NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE THREE MONTHS ENDED MARCH 31, 2012

May 7, 2012

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CEO’s Message

May 7, 2012

The first quarter of 2012 saw the Canadian commercial real estate market remain robust in terms of investment activity and the availability of both equity and debt. Most property markets experienced improving market fundamentals such as increased space absorption and rental rates.

Operations

Our REIT performed as expected during the first quarter. We knew that we would take a small step back in the first half of the year in terms of occupancy and same property income as a result of the known departure of one large tenant at a building in the currently vibrant Calgary market, as well as the on-going repositioning efforts at a handful of other properties. As much as we anticipated this ‘pause’, we also projected, and continue to believe, that the second half of the year will see increases in occupancy and same property performance as we execute on our 2012 plan. Thus far this year we are on track to achieve our annual new leasing target, with committed occupancy based on new leasing done to date of 91.5%, comfortably above the 90.9% at quarter end which was a slight decrease from the previous quarter.

The financial results for the first quarter were in line with our expectations, with FFO per unit for the quarter of $0.24, and AFFO per unit of $0.20. The payout ratio for the quarter was 102%.

In addition to an active quarter for new leasing, we also achieved 51% of our annual budget of renewal leasing. Both new and renewal rents were in line with expectations. Renewal rents increased 1.5% above expiring rents.

Acquisitions

Our acquisition momentum continues into 2012. During the quarter we closed three transactions, all well occupied multi-tenant medical office buildings dominant in their respective markets, totaling approximately $39 million - a 42,729 square foot building in Moncton, New Brunswick, a new market for us; a 36,502 square foot building in Quebec City, our fifth in this important market; and a 53,082 square foot, newly developed building in London, Ontario, the REIT’s third in this market. Subsequent to quarter-end we also closed on a newly developed, 34,800 square foot medical office and retail project in Airdrie, Alberta, just north of Calgary.

Subsequent to the quarter-end we announced, together with NorthWest Value Partners Inc. (“NWVP”), a private company controlled by Paul Dalla Lana, the REIT’s chairman, an arrangement with NWVP whereby our REIT will acquire all of the properties of GT Canada Medical Office Properties REIT while NWVP acquires the GT platform. The GT portfolio to be acquired by our REIT comprises twelve medical office buildings in Ontario, containing 280,000 square feet and over 170 tenants, and is valued at $87.3 million. The transaction which is expected to close late in the second quarter or early in the third quarter is conditional upon GT unitholder acceptance of the NWVP bid to acquire not less than 2/3rds of GT’s units.

Liquidity

During the first quarter we took several steps to maintain the REIT’s liquidity in order to support our recent, and projected, acquisition activity. We expanded our revolving credit facility to $50 million, extended it to March, 2014 and reduced our borrowing rates. During the quarter we were also active closing or securing commitments for various mortgage financings, providing adequate liquidity for projected acquisition activity.

Outlook

Our focus for the remainder of 2012 will be to consistently increase funds from operations through both improved same property performance and accretive acquisitions.

Sincerely,

(signed) Peter Riggin
Chief Executive Officer

This Management's Discussion and Analysis ("MD&A") sets out NorthWest Healthcare Properties Real Estate Investment Trust's (the "REIT") operating strategies, risk profile considerations, business outlook and analysis of its financial performance and financial condition for the three months ended March 31, 2012.

This MD&A is based on the REIT's condensed consolidated interim financial statements for the three months ended March 31, 2012, prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are in thousands of Canadian dollars, except where otherwise stated. Per Unit amounts are presented in Canadian dollars, on a diluted basis, except where otherwise stated.

This MD&A should be read in conjunction with the REIT's condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2012, prepared in accordance with IFRS. This MD&A should be read in conjunction with the REIT's consolidated financial statements and accompanying notes for the year ended December 31, 2011, prepared in accordance with IFRS. Additional information about the REIT, including the REIT's annual information form dated March 12, 2012 (the "Annual Information Form"), can be found on SEDAR at www.sedar.com.

PART I

FORWARD-LOOKING INFORMATION

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" 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;
- any projections of financial performance of the REIT for the periods set out herein;
- the expected tax treatment of the REIT's distributions to Unitholders;
- the ability of the REIT to qualify for the REIT Exception (as defined herein);
- the access of the REIT to debt markets; and
- the expected 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, the demographic and industry trends remaining unchanged, future levels of indebtedness, the tax laws as currently in effect remaining unchanged, and the current economic conditions remaining unchanged.

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 "Risk Factors". 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.

NON-IFRS FINANCIAL MEASURES

Certain terms used such as "**Funds from Operations" ("FFO"), "Adjusted Funds from Operations" ("AFFO"), "Net Operating Income" ("NOI"), "Gross Book Value" ("GBV"), "Payout Ratio", "Interest Coverage" and any related per Unit amounts** used by management to measure, compare and explain the operating results and financial performance of the REIT are not recognized terms under IFRS, and therefore should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. Management believes that these terms are relevant measures in comparing the REIT's performance to industry data and the REIT's ability to earn and distribute cash returns to holders of the REIT's Units. These terms are defined in this MD&A and reconciled to the consolidated financial statements of the REIT for the three months ended March 31, 2012. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other publicly traded entities.

PART II

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust dated January 1, 2010 and as amended on March 25, 2010, under the laws of the Province of Ontario (the "Declaration of Trust"). The REIT completed its initial public offering ("IPO") on March 25, 2010. The REIT's units (the "Units") are listed and publicly traded on the Toronto Stock Exchange (TSX) under the symbol NWH.UN.

The REIT is the largest non-government owner of medical office buildings and healthcare focused real estate (collectively, ''Healthcare Real Estate'') in Canada, and is focused on leasing space to doctors, dentists, other medical professionals and related healthcare service providers such as pharmacies, laboratories and diagnostic imaging clinics. The REIT employs a full service, fully integrated national management platform with regional offices in four core markets of Calgary, Toronto, Montreal and Halifax.

Management believes that Healthcare Real Estate represents a growing yet defensive market position, owing to necessity-based tenancies that are not typically impacted by recessions or economic slowdowns. The REIT and its property portfolio are well positioned to benefit from strong demographic and industry trends, such as a growing and aging population, increased demand for and funding of healthcare, and a shift of administration, diagnostic services and other non-acute services out of hospitals and into nearby Healthcare Real Estate owing to space shortages, pressure for cost savings and a desire by the hospitals to focus their activities on acute care.

The objectives of the REIT are to: (i) provide unitholders with stable and growing cash distributions from investments focused on Healthcare Real Estate primarily in Canada, on a tax efficient basis; (ii) enhance the value of the REIT's assets and maximize long-term Unit value through active management; and (iii) expand the asset base of the REIT and increase the REIT's AFFO per Unit, including through accretive acquisitions.

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 and is also available on request to all unitholders. Further information regarding the Declaration of Trust can also be located starting on page 56 of the REIT's Annual Information Form. Some of the main investment guidelines and operating policies in the Declaration of Trust include the following:

Investment Guidelines

1. Acquire and operate income-producing commercial real estate located primarily in Canada;
2. Investments in joint ventures regarding real estate permitted; and
3. Investments in mortgages and mortgage bonds regarding real estate permitted.

Operating Policies

1. Maximum portfolio debt capacity not to exceed 65% of Gross Book Value;
2. 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;
3. Limitations meeting certain defined criteria restricting leasing to non – institutional tenants; and
4. Third party environmental surveys are required prior to the acquisition of any property.

At March 31, 2012, the REIT was in compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Expressed in thousands of dollars	As at March 31, 2012	As at December 31, 2011
Operational information	(Unaudited)	(Unaudited)
Number of properties	61	58
Gross Leasable Area ("GLA")	4,148,498	4,035,480
Occupancy %	90.9%	91.2%
Average lease term to maturity	4.5 years	4.4 years
Weighted average in place net rental rate ($psf)	$16.08	$16.03
Summary of Financial information	(Unaudited)	(Unaudited)
Gross Book Value	$1,073,280	$1,011,717
Debt (1)	$548,532	$507,659
Debt to Gross Book Value (2)	51.1%	50.2%
Weighted average mortgage interest rate (3)	5.18%	5.22%
Weighted average mortgage term	5.0 years	5.0 years
Adjusted units outstanding – period-end (4):		
Basic	42,922,058	42,847,569
Diluted	43,073,351	42,940,288

	For the 3 months ended March 31, 2012
Summary of Financial information	(Unaudited)
Revenue	$32,515
NOI (5)	$17,248
FFO (5)	$10,111
FFO per Unit (Adjusted fully diluted) (6)	$0.24
AFFO (5)	$8,411
AFFO per Unit (Adjusted fully diluted) (6)	$0.20
Distributions per Unit	$0.20
AFFO Payout ratio	102%
Interest coverage (7)	2.58x
Net debt/EBITDA(8)	8.3x
Adjusted weighted average units outstanding for the period (4):	
Basic	42,892,943
Diluted	42,997,118

Notes:

(1) Debt is presented net of a Mark to Market premium of $2,950 (December 31, 2011 - $3,067) and unamortized financing costs of $902 (December 31, 2011 - $568).

(2) Defined as total debt excluding Class B exchangeable units, divided by total assets

(3) Current market weighted average mortgage interest rate = approximately 3.7%

(4) Under IFRS the REIT's Class B exchangeable units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 7,615,546 outstanding Class B exchangeable units outstanding as at March 31, 2012 and December 31, 2011.

(5) NOI, FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. NOI, 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 NOI, FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.

(6) FFO and AFFO per unit amounts based on fully diluted adjusted weighted average number of units, which includes Class B exchangeable units, for the three months ended March 31, 2012. AFFO amounts are calculated utilizing a stabilized reserve for growth capital expenditures, leasing costs and tenant improvements of 4.5% of revenue from investment properties.

(7) Defined as net income before fair value adjustment of investment properties plus finance costs divided by finance costs excluding amounts related to Class B exchangeable units.

(8) Defined as debt less cash and cash equivalents divided by annualized net income before fair value adjustment of investment properties plus finance costs.

SUMMARY OF SIGNIFICANT EVENTS

- AFFO per unit for the quarter was $0.20, consistent with the previous quarter.
- Occupancy was 90.9%, down slightly from the previous quarter as the REIT absorbed the anticipated vacancy of a large tenancy (over 15,000 sf) at its Rockyview Health Centre I property in Calgary.
- On January 19, 2012 the REIT acquired Centre Medicale de l'Hetriere, a 36,502 square foot fully leased medical office building located in Greater Quebec City. The property was acquired for $7.0 million free and clear of mortgages, with the REIT subsequently securing 10-year mortgage financing for $4.6 million at a fixed interest rate of 4.23%, which loan funded March 30, 2012. Due to its newer development and position as the prominent medical building in this fast growing market.
- On January 23, 2012 the REIT completed its acquisition of Moncton Medical Clinic in Moncton, New Brunswick for $7.86 million. The REIT assumed and subsequently increased the vendor's existing mortgage to an aggregate principal amount of approximately $5.1 million, a weighted average interest rate of 4.71% and a 2016 maturity. Comprising 42,729 square feet, Moncton Medical Clinic is a premiere medical office building in its market due to favourable scale, design and location.
- On February 1, 2012, the REIT amended, expanded and extended its Revolving Credit Facility. The Revolving Credit Facility was expanded to $50 million and now bears interest at a reduced rate equal to the bank's prime rate plus 125 basis points or Bankers' Acceptances plus 225 basis points. The term was also extended to March 25, 2014. As part of the expansion, Polyclinique Val-Belair and Canamera Medical Centre were added to the security pool.
- On March 14, 2012, the REIT refinanced Clinique Bois-de-Boulogne (1575 Henri-Bourassa Blvd. West), Montreal with a $10.5 million 10 year mortgage loan at an interest rate of 4.01%.
- On March 30, 2012 the REIT acquired the 53,082 square foot Springbank Medical Centre in London, Ontario. The property was acquired for $24 million free and clear of mortgages, with the REIT subsequently entering into a commitment for a two year, $13 million floating rate mortgage loan secured against the property, which loan funded April 10, 2012. Springbank Medical Centre has quickly become one of the dominant medical office buildings in London due to its new construction, appealing design and diversified healthcare tenant mix.
- The REIT paid distributions of $0.06667 per unit on January 13, 2011, February 15, 2011 and March 15, 2011 consistent with its annualized target of $0.80 cents per unit.

Please also see Part X – Subsequent Events.

OUTLOOK AND CURRENT BUSINESS ENVIRONMENT

The REIT believes that its portfolio of primarily necessity-based tenancies is typically not materially impacted by economic slowdowns and is well-positioned to capitalize upon longer term demographic and healthcare industry trends of increasing demand for healthcare from an aging population, as well as increasing pressure on governments and healthcare institutions to contain costs, which will likely result in additional opportunities for non-government providers of Healthcare Real Estate.

The REIT continues to focus its leasing efforts on increasing the healthcare tenancies within each building, wherever possible, which means aggressively pursuing new healthcare tenancies for vacant space and renewing healthcare tenancies, but only selectively renewing non-healthcare tenancies. This is important in order to create the positive synergies that result from an agglomeration of healthcare users in one property, which over the long term, should result in escalating property revenue from increased rents from support service tenants who benefit from such synergies, such as pharmacies, laboratories, diagnostic imaging clinics and other retail-oriented businesses. It also assists in driving maximum traffic to the property which translates into increased miscellaneous revenue, especially parking revenue, if applicable.

The Canadian real estate equity and debt capital markets are currently stable with debt readily available and competitively priced. In general the investment market has become more competitive with increased activity as capital recently raised, especially by REITs, is available for investment. As a consequence of this growth in demand there been a continuing but gradual decline in yields.

The REIT continues to pursue an active acquisition pipeline, with multiple properties in varying stages of review, negotiation and due diligence. The REIT believes, through accretive acquisitions that by efficiently leveraging its existing asset and property management platform, there are significant opportunities to grow the portfolio by being a consolidator within a sector that is characterized by relatively fragmented ownership. Further, portfolio growth often enhances the REIT's relationships with the healthcare communities within which it operates, which over the longer term, will also contribute to improved performance.

PART III

RESULTS OF OPERATIONS

The REIT's results of operations for the three months ended March 31, 2012 are summarized below:

Expressed in thousands of dollars	Three months ended March 31, 2012	Three months ended March 31, 2011	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from operations			
Base rent	$15,362	$13,167	$2,195
Operating cost recoveries	13,267	10,565	2,702
Parking revenue	3,273	2,789	484
Other revenue	491	375	116
Revenue from investment properties	32,393	26,896	5,497
Management fee revenue	122	206	(84)
Revenue from operations	32,515	27,102	5,413
Property operating expenses	15,267	12,450	(2,817)
Operating income	17,248	14,652	2,596
Finance cost	6,410	5,924	(486)
Interest income	(171)	(36)	135
Trust expenses	898	864	(34)
Income before undernoted items	10,111	7,900	2,211
Finance cost – Class B exchangeable units	(1,523)	(1,536)	13
Finance cost - Fair value adjustment of Class B exchangeable units	(5,788)	(1,536)	(4,252)
Fair value adjustment of investment properties [1]	18,184	4,545	13,639
Net income / (loss)	**$20,984**	**$9,373**	**$11,611**

Notes:

(1) The REIT has chosen to use the fair value model to account for investment property under IFRS. As a result the investment properties are not depreciated and changes in the fair value of the properties are recognized in income in the period they occur.

Revenue from Operations

Revenue from operations for the three months ended March 31, 2012 is $5,413 greater than the actual for the three months ended March 31, 2011, primarily as a result of eleven properties acquired subsequent to December 31, 2010 that increased revenue $4,979 over the actual for the three months ended March 31, 2011.

Property Operating Expenses

Property operating expenses are comprised of amounts recoverable from tenants (including property taxes, repairs and maintenance, utilities and insurance) and non-recoverable expenses including certain property management costs.

Operating expenses for the three months ended March 31, 2012 were $2,817 greater than the three months ended March 31, 2011, primarily as a result of acquisitions that contributed $2,269 to operating expenses.

Finance Cost

Interest expense for the three months ended March 31, 2012 is $486 greater than the actual results for the three months ended March 31, 2011, primarily as a result of mortgage interest on acquired properties of $1,543 offset by the fact that the REIT did not incur interest cost on bridge financing that increased interest costs in the prior year's quarter versus the current year quarter by approximately $952.

Interest Income

Interest income for the three months ended March 31, 2012, primarily reflects interest earned on an $8 million loan secured by a medical office building in Owen Sound, Ontario, over which the REIT has a right of first offer.

Trust Expenses

The increase in trust expense for the three months ended March 31, 2012 over the three months ended March 31, 2011 is primarily related to increased compensation costs associated with the deferred unit plan.

Finance Cost – Class B exchangeable unit distributions

Under IFRS the Class B exchangeable unit distributions are treated as a finance cost. During the three months ended March 31, 2012 the REIT declared distributions of $1,523 on the Class B exchangeable units. This represents $0.0667 per unit for each of the months of January to March which is equivalent to the distributions declared on the REIT units during the three months ended March 31, 2012 and the distributions declared during the three months ended March 31, 2011.

The slight decrease in the finance costs associated with the Class B exchangeable units over the prior year's quarter reflects the reduction in outstanding Class B exchangeable units following the conversion into REIT units of 65,200 Class B exchangeable units in July 2011.

Fair Value Adjustment of Class B exchangeable units

Under IFRS the Class B exchangeable units are carried at fair value with any change in value recognized in the statement of income. During the three month period ended March 31, 2012 the value of the Class B exchangeable units increased to $12.25 from $11.49 resulting in an increase of the Class B exchangeable unit liability and an associated loss of $5,788. During the three months ended March 31, 2011 the outstanding Class B exchangeable units increased from $11.69 to $11.89 resulting in an increase of the Class B exchangeable unit liability and an associated loss of $1,536.

Fair Value Adjustment of Investment Properties

Under IFRS the REIT has elected to use the fair value model to account for its investment properties. The REIT's primary valuation methodology is discounted cash flow analysis. 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 properties are recognized in income in the period in which they occur. During the three months ended March 31, 2012 the value of the REIT's investment properties increased by $18,184. See Part IV – Investment Properties for additional information on the fair value changes to the REIT's investment properties.

NET OPERATING INCOME

NOI is a non-IFRS measure of a REIT's operating performance, defined as property and property related revenue less operating expenses, inclusive of property management recovery fees and amortization of straight line rent. The REIT uses NOI to assess its property operating performance on an unleveraged basis. Same property NOI for the three months ended March 31, 2012 represents income from investment properties held prior to January 1, 2011. The REIT's NOI for the three months ended March 31, 2012 is summarized below:

Expressed in thousands of dollars	**Three months ended March 31, 2012**	**Three months ended March 31, 2011**	**Variance**
	(Unaudited)	(Unaudited)	(Unaudited)
Same property revenue from operations			
Base rent	$11,161	$11,487	($326)
Operating cost recoveries	9,731	9,036	695
Parking revenue	2,463	2,375	88
Other revenue	372	311	61
Revenue from investment properties	23,727	23,209	518
Same property operating expenses	11,276	10,728	(548)
Same property NOI	**12,451**	**12,481**	**(30)**
Management fee revenue	122	206	(84)
Acquisitions	4,675	1,965	2,710
NOI	**$17,248**	**$14,652**	**$2,596**

Revenue from Investment Properties

Same property revenue from investment properties for the three months ended March 31, 2012 is $518 greater than actual results for the three months ended March 31, 2011.

For the three months ended March 31, 2012 the same property base rent decreased $326 over the comparable prior year period. Although the REIT had same property base rent improvements at many of its properties this progress was affected by the impact of the three significant items: 1) the loss of 15,045 square feet at the REIT's Rockyview Health Centre I property in Calgary, Alberta following the anticipated vacancy of a single tenant, the REIT has spent significantly on improvements at this property during the quarter and expects to replace this vacancy in the near future; 2) the REIT's termination of a non-healthcare tenancy of 24,268 square feet of space at the Sunridge Professional Centre in Calgary as the REIT prepares the majority of the space for a new long term lease with the University of Calgary for a medical clinic; and 3) the loss of approximately 9,200 at the Royal Bank Building property in Dartmouth, Nova Scotia in mid 2011, following the vacancy of one large tenant due to our inability to accommodate this tenant's expansion requirements in an otherwise substantially full building. The same property base rent is also affected by the continued conversion of gross leases to net, which typically reduces base rent but increases operating cost recoveries.

Same property operating cost recovery revenue for the quarter increased $695 over the comparable prior year period. The increase reflects the on-going conversion of gross leases as well as an increase in operating costs over the comparable prior period. Net operating cost recoveries improved approximately $147 over the comparable prior year period primarily as a result of the continued conversion of gross leases to net.

Same property parking revenue increased $88 over the three months ended March 31, 2011 due to paid parking improvements at several of the REIT's properties. Other same property income was consistent with the three months ended March 31, 2011.

Property Operating Expenses

Property operating expenses are comprised of amounts recoverable from tenants (including property taxes, repairs and maintenance, utilities and insurance) and non-recoverable expenses including certain property management costs.

Same property operating expenses for the three months ended March 31, 2012 increased over the three months ended March 31, 2011 due to inflationary increases, as well as increases in repair and maintenance costs and utilities partially offset by snow removal savings.

Management Fee Revenue

Management fee revenue for the three months ended March 31, 2012 declined versus the comparable prior year period primarily as a result of reduced supervision fee income at head lease properties.

PORTFOLIO PROFILE

As of March 31, 2012, the REIT's portfolio consisted of 61 Healthcare Real Estate properties, located in six provinces. The properties had a total GLA of approximately 4.1 million square feet encompassing approximately 1,420 individual tenancies.

Geographic Diversification

The properties are well diversified throughout Canada, with 84% of annualized NOI derived from the six major markets of the Greater Toronto Area (32%), Calgary (20%), Edmonton (14%), the Greater Montreal Area (9%), Quebec City (4%) and the Halifax Regional Municipality (5%) for the three months ended March 31, 2012. The following charts and graphs set out the regional diversification of the portfolio by annualized NOI and GLA.

Region	# of Properties	Total GLA	Current Occupancy Rate (1)	Avg. In-place Net Rent (psf)
Western Canada	13	1,101,368	91.9%	$21.11
Ontario	24	1,784,659	87.9%	15.17
Quebec	15	720,547	96.6%	12.63
Atlantic Canada	9	541,924	90.8%	13.76
Total	**61**	**4,148,498**	**90.9%**	**$16.08**

Geographic diversification by annualized NOI (2)

Geographic diversification By GLA

Notes:

(1) As at March 31, 2012

(2) Based on NOI for the 3 months ended March 31, 2012, excluding property management fees.

Tenant Mix

The 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. Approximately 75% of the REIT's tenants are healthcare-oriented. The average tenant occupies approximately 2,700 square feet of GLA. The primary source of revenue for a large portion of the REIT's tenants is government funding, either directly or indirectly, through medical practitioners, which supports the credit quality of the REIT's tenants. The weighted average in place net rent per square foot for the properties at expiry is $16.20.

The following table summarizes the REIT's 10 largest tenants by percentage of gross rent for the three months ended March 31, 2012:

	Tenant	% of Gross Rent
1	Bantrel Corporation	4.6%
2	CLSC/CSSS	3.4%
3	Lawtons Drugs	2.3%
4	Alberta Health Services	2.2%
5	The Hospital for Sick Children	1.8%
6	NorthWest Operating Trust ("NW Trust") (1)	1.7%
7	CML Healthcare	1.6%
8	Shoppers Drug Mart	1.5%
9	Medical Imaging Consultants	1.4%
10	Medisys Diagnostic Imaging	1.2%
Total		**21.7%**

Notes:
(1) Includes head leases net of impact of leases to third parties

Leasing Activity

Leasing Activity (square feet)				
	Total GLA	**Occupied**	**Vacant**	**Committed(1)**
December 31, 2011	4,035,480	3,679,903	355,577	26,666
Acquired	132,313	130,075	2,238	1,119
Expiries	-	(114,418)	114,418	-
Renewal	-	82,305	(82,305)	116,186
Early Terminations	-	(16,260)	16,260	-
New Leasing	-	44,396	(44,396)	12,447
Month to month	-	(15,971)	15,971	-
Re-measurements and other(2)	(19,295)	(20,791)	1,498	-
March 31, 2012	4,148,498	3,769,237	379,261	156,418

Notes:
(1) Represents existing tenants that have early renewed prior to lease expiry or new tenant leasing where the lease commences subsequent to the quarter end.
(2) During the quarter the REIT terminated a lease for 24,268 square feet at its Sunridge Professional Centre property to redevelop the space for a long term lease with the University of Calgary. As a result the space was removed from GLA and the University of Calgary lease has also been excluded from future committed deals.

Renewal leasing:

During the quarter the REIT completed 82,305 square feet of renewal leasing inclusive of 35,402 square feet of month to month tenants that renewed during the quarter. The renewal ratio and occupancy was adversely affected during the quarter by the vacancy of 15,045 square feet at the REIT's Rockyview Health Centre I property in Calgary but remained above 70% (above 80% excluding such departure). Notwithstanding the loss of the Rockyview Health Centre I tenant, and its impact on occupancy, the REIT believes it had a relatively strong quarter with respect to renewal leasing as the REIT early renewed 116,186 of future expiries during the quarter, and an additional 23,179 square feet remained in occupancy on a month to month basis, and are expected to renew.

Tenant renewals were completed at a weighted average initial net rent per square foot of $15.80 versus a weighted average expiring net rent per square foot of $15.57, a 1.5% increase.

New leasing:

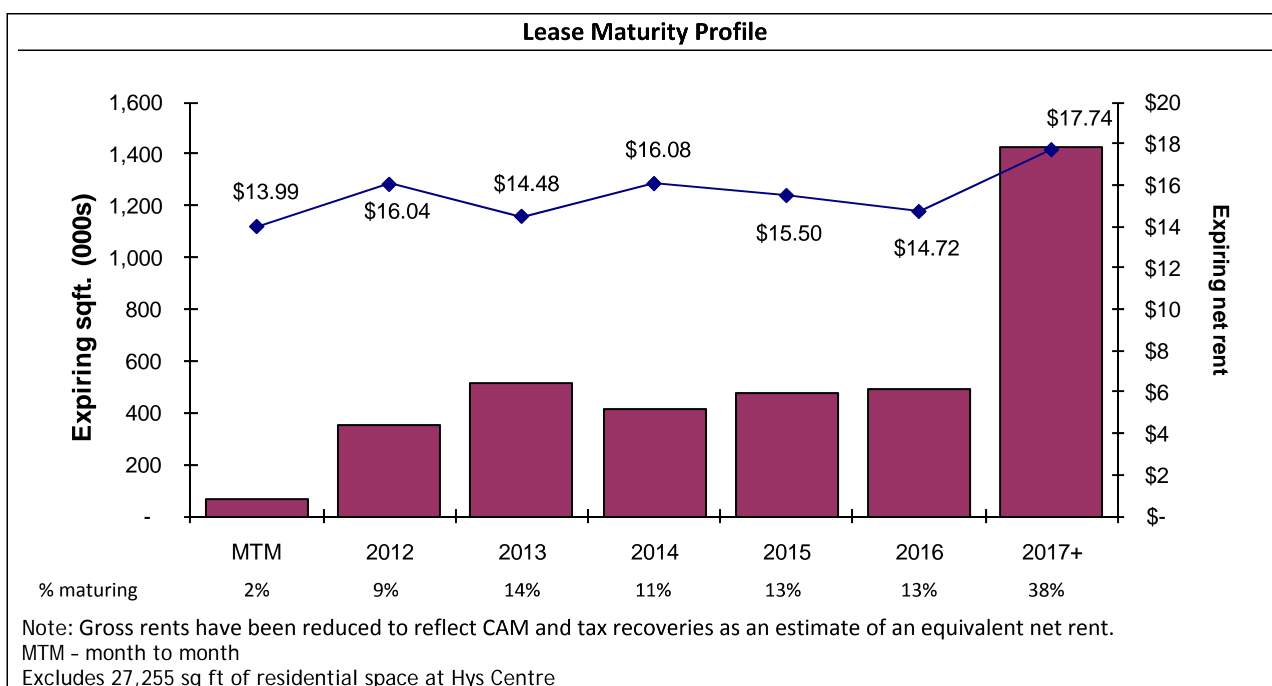
During the quarter the REIT completed 44,396 square feet of new leasing commencing in the quarter, plus 12,447 square feet of leasing with lease commencement subsequent to the quarter.

Further, the REIT also completed a deal commencing in the third quarter for 18,000 square feet for a long term lease with the University of Calgary for the relocation and expansion of an existing medical clinic at the Sunridge Professional Centre in Calgary. The deal replaces a non-healthcare tenancy at this property and prospects have already been identified to back-fill the existing clinic space of 8,916 square feet.

New leasing commencing during the quarter was completed at a weighted average initial net rent per square foot of $16.46.

Lease Expiry Profile

The REIT's diverse tenant base is complemented by a balanced lease maturity profile, with an average of 12% of GLA maturing each year between 2012 and 2016, as illustrated by the chart below, and, as of March 31, 2012, a weighted average term to maturity of 4.5 years.



Note: Gross rents have been reduced to reflect CAM and tax recoveries as an estimate of an equivalent net rent.
MTM – month to month
Excludes 27,255 sq ft of residential space at Hys Centre

Expiring Square Feet

	Western Canada	Ontario	Quebec	Atlantic Canada	Total	Committed
Month to month	16,099	34,894	1,178	12,329	64,500	-
2012	82,712	194,495	40,008	30,897	348,112	109,050
2013	175,190	199,055	78,809	58,651	511,705	7,136
2014	108,663	201,590	61,793	44,768	416,814	-
2015	145,703	180,163	64,316	88,755	478,937	-
2016	67,563	267,477	113,117	44,942	493,099	-
2017+	389,103	490,757	337,103	211,852	1,428,815	-
Total Expiries	985,033	1,568,431	696,324	492,194	3,741,982	116,186
Residential	27,255	-	-	-	27,255	-
	1,012,288	1,568,431	696,324	492,194	3,769,237	116,186
Vacant	89,080	216,228	24,223	49,730	379,261	40,232
Total GLA	1,101,368	1,784,659	720,547	541,924	4,148,498	156,418
Occupancy percentage	**91.9%**	**87.9%**	**96.6%**	**90.8%**	**90.9%**	

Expiring Net Rent						
	Western Canada	**Ontario**	**Quebec**	**Atlantic Canada**	**Total**	**Committed[1]**
Month to month	20.69	13.03	11.92	8.16	13.99	-
2012	18.49	16.28	11.00	14.58	16.04	11.73
2013	18.74	14.66	7.65	10.37	14.48	13.10
2014	19.29	15.52	14.87	12.54	16.08	-
2015	20.31	15.15	13.07	10.07	15.50	-
2016	18.25	14.96	10.47	18.70	14.72	-
2017+	24.47	15.54	14.45	15.67	17.74	-
Total Expiries	21.27	15.32	12.74	13.76	16.20	11.81

Notes:
(1) Weighted average initial net rent per square foot.

The REIT has 40,232 square feet of committed future leasing against vacant space at a weighted average initial net rent per square foot of $11.37.

INVESTMENT PROPERTIES

The fair value of investment properties as at March 31, 2012 was $1,047,241 representing an implied weighted average capitalization rate ("Implied Cap Rate") of 6.9%. At March 31, 2011 investment properties were valued at $837,078 representing an Implied Cap Rate of 7.6%.

The increase in value is summarized as follows:

Expressed in thousands of dollars	**Three months ended March 31, 2012** (Unaudited)	**Three months ended March 31, 2011** (Unaudited)	**Year ended December 31, 2011** (Unaudited)
Opening Balance	**$985,384**	**$671,033**	**$671,033**
Acquisitions of investment properties	40,216	159,494	255,058
Additions	3,113	1,642	13,069
Increase in straight-line rents	344	364	1,198
Fair value adjustment	18,184	4,545	45,026
Closing Balance	**1,047,241**	**837,078**	**985,384**

During the three months ended March 31, 2012 the REIT acquired three investment properties with fair values of $40,216 at acquisition.

The increase associated with the fair value adjustment during the quarter can be primarily attributed to compression of the capitalization rates in most of our major markets, but particularly in Western Canada, where approximately 40% of the REIT's portfolio by value is located.

When valued internally the REIT determines the fair value of each investment property using the discounted cash flow method. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows.

The discounted cash flows reflect rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

No external valuations were obtained as at March 31, 2012. The REIT expects to have a portion, likely one-quarter to one-third, of the value of the portfolio externally appraised each year, depending on management's assessment that such valuations would be appropriate given the market conditions and/or material changes at the properties at that time.

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

	March 31, 2012	December 31, 2011
	(Unaudited)	(Unaudited)
Discount rates – range	7.0% - 11.0%	7.0% - 11.0%
Discount rate – weighted average	7.9%	8.0%
Terminal capitalization rate - range	6.0% - 10.3%	6.0% - 10.3%
Terminal capitalization rate - weighted average	7.2%	7.3%
Implied capitalization rate – range	5.8% - 9.3%	5.8% - 9.3%
Implied capitalization rate – weighted average	6.9%	7.0%

ACQUISITIONS

Property	Location	Purchase Price	Gross Leasable Area	Occupancy on Acquisition
Q1 Acquisitions				
Centre Medicale de l'Hetriere	Quebec City, Quebec	$7,000	36,502	100%
Moncton Medical Clinic	Moncton, New Brunswick	$7,860	42,729	95%
Springbank Medical Centre	London, Ontario	$24,000	53,082	100%
		$38,860	**132,313**	**98%**

On January 19, 2012 the REIT acquired Centre Medicale de l'Hetriere, a 36,502 square foot medical office building located in Greater Quebec City. The property was acquired for $7.0 million free and clear of mortgages, with the REIT subsequently securing 10-year mortgage financing for $4.6 million at a fixed interest rate of 4.23%, which loan funded March 30, 2012. Due to its newer development and position as the only prominent medical building in this fast growing market, Centre Medical de l'Hetriere is 100% leased to a quality roster of tenants that is anchored by a large medical clinic, Clinique Medicale Cap-Rouge. Additional healthcare related uses include audiology, optometry, physiotherapy and dental, with a large Brunet pharmacy as a complementary retail use. The investment represents the REIT's fifth property in Greater Quebec City and its fifteenth asset in the Province of Quebec.

On January 23, 2012 the REIT completed its acquisition of Moncton Medical Clinic in Moncton, New Brunswick for $7.86 million. The REIT assumed and subsequently increased the vendor's existing mortgage to an aggregate principal amount of approximately $5.1 million, a weighted average interest rate of 4.71% and a 2016 maturity. Comprising of 42,729 square feet, Moncton Medical Clinic is a premiere medical office building in its market due to favourable scale, design and location. The property is 95% leased to exclusively healthcare related tenants anchored by the government health agency Horizon Health Network. Additional users include Shoppers Drug Mart, CBI Health Centre and complementary physicians who benefit from the property's close proximity to both Moncton Hospital and Dumont University Hospital. The acquisition is the REIT's first property in the City of Moncton and its ninth asset in Atlantic Canada.

On March 30, 2012 the REIT acquired the new 53,082 square foot Springbank Medical Centre in London, Ontario. The property was acquired for $24 million free and clear of mortgages, with the REIT subsequently entering into a commitment for a two year, $13 million floating rate mortgage loan secured against the property, which loan funded April 10, 2012. Springbank Medical Centre has quickly become one of the dominant medical office buildings in London due to its new construction, appealing design and diversified healthcare tenant mix. The property is fully leased to a quality roster of users that is anchored by the Thames Valley Family Health Team on a longer term basis. The property is further supported by additional complementary physicians and healthcare related uses that include laboratory (CML), diagnostic imaging, pain management, audiology, respirology and pharmacy (Shoppers Drug Mart). The investment represents the REIT's third property in London and its twenty-fourth asset in the Province of Ontario.

The weighted average capitalization rate on in-place net operating income of properties acquired during the quarter was approximately 7.0%.

LEASING COSTS AND CAPITAL EXPENDITURES

Expressed in thousands of dollars	For the three months ended March 31, 2012	For the three months ended March 31, 2011	For the year ended December 31, 2011
	(Unaudited)	(Unaudited)	(Unaudited)
Leasing costs [1]	$271	$274	$794
Tenant improvements [2]	1,375	917	6,442
Capital expenditures[3]	1,467	451	5,833
Additions to investment properties	3,113	1,642	13,069
Less: recoverable maintenance capital expenditures	(1,104)	(205)	(3,531)
Less: value enhancing and non recurring capital expenditures	(294)	(246)	(3,940)
Total adjusted leasing costs and capital expenditures	$1,715	$1,191	$5,598
Reserve for stabilized capital expenditures, leasing costs and tenant improvements [4]	$1,456	$1,210	$5,295
Actual leasing and capital expenditures in excess of reserve	$259	($19)	$303

Notes:

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

(2) Tenant improvements include tenant allowances and landlord's work where the REIT has determined, for accounting purposes, that it is the owner of the tenant improvements. These amounts are added to the carrying value of investment properties.

(3) The REIT's capital expenditures include capital costs required to maintain the existing property portfolio (i.e. maintenance capital expenditures) as well as capital costs in relation to the on-going expansion and continuous improvement of the portfolio.

(4) Based on a reserve of 4.5% of quarterly revenue from investment properties.

On a quarterly basis and during portfolio repositioning, leasing costs, tenant improvements and capital expenditures can fluctuate and as such, should not be regarded as stabilized. Further, in accordance with the REIT's strategy of extending average lease term whenever possible, especially for primary medical tenancies, often non recurring leasing costs are involved. During the quarter the REIT incurred approximately $260 of tenant improvement costs at its Riley Park Health Centre property related to a new diagnostic imaging clinic tenancy to solidify the healthcare profile of this property.

During the quarter the REIT incurred $1,104 of recoverable maintenance capital expenditure as part of the ongoing improvement of its properties. A significant portion of this spending was at the Rockyview Health Centre I property as the REIT worked to reposition this property following the recent vacancy.

PART IV

FUNDS FROM OPERATIONS

FFO is a supplemental non-IFRS industry wide financial measure of a REIT's operating performance. The REIT calculates FFO as net income (computed in accordance with IFRS), plus distributions on Class B exchangeable units, and adjusted for fair value adjustments on Class B exchangeable units and investment properties. The REIT's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. A reconciliation of IFRS net income to FFO for the three months ended March 31, 2012 is set out below:

Expressed in thousands of dollars	**Three months ended March 31, 2012**	**Three months ended March 31, 2011**	**Variance**
	(Unaudited)	(Unaudited)	(Unaudited)
Net income (per IFRS)	**$20,984**	**$9,373**	**$11,611**
Add / (Deduct):			
Finance cost – Class B exchangeable unit distributions [2]	1,523	1,536	(13)
Finance cost - Fair value adjustment of Class B exchangeable units [2]	5,788	1,536	4,252
Fair value adjustment of investment properties [2]	(18,184)	(4,545)	(13,639)
FFO[1]	**$10,111**	**$7,900**	**$2,211**
Adjusted basic FFO per Unit [3]	$0.24	$0.21	$0.03
Adjusted fully diluted FFO per Unit [3]	$0.24	$0.21	$0.03
Adjusted weighted average units outstanding[4]:			
Basic	42,892,943	37,111,118	5,781,825
Fully diluted	42,997,118	37,126,316	5,870,802

Notes:

(1) FFO is a non-IFRS measure of a REIT's operating performance. FFO is only one measure of real estate operating performance and does not reflect amounts available for tenant installation costs, property capital expenditures, debt service obligations, commitments or uncertainties. FFO should not be interpreted as an indicator of cash generated from operating activities and is not indicative of cash available to fund operating expenditures, or for the payment of cash distributions.

(2) Under IFRS the distributions on the REIT's Class B exchangeable units, the fair value changes related to these units and the fair value changes related to investment properties are included in the determination of net income. The impact of these amounts has been eliminated when determining FFO in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT.

(3) FFO per unit amounts are based on basic and fully diluted adjusted weighted average number of units, which includes Class B exchangeable units.

(4) Under IFRS the REIT's Class B exchangeable units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B exchangeable units in basic and diluted units outstanding/weighted average units outstanding. As a result the adjusted basic and diluted weighted average units outstanding include 7,615,546 outstanding Class B exchangeable units for the three months ended March 31, 2012 and 7,680,746 Class B exchangeable units for the three months ended March 31, 2011. Fully diluted adjusted units outstanding includes the impact of deferred units outstanding.

The FFO per unit of $0.24 for the three months ended March 31, 2012 is higher than the three months ended March 31, 2011, at $0.21, primarily as a result of accretive acquisitions since the REIT's follow on equity raise in March 2011.

ADJUSTED FUNDS FROM OPERATIONS AND DISTRIBUTIONS

AFFO

AFFO is a supplemental non-IFRS industry wide financial measure of a REIT's cash generating activities after providing for stabilized operating capital requirements. Management considers AFFO to be a useful measure of cash available for distributions. The REIT calculates AFFO as net income (computed in accordance with IFRS), subject to certain adjustments, including: (i) adding back the following items: any fair value losses on investment properties or the Class B exchangeable units, the finance cost associated with distributions on the Class B exchangeable units, Deferred unit plan compensation expense and amortization of any net discount on long-term debt assumed from vendors of properties at

rates of interest less than fair value; (ii) deducting the following items: any fair value gains on investment properties or the Class B exchangeable units and amortization of any net premium on long-term debt assumed from vendors of properties at rates of interest greater than fair value; (iii) adjusting for differences, if any, resulting from recognizing rental revenues on a straight-line basis as opposed to contractual rental amounts; (iv) adjusting for differences, if any, resulting from recognizing acquired contracts at fair value rather than the contracted rate; and (v) deducting reserves for tenant inducements, leasing commissions, financing costs and sustaining capital expenditures, as determined by the REIT.

The REIT's method of calculating AFFO may differ from other issuers' methods and accordingly may not be directly comparable to AFFO reported by other issuers. A reconciliation of FFO to AFFO for the three months ended March 31, 2012 is set out below:

Expressed in thousands of dollars	**Three months ended March 31, 2012**	**Three months ended March 31, 2011**	**Variance**
	(Unaudited)	(Unaudited)	(Unaudited)
FFO	**$10,111**	**$7,900**	**$2,211**
Add / (Deduct):			
Amortization of marked to market adjustment	(331)	(368)	37
Amortization of finance fees [(2)]	63	505	(442)
Amortization of straight-line rent	(236)	(218)	(18)
Amortization of above market utility contracts	(28)	(28)	-
Deferred unit plan compensation expense	288	165	123
Reserve for stabilized leasing costs, tenant improvements and growth capital expenditures [(3)]	(1,456)	(1,210)	(246)
AFFO [(1)]	**$8,411**	**$6,746**	**$1,665**
Adjusted basic AFFO per Unit [(4)]	$0.20	$0.18	$0.02
Adjusted fully diluted AFFO per Unit [(4)]	$0.20	$0.18	$0.02
Adjusted weighted average units outstanding[(5)]:			
Basic	42,892,943	37,111,118	5,781,825
Fully diluted	42,997,118	37,126,316	5,870,802

Notes:

(1) AFFO is a non-IFRS measure of a REIT's operating performance. AFFO is only one measure of real estate operating performance and is an alternative measure of determining available cash flow. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital.

(2) Represents costs related to the REIT's Revolving Credit Facility, Interim Bridge Facility and mortgages.

(3) Based on an estimate of 4.5% of revenue from investment properties.

(4) AFFO per unit amounts are based on basic and fully diluted adjusted weighted average number of units, which includes Class B exchangeable units. Fully diluted adjusted units outstanding includes the impact of deferred units outstanding.

(5) Under IFRS the REIT's Class B exchangeable units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B exchangeable units in basic and diluted units outstanding/weighted average units outstanding. As a result the adjusted basic and diluted weighted average units outstanding include 7,615,546 outstanding Class B exchangeable units for the three months ended March 31, 2012 and 7,680,746 Class B exchangeable units for the three months ended March 31, 2011. Fully diluted adjusted units outstanding includes the impact of deferred units outstanding.

The AFFO per unit of $0.20 for the three months ended March 31, 2012 is $0.02 higher than the three months ended March 31, 2011 primarily as a result of accretive acquisitions since the REIT's follow on equity raise in March 2011.

Distributions

The REIT has adopted a distribution policy pursuant to which the REIT intends to make cash distributions to unitholders and to holders of Class B exchangeable units on each monthly distribution date equal to, on an annual basis, approximately 90% of AFFO calculated with reserves. The REIT currently intends on making monthly distributions of $0.06667 per unit, equating to $0.80 per unit on an annualized basis.

The REIT's AFFO payout ratio based on reserves for the three months ended March 31, 2012 is calculated below:

	For the three months ended March 31, 2012	For the three months ended March 31, 2011
	(Unaudited)	(Unaudited)
Fully diluted AFFO per Unit	$0.20	$0.18
Distributions per Unit	$0.20	$0.20
Payout Ratio	**102%**	**110%**

The REIT payout ratio improved significantly over the comparable prior year period primarily as a result of accretive acquisitions since the REIT's follow on equity raise in March 2011. However, the current quarter's payout ratio increased slightly from the previous quarter's 101% reflecting the impact of the vacancy at Rockyview Health Centre I.

Distribution Reinvestment Plan

Participants in the DRIP have their cash distributions used to purchase units of the REIT and also receive a "bonus distribution" of units equal in value to 3% of each distribution. During the quarter 74,489 units were issued pursuant to the DRIP and the DRIP participation rate was 8% during the quarter.

LIQUIDITY AND CAPITAL RESOURCES

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) financing availability through a Revolving Credit Facility and conventional mortgage debt secured by investment properties; and (iii) the ability to issue equity and convertible unsecured debentures.

The following table details the changes in cash and cash equivalents during the period:

Expressed in thousands of dollars	Three months ended March 31, 2012
Cash provided by / (used in):	(Unaudited)
Operating activities	$6,295
Investing activities	(38,129)
Financing activities	31,172
Increase / (Decrease) in cash and cash equivalents during the period	**($662)**
Cash and cash equivalents, beginning of period	$3,716
Cash and cash equivalents, end of period	**$3,054**

Cash flow activity for the three months ended March 31, 2012 is primarily related to the results of the REIT's operations, distributions to Unitholders, the utilization of the Revolving Credit Facility and the acquisition of properties. The financing activities included a net increase in the draw on the Revolving Credit Facility during the quarter of $34 million so that the balance of the facility at March 31, 2012 was $40 million. Subsequent to the quarter end there were mortgage financings at two properties and the Revolving Credit Facility has been paid down to $15.5 million. Additional commentary on these events can be found in the notes to the financial statements as well as elsewhere in this MD&A.

CAPITALIZATION AND DEBT PROFILE

Expressed in thousands of dollars	As at March 31, 2012	As at December 31, 2011
Indebtedness	(Unaudited)	(Unaudited)
Mortgages Payable	$506,484	$499,160
Mark-to-Market premium on Mortgages	2,950	3,067
Unamortized financing costs	(595)	(470)
	508,839	501,757
Revolving Credit Facility (net of $307 of unamortized financing fees, December 31, 2011 - $98)	39,693	5,902
	548,532	507,659
Class B exchangeable units (Authorized – unlimited; Issued: March 31, 2012 - 7,615,546, December 31, 2011 - 7,615,546)	93,291	87,503
Unitholders' Equity		
Units (Authorized – unlimited; Issued: March 31, 2012 – 35,306,512, December 31, 2011 – 35,232,023)	$356,337	$355,467
Retained Earnings	54,720	40,794
	411,057	396,261
Total capitalization	**$1,052,880**	**$991,423**

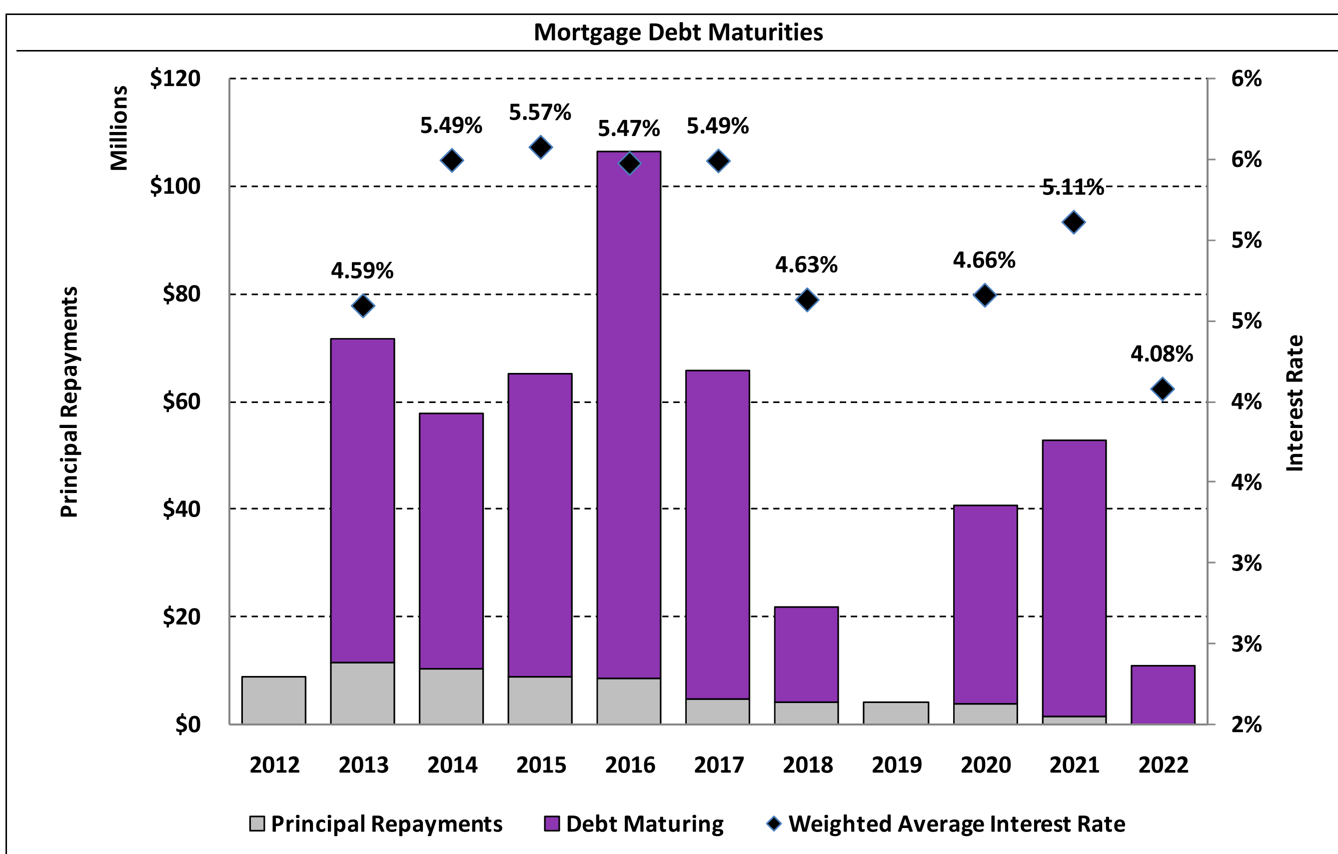
As at March 31, 2012, the REIT had a market capitalization of approximately $525,000 (including 7,615,546 Class B exchangeable units) based on a closing unit price of $12.25 on the Toronto Stock Exchange.

Mortgage Debt Maturities

The following table sets out, as at March 31, 2012, scheduled principal payments, debt maturity amounts and weighted average interest rate of maturing mortgages:

Expressed in thousands of dollars

Year Ending December 31st	Scheduled Principal Payments	Debt Maturing during the Year	Total Mortgages Payable	Weighted Average Interest Rate of Maturing Mortgages	Percentage of Total Mortgages Payable
2012	$8,841	$-	$8,841	n/a	2%
2013	11,508	60,166	71,674	4.59%	14%
2014	10,339	47,595	57,934	5.49%	11%
2015	8,969	56,117	65,086	5.57%	13%
2016	8,451	98,033	106,484	5.47%	21%
2017	4,896	60,939	65,835	5.49%	13%
2018	4,231	17,643	21,874	4.63%	4%
2019	4,046	-	4,046	n/a	1%
2020	3,936	36,907	40,843	4.66%	8%
2021	1,590	51,308	52,898	5.11%	10%
2022	177	10,792	10,969	4.08%	3%
Sub-total	$66,984	$439,500	$506,484	5.18%	100%
Marked to market adjustment			2,950	(0.51%)	
			509,434	4.67%	
Unamortized financing costs			(595)		
Total			$508,839		



Mortgage Financing

On January 23, 2012 upon the acquisition of Moncton Medical Clinic in Moncton, New Brunswick the REIT assumed the vendor's existing $3.6 million 5.19% mortgage with a 2016 maturity. Subsequent to the acquisition the REIT added with the same lender, a 2nd mortgage of $1.5 million at 3.56% on the property with a 2016 maturity. Combined, the mortgages have a weighted average interest rate of 4.71%.

On March 14, 2012, the REIT replaced the expiring $10 million 5.42% mortgage at Clinique Bois-de-Boulogne (1575 Henri-Bourassa Blvd. West), Montreal, with a $10.5 million 10 year mortgage loan at an interest rate of 4.01%.

On March 30, 2012, following the acquisition of Centre Medicale de l'Hetriere, the REIT secured a 10-year mortgage for $4.6 million on the property, at a fixed interest rate of 4.23%.

As a result of this activity, the weighted average interest rate on the REIT's mortgages decreased to 5.18% from 5.22% in the previous quarter. As at quarter end, the average term to maturity of the REIT's mortgages remains at 5.0 years.

Revolving Bank Credit Facility

On February 1, 2012, the REIT amended, expanded and extended the Revolving Credit Facility. The Revolving Credit Facility was expanded to $50 million, from $35 million, and now bears a lower interest rate at a rate equal to the bank's prime rate plus 1.25% (previously plus 1.75%) or Bankers' Acceptances plus 2.25% (previously plus 2.75%). The term was also extended to March 25, 2014 from March 25, 2013. The Revolving Credit Facility is secured by a pool of first ranking mortgages on certain properties (the ''Borrowing Base''). As part of the expansion the two third quarter 2011 acquisitions, Polyclinique Val-Belair and Canamera Medical Centre, were added to the security pool. The properties within the Borrowing Base, subject to a right of substitution under certain standard conditions, also include Riley Park Health Centre, Rockyview Health Centre II, Collingwood Health Centre, Wharncliffe Health Centre and CLSC La Presqu'Ile. The REIT is entitled to borrow a maximum of 60% of the appraised value of the properties in the Borrowing Base subject to occupancy requirements and the debt service capacity of the Borrowing Base.

During the quarter the REIT utilized the facility to fund acquisitions and late in the quarter the REIT drew $20.5 million to bridge the cost of Springbank Medical Centre prior to placing mortgage financing on the property. As a result the balance outstanding as at March 31, 2012 was $40 million.

Subsequent to the quarter, following the mortgage financings of the Springbank Medical Centre ($13.0 million) the Willow Brook Medical Centre ($9.55 million) and the Malvern Medical Arts property ($11.7 million), the Revolving Credit Facility was paid down to $15.5 million.

Ratios / Covenants

Pursuant to the Declaration of Trust, the REIT may not incur or assume any indebtedness if, after giving effect to the incurring or assumption of such indebtedness, the total indebtedness of the REIT would be more than 65% of the GBV of its assets. 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. Subject to market conditions and the growth of the REIT, management of the REIT currently intends to maintain indebtedness in a range of 55% to 60% of GBV. The following summarizes the status of these key ratios as at and for the three months ended March 31, 2012:

Expressed in thousands of dollars	**As at/for the three months ended March 31, 2012**	**As at/for the year ended December 31, 2011**
	(Unaudited)	
Gross Book Value	$1,073,280	$1,011,717
Debt (excluding Class B exchangeable units)	$548,532	$507,659
Debt to Gross Book Value [1]	51.1%	50.2%
Amount of debt at fixed rates	$508,839	$501,757
Interest coverage [2]	2.56x	2.62x
Debt Service coverage [3]	1.77x	1.90x
Net debt/EBITDA[4]	8.3x	7.6x
Weighted average mortgage interest rate (at contract) [5]	5.18%	5.22%

Notes:

(1) Defined by the Declaration of Trust as total debt (excluding Class B exchangeable units) divided by the book value of the total assets in the consolidated balance sheet.

(2) Defined as net income excluding finance costs (interest, amortization of debt premiums/discounts and financing costs, distributions on Class B exchangeable units) and the revaluation of Class B exchangeable units and investment properties divided by finance costs (excluding distributions on Class B exchangeable units and the revaluation of Class B exchangeable units).

(3) Defined as net income excluding finance costs (interest, amortization of debt premiums/discounts and financing costs, distributions on Class B exchangeable units) and the revaluation of Class B exchangeable units and investment properties divided by finance costs (excluding distributions on Class B exchangeable units and the revaluation of Class B exchangeable units) and scheduled debt repayments.

(4) Defined as debt less cash and cash equivalents divided by annualized net income before fair value adjustment of investment properties plus finance costs.

(5) Current market weighted average mortgage interest rate = approximately 3.7%

The ratio of Debt to GBV increased slightly in the quarter to 51.1% at March 31, 2012 from 50.2% as at December 31, 2011 primarily as a result of the utilization of the Revolving Credit Facility to fund acquisitions.

Interest rates and debt maturities are reviewed regularly by the management and trustees of the REIT ("Trustees") to ensure the appropriate debt management strategies are implemented. The REIT intends to finance its ongoing operations with a combination of, primarily, fixed rate secured debt with staggered maturities and floating rate secured short-term, construction and/or revolving debt. The fixed rate debt is expected to be comprised primarily of first charge mortgages.

The REIT is targeting to distribute 90% of its AFFO to Unitholders, based on utilizing a stabilized reserve for leasing and capital of 4.5% of revenue from investment properties. As such, the REIT does not retain a material amount of operating cash flow to finance its capital requirements including loan principal payments, acquisitions, redevelopments, and portfolio capital expenditures. Capital requirements for loan principal payments, acquisitions and redevelopment are generally sourced by financing for each project through mortgages and/or the Revolving Credit Facility.

PART V

RELATED PARTY TRANSACTIONS

On March 25, 2010, subsidiaries of the REIT acquired 45 properties from NW Trust for total consideration of $171.9 million. Paul Dalla Lana, chair of the Board of Trustees of the REIT is the sole trustee and indirect beneficiary of NW Trust. Part of the consideration included 7,749,772 Class B exchangeable units of NHP Holdings Limited Partnership, a subsidiary of the REIT. These Class B Units, each of which are exchangeable at the option of the holder for one unit of the REIT and that are attached to Special Voting Units of the REIT, provide for voting rights in the REIT.

On December 23, 2011 the REIT granted a loan in the amount of $8 million to a party which is indirectly owned 50% by NorthWest Value Partners Inc. of which Paul Dalla Lana is the principal shareholder. The loan bears interest at 7.5% per annum and matures no later than June 21, 2013. The loan is secured by the pledge of certain securities of the borrower and is guaranteed by certain affiliates of the borrower; each limited to 50% of the obligations under the loan. In exchange for the loan, the REIT was granted a right of first offer to acquire a recently completed 73,500 square foot medical office building in Owen Sound, Ontario.

As part of the REIT's acquisition of Glenmore Professional Centre in December, 2010, from an affiliate of NW Trust the REIT and NW Trust contracted to enter into a development arrangement with respect to the vacant development parcel at the property. The timing for completion of such an arrangement, pursuant to a mutually agreed to extension, is the second quarter of 2012.

Information on the agreements governing the relationship with NW Trust are discussed under ''Relationship with NW Trust'' in the Annual Information Form. In addition to disclosures elsewhere in this MD&A, related party transactions are disclosed in Note 12 of the condensed consolidated interim financial statements for the three months ended March 31, 2012 and Notes 3 and 17 of the REIT's consolidated financial statements for the year ended December 31, 2011.

As at March 31, 2012 the combined economic interest of NW Trust and its affiliates in the REIT is approximately 21%.

HEAD LEASES

A summary of Head Lease space as well as space which has been sub-leased to third parties is presented below. Pursuant to the terms of the Head Lease agreement, NW Trust is required to pay for any potential shortfalls in rent for space sub-leased to third parties for the duration of the Head Lease term.

Head Lease Summary

	At March 31, 2012			Sub-Leased to Third Parties[1]		
Property	**GLA**	**Min. Rent (psf)** [2]	**Lease Expiry**	**GLA**	**Min. Rent (psf)** [2]	**Lease Expiry**
Rockyview Professional Centre II	51,177	$21.00	Mar-15	39,579	$16.11	Jul-25 [3]
HealthPark	29,932	16.25	Mar-15	13,378	10.32	Mar-24[4]
Riley Park Health Centre	20,271	30.00	Mar-15	-	-	
Total / Weighted averages	**101,380**	**$21.40**		**52,957**	**$14.65**	

Notes:

(1) As at May 7, 2012

(2) Represents straight line annual minimum rent psf for the Head Lease term and excludes subsequent rent escalations

(3) Represents the latest lease expiry for the respective property. 9,870 square feet expires July 2025, 12,876 square feet expires August 2020, 4,723 square feet expires March 2021 and 12,110 square feet expires April 2022.

(4) Represents the latest lease expiry for the respective property. 1,496 square feet expires May 2020, 7,340 square feet expires March 2021, 2,065 square feet expires February 2022 and 2,477 square feet expires March 2024.

No additional head lease space was leased during the quarter.

PART VI

SUMMARY OF QUARTERLY RESULTS

The following sets out summary information for the eight most recently completed quarters since the REIT commenced operations. Amounts presented previously under Canadian GAAP have been restated to the IFRS equivalent:

Expressed in thousands of dollars	Q1 2012	Q4 2011	Q3 2011	Q2 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from operations	**$32,515**	**$31,502**	**$30,664**	**$28,884**
Property operating expenses	15,267	14,489	14,028	12,709
Operating income	**17,248**	**17,013**	**16,636**	**16,175**
Finance cost	6,410	6,153	5,854	5,494
Interest income	(171)	(42)	(8)	(13)
Trust expenses	898	847	781	733
Income before undernoted items	**10,111**	**10,055**	**10,009**	**9,961**
Finance cost – Class B exchangeable unit distributions	(1,523)	(1,523)	(1,523)	(1,536)
Finance costs - Fair value adjustment of Class B exchangeable units	(5,788)	(685)	4,960	(1,229)
Fair value adjustment of investment properties	18,184	9,000	22,228	9,253
Net income / (loss)	**20,984**	**$16,847**	**$35,674**	**$16,449**
Basic net income per unit[1]	$0.59	$0.48	$1.02	$0.47
Fully diluted net income per unit[1]	$0.59	$0.44	$0.75	$0.45
NOI	**17,248**	**$17,013**	**$16,637**	**$16,175**
FFO	**10,111**	**$10,055**	**$10,009**	**$9,962**
Basic FFO per Unit [3]	$0.24	$0.23	$0.23	$0.23
Fully diluted FFO per Unit[3]	$0.24	$0.23	$0.23	$0.23
AFFO	**8,411**	**$8,504**	**$8,360**	**$8,238**
Basic AFFO per Unit[3]	$0.20	$0.20	$0.20	$0.19
Fully diluted AFFO per Unit[3]	$0.20	$0.20	$0.20	$0.19
AFFO payout ratio	102%	101%	102%	104%
Distributions[2]	8,581	$8,564	$8,549	$8,543
Distributions per Unit	$0.20	$0.20	$0.20	$0.20
Total Assets	$1,073,280	$1,011,716	$976,026	$908,835
Debt (excluding Class B exchangeable units)	$548,532	$507,658	$486,515	$443,455
Debt to Gross Book Value	51.1%	50.2%	49.8%	48.8%
Number of properties	61	58	56	54
Gross leasable area	4,148,498	4,035,480	3,941,701	3,807,301
Occupancy % (current) – period end	90.9%	91.2%	91.8%	91.9%
Number of employees	134	124	125	125

Notes:

(1) Per unit net income amounts are based on basic and fully diluted weighted average number of units. The diluted per unit net income includes dilutive Class B exchangeable units.

(2) Includes distributions on Class B exchangeable units.

(3) Under IFRS the REIT's Class B exchangeable units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure for FFO and AFFO that includes the Class B exchangeable units in basic and diluted weighted average units outstanding.

Expressed in thousands of dollars	Q1 2011	Q4 2010	Q3 2010	Q2 2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from operations	**$27,102**	**$21,857**	**$20,706**	**$19,370**
Property operating expenses	12,450	10,168	9,473	8,474
Operating income	**14,652**	**11,689**	**11,233**	**10,896**
Finance cost	5,924	4,625	4,530	4,297
Interest income	(36)	(341)	(223)	-
Trust expenses	864	926	436	430
Income before undernoted items	**7,900**	**6,479**	**6,490**	**6,169**
Finance cost – Class B exchangeable unit distributions	(1,536)	(1,545)	(1,550)	(1,667)
Finance costs - Fair value adjustment of Class B exchangeable units	(1,536)	(684)	(3,487)	(6,587)
Fair value adjustment of investment properties	4,545	833	-	-
Net income / (loss)	**$9,373**	**$5,083**	**$1,452**	**$(2,085)**
Basic net income per unit[1]	$0.32	$0.21	$0.08	$(0.11)
Fully diluted net income per unit[1]	$0.32	$0.21	$0.08	$(0.11)
NOI	**$14,652**	**$11,689**	**$11,233**	**$10,896**
FFO	**$7,900**	**$6,479**	**$6,490**	**$6,170**
Basic FFO per Unit [3]	$0.21	$0.20	$0.24	$0.23
Fully diluted FFO per Unit[3]	$0.21	$0.20	$0.24	$0.23
AFFO	**$6,746**	**$5,374**	**$5,465**	**$5,161**
Basic AFFO per Unit[3]	$0.18	$0.17	$0.21	$0.20
Fully diluted AFFO per Unit[3]	$0.18	$0.17	$0.21	$0.20
AFFO payout ratio	110%	118%	97%	110%
Distributions[2]	$7,551	$6,816	$5,300	$5,699
Distributions per Unit	$0.20	$0.20	$0.20	$0.215[8]
Total Assets	$873,823	$736,626	$616,333	$571,798
Debt (excluding Class B exchangeable units)	$417,545	$372,052	$351,230	$308,720
Debt to Gross Book Value	47.8%	50.5%	57.0%	54.0%
Number of properties	52	50	48	45
Gross leasable area	3,668,132	3,065,815	2,893,825	2,701,708
Occupancy % (current) – period end	91.9%	91.5%	90.4%	90.3%
Number of employees	123	104	103	104

Notes:

(1) Per unit net income amounts are based on basic and fully diluted weighted average number of units. The diluted per unit net income includes dilutive Class B exchangeable units.

(2) Includes distributions on Class B exchangeable units.

(3) Under IFRS the REIT's Class B exchangeable units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure for FFO and AFFO that includes the Class B exchangeable units in basic and diluted weighted average units outstanding.

PART VII

SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies is described in note 2 of the REIT's consolidated financial statements for the year ended December 31, 2011.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities as at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates. The significant judgments and key estimates made by the management of the REIT are outlined below:

Leases (the REIT as lessor)
The REIT uses judgement in assessing its leases with tenants as operating leases, in particular with long-term leases in single tenant properties. The REIT has determined that all its leases are operating leases.

Property valuations
Investment properties, which are carried on the consolidated balance sheet at fair value, are valued by qualified external valuation professionals or management.

The valuations are based on a number of assumptions, such as appropriate discount rates and estimates of future rental income, operating expenses and capital expenditures. The valuation of investment properties is one of the principal estimates and uncertainties of the REIT.

Accounting for acquisitions
Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the treatment of transaction costs, the allocation of the cost of the acquisition and whether or not goodwill is recognized. With the exception of the acquisition of the portfolio of 45 properties acquired at the time of the REIT's IPO, which was determined to be a business combination, the REIT's acquisitions are generally determined to be asset purchases as the REIT does not acquire an integrated set of processes as part of the transaction.

Goodwill
Estimates are used when testing goodwill for impairment.

Income taxes
The REIT is a mutual fund trust and a real estate investment trust pursuant to the Income Tax Act (Canada). Under current tax legislation, the REIT is not liable to pay Canadian income tax provided that its taxable income is fully distributed to unitholders each year. The REIT is a real estate investment trust if it meets prescribed conditions under the Income Tax Act (Canada) relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the REIT Conditions and has assessed their interpretation and application to the REIT's assets and revenue, and it has determined that it currently qualifies as a real estate investment trust.

PART VIII

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units and in the activities of the REIT, including the following, which current and prospective Unitholders should carefully consider.

Risk Factors Related to the Real Estate Industry

Real Property Ownership and Tenant Risks
The REIT owns the properties in its portfolio and is expected in the future to acquire interests in other real property. 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. AFFO 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 will have an interest become vacant and are not able to be leased on economically favourable lease terms.

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 may require licenses to operate their business, such as laboratories. To the extent these businesses are unable to obtain licenses or maintain existing licenses; 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 or the landlord's exercise of remedies. 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 properties 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 economic and political uncertainty within the global economy, especially the European Economic Union and the impact/"negative shocks" that could have on the availability and cost of credit, have contributed to increased market volatility and somewhat weakened business and consumer confidence. Although the Healthcare Real Estate industry is an asset class that is not typically materially 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's tenants and operators to maintain occupancy rates in the REIT's properties, which could harm the REIT's financial condition. If these economic conditions continue, 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.

Risk Factors Related to the Business of the REIT

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.

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 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.

Financing Risks

As at March 31, 2012 the REIT had outstanding indebtedness of approximately $548 million, excluding Class B exchangeable 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 March 31, 2012, $40 million of the REIT's total indebtedness is at variable rates. 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. In addition, the REIT has conduit loans outstanding as at March 31, 2012. Access to this type of financing has diminished. Although substantially all of the amounts outstanding under the REIT's conduit loans mature in 2014 or later, there is a risk that the REIT may not be able to refinance such loans on similar terms, although, based upon the REIT's current loan-to-value ratios and loan amortizations, the REIT expects to be able to refinance such conduit loans as they come due.

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, its ability to make distributions will be limited.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As an owner of interests in real property in Canada, the REIT is subject to various Canadian federal, provincial and municipal laws relating to environmental matters. Such laws provide that the REIT could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. Further, liability may be incurred by the REIT with respect to the release of such substances from the REIT's properties to properties owned by third parties, including properties adjacent to the REIT's properties. The failure to remove or otherwise address such substances or properties, if any, may adversely affect the REIT's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against the REIT by public or private parties by way of civil action.

The REIT's operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment. Although such environmental site assessments would provide the REIT with some level of assurance about the condition of property, the REIT may become subject to liability for undetected contamination or other environmental conditions at its properties against which the REIT cannot insure, or against which the REIT may elect not to insure, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

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 has implemented policies and procedures to assess, manage and monitor environmental conditions at its properties to manage exposure to liability.

The REIT will 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 business, 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.

Potential Conflicts of Interest

The Trustees will, from time to time, in their individual capacities, deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The interest of these persons could conflict with those of the REIT. 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.

Conflicts may exist due to the fact that certain Trustees of the REIT will be affiliated with NW Trust. The REIT and NW Trust will enter into certain arrangements, including those relating to certain rights of first offer and development arrangements in respect of certain properties and the head leases described under ''Retained Interests'' in the Annual Information Form. NW Trust and its affiliates are engaged in a wide variety of real estate activities. The REIT may become involved in transactions that conflict with the interests of the foregoing.

General Insured and Uninsured Risks

The business carried on by the REIT entails 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 business. The REIT will carry 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 business, 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 operation of the business.

Regulation Risk

The healthcare industry is highly regulated, and changes in government regulation and reimbursement in the past have had material adverse consequences on the industry in general, which consequences may not have been contemplated by lawmakers and regulators. There can be no assurance that future changes in government regulation of healthcare will not have a material adverse effect on the healthcare industry, which could in turn have an adverse effect on 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 the names executive officers of the REIT and the Trustees. 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.

NW Trust Indemnity and Prior Commercial Operations
The indirect acquisition of the properties owned by the REIT in connection with its IPO included the indirect acquisition from NW Trust of all of the outstanding partnership units of Healthcare Properties LP (“HPLP”). Pursuant to the Acquisition Agreement, NW Trust made certain representations and warranties to the REIT with respect to HPLP. NW Trust also provided an indemnity to the REIT under the Acquisition Agreement that, subject to certain conditions and thresholds, NW Trust will indemnify the REIT for breaches of such representations and warranties. Prior to September 25, 2011, NW Trust covenanted to maintain (i) minimum net assets of $20 million plus (ii) an amount equal to the present value of its basic and additional rent obligations under the Head Leases plus 25% of tenant inducement obligations, from time to time (the “Head Lease Security”), calculated using a discount rate equal to the appropriate Government of Canada bond rate. On September 25, 2011, NW Trust’s covenant to maintain minimum net assets of $20 million expired, but its covenant to maintain the Head Lease Security will survive for the remaining term of the Head Leases (which expire in March 2015). There can be no assurance that the REIT will be fully protected in the event of a breach of NW Trust’s obligations under the Head Leases or a breach of the surviving representations and warranties or that NW Trust will be in a position to indemnify the REIT if any such breach occurs. The REIT may not be able to successfully enforce the indemnity contained in the Acquisition Agreement against NW Trust or such indemnity may not be sufficient to fully indemnify the REIT from third party claims. The REIT may also be subject to undisclosed liability to third parties as a result of the prior history of HPLP 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. The REIT has advance an $8 million loan to a joint venture in which NW Trust indirectly holds a 50% interest and is accordingly subject to the risks associated with having a loan outstanding.

Phase II Development Agreement – Glenmore Professional Centre
There can be no assurances that the prospective future development of the additional parcel at the Glenmore Professional Centre (the “Phase II Development Agreement”) will be achieved, in which case the vendor has the right after June 30, 2012 (or such other period as may be agreed) to require the REIT to obtain a severance of the development parcel and re-convey such parcel to the vendor or as it may direct for $2,950,000. In such event, the vendor will be obligated to replace any existing parking stalls lost as a result with on-site (except during construction) surface or underground parking stalls. There exist certain costs (which may be substantial) and certain risks traditionally associated with land severances including the availability of, or conditions to, municipal consent and accordingly, there is

no guarantee that the REIT will be able to secure such land severance. Even if the Phase II Development Agreement is achieved, there exist certain risks traditionally associated with real estate development. The Phase II development would be subject to construction risks attributable to construction projects, including construction delays, the availability and timing of municipal approvals, and cost overruns.

Risk Factors Related to the 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 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.

Tax-Related Risk Factors
Management of the REIT believes the REIT currently qualifies as a mutual fund trust for income tax purposes. If the REIT were not to so qualify, the consequences could be material and adverse. The *Income Tax Act* (Canada) contains rules, which tax certain publicly traded or listed trusts in a manner similar to corporations and taxes certain distributions from such trusts as taxable dividends from a taxable Canadian corporation. Distributions paid by a SIFT as returns of capital will generally not be subject to the tax.

The SIFT Rules are not applicable to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue. Unless the REIT qualifies for the REIT Exception, the SIFT Rules could impact the level of cash distributions which would otherwise be made by the REIT and the taxation of such distributions to Unitholders.

Management of the REIT has determined that the REIT is not subject to the SIFT tax as it currently meets the REIT Exception and plans to continue to do so in the future. Accordingly, no current income tax expense or deferred income tax assets or liabilities have been recorded in the condensed consolidated interim financial statements for the three months ended March 31, 2012.

The REIT Exception is applied on an annual basis. As such, it will not be possible to determine if the REIT will satisfy the conditions of the REIT Exception for 2012 or any subsequent year until the end of the particular year.

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

Potential Volatility of Unit Prices
One of the factors that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could adversely affect the market price of the Units. In addition, the market price of the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the REIT.

Nature of Investment

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

Availability of Cash Flow

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

Dilution

The number of Units the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Units from time to time, and the interests of the holders of Units may be diluted thereby.

Public Market Fluctuations

The REIT cannot predict at what price the Units will trade and there can be no assurance that an active trading market will be sustained. A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets.

Indirect Ownership of Units by NW Trust

NW Trust and its affiliates hold an estimated 21% economic interest in the REIT at March 31, 2012, through the ownership of REIT units and Class B exchangeable units, each of which are exchangeable at the option of the holder for one Unit of the REIT and will be attached to a Special Voting Unit of the REIT, providing for voting rights in the REIT. Furthermore, pursuant to the Declaration of Trust, NW Trust will be entitled to appoint a certain number of Trustees based on the percentage of Units held by it. Thus, NW Trust will be in a position to exercise a certain influence with respect to the affairs of the REIT. If NW Trust reduces its ownership interest in the REIT, the market price of the Units could fall. The perception among the public that these sales may occur could also produce such effect.

PART IX

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 Filings, adopted by the Canadian Securities Administrators) 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. The Chief Executive Officer and the Chief Financial Officer have satisfied themselves that as at March 31, 2012, the design of disclosure controls and procedures continues to be appropriate.

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 National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings) 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 the Chief Financial Officer have satisfied

themselves that as at March 31, 2011, the design of internal controls over financial reporting continues to be appropriate.

Changes in Internal Controls Over Financial Reporting
There were no significant changes made in internal controls over financial reporting during the three months ended March 31, 2012 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 X

SUBSEQUENT EVENTS

- On April 10, 2012, a two year, $13.0 million floating rate mortgage loan secured against the Springbank Medical Centre funded. The mortgage bears interest equal to the bank's prime rate plus 1.25% or Bankers' Acceptances plus 2.25%.
- On April 10, 2012 the REIT completed the acquisition of Willow Brook Medical Centre, a 34,800 square foot medical office and retail property in Airdrie, Alberta. The purchase price was $14.5 million and the property was acquired free and clear of mortgage financing. Subsequent to the acquisition, the REIT entered into a six year, $9.55 million mortgage at a fixed interest rate of 3.62% which funded on April 16, 2012.
- On May 7, 2012 a 10 year $11.7 million mortgage on the Malvern Medical Arts property at a fixed rate of 4.31% funded.
- Subsequent to the quarter following the mortgage financings of the Willow Brook Medical Centre and the Malvern Medical Arts property, the Revolving Credit Facility was paid down to $15.5 million.
- Subsequent to the quarter the REIT entered into an agreement in principle with NWVP to acquire the GT Canada Medical Office Properties REIT ("GT Canada") portfolio of twelve medical office buildings from GT Canada conditional upon more than 66 2/3rds of GT Canada unitholders tendering their units to NWVP in accordance with NWVP's public offer to acquire such units. The purchase price for the portfolio is $87.3 million. The twelve properties comprise approximately 280,000 square feet of rentable area and over 170 tenants and are approximately 98% leased to primarily healthcare related tenants. The purchase price, subject to all required regulatory approvals, will be satisfied by the assumption of approximately $49.5 million of mortgage debt and the issue of REIT units to GT Canada (at GT Canada's option) and cash.
- The REIT declared distributions of $0.06667 per unit to unitholders of record as at April 30, 2012.

PART XI

FINANCIAL OUTLOOK AND MARKET GUIDANCE

There is no material change to the operating or economic environment within which the REIT operates.

In order to achieve its objectives the REIT will focus on:

- Increasing occupancy in the portfolio
- Maximizing net operating income
- Acquiring assets on an accretive basis
- Improving operational productivity

Apart from the sometimes significant difference between vendor and purchaser pricing expectations, as well as competition for good quality income-producing properties, the current market for acquisitions is favourable for the REIT's expansion plans, with both debt and equity markets accessible and the market of Healthcare Real Estate fragmented in terms of current ownership. Since the IPO, to date, the REIT has completed or announced the acquisition of over $500 million of healthcare assets. The REIT will continue to actively pursue acquisitions, with a focus on properties within markets the REIT already operates, and a preference for well-occupied and well-located properties in order to consistently improve the REIT's portfolio quality.