds From Operations ("FFO") [2]	**$ 12,691**	**$ 6,140**	**$ 1,827**	**$ 5,067**	**$ 1,890**	**$ 1,802**	**$ 546**	**$ 9,305**	**$ (8,609)**	**$ 21,354**
Add / (Deduct):										
Amortization of marked to market adjustment	(777)	—	—	—	—	—	—	—	—	(777)
Amortization of deferred financing charges	130	770	85	92	—	—	—	92	317	1,394
Less: Non-controlling interests' share of amortization of deferred financing charges	—			(69)				(69)		(69)
Straight line revenue	(267)	79		269				269		81
Less: non-controlling interests' share of straight-line revenue	—			(202)				(202)		(202)
Leasing costs and non-recoverable maintenance capital expenditures	(2,025)	—	(246)	(255)				(255)		(2,526)
Less: non-controlling interests' share of actual capex and leasing costs	—			192				192		192
DUP Compensation Expense	—	—	—	—	219	—		219	(273)	(54)
Debt repayment costs	—			—				—		—
Net adjustments for equity accounted entities	—			—		(209)		(209)		(209)
Adjusted Funds From Operations ("AFFO") [2]	**$ 9,752**	**$ 6,989**	**$ 1,666**	**$ 5,094**	**$ 2,109**	**$ 1,593**	**$ 546**	**$ 9,342**	**$ (8,565)**	**$ 19,184**

Notes

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

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

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

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

SUPPLEMENTAL DISCLOSURE										
Unaudited	**Year ended December 31, 2017**									
Expressed in thousands of Canadian dollars	**Canada**	**Brazil**	**Germany**	**Australia/New Zealand**					**Corporate[3]**	**Consolidated**
				Vital Trust	**Australia REIT**	**ANZ Manager**	**Elimination**	**Total**		
Net Operating Income [1]										
Revenue from investment properties	$ 136,640	$ 52,339	$ 18,809	$ 86,835	$ 21,315	$ —	$ (1,972)	$ 106,178	$ —	$ 313,966
Property operating costs	(62,124)	—	(5,397)	(11,308)	(3,274)	—	196	(14,386)	—	(81,907)
	74,516	**52,339**	**13,412**	**75,527**	**18,041**	**—**	**(1,776)**	**91,792**	**—**	$ 232,059
Other income										
Share of profit (loss) from associates	—	—	—	—	43,681	831	(831)	43,681	—	43,681
Management fees	—	—	—	—	—	43,835	(36,112)	7,723	—	7,723
Interest income	56	1,987	2	75	2,213	67	—	2,355	150	4,550
	56	**1,987**	**2**	**75**	**45,894**	**44,733**	**(36,943)**	**53,759**	**150**	**55,954**
	74,572	**54,326**	**13,414**	**75,602**	**63,935**	**44,733**	**(38,719)**	**145,551**	**150**	**288,013**
Other expenses										
Mortgage and loan interest expense	(25,768)	(13,023)	(2,420)	(16,500)	(4,855)	(4)	—	(21,359)	(39,201)	(101,771)
General and administrative expenses	(2,038)	(2,207)	(2,729)	(25,929)	(47)	(10,683)	26,051	(10,608)	(7,543)	(25,125)
Transaction costs	—	—	(84)	—	(9,673)	(639)	(291)	(10,603)	(2,604)	(13,291)
Other Finance costs	2,595	(5,548)	(505)	(376)	(1,331)	—	—	(1,707)	(45,513)	(50,678)
Foreign exchange gain (loss)	(20)	2,849	(10)	1,322	—	(128)	—	1,194	3,399	7,412
Income / (Loss) before the undernoted items	**49,341**	**36,397**	**7,666**	**34,119**	**48,029**	**33,279**	**(12,959)**	**102,468**	**(91,312)**	**104,560**
Fair value adjustment of DUP liability	—	—	—	—	—	(43)	—	(43)	(1,750)	(1,793)
Fair value adjustment of investment properties	(16,446)	87,765	5,889	185,200	(5,704)	—	2,847	182,343	—	259,551
Loss on business combination	—	—	—	—	(33,697)	(57,723)	—	(91,420)	1,842	(89,578)
Gain / (Loss) on derivative financial instruments	945	—	359	955	540	1,435	—	2,930	118	4,352
Income / (Loss) before taxes	**33,456**	**124,162**	13,914	**220,274**	**8,877**	**(23,052)**	**(10,112)**	**195,987**	**(91,102)**	**276,417**
Income tax expense	—	(32,745)	(2,208)	(10,885)	—	(5,934)	—	(16,819)	594	(51,178)
Net income (loss)	**$ 33,456**	**$ 91,417**	**$ 11,706**	**$ 209,389**	**$ 8,877**	**$ (28,986)**	**$ (10,112)**	**$ 179,168**	**$ (90,508)**	**$ 225,239**
Non-Controlling Interest	—	—	—	157,374	(177)	—	655	157,852	—	157,852
Income attributable to Unitholders	**$ 33,456**	**$ 91,417**	**$ 11,706**	**$ 52,015**	**$ 9,054**	**$ (28,986)**	**$ (10,767)**	**$ 21,316**	**$ (90,508)**	**$ 67,387**
Add / (Deduct):										
Fair market value losses (gains)	15,501	(87,765)	(6,248)	(186,155)	5,164	(1,392)	(2,847)	(185,230)	29,163	(234,579)
Less: Non-controlling interests' share of fair market value losses (gains)	—	—	—	139,988	(893)	—	2,142	141,237	—	141,237
Finance cost - Exchangeable Unit distributions	—	—	—	—	—	—	—	—	15,199	15,199
Revaluation of financial liabilities	—	3,667	—	—	—	—	—	—	—	3,667
Unrealized foreign exchange loss (gain)	19	(2,848)	5	(1,322)	—	128	—	(1,194)	(3,376)	(7,394)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	—	—	—	995	—	—	—	995	—	995
Deferred taxes	—	32,488	2,253	14,615	—	883	—	15,498	—	50,239
Less: Non-controlling interests' share of deferred taxes	—	—	—	(10,978)	—	—	—	(10,978)	—	(10,978)
Non-recurring transaction costs	—	—	83	—	9,673	639	292	10,604	2,604	13,291
Convertible Debenture issuance costs	—	—	—	—	—	—	—	—	—	—
Net adjustments for equity accounted entities	—	—	—	—	(38,943)		—	(38,943)	—	(38,943)
Internal Leasing Costs	1,421	—	620	—	—	—	—	—	—	2,041
Net loss on disposal of investment properties	384	—	—	—	291	—	—	291	—	675
Loss on business combination	—	—	—	—	33,697	57,723	—	91,420	(1,842)	89,578
Amortization of finance leases	—	—	—	—	(154)	—	—	(154)	—	(154)
Other FFO adjustments	576	—	—	—	—	263	4,468	4,731	—	5,307
Funds From Operations ("FFO") [2]	**$ 51,357**	**$ 36,959**	**$ 8,419**	**$ 9,158**	**$ 17,889**	**$ 29,258**	**$ (6,712)**	**$ 49,593**	**$ (48,760)**	**$ 97,568**

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited										
Expressed in thousands of Canadian dollars	**Canada**	**Brazil**	**Germany**	**Australia/New Zealand**					**Corporate[3]**	**Consolidated**
				Vital Trust	**Australia REIT**	**ANZ Manager**	**Elimination**	**Total**		
Funds From Operations ("FFO") [2]	**$ 51,357**	**$ 36,959**	**$ 8,419**	**$ 9,158**	**$ 17,889**	**$ 29,258**	**$ (6,712)**	**$ 49,593**	**$ (48,760)**	**$ 97,568**
Add / (Deduct):										
Amortization of marked to market adjustment	(3,165)	—	—	—	—	—	—	—	—	(3,165)
Amortization of deferred financing charges	570	1,882	505	376	1,331	—	—	1,707	2,782	7,446
Less: Non-controlling interests' share of amortization of deferred financing charges	—		—	(282)	75	—	—	(207)	—	(207)
Straight line revenue	(505)	237	—	1,432	(153)	—		1,279	—	1,011
Less: non-controlling interests' share of straight-line revenue	—		—	(1,075)	(26)	—	—	(1,101)	—	(1,101)
Leasing costs and non-recoverable maintenance capital expenditures	(8,198)	(82)	(1,128)	(1,618)	(1,251)	—	—	(2,869)	—	(12,277)
Less: non-controlling interests' share of actual capex and leasing costs	—		—	1,217	492	—	—	1,709	—	1,709
DUP Compensation Expense	—	—	—	—	—	2,012	—	2,012	2,779	4,791
Debt repayment costs	806	—	175	—	—	—	—	—	474	1,455
Net adjustments for equity accounted entities	—	—	—	—	(750)	—	—	(750)	—	(750)
Adjusted Funds From Operations ("AFFO") [2]	**$ 40,865**	**$ 38,996**	**$ 7,971**	**$ 9,208**	**$ 17,607**	**$ 31,270**	**$ (6,712)**	**$ 51,373**	**$ (42,725)**	**$ 96,480**

SUPPLEMENTAL DISCLOSURE										
Unaudited	**Year ended December 31, 2016**									
Expressed in thousands of Canadian dollars	**Canada**	**Brazil**	**Germany**	**Australia/New Zealand**					**Corporate**[3]	**Consolidated**
				Vital Trust	**Vital Manager**	**Elimination**	**Australia REIT**	**Total**		
Net Operating Income [1]										
Revenue from investment properties	$ 138,548	$ 37,063	$ 15,245	$ 88,519	$ —	$ (2,029)	$ —	$ 86,490	$ —	$ 277,346
Property operating costs	(62,306)	—	(4,136)	(8,499)	—	192	—	(8,307)	—	(74,749)
	76,242	**37,063**	**11,109**	**80,020**	**—**	**(1,837)**	**—**	**78,183**	**—**	**202,597**
Other income										
Share of profit (loss) from associates	—	—	—	—	540	8,139	—	8,679	—	8,679
Management fees	—	—	—	—	15,194	(15,563)	2,471	2,102	—	2,102
Interest income	73	2,589	—	134	5	—	3	142	48	2,852
	73	**2,589**	**—**	**134**	**15,739**	**(7,424)**	**2,474**	**10,923**	**48**	**13,633**
	76,315	**39,652**	**11,109**	**80,154**	**15,739**	**(9,261)**	**2,474**	**89,106**	**48**	**216,230**
Other expenses										
Mortgage and loan interest expense	(30,190)	(10,254)	(1,855)	(13,240)	(18)	—	—	(13,258)	(20,294)	(75,851)
General and administrative expenses	(1,270)	(2,133)	(2,884)	(15,063)	(5,188)	13,782	(1,301)	(7,770)	(5,715)	(19,772)
Transaction costs	—	—	—	—	—	(290)	—	(290)	(3,816)	(4,106)
Other Finance costs	5,602	(12,568)	(330)	(360)	—	—	—	(360)	(54,081)	(61,737)
Foreign exchange gain (loss)	(32)	(560)	2	(1,111)	(114)	—	—	(1,225)	350	(1,465)
Income / (Loss) before the undernoted items	**50,425**	**14,137**	**6,042**	**50,380**	**10,419**	**4,231**	**1,173**	**66,203**	**(83,508)**	**53,299**
Fair value adjustment of DUP liability	—	—	—	—	250	—	—	250	(1,701)	(1,451)
Fair value adjustment of investment properties	(15,567)	73,738	13,354	63,018	—	1,823	—	64,841	—	136,366
Net loss on disposal of investment properties	(2,807)	—	—	—	—	—	—	—	—	(2,807)
Gain on business combination	—	—	—	—	—	—	—	—	53	53
Gain / (Loss) on derivative financial instruments	754	920	(176)	3,438	—	—	(1,080)	2,358	(5,801)	(1,945)
Income / (Loss) before taxes	**32,805**	**88,795**	**19,220**	**116,836**	**10,669**	**6,054**	**93**	**133,652**	**(90,957)**	**183,515**
Income tax expense	—	(28,759)	(3,325)	(20,936)	(1,232)	(16)	(116)	(22,300)	—	(54,384)
Net income (loss)	**$ 32,805**	**$ 60,036**	**$ 15,895**	**$ 95,900**	**$ 9,437**	**$ 6,038**	**$ (23)**	**$ 111,352**	**$ (90,957)**	**$ 129,131**
Non-Controlling Interest	—	—	—	72,319	—	(151)	—	72,168	—	72,168
Income attributable to Unitholders	**$ 32,805**	**$ 60,036**	**$ 15,895**	**$ 23,581**	**$ 9,437**	**$ 6,189**	**$ (23)**	**$ 39,184**	**$ (90,957)**	**$ 56,963**
Add / (Deduct):										
Fair market value losses (gains)	14,813	(74,658)	(13,178)	(66,456)	(250)	(1,823)	1,080	(67,449)	38,119	(102,353)
Less: Non-controlling interests' share of fair market value losses (gains)	—	—	—	50,158	—	1,536	—	51,694	—	51,694
Finance cost - Exchangeable Unit distributions	—	—	—	—	—	—	—	—	15,199	15,199
Revaluation of financial liabilities	—	10,053	—	—	—	—	—	—	—	10,053
Unrealized foreign exchange loss (gain)	32	(138)	(2)	1,112	114	—	—	1,226	(1,165)	(47)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	—	—	—	(833)	—	—	—	(833)	—	(833)
Deferred taxes	—	28,477	3,277	15,006	(238)	—	(373)	14,395	—	46,149
Less: Non-controlling interests' share of deferred taxes	—	—	—	(11,324)	—	—	—	(11,324)	—	(11,324)
Non-recurring transaction costs	—	—	—	—	—	290	—	290	3,816	4,106
Convertible Debenture issuance costs	—	—	—	—	—	—	—	—	7,064	7,064
Net adjustments for equity accounted entities	—	—	—	—	—	(6,424)	—	(6,424)	—	(6,424)
Internal Leasing Costs	1,614	—	509	—	—	—	—	—	—	2,123
Net loss on disposal of investment properties	2,807	—	—	—	—	—	—	—	—	2,807
Gain on business combination	—	—	—	—	—	—	—	—	(53)	(53)
Other FFO adjustments	$ —	$ —	$ —	$ —	$ —	$ 1,215	$ 260	1,475	$ —	1,475
Funds From Operations ("FFO") [2]	**$ 52,071**	**$ 23,770**	**$ 6,501**	**$ 11,244**	**$ 9,063**	**$ 983**	**$ 944**	**$ 22,234**	**$ (27,977)**	**$ 76,599**

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited										
Expressed in thousands of Canadian dollars	**Canada**	**Brazil**	**Germany**	**Australia/New Zealand**					**Corporate[3]**	**Consolidated**
				Vital Trust	**Vital Manager**	**Elimination**	**Australia REIT [4]**	**Total**		
Funds From Operations ("FFO") [2]	**$ 52,071**	**$ 23,770**	**$ 6,501**	**$ 11,244**	**$ 9,063**	**$ 983**	**$ 944**	**$ 22,234**	**$ (27,977)**	**$ 76,599**
Add / (Deduct):										
Amortization of marked to market adjustment	(5,964)	—	—	—	—	—	—	—	—	(5,964)
Amortization of deferred financing charges	363	2,515	330	360	—	—	—	360	1,200	4,768
Less: Non-controlling interests' share of amortization of deferred financing charges	—	—	—	(272)	—	—	—	(272)	—	(272)
Straight line revenue	(1,101)	202	—	550	—	—	—	550	—	(349)
Less: non-controlling interests' share of straight-line revenue	—	—	—	(414)	—	—	—	(414)	—	(414)
Leasing costs and non-recoverable maintenance capital expenditures	(8,313)	—	(915)	(616)	—	—	—	(616)	—	(9,844)
Less: non-controlling interests' share of actual capex and leasing costs	—	—	—	465	—	—	—	465	—	465
DUP Compensation Expense	—	—	—	—	918	—	—	918	1,204	2,122
Debt repayment costs	3,134	—	—	—	—	—	—	—	—	3,134
Net adjustments for equity accounted entities	$ —	$ —	$ —	$ —	$ —	$ (354)	$ —	(354)	$ —	(354)
Adjusted Funds From Operations ("AFFO") [2]	**$ 40,190**	**$ 26,487**	**$ 5,916**	**$ 11,317**	**$ 9,981**	**$ 629**	**$ 944**	**$ 22,871**	**$ (25,573)**	**$ 69,891**

Notes

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

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

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

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

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 ANZ Manager, interest savings resulting from debt optimization both during and subsequent to quarter end, and items relating to expected amounts for normalized revenues and general and administrative expenses. As a result, the discussion in this section is qualified in its entirety by the forward-looking statements set out under **PART I - BASIS OF PRESENTATION - FORWARD-LOOKING INFORMATION ADVISORY**.

Expressed in thousands of Canadian dollars, except per unit amounts	Q4 2017	Q4 2017 Per Unit	Q4 2017 Annualized	Annualized Per Unit
AFFO as reported	**$ 23,332**	**$ 0.20**	**$ 93,328**	
Normalization adjustments [1]:				
(2) Acquisition and disposition activities			5,548	
(3) Accrued indexation related to Brazil leases			1,247	
(4) ANZ manager and activity fees			3,502	
(5) G&A expenses			3,500	
(6) Realized Q4-17 interest savings			7,748	
(7) Potential interest savings and debt optimization			8,821	
(8) Non-recurring items			(12,782)	
(9) ANZ development activity			947	
Normalized AFFO on an annualized basis			**$ 111,859**	**$ 0.93**
Weighted average units outstanding for the Q4 2017 period (000s)				118,192
Normalization adjustment				1,845
Normalized Units Outstanding (000s) - December 31, 2017				120,037

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) To reflect the impact from the net investment activity completed during and post quarter

(3) Estimated impact of increased revenues due to accrued indexation of Brazil leases based on the actual YTD inflation rate

(4) Estimated increase in Vital Manager's management fees, assessed on total AUM, due to additions or fair value gains plus estimated management fees on Australia REIT assets

(5) The estimated impact of recognizing certain annual general and administrative expense items, recognized in the quarter, over a normalized 12 month period

(6) Adjustment to reflect the full quarter impact of ANZ term loan refinancing and the repayment of high cost debt with proceeds from completed financing activities during the quarter: Equity financing and Santa Helena long-term financing

(7) Adjustment to reflect the interest saving on executed and committed initiatives to optimize debt

(8) Adjustment for the one time current tax reversal and activity fees at Vital

(9) To reflect the accretion from the on-going developments at the Australia REIT upon completion

PART XIV –NET ASSET VALUE

Expressed in thousands of Canadian dollars, except per unit amounts			
			Q4 2017
Total Assets		**$**	**4,684,027**
less Total Liabilities			(3,029,103)
less Non-controlling interest			(707,255)
Unitholders' equity			**947,669**
Add/(deduct):			
Deferred unit plan liability			18,009
Deferred tax liability	224,329		
less NCI	(55,994)		168,335
Financial instruments - net	13,834		
less NCI	(8,027)		5,807
Exchangeable Units			216,008
ANZ Manager valuation adjustment			83,500
Other			1,337
Net Asset Value ("NAV")		**$**	**1,440,665**
Adjusted Units Outstanding (000s)- period end (1)			120,037
NAV per Unit		**$**	**12.00**

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
- 7.25% convertible debentures - NWH.DB.C
- 5.50% convertible debentures - NWH.DB.D
- 5.25% convertible debentures NWH.DB.E
- 5.25% convertible debentures NWH.DB.F

Distribution Reinvestment Plan

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