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, 2015

May 12, 2015

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TABLE OF CONTENTS

PART I 3
FORWARD-LOOKING INFORMATION 3
NON-IFRS FINANCIAL MEASURES 4
PART II 4
BUSINESS OVERVIEW AND STRATEGIC DIRECTION 4
DECLARATION OF TRUST 5
FINANCIAL AND OPERATIONAL HIGHLIGHTS 7
SUMMARY OF SIGNIFICANT EVENTS 8
OUTLOOK AND CURRENT BUSINESS ENVIRONMENT 10
PROPOSED TRANSACTIONS 10
RESULTS OF OPERATIONS 12
NET OPERATING INCOME 15
PORTFOLIO PROFILE 16
INVESTMENT PROPERTIES 19
ACQUISITIONS 20
DISPOSITIONS 21
LEASING COSTS AND CAPITAL EXPENDITURES 22
PART IV 23
FUNDS FROM OPERATIONS 23
ADJUSTED FUNDS FROM OPERATIONS AND DISTRIBUTIONS 24
LIQUIDITY AND CAPITAL RESOURCES 28
CAPITALIZATION AND DEBT PROFILE 28
PART V 33
RELATED PARTY TRANSACTIONS 33
PART VI 36
SUMMARY OF QUARTERLY RESULTS 36
PART VII 38
SIGNIFICANT ACCOUNTING POLICIES 38
PART VIII 38
RISKS AND UNCERTAINTIES 38
PART IX 40
CONTROLS AND PROCEDURES 40
PART X 41
SUBSEQUENT EVENTS 41
PART XI 41
FINANCIAL OUTLOOK AND MARKET GUIDANCE 41

CEO's Message

May 12, 2015

The first quarter of 2015 was a pivotal time for the REIT as we concluded the internalization of property development by virtue of the acquisition of three active development projects together with the hiring of the development team overseeing the projects, while also entering into an agreement with NorthWest International Healthcare Properties REIT ("NWI") to combine and create a leading global healthcare real estate investment trust, the latter being overwhelming approved at a unitholder vote held subsequent to quarter end.

Both initiatives are to position the REIT to best deliver unitholder value in the future.

The internalization of development is a continuation of our on-going strategy to optimize portfolio quality and provide a path for external growth other than through acquisition. The development of medical office buildings is accelerating in order to provide new real estate solutions for larger, multi-practitioner medical clinics such as family health teams, which is a trend in the delivery of healthcare in Canada. By way of example, two of the three active development projects acquired during the quarter are in Ontario and are to house family health team operations requiring in excess of 20,000 square feet each. With development now possible within the REIT, unitholders will benefit directly from yields generally greater than available in acquisitions. And much like our existing projects, whenever possible we will seek to lessen risk through pre-leasing to 'anchor' healthcare users.

The combination with NWI, which is expected to be finalized during the second quarter through a plan of arrangement, will increase the REIT's holdings to interests in 123 properties comprising over 7.8 million square feet of rentable area and increase its enterprise value and market capitalization to almost $2 billion and $700 million, respectively. It will also improve portfolio quality and position the REIT for increased growth potential. The NWI portfolio consists of interests in 49 properties, all focused on healthcare uses, including multi-tenant medical office buildings similar in nature to the Canadian portfolio, as well as single-tenant hospitals leased to some of the leading hospital operators in Brazil and Australasia. The NWI portfolio is 98% leased with a weighted average lease term to maturity of over 15 years and 99% of the portfolio's lease revenue is indexed to inflation. Further, the properties are located in some of the top markets for private healthcare real estate, namely Germany, Brazil, Australia and New Zealand, based on all, or at least one of, population, population growth and the existence of well-established public / private healthcare delivery models.

These two transformational initiatives result in a bigger, better REIT with enhanced growth opportunities while retaining the stability provided by healthcare real estate.

The quarter was also busy and productive in terms of operations.

Despite the quarter occupancy decline by 50 basis points, to 91.4%, largely as a result of the expiry of the head leases in place since the initial public offering, same property performance was slightly positive. The REIT's current contracted occupancy rate is 91.9%.

The REIT had a solid start to the year in terms of leasing activity. We renewed, or expect to renew, 100,300 square feet, representing 89% of non-head lease, third-party tenancies that expired in the quarter, and we early renewed another 73,800 square feet for expiries subsequent to the quarter. We are on track to achieve our renewal budget for the year, with 37% of our annual work plan already completed. Renewal rents were flat against expiring rents.

In terms of new leasing, we welcomed 43,100 square feet of new tenancies, a portion of which were in some of our more challenged markets, which is positive to our property operating income, although it did lower our average new leasing rents. We also completed another 37,300 square feet of new leasing that will be effective subsequent to the quarter end, resulting in the completion of 36% of our annual new leasing target.

In addition to the three active development projects acquired in the quarter, we also acquired a recently completed medical office building. The Owen Sound Medical Building contains 77,500 square feet and is home, since it completion in 2012, to the region's family health team as well as a number of other medical practitioners and healthcare providers. During the quarter we also progressed upon our plan to dispose of non-core assets to allow us to recycle capital and focus our resources upon core assets with the sale of a smaller, older property in Quebec City.

Taking advantage of the favourable lending market, during the quarter we completed all eight 2015 mortgage expiry re-financings and one new financing totaling approximately $70 million, reducing borrowing rates, extending the weighted average term to maturity and improving the REIT's liquidity position with net proceeds of approximately $18.5 million.

Our focus for the remainder of 2015 will be the closing of the combination with NWI and the integration of the two organizations, while also continuing to seek accretive acquisitions and to improve the financial performance of our assets for long term stability and growth.

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 ("NWH"s or the "REIT"s) operating strategies, risk profile considerations, business outlook and analysis of its financial performance and financial condition for the three months ended March 31, 2015.

This MD&A is based on the REIT's condensed consolidated interim financial statements for the three months ended March 31, 2015, 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, and are calculated including Class B Exchangeable Units (as defined hereafter), 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, 2015, prepared in accordance with IFRS. Additional information about the REIT, including the REIT's 2014 annual information form dated March 10, 2015 (the "Annual Information Form"), can be found on SEDAR at www.sedar.com.

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

- "Convertible Debentures" has the meaning set out in the Section "Capitalization And Debt Profile – Convertible Debentures";
- "Class B Exchangeable Unit" means a Class B limited partnership unit of NHP Holdings Limited Partnership ("NHP LP"), exchangeable for Units;
- "Special Voting Unit" means a special voting unit of the REIT attached to a Class B Exchangeable Unit;
- "Unit" or "REIT Unit" means a unit of the REIT; and
- "Unitholder" means a holder of Units and any reference to a Unitholder in the context of such Unitholder's right to vote at a meeting of Unitholders also includes reference to a holder of Special Voting Units.

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, and the times at or by which, such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risks and Uncertainties". 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", "EBITDA" 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 Units. These terms are defined in this MD&A and reconciled to the condensed consolidated interim financial statements of the REIT for the three months ended March 31, 2015. 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 its 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 Units are listed and publicly traded on the Toronto Stock Exchange ("TSX") under the symbol NWH.UN. The REIT's Convertible Debentures are listed and publicly traded on the TSX under the symbol NWH.DB.

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 a wide variety of medical and healthcare professionals, institutional healthcare organizations, as well as 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 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.

Objectives of the REIT

The objectives of the REIT are to: (i) provide Unitholders with stable and growing cash distributions from investments focused on income-producing commercial real estate located primarily in Canada, including Healthcare Real Estate, 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 and developments.

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 to all Unitholders upon request. Further information regarding the Declaration of Trust can also be located in the Annual Information Form under the heading "Declaration of Trust". Some of the main investment guidelines and operating policies in the Declaration of Trust include the following:

Investment Guidelines

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, 2015, the REIT was in compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

Subsequent to the quarter ended March 31, 2015 the Declaration of Trust was amended and restated at the annual and special meeting of NWH on May 5, 2015 (the "Amended Declaration of Trust"). The investment guidelines and operating policies in the Amended Declaration of Trust, which will come into effect once the Combination Transaction (defined in "Summary of Significant Events") is completed, include the following:

Investment Guidelines

The Amended Declaration of Trust provides certain guidelines on investments that may be made directly or indirectly by the REIT. The assets of the REIT may be invested only in accordance with the following restrictions:

(a) the REIT may only invest, directly or indirectly, in interests (including fee ownership and leasehold interests) in income–producing real estate and assets ancillary thereto necessary for the operation of such real estate and such other activities as are consistent with the other investment guidelines of the REIT;

(b) notwithstanding anything else contained in the Amended Declaration of Trust, the REIT shall not make or hold any investment, take any action or omit to take any action or permit a subsidiary to make or hold any investment or take any action or omit to take any action that would result in:
  (i) the REIT not qualifying as a "mutual fund trust" or "unit trust" both within the meaning of the Tax Act; or
  (ii) Units not qualifying as qualified investments for Exempt Plans;

(c) the REIT may make its investments and conduct its activities, directly or indirectly, through an investment in one or more persons on such terms as the Trustees may from time to time determine, including by way of joint ventures, partnerships (general or limited) and limited liability companies;

(d) the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;

(e) the REIT shall not invest in raw land for development, except for the development of new properties which may become capital property of the REIT, provided that the aggregate value of the investments of the REIT in raw land, excluding raw land under development which may be capital property, after giving effect to the proposed investment, will not exceed 10% of GBV, as defined; and

(f) the REIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any debt incurred or assumed in connection with such investment) up to 25% of the GBV, as defined, of the REIT in investments which do not comply with the investment guidelines set forth in Declaration of trust, so long as the investment does not contravene subparagraph (b) above.

For the purpose of the foregoing restrictions, the assets, liabilities and transactions of a corporation or other entity wholly or partially-owned by the REIT will be deemed to be those of the REIT on a proportionate consolidation basis. In addition, any references in the foregoing to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

Operating Policies

The Amended Declaration of Trust provides that operations and affairs of the REIT are to be conducted in accordance with the following policies:

(a) (i) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage; and

(ii) to the extent the Trustees determine to be practicable and consistent with their fiduciary duties to act in the best interest of the Unitholders, any written instrument which is, in the judgment of the Trustees, a material obligation,

shall contain a provision, or be subject to an acknowledgement to the effect, that the obligation being created is not personally binding upon, and that resort must not be had to, nor will recourse or satisfaction be sought from, by lawsuit or otherwise, the private property of any of the Trustees, Unitholders, annuitants or beneficiaries under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof is bound; the REIT, however, is not required, but must use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of real property;

(b) subsidiaries of the REIT may engage in construction or development of real property provided such real property meets the REIT's investment guidelines and operating policies;
(c) title to each real property shall be held by and registered in the name of the REIT, NWI LP, the Trustees or a corporation or other entity majority–owned, directly or indirectly, by the REIT or NWI LP or jointly–owned, directly or indirectly, by the REIT or NWI LP, with joint venturers;
(d) the REIT shall not incur or assume any Indebtedness, as defined, if, after giving effect to the incurrence or assumption of such Indebtedness, the total Indebtedness of the REIT would be more than 65% of GBV, as defined;
(e) the REIT shall not directly or indirectly guarantee any Indebtedness or liabilities of any kind of a third party, except Indebtedness or liabilities assumed or incurred by an entity in which the REIT holds an interest, directly or indirectly, or by an entity jointly owned by the REIT with joint venturers and operated solely for the purpose of holding a particular property or properties, where such Indebtedness, if granted by the REIT directly, would cause the REIT to contravene its investment guidelines or operating policies. The REIT is not required but shall use its reasonable best efforts to comply with this requirement (i) in respect of obligations assumed by the REIT pursuant to the acquisition of real property or (ii) if doing so is necessary or desirable in order to further the initiatives of the REIT permitted under the Declaration of Trust; and
(f) the REIT shall directly or indirectly obtain and maintain at all times property insurance coverage in respect of potential liabilities of the REIT and the accidental loss of value of the assets of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practice of owners of comparable properties.

For the purpose of the foregoing investment guidelines and operating policies, the assets, liabilities and transactions of a corporation or other entity wholly or partially–owned by the REIT will be deemed to be those of the REIT on a proportionate consolidation basis. In addition, any references in the foregoing investment guidelines and operating policies to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Expressed in thousands of dollars, except per unit amounts	**As at March 31, 2015**	**As at December 31, 2014**
Operational information	(Unaudited)	(Unaudited)
Number of properties	74	73
Gross Leasable Area ("GLA")	4,549,848	4,503,375
Occupancy %	91.4%	91.9%
Average lease term to maturity	4.6 years	4.5 years
Weighted average in place net rental rate ($psf)	$16.52	$16.42
Summary of Financial information	(Unaudited)	(Unaudited)
Gross Book Value	$1,278,308	$1,244,641
Debt (1)	$718,968	$688,640
Debt to Gross Book Value (2)	56.2%	55.3%
Weighted average mortgage interest rate (3)	4.39%	4.62%
Weighted average mortgage term	4.9 years	4.6 years
Adjusted units outstanding – period-end (4):		
Basic	46,762,214	46,669,458
Diluted(5)	49,906,884	49,864,263
	For the three months ended March 31, 2015	**For the three months ended March 31, 2014(12)**
Summary of Financial information	(Unaudited)	(Unaudited)
Revenue	$38,316	$39,190
NOI (6)	$20,217	$20,138
Net Income	$6,142	$14,326
FFO (6)	$11,733	$11,509
FFO per unit (basic)	$0.25	$0.25
FFO per unit (fully diluted)	$0.25	$0.24
AFFO (6) (7)	$9,608	$9,336
AFFO per unit (basic)	$0.21	$0.20
AFFO per unit (fully diluted)	$0.20	$0.20
Distributions per Unit	$0.20	$0.20
AFFO Payout ratio	97%	99%
AFFO Payout ratio (fully diluted)	99%	100%
Interest coverage (8)	2.43x	2.39x
Net debt/EBITDA(9)	9.3x	8.9x
Adjusted weighted average units outstanding for the period (10):		
Basic	46,717,450	46,367,072
Diluted(11)	49,908,145	49,504,260

Notes:

(1) Debt includes Convertible Debentures but excludes Class B Exchangeable Units and is presented net of a Mark-to-Market premium of $2,402 (December 31, 2014 - $1,751) and unamortized financing costs of $2,127 (December 31, 2014 - $1,855).

(2) Defined as total debt including Convertible Debentures but excluding Class B Exchangeable Units, divided by total assets.

(3) Current market weighted average mortgage interest rate = approximately 3.0%.

(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. There were 7,551,546 outstanding Class B Exchangeable Units outstanding as at March 31, 2015 (December 31, 2014 - 7,551,546).

(5) Adjusted diluted units outstanding includes 2,834,507 REIT Units issuable on the conversion of Convertible Debentures (December 31, 2014 – 2,834,507).

(6) 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.

(7) AFFO amounts are calculated utilizing a stabilized reserve for growth capital expenditures, leasing costs and tenant improvements of 6.0% of revenue from investment properties.

(8) Defined as net income before fair value adjustment of investment properties, loss on disposal of investment properties, plus finance costs divided by finance costs excluding amounts related to Class B Exchangeable Units, Convertible Debenture issuance costs and fair value adjustments of financial liabilities.

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

(10) Adjusted basic and diluted weighted average units outstanding include 7,551,546 outstanding Class B Exchangeable Units for the three months ended March 31, 2015 and 7,551,546 outstanding Class B Exchangeable Units for the three months ended March 31, 2014.

(11) Adjusted diluted weighted average units outstanding includes 2,834,507 REIT Units issuable on the conversion of Convertible Debentures for the three months ended March 31, 2015 and 2,834,507 REIT Units issuable on the conversion of Convertible Debentures for the three months ended March 31, 2014.

(12) FFO and AFFO for the three months ended March 31, 2014 has been restated to conform with current year presentation.

SUMMARY OF SIGNIFICANT EVENTS

- AFFO per unit for the quarter was $0.21, consistent with the previous quarter and up $0.01 from comparable prior year quarter.
- FFO per unit for the quarter was $0.25, up $0.01 from previous quarter and consistent with the comparable prior year quarter.
- Occupancy was 91.4%, a decrease from the previous quarter at 91.9% primarily due to the expiry on March 24, 2015 of the IPO head leases at certain of the REIT's properties.
- On March 10, 2015, the REIT entered into an agreement with NorthWest International Healthcare Properties Real Estate Investment Trust ("NWI") to combine and create a leading global diversified healthcare real estate investment trust with over $2,000,000 of assets (the "Combination Transaction"). The Combination Transaction will be effected by a plan of arrangement pursuant to which NWH will acquire all of the assets of NWI. The unitholders of NWI will receive 0.208 of a NWH unit for each NWI trust unit held, on a tax-deferred basis. The Combination Transaction was unanimously approved by NWH's Board of Trustees (excluding interested trustees) based on a unanimous recommendation by an independent committee of NWH's Board of Trustees, after consultation with the independent committee's financial and legal advisors. Subsequent to the quarter, on May 5, 2015, the Combination Transaction was approved at the special meeting of NWH voting unitholders by 96.64% of the total votes cast and 93.6% of the votes cast excluding NWI and other interested parties. The Combination Transaction was also approved by 99.19% of the votes cast at the special meeting of NWI unitholders. The Combination Transaction is expected to close in the second quarter of 2015.
- During the quarter the REIT completed a series of transactions, as part of its on-going portfolio optimization strategy, that improve portfolio quality and position the REIT for growth. The transactions included:
    - The REIT acquired the Owen Sound Medical Building for $23,000 pursuant to a right of first offer it held over the property. Consideration included the assumption of a $13,903 mortgage secured by the property and settlement of the $8,000 Owen Sound Loan. The property located at 1415 1st Avenue West, Owen Sound, Ontario is a new generation medical office building which has been the home, under a long-term lease, of the Owen Sound Family Health Team since 2012.
    - The REIT acquired a two-building complex located at 81-85 The East Mall in Toronto, containing an aggregate rentable area of approximately 82,000 square feet. One building is substantially occupied by a variety of tenants, including a significant health care user, and the second building is vacant, as it undergoes renovation in order to become the future home of the Etobicoke Family Health Team, together with ancillary healthcare uses. It is expected to be substantially occupied in late 2016, after completion of the renovations. The REIT also acquired two land parcels slated for medical office building development, one in Barrie, Ontario and one in St. Albert, Alberta. The first land parcel is located on Bayview Drive in Barrie, Ontario, and will be the future home of the Barrie Family Health Team. This long-term tenancy is scheduled, along with other identified healthcare users, to take occupancy following the construction of a 3-storey, 79,000 square foot, new generation multi-tenant medical office building. Pre-leasing is advanced and construction has commenced, with the opening of the building scheduled for late 2016. The second land parcel is located across the street from the Sturgeon Community Hospital in St. Albert, Alberta, which is a 25-minute drive northwest of downtown Edmonton. The 1.4-acre site has been designed for a new generation, "on-campus" medical office building of between 30,000 and 50,000 square feet, and pre-leasing is underway. Consideration for the 81-85 The East Mall acquisition right and the two land parcels was $10,000, subject to adjustments. 81-85 The East Mall, Toronto, Ontario was acquired from a third party for $10,515.
    - Concurrent with the foregoing acquisitions, the REIT ended its development relationship with NorthWest Value Partners Inc. ("NWVP"), at no cost, resulting in the internalization of the development platform and the hiring of NWVP's development team.
- On January 15, 2015, the REIT, in its on-going efforts to recycle capital into higher-quality assets, sold Polyclinique de la Capitale in Quebec City, Quebec, an older non-core medical office building. The sale generated gross proceeds of $4,625 and net proceeds of $919 after settlement of the existing mortgage of $3,449 and payment of transaction costs of $257.
- During the quarter the REIT took advantage of a favourable lending market and low interest rate environment. The REIT received gross mortgage proceeds of approximately $70,300 from nine new mortgage financings, and net proceeds of approximately $18,500 after repayment of maturing mortgages and the refinancing of the

Owen Sound Medical Building mortgage. The new mortgages have a weighted average term to maturity of 6.5 years and weighted average interest rate of approximately 2.95%. With the completion of these mortgage financings the REIT has refinanced all of its 2015 mortgage maturities.

- The REIT paid distributions of $0.06667 per Unit on January 15, 2015, February 13, 2015 and March 13, 2015 consistent with its annualized target of $0.80 cents per Unit.

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. Although the REIT's healthcare-oriented portfolio operates somewhat differently from that of a general office portfolio, the REIT's portfolio is affected by market conditions for current commercial leasing markets, and recently these have come under pressure from increased supply and/or limited tenant demand in many markets across Canada.

The REIT continues to focus its leasing efforts on increasing the healthcare tenancies within each building, when appropriate and 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, positions the property for increased rents from support service tenants such as pharmacies, laboratories, diagnostic imaging clinics and other retail-oriented businesses that benefit from such synergies. It also assists in driving maximum traffic to the property which translates into increased miscellaneous revenue, especially parking revenue, if applicable. As a result, the REIT actively renews healthcare tenancies, but only selectively renews non-healthcare tenancies upon lease expiry. It also aggressively pursues strategies to attract new healthcare tenancies to occupy vacant space. In this regard, at select properties where the demand for such an offering is evident, the REIT has recently introduced the concept of a REIT-operated, multi-practitioner managed clinic, wherein medical practitioners operate out of a 'turnkey' clinic, versus a physician-owned, sole practice rented from the landlord, and pay to the clinic owner a fixed portion of their billings. This provides medical practitioners with fewer operating distractions and greater flexibility, which is especially relevant for new and semi-retiring practitioners while providing the REIT with enhanced building synergy, as described above.

The REIT believes, through accretive acquisitions and select development opportunities, that leverage its existing asset and property management platform, there are opportunities to grow the portfolio 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. Acquisitions are also evaluated on their impact on portfolio quality in terms of building attributes such as age, size and condition, tenancy (especially percentage healthcare), market dynamics such as population and population growth, and property location (preferably in close proximity to healthcare infrastructure such as hospitals or large clinical facilities). However, the REIT believes that portfolio improvement can also be achieved through the active asset management of existing properties. Increased property values can be obtained through a number of initiatives, including active re-positioning of the site's uses to achieve its highest and best use, maximizing the allowable building density on the property and/or improving the property's quality to garner higher rents. In certain instances, the decision will be made to dispose of a property when market conditions warrant or when the property or its market has been deemed non-core.

PROPOSED TRANSACTIONS

On March 10, 2015, the REIT entered into the Combination Transaction with NWI. The Combination Transaction will be effected by a plan of arrangement pursuant to which NWH will acquire all of the assets of NWI. The unitholders of NWI will receive 0.208 of a NWH unit for each NWI trust unit held, on a tax-deferred basis. The Combination Transaction was approved by NWH's Board of Trustees (excluding interested trustees) based on a unanimous recommendation by an independent committee of NWH's Board of Trustees, after consultation with the independent committee's financial and legal advisors. Subsequent to the quarter, on May 5, 2015, the Combination Transaction was approved at the special meeting of NWH voting unitholders by 96.64% of the total votes cast and 93.6% of the votes cast excluding NWI and other interested parties. The Combination Transaction was also approved by 99.19% of the votes cast at the special meeting of NWI unitholders.

Under the Business Corporations Act (Alberta) the plan of arrangement requires the approval of the Court of Queen's Bench of Alberta (the "Final Order"). A hearing of the application for the Final Order is scheduled to be held on May 13, 2015.

The combination is also subject to other customary regulatory approvals for transactions of this nature, including approvals from the TSX-V and TSX, Competition Act (Canada) authorities, the Australia's Foreign Investment Review Board and New Zealand's Overseas Investment Office.

Subject to these approvals the Combination Transaction is expected to close in the second quarter of 2015.

Additional information about the Combination Transaction, including: 1) Information Relating to the Combined REIT; 2)The Arrangement Agreement; 3) Unaudited Pro Forma Condensed Combined Financial Statements of the Combined REIT, and; 4) Risk Factors Relating to the Combination Transaction, can be found in the Notices of Annual and Special Meetings and Joint Management Information Circular Concerning the Combination of NorthWest Healthcare Properties Real Estate Investment Trust and NorthWest International Healthcare Properties Real Estate Investment Trust, dated April 7, 2015 (the "Circular") and NWH's press release relating to the Combination Transaction dated April 28, 2015, both of which are filed on SEDAR at www.sedar.com.

PART III

RESULTS OF OPERATIONS

The REIT's results of operations for the three months ended March 31, 2015 are summarized below:

Expressed in thousands of dollars	Three months ended March 31, 2015	Three months ended March 31, 2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from operations			
Base rent	$17,733	$18,163	$(430)
Operating cost recoveries	15,869	16,422	(553)
Parking revenue	3,950	4,021	(71)
Other revenue	747	544	203
Revenue from investment properties	38,299	39,150	(851)
Management fee revenue	17	40	(23)
Revenue from operations	38,316	39,190	(874)
Property operating expenses	18,099	19,052	953
Operating income	20,217	20,138	79
Finance cost	7,970	8,160	190
Interest income	(27)	(213)	(186)
Transaction costs	1,903	-	(1,903)
Trust expenses	881	864	(17)
Income before undernoted items	9,490	11,327	(1,837)
Finance cost:			
Class B Exchangeable Units distributions	(1,510)	(1,510)	-
Fair value adjustment of Class B Exchangeable Units	1,208	6,721	(5,513)
Fair value adjustment of Convertible Debentures	(801)	(201)	(600)
Fair value adjustment of other financial instruments	(1,716)	(1,234)	(482)
Fair value adjustment of investment properties	(272)	(428)	156
Net loss on disposal of investment properties	(257)	(349)	(92)
Net income / (loss)	**$6,142**	**$14,326**	**$(8,184)**

Revenue from Operations

Revenue from operations for the three months ended March 31, 2015 is $874 lower than the actual for the three months ended March 31, 2014, primarily as a result of reduced revenue of $1,093 following the sale of six properties and a reduction in same property revenue of $395 due partially to lower operating cost recoveries driven by same property operating costs decreases, partially offset by revenue from acquired properties of $777. Included in Revenue from operations is $100 of lease termination revenue (three months ended March 31, 2014 - $7).

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, 2015 were $953 lower than the three months ended March 31, 2014, primarily as a result of a reduction in operating expenses of $729 from disposed properties and same property operating cost reductions of $480, partially offset by operating costs from acquired properties of $309.

Finance Cost

Finance cost for the three months ended March 31, 2015 is $190 less than the actual results for the three months ended March 31, 2014, primarily as a result of reduced interest due to property dispositions of $230, lower financing costs on the refinancing of some of the REIT's mortgages, partially offset by interest on acquired properties of $146.

Interest Income

Interest income for the three months ended March 31, 2015 has decreased significantly over 2014 due to the settlement of the $8,000 loan receivable which was secured by a medical office building in Owen Sound, Ontario, the property the REIT acquired during the quarter.

Transaction Costs

Transaction costs for the three months ended March 31, 2015 of $1,903 relate to the Combination Transaction.

Trust Expenses

Trust expenses for the three months ended March 31, 2015 were comparable to those of the three months ended March 31, 2014.

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, 2015 the REIT declared distributions of $1,510 (2014 -$1,510) on the Class B Exchangeable Units. This represents $0.0667 per unit, equivalent to REIT Units, for each month of the three month period ended March 31, 2015 and 2014, respectively.

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, 2015 the value of the Class B Exchangeable Units decreased to $9.12 from $9.28 resulting in a decrease of the Class B Exchangeable Units liability and an associated gain of $1,208. During the three month period ended March 31, 2014 the value of the Class B Exchangeable Units decreased to $9.55 from $10.44 resulting in a decrease of the Class B Exchangeable Units liability and an associated gain of $6,721.

Finance Cost – Fair Value Adjustment of Convertible Debentures

The Convertible Debentures were designated by the REIT on initial recognition as fair value through profit and loss and are therefore carried at fair value with any change in value recognized in the statement of income. During the three month period ended March 31, 2015 the value of the Convertible Debenture increased to $103.49 from $101.50 resulting in an increase of the Convertible Debenture liability and an associated loss of $801. During the three month period ended March 31, 2014 the value of the Convertible Debenture increased to $100.50 from $100.00 resulting in an increase of the Convertible Debenture liability and an associated loss of $201.

Finance Cost – Fair Value Adjustment of Other Financial Instruments

During the three months ended March 31, 2015 the REIT recognized a fair value loss of $1,716 (three months ended March 31, 2014 - loss of $1,234) on interest rate swap contracts used to fix the interest rate on certain variable rate mortgages. The interest rate swap contracts have not been designated by the REIT as hedges and as a result fair value movements on the derivatives are recognized in the statement of income rather than other comprehensive income. The fair value movements are non-cash in nature and are expected to reverse over the life of the contracts.

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, 2015 the value of the REIT's investment properties decreased by $272. See Part III – Investment Properties for additional information on the fair value changes to the REIT's investment properties.

Net Loss on Disposal of Investment Properties

During the three months ended March 31, 2015 the REIT sold one non-core investment property for gross proceeds of $4,625. The loss on disposal of $257 represents transaction costs associated with the sale. During the three months ended March 31, 2014 the REIT sold two non-core investment properties for gross proceeds of $8,350. The loss on disposal of $349 represents transaction costs associated with the sale.

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, 2015 represents income from currently owned investment properties, excluding properties held for redevelopment, acquired prior to January 1, 2014. The REIT's NOI for the three months ended March 31, 2015 is summarized below:

Expressed in thousands of dollars	**Three months ended March 31, 2015**	**Three months ended March 31, 2014**	**Variance**
	(Unaudited)	(Unaudited)	(Unaudited)
Same property revenue from operations			
Base rent	$17,083	$17,448	$(365)
Operating cost recoveries	15,593	15,900	(307)
Parking revenue	3,947	3,868	79
Other revenue	715	517	198
Revenue from investment properties	37,338	37,733	(395)
Same property operating expenses	17,740	18,220	480
Same property NOI	**19,598**	**19,513**	**85**
Management fee revenue	17	40	(23)
Properties held for redevelopment	135	222	(87)
Acquisitions	468	-	468
Dispositions	(1)	363	(364)
NOI	**$20,217**	**$20,138**	**$79**

Revenue from Investment Properties
Same property revenue from investment properties for the three months ended March 31, 2015 is $395 lower than the actual results for the three months ended March 31, 2014 primarily due to lower base rent and operating cost recoveries of $365 and $307, respectively, partially offset by an increase in other revenue of $198.

Same property base rent for the three months ended March 31, 2015 is $365 lower than that of the prior year period primarily due to the continued conversion of gross leases to net leases at certain properties in Quebec. Lower occupancy in Quebec also had a downward impact on base rent during the quarter.

Same property operating cost recovery revenue for the quarter decreased $307 over the comparable prior year period primarily as a result of lower operating costs compared to operating costs in the three months ended March 31, 2014. Net operating cost recoveries improved $173 compared to the prior year period primarily as a result of the conversion of gross leases to net at certain properties in Quebec.

Same property parking revenue increased $79 over the three months ended March 31, 2014 due to improved transient parking revenue at certain properties in the West region.

Other same property income for the three months ended March 31, 2015 is $198 higher than that of the three months ended March 31, 2014 mainly attributable to higher lease termination revenue of $93 and ancillary income from the REIT's managed clinic business.

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, 2015 decreased $480 over the three months ended March 31, 2014 primarily due to lower utilities, snow removal and repairs and maintenance costs.

Management Fee Revenue
Management fee revenue for the three months ended March 31, 2015 decreased from the comparable prior year period due to lower support service revenue.

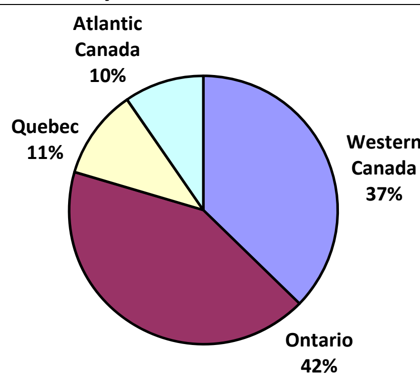
PORTFOLIO PROFILE

As of March 31, 2015, the REIT's portfolio consisted of 74 Healthcare Real Estate properties, located in seven provinces. The properties had a total GLA of approximately 4.6 million square feet encompassing approximately 1,460 individual tenancies.

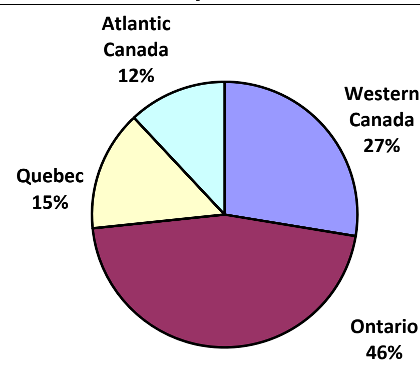
Geographic Diversification
The properties are well diversified throughout Canada, with 81% of annualized NOI derived from the seven major markets of Toronto (29%), Calgary (21%), Edmonton (13%), Montreal (7%), Halifax (5%), Quebec City (3%) and Winnipeg (3%) for the three months ended March 31, 2015. The following charts and graphs set out the regional diversification of the portfolio by annualized NOI and GLA.

Region	# of Properties[1]	Total GLA	Current Occupancy Rate [2]	Avg. In-place Net Rent (psf)
Western Canada	16	1,255,624	94.7%	$20.83
Ontario	35	2,081,921	88.6%	16.15
Quebec	14	667,713	93.8%	12.83
Atlantic Canada	9	544,590	91.6%	12.47
Total	**74**	**4,549,848**	**91.4%**	**$16.52**

Geographic diversification by annualized NOI [3]



Geographic diversification by GLA [2]



Notes:
(1) Includes 490 Harwood Boulevard in Quebec which is not accounted for under Total GLA and Occupancy, as property is currently being re-developed.
(2) As at March 31, 2015
(3) Based on NOI for the 3 months ended March 31, 2015, 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 77% of the REIT's tenants are healthcare-oriented. The average tenant occupies approximately 2,850 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 is $16.52.

The following table summarizes the REIT's 10 largest tenants by percentage of gross rent for the three months ended March 31, 2015:

	Tenant	% of Gross Rent	No. of Locations
1	Bantrel Corporation	4.4%	1
2	CLSC/CSSS	3.4%	5
3	Shoppers Drug Mart	2.3%	8
4	Lawtons Drugs	2.1%	5
5	Alberta Health Services	1.9%	5
6	Province of Ontario	1.8%	3
7	Centric Health	1.4%	7
8	Primary Care Network	1.2%	5
9	Medical Imaging Consultants	1.2%	2
10	Lifelabs	1.1%	16
Total		**20.8%**	
Weighted average lease term			5.5 years

Leasing Activity

Leasing Activity (square feet) – three months ended March 31, 2015				
	Total GLA	Occupied	Vacant	Committed[1]
December 31, 2014	4,503,375	4,140,359	363,016	174,350
Acquired	112,622	99,677	12,945	
Disposition	(52,205)	(48,212)	(3,993)	-
Expiries	-	(147,595)	147,595	-
Renewal	-	74,482	(74,482)	[2]8,183
Early Terminations	-	(28,273)	28,273	-
New Leasing	-	43,063	(43,063)	[3]5,155
Month to month	-	19,198	(19,198)	-
Re-measurements and other	[4] (13,944)	6,081	(20,025)	-
March 31, 2015	4,549,848	4,158,780	391,068	187,688

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) Net change of 8,183 square feet during the quarter equals 73,822 square feet of early renewals during the quarter less 65,639 square feet of prior quarter early renewals that commenced during the current quarter.

(3) Net change of 5,155 square feet during the quarter equals 37,285 square feet of leasing, with lease commencement subsequent to the quarter, less 32,130 square feet of prior quarter new leasing that commenced during the current quarter.

(4) Includes 20,271 square feet of the Riley Park property which was removed from total GLA pending redevelopment of the property following termination of the head lease with NW Trust.

Renewal leasing:

During the quarter the REIT completed 74,482 square feet of renewal leasing inclusive of 2,341 square feet of month to month tenants that renewed during the quarter. In addition 25,883 square feet of expiries remained in occupancy on a month to month basis, and are expected to renew. The REIT also early renewed 73,822 square feet of future expiries during the quarter.

Tenant renewals were completed at an initial net rent per square foot of $13.31 versus an expiring net rent per square foot of $13.35, essentially flat.

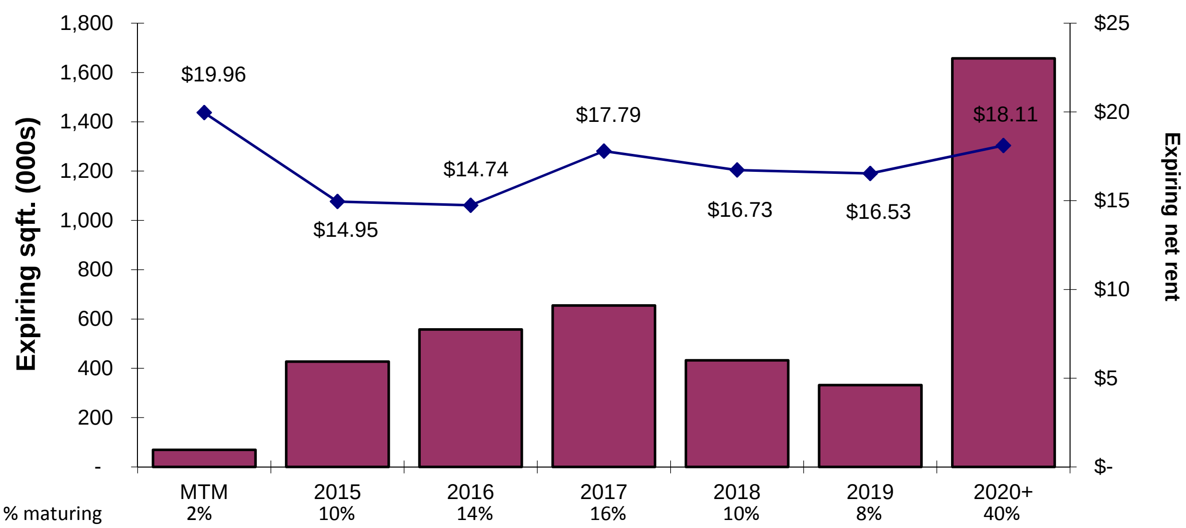
New leasing:

During the quarter the REIT completed 43,063 square feet of new leasing commencing in the quarter, plus 37,285 square feet of leasing with lease commencement subsequent to the quarter. New leasing commencing during the quarter was completed at an initial net rent per square foot of $11.83. The rate reflects new leasing done in weaker markets mainly in southwestern Ontario.

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 2015 and 2019, as illustrated by the chart below, and, as of March 31, 2015, a weighted average term to maturity of 4.6 years.

Lease Maturity Profile



Note: Gross rents have been reduced to reflect CAM and tax recoveries as an estimate of an equivalent net rent.
MTM – month to month

Expiring Square Feet

	Western Canada	Ontario	Quebec	Atlantic Canada	Total	Committed
Month to month	18,783	42,764	-	7,864	69,411	-
2015	118,841	197,042	40,852	70,675	427,410	101,978
2016	95,020	291,357	113,260	57,919	557,556	21,754
2017	287,465	237,808	65,313	64,555	655,141	4,684
2018	174,580	168,710	44,044	45,276	432,610	3,503
2019	69,091	190,645	35,581	36,780	332,097	3,629
2020+	398,570	716,161	327,042	215,522	1,657,295	7,464
Total Expiries	1,162,350	1,844,487	626,092	498,591	4,131,520	143,012
Residential	27,260	-	-	-	27,260	-
	1,189,610	1,844,487	626,092	498,591	4,158,780	143,012
Vacant	66,014	237,434	41,621	45,999	391,068	44,676
Total GLA	1,255,624	2,081,921	667,713	544,590	4,549,848	187,688
Occupancy percentage	**94.7%**	**88.6%**	**93.8%**	**91.6%**	**91.4%**	

Expiring Net Rent ($psf)						
	Western Canada	Ontario	Quebec	Atlantic Canada	Total	Committed[1]
Month to month	$18.04	$23.58	$-	$4.89	$19.96	$-
2015	18.94	15.14	17.61	6.19	14.95	18.02
2016	17.28	14.89	10.63	17.88	14.74	28.79
2017	23.05	14.32	12.81	12.22	17.79	12.68
2018	20.13	15.78	13.42	10.33	16.73	22.47
2019	21.96	16.05	16.20	9.16	16.53	20.98
2020+	22.68	18.52	13.50	15.31	18.11	10.66
Total Expiries	$21.44	$16.65	$13.32	$12.84	$17.04	$19.29

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

The REIT has 44,676 square feet of committed future leasing against vacant space at an initial net rent per square foot of $11.61.

INVESTMENT PROPERTIES

The fair value of investment properties as at March 31, 2015 was $1,270,973 representing an implied weighted average capitalization rate ("Implied Cap Rate") of 6.7%. At December 31, 2014 investment properties were valued at $1,223,429 representing an Implied Cap Rate of 6.8%.

The change in value of investment properties for the three months ended March 31, 2015 is summarized as follows:

Expressed in thousands of dollars	Total (Unaudited)
Opening Balance	**$1,223,429**
Additions	7,824
Acquisitions of investment properties	44,469
Disposition of investment property	(4,625)
Increase in straight-line rents	148
Fair value adjustment	(272)
Closing Balance	**$1,270,973**

The change in value of investment properties for the year ended December 31, 2014 is summarized as follows:

Expressed in thousands of dollars	Total (Unaudited)
Opening Balance	**$1,286,843**
Additions	20,169
Disposition of investment property	(24,977)
Increase in straight-line rents	1,096
Fair value adjustment	(59,702)
Closing Balance	**$1,223,429**

When valued internally the REIT determines the fair value of each investment property, other than properties under development, 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.

Included in investment properties are properties under development with a fair value of $24,750 as at March 31, 2015.

During the three months ended March 31, 2015 external valuations were performed on properties with an aggregate value of $22,600. 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, 2015	**December 31, 2014**
	(Unaudited)	(Unaudited)
Discount rate – range	6.0% - 9.8%	6.0% - 9.8%
Discount rate – weighted average	7.5%	7.5%
Terminal capitalization rate - range	5.8% - 8.8%	5.8% - 8.8%
Terminal capitalization rate - weighted average	6.9%	6.9%
Implied capitalization rate – range	5.3% - 9.4%	5.3% - 9.4%
Implied capitalization rate – weighted average	6.7%	6.8%

ACQUISITIONS

During the quarter the REIT completed a series of transactions with affiliates of NW Trust, as part of its on-going portfolio optimization strategy, that improve portfolio quality and position the REIT for growth. The transactions included:

Owen Sound Medical Building
On February 12, 2015, with an adjustment date of January 1, 2015, the REIT acquired the Owen Sound Medical Building for $23,000 pursuant to a right of first offer it held over the property. Consideration included the assumption of a $13,903 mortgage secured by the property, and subsequently refinanced, and settlement of the $8,000 Owen Sound Loan (See Part V – Related Party Transactions). The property located at 1415 1st Avenue West, Owen Sound, Ontario is a new generation medical office building which has been the home, under a long-term lease, of the Owen Sound Family Health Team since 2012. This new format design-built medical building was completed in 2012, has a rentable area of 73,500 square feet and is currently approximately 87% leased to predominantly healthcare users.

Development Properties
The REIT acquired the right to purchase a two-building investment property, and assumed a post-acquisition redevelopment opportunity, at 81-85 The East Mall, Toronto, Ontario and purchased two land parcels slated for medical office building development, one in Barrie, Ontario and one in St. Albert, Alberta. Consideration for the 81-85 The East Mall acquisition right and the two land parcels was $10,000, subject to adjustments, and was partially settled by the $4,406 account receivable due from affiliates of NW Trust.

81-85 The East Mall
The two-building investment property located at 81-85 The East Mall, Toronto, Ontario, which was acquired from a third party for $10,515, contains an aggregate rentable area of approximately 82,000 square feet. One building is substantially occupied by a variety of tenants, including a significant healthcare user, and the second building is vacant, and as part of the redevelopment will undergo renovation in order to become the future home of the Etobicoke Family Health Team, together with ancillary healthcare uses. It is expected to be substantially occupied in late 2016, after completion of the renovations. The property is the REIT's eleventh in the Greater Toronto Area.

Bayview Drive, Barrie

The first land parcel is located on Bayview Drive in Barrie, Ontario, and will be the future home of the Barrie Family Health Team. This long-term tenancy is scheduled, along with other identified healthcare users, to take occupancy following the construction of a 3-storey, 79,000 square foot, new generation multi-tenant medical office building. Pre-leasing is advanced and construction has commenced, with the opening of the building scheduled for late 2016. The property is the REIT's first in Barrie, where the REIT has already established its central Ontario office in support of its properties in nearby Collingwood, Orillia, Midland and now Owen Sound.

St. Albert, Alberta

The second land parcel is located across the street from the Sturgeon Community Hospital in St. Albert, Alberta, which is a 25-minute drive northwest of downtown Edmonton. The 1.4-acre site has been designed for a new generation, "on-campus" medical office building of between 30,000 and 50,000 square feet, and pre-leasing is underway. The property is the REIT's sixth in the greater Edmonton area.

See Part V – Related Party Transactions

DISPOSITIONS

On January 15, 2015, the REIT, in its on-going efforts to recycle capital into higher-quality assets, sold Polyclinique de la Capitale in Quebec City, Quebec, an older non-core medical office building. The sale generated gross proceeds of $4,625 and net proceeds of $919 after settlement of the existing mortgage of $3,449 and payment of transaction costs of $257.

LEASING COSTS AND CAPITAL EXPENDITURES

Expressed in thousands of dollars	For the three months ended March 31, 2015	For the three months ended March 31, 2014
	(Unaudited)	(Unaudited)
Leasing costs [1]	$306	$381
Tenant improvements [2]	3,531	1,952
Recoverable maintenance capital expenditures	1,006	374
Expenditures on properties under development	2,134	-
Other capital expenditures	847	158
Additions to investment properties	7,824	2,865
Internal leasing costs expensed	370	401
	8,194	3,266
Less:		
Recoverable maintenance capital expenditures	(1,006)	(374)
Expenditures on properties under development	(2,134)	-
Other value enhancing and non-recurring capital expenditures	(745)	(29)
Total adjusted leasing costs and capital expenditures	$4,309	$2,863
Reserve for stabilized capital expenditures, leasing costs and tenant improvements [3]	$2,298	$2,349
Actual leasing and capital expenditures in excess of reserve	$2,011	$514

Notes:

(1) The leasing costs exclude $370 of base salary and benefits of the internal leasing department which have been expensed (March 31, 2014 - $401).

(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) Based on a reserve of 6.0% of quarterly revenue from investment properties. During the second quarter of 2014 the REIT changed the AFFO reserve for non-recoverable leasing and capital costs from 4.5% of gross revenue to 6.0%. A portion of this increase (1.0%) was related to an off-setting increase to FFO as a result of the REIT adopting the Real Property Association of Canada's FFO White Paper position on the treatment of internalized leasing costs, with the remainder (0.5%) related to a revised projection of leasing and capital costs as we continue to invest in our properties. Prior year comparatives have increased from a reserve of 4.5% to 6.0% to conform with current year presentation.

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.

Expenditures on properties under development represent the post-acquisition development costs associated with the REIT's recently acquired Bayview Drive, Barrie and 81-85 The East Mall Bayview Drive, Etobicoke properties. Included in these costs is $60 of capitalized interest.

Other capital expenditures include $745 related to the refurbishment of the parking garage at Queensway Professional Centre in Mississauga.

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), excluding gains (or losses) from sales of investment properties and extraordinary items plus distributions on Class B Exchangeable Units, and adjusted for fair value adjustments on Class B Exchangeable Units and investment properties, plus goodwill impairment, internal leasing costs and deferred income tax, and after adjustments for equity accounted for entities and non-controlling interests. The REIT calculates FFO substantially in accordance with the definition adopted by the Real Property Association of Canada ("REALpac") with the exception of adding back to FFO the issuance costs of the Convertible Debentures. The issuance costs are expensed to income calculated in accordance with IFRS and the REIT believes adding back these non-recurring issuance costs improves the comparability of FFO to other periods. 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, 2015 is set out below:

Expressed in thousands of dollars, except per unit amounts	**Three months ended March 31, 2015**	**Three months ended March 31, 2014**	**Variance**
	(Unaudited)	(Unaudited)	(Unaudited)
Net income	**$6,142**	**$14,326**	**$(8,184)**
Add / (Deduct):			
Finance cost – Class B Exchangeable Unit distributions	1,510	1,510	-
Finance cost - Fair value adjustment of Class B Exchangeable Units	(1,208)	(6,721)	5,513
Finance cost - Fair value adjustment of Convertible Debentures	801	201	600
Finance costs – Fair value adjustments of other financial instruments	1,716	1,234	482
Fair value adjustment of investment properties	272	428	(156)
Net loss on disposal of investment properties	257	349	(92)
Transaction costs	1,903	-	1,903
Internal leasing costs(4)	370	401	(31)
Fair value adjustment to deferred unit plan liability(5)	(30)	(219)	189
FFO(1)(6)	**$11,733**	**$11,509**	**$224**
FFO per unit (basic)(2)	$0.25	$0.25	$-
FFO per unit (fully diluted)(2)	$0.25	$0.24	$0.01
Adjusted weighted average units outstanding(3):			
Basic	46,717,450	46,367,072	350,378
Fully diluted	49,908,145	49,504,260	403,885

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) FFO per unit amounts are based on basic and fully diluted adjusted weighted average number of units, which includes 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 that includes the Class B Exchangeable Units in basic and diluted units outstanding/weighted average units outstanding. As a result adjusted basic and diluted weighted average units outstanding include 7,551,546 outstanding Class B Exchangeable Units for the three months ended March 31, 2015 and 7,551,546 outstanding Class B Exchangeable Units for the three months ended March 31, 2014. Adjusted diluted weighted average units outstanding includes 2,834,507 REIT Units issuable on the conversion of Convertible Debentures for the three months ended March 31, 2015 and 2,834,507 REIT Units issuable on the conversion of Convertible Debentures for the three months ended March 31, 2014. Fully diluted adjusted weighted average units outstanding include the impact of deferred units outstanding.

(4) In April 2014, an update to the FFO White Paper was released by REALpac to provide that the costs of full-time or salaried leasing personnel, and related internal costs, that can be reasonably and directly attributed to signed leases, and that would otherwise be capitalized if incurred from external sources, be added back to net income in determining FFO. In accordance with the update to

the FFO White Paper, management determined that internal leasing costs, that aren't incremental and as a result expensed in accordance with IFRS when determining net income, would be added back to FFO. This amount includes the base salary and benefits of the internal leasing department which have been expensed. The REIT has amended prior period comparative figures retrospectively to improve comparability. See Summary of Quarterly Results for a reconciliation of prior year FFO presentation to current FFO presentation.

(5) In accordance with the FFO White Paper the REIT adjusts for fair value changes to the deferred unit plan liability when determining FFO. These fair value changes were previously part of the AFFO adjustment. The REIT has amended prior period comparative figures retrospectively to improve comparability. See Summary of Quarterly Results for a reconciliation of prior year FFO presentation to current FFO presentation.

(6) See Summary of Quarterly Results for a reconciliation of prior year FFO presentation to current FFO presentation.

FFO increased year over year due to same property NOI improvements, lower DUP costs and interest cost savings. The decrease in interest revenue and the negative impact on FFO of dispositions was offset by a positive contribution to FFO from acquisitions. The FFO per unit of $0.25 for the three months ended March 31, 2015 is comparable to that of the three months ended March 31, 2014, at $0.25.

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 income tax expense, Deferred unit plan compensation expense, losses on dispositions of assets and amortization of any net discount on long-term debt assumed from vendors of properties at rates of interest less than fair value, goodwill impairment, and internal leasing costs; (ii) deducting the following items: any fair value gains on investment properties or the Class B Exchangeable Units, deferred income tax credits, gains on dispositions of assets 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, 2015 is set out below:

Expressed in thousands of dollars, except per unit amounts	Three months ended March 31, 2015	Three months ended March 31, 2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
FFO	**$11,733**	**$11,509**	**$224**
Add / (Deduct):			
Amortization of marked to market adjustment	(150)	(216)	66
Amortization of finance fees (2)	136	112	24
Amortization of straight-line rent	(48)	(142)	94
Deferred unit plan compensation expense(3)	235	422	(187)
Reserve for stabilized leasing costs, tenant improvements and growth capital expenditures (4)	(2,298)	(2,349)	51
AFFO (1)(7)	**$9,608**	**$9,336**	**$272**
AFFO per unit (basic)(5)	$0.21	$0.20	$0.01
AFFO per unit (fully diluted)(5)	$0.20	$0.20	$-
Adjusted weighted average units outstanding(6):			
Basic	46,717,450	46,367,072	350,378
Fully diluted	49,908,145	49,504,260	403,885

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, loans and mortgages.

(3) As noted under Funds From Operations the REIT adjusts FFO for fair value changes in the REIT's deferred unit plan liability in accordance with the FFO White Paper. As a result the REIT has adjusted the deferred unit plan compensation expense AFFO adjustment to exclude this fair value adjustment already accounted for under FFO. The change in presentation does not impact AFFO.

(4) Based on an estimate of 6.0% of revenue from investment properties. In April 2014, an update to the FFO White Paper was released by REALpac to provide that the costs of full-time or salaried leasing personnel, and related internal costs, that can be reasonably and directly attributed to signed leases, and that would otherwise be capitalized if incurred from external sources, be added back to net income in determining FFO. In accordance with the update to the FFO White Paper, management determined that internal leasing costs, that aren't incremental and as a result expensed in accordance with IFRS when determining net income, would be added back to FFO. This amount includes the base salary and benefits of the internal leasing department which have been expensed. As a result of this amendment to the REIT's FFO calculation the REIT has increased its AFFO reserve by 1% to offset the increase in FFO as a result of adding back internal leasing costs. In addition the REIT increased the reserve by 0.5% to reflect a revised projection of leasing and capital costs as the REIT continues to invest in its properties. Comparative figures have been revised retrospectively to enhance comparability. See Summary of Quarterly Results for a reconciliation of prior year AFFO presentation to current AFFO presentation.

(5) 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 Convertible Debentures and deferred units outstanding.

(6) 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 adjusted basic and diluted weighted average units outstanding include 7,551,546 outstanding Class B Exchangeable Units for the three months ended March 31, 2015 and 7,551,546 outstanding Class B Exchangeable Units for the three months ended March 31, 2014. Adjusted diluted weighted average units outstanding includes 2,834,507 REIT Units issuable on the conversion of Convertible Debentures for the three months ended March 31, 2015 and 2,834,507 REIT Units issuable on the conversion of Convertible Debentures for the three months ended March 31, 2014. Fully diluted adjusted weighted average units outstanding include the impact of deferred units outstanding.

(7) See Summary of Quarterly Results for a reconciliation of prior year AFFO presentation to current AFFO presentation.

AFFO increased year over year due to same property NOI improvements, lower trust expenses (net of DUP) and interest cost savings. The decrease in interest revenue and the negative impact on AFFO of dispositions was offset by a positive contribution to AFFO from acquisitions. The AFFO per unit of $0.21 for the three months ended March 31, 2015 is a $0.01 increase over the three months ended March 31, 2014.

A reconciliation of cash provided by operating activities to AFFO for the three months ended March 31, 2015 is set out below:

Expressed in thousands of dollars	Three months ended March 31, 2015	Three months ended March 31, 2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Net cash from operating activities	**$11,720**	**$4,248**	**$7,472**
Add / (Deduct):			
Change in non-cash operating items	(2,975)	4,798	(7,773)
Net increase in restricted cash	-	2,089	(2,089)
Decrease (increase) in accrued interest expense	731	88	643
Amortization of straight line rent	(48)	(142)	94
Deferred unit plan compensation expense	235	422	(187)
Fair value adjustment to deferred unit plan liability	(30)	(219)	189
Transaction costs	1,903	-	1,903
Incremental leasing costs	370	401	(31)
Reserve for stabilized leasing costs, tenant improvements and growth capital expenditures [(2)]	(2,298)	(2,349)	51
AFFO [(1)]	**$9,608**	**$9,336**	**$272**

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) Based on an estimate of 6.0% of revenue from investment properties.

Pursuant to National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table outlines the differences between cash flow from operating activities and distributions paid and payable as well as the differences between net income and distributions paid and payable, in accordance with the guidelines.

Expressed in thousands of dollars	Three months ended March 31, 2015	Three months ended March 31, 2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Net income	$6,142	$14,326	$(8,184)
Class B Exchangeable Unit distributions	1,510	1,510	-
Adjusted net income	7,652	15,836	(8,184)
Net cash from operating activities	11,720	4,248	7,472
Distributions	7,836	7,765	71
Class B Exchangeable Unit distributions	1,510	1,510	-
Distributions paid and payable	9,346	9,275	71
Excess (shortfall) of adjusted net income over distributions paid and payable	$(1,694)	$6,561	$(8,255)
Excess (shortfall) of cash flow from operating activities over distributions paid and payable	$2,374	$(5,027)	$7,401

Adjusted net income is not necessarily indicative of the REIT's ability to pay distributions as it includes certain non-cash items including fair value changes on investment properties and financial instruments. During the three months ended March 31, 2015 net income was also negatively impacted by transaction costs of $1,903.

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, 2015 is calculated below:

	For the three months ended March 31, 2015	**For the three months ended March 31, 2014**
	(Unaudited)	(Unaudited)
AFFO per unit	$0.21	$0.20
Distributions per Unit	$0.20	$0.20
Payout Ratio	**97%**	**99%**
AFFO per unit (fully diluted)	$0.20	$0.20
Distributions per Unit	$0.20	$0.20
Payout Ratio (fully diluted)	**99%**	**100%**

The REIT's payout ratio has decreased slightly from the prior year, as has the payout ratio (fully diluted).

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 92,756 Units were issued pursuant to the DRIP and the DRIP participation rate was approximately 10% 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, 2015**	**Three months ended March 31, 2014**
Cash provided by / (used in):	(Unaudited)	(Unaudited)
Operating activities	$11,720	$4,248
Investing activities	(21,100)	2,706
Financing activities	7,140	(8,573)
Increase / (Decrease) in cash and cash equivalents during the period	**$(2,240)**	**$(1,619)**
Cash and cash equivalents, beginning of period	$2,514	$1,905
Cash and cash equivalents, end of period	**$274**	**$286**

Cash flow activity for the three months ended March 31, 2015 is primarily related to the results of the REIT's operations, distributions to Unitholders, the utilization of the Revolving Credit Facility and additions to investment properties. The financing activities included a net increase in the draw on the Revolving Credit Facility during the quarter of $6,000 such that the balance owing on the facility at March 31, 2015 was $22,000. Investing activities include $17,644 related to the acquisition of investment properties and net proceeds on the sale of one investment property of $4,368.

CAPITALIZATION AND DEBT PROFILE

Expressed in thousands of dollars	**As at March 31, 2015**	**As at December 31, 2014**
Indebtedness	(Unaudited)	(Unaudited)
Mortgages Payable	$656,443	$631,762
Mark-to-Market premium on Mortgages	997	1,150
Unamortized financing costs	(1,955)	(1,655)
	655,485	631,257
Convertible Debenture (inclusive of $801 Mark-to-Market premium, December 31, 2014 - $604)	41,655	40,854
Loans Payable (net of $172 of unamortized financing fees, December 31, 2014 - $200)	21,828	16,529
	718,968	688,640
Class B Exchangeable Units (Authorized – unlimited; Issued: March 31, 2015 - 7,551,546, December 31, 2014 - 7,551,546)	68,870	70,078
Unitholders' Equity		
Units (Authorized – unlimited; Issued: March 31, 2015 – 39,210,668, December 31, 2014 – 39,117,912)	$402,962	$402,120
Retained Earnings	54,693	56,387
	457,655	458,507
Total capitalization	**$1,245,493**	**$1,217,225**

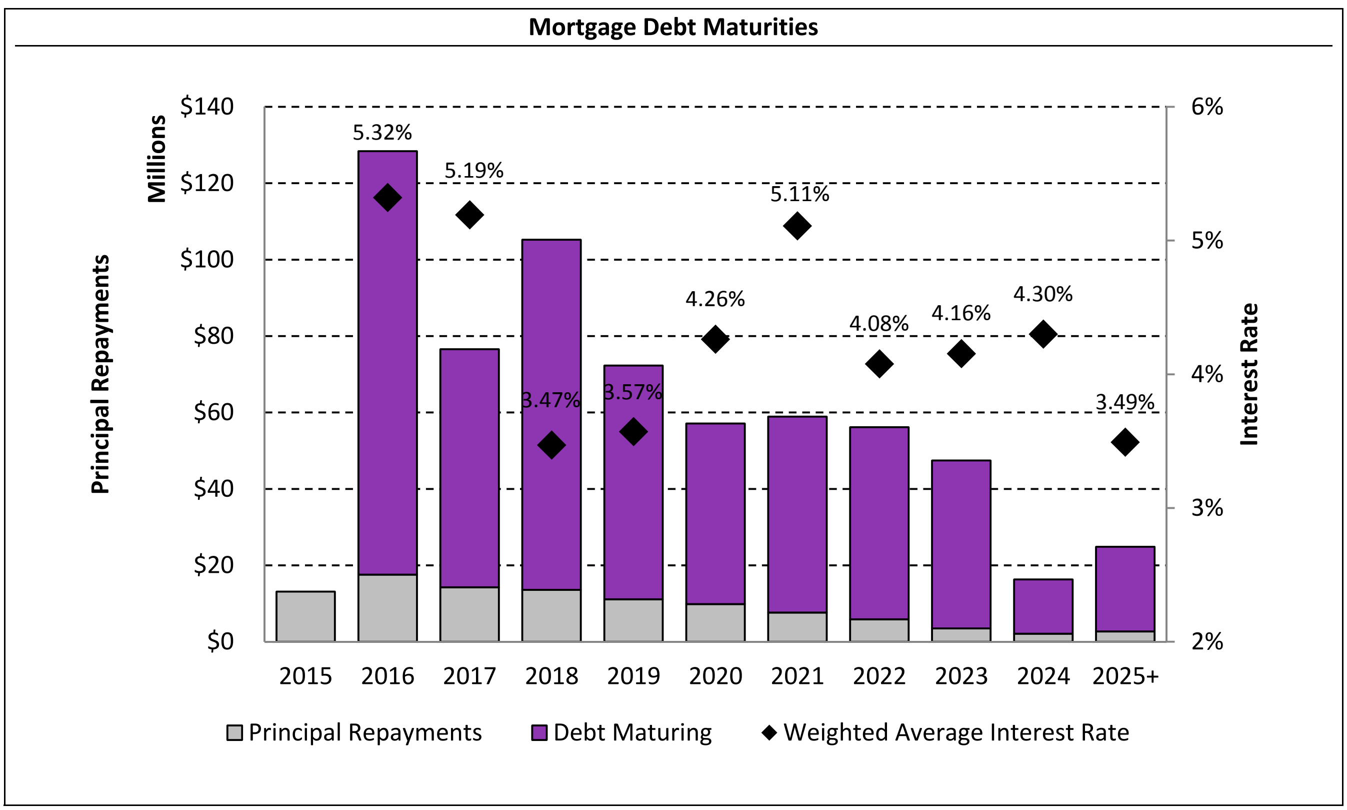
As at March 31, 2015, the REIT had a market capitalization of approximately $426,000 (including 7,551,546 Class B Exchangeable Units) based on a closing Unit price of $9.12 on the Toronto Stock Exchange.

Mortgage Debt Maturities

The following table sets out, as at March 31, 2015, 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
2015 remainder	13,138	-	13,138	-%	2%
2016	17,550	110,863	128,413	5.32%	20%
2017	14,238	62,343	76,581	5.19%	12%
2018	13,590	91,612	105,202	3.85%	16%
2019	11,109	61,179	72,288	3.57%	11%
2020	9,851	47,266	57,117	4.26%	9%
2021	7,626	51,308	58,934	5.11%	9%
2022	5,881	50,264	56,145	4.08%	9%
2023	3,467	43,979	47,446	4.16%	7%
2024	2,085	14,224	16,309	4.30%	2%
2025+	2,697	22,173	24,870	3.49%	3%
Sub-total	101,232	555,211	656,443	4.39%	100%
Marked to market adjustment			997	(0.08%)	
			657,440	4.31%	
Unamortized financing costs			(1,955)		
Total			655,485		



Mortgage Financing

During the quarter the REIT took advantage of a favourable lending market and low interest rates. The REIT received gross mortgage proceeds of approximately $70,300 from nine new mortgage financings, and net proceeds of approximately $18,500 after repayment of maturing mortgages and the refinancing of the Owen Sound Medical Building mortgage. The new mortgages have a weighted average term to maturity of 6.5 years and weighted average interest rate of approximately 2.95%. With the completion of these mortgage financings the REIT has refinanced all its 2015 mortgage maturities.

The REIT also repaid $729 of unsecured promissory notes payable that matured co-terminously with mortgages on two of the properties.

During the quarter, pursuant to the sale of Polyclinique de la Capitale, the REIT repaid the $3,449 mortgage on the property which carried an interest rate of 5.13%.

As a result of these transactions the weighted average interest rate on the REIT's mortgages decreased to 4.39% at the end of the quarter, from 4.62% in the previous quarter, with the average term to maturity increasing to 4.9 years from 4.6 years.

Revolving Credit Facility

The REIT has a $50 million Revolving Credit Facility, which bears interest at a rate equal to the bank's prime rate plus 1.00% or Bankers' Acceptances plus 2.00%, with a term to March 25, 2016. The REIT also has a $5,000 revolving Letter of Credit Facility. The Revolving Credit Facility and Letter of Credit Facility are secured by a pool of first ranking mortgages on certain properties.

During the quarter the REIT utilized the facility for the acquisition of development properties. The balance outstanding as at March 31, 2015 was $22,000 an increase from $16,000 as at December 31, 2014.

Convertible Debentures

Between September 11, 2013 and September 19, 2013 the REIT raised net proceeds of approximately $38,158, after issuance costs of $2,092, through the issuance of $40,250 aggregate principal amount of 5.25% convertible unsecured subordinated debentures due September 30, 2020 (the "Convertible Debentures") on a bought deal basis, including the subsequent exercise of an over-allotment option, to a syndicate of underwriters. The REIT used the net proceeds of the offering to repay indebtedness outstanding under its Revolving Credit Facility and for general trust purposes, thus replacing shorter-term debt with longer-term debt and improving liquidity; without materially increasing its aggregate indebtedness.

The Convertible Debentures bear interest at an annual rate of 5.25%, payable semi-annually in arrears on March 31 and September 30 in each year, commencing March 31, 2014. Each Convertible Debenture is convertible into freely-tradable REIT Units at the option of the holder at any time prior to the earlier of September 30, 2020, and the last business day immediately preceding the date specified by the REIT for redemption of the Convertible Debentures, at a conversion price of $14.20 per REIT Unit (the "Conversion Price").

The Convertible Debentures may not be redeemed by the REIT on or prior to September 30, 2016, except in the event of the satisfaction of certain conditions after a change of control has occurred. On or after October 1, 2016 to, and including, September 30, 2018, the Convertible Debentures may be redeemed by the REIT, in whole or in part from time to time at the option of the REIT, at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date fixed for redemption on not more than 60 days' and not less than 30 days' prior written notice, provided that the current market price on the date on which notice of redemption is given is not less than 125% of the Conversion Price. On, or after, October 1, 2018 and prior to the September 30, 2020, the Convertible Debentures may be redeemed in whole or in part from time to time at the option of the REIT at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date fixed for redemption on not more than 60 days' and not less than 30 days' prior written notice.

Subject to any required regulatory approvals and provided that no event of default has occurred and is continuing, the REIT may, at its option, elect to satisfy its obligation to pay, in whole or in part, the principal amount of the Convertible Debentures that are to be redeemed or that have matured, on not more than 60 days' and not less than 30 days' prior notice, by issuing that number of freely-tradeable REIT Units obtained by dividing the principal amount of the Convertible Debentures that are to be redeemed or that have matured, as the case may be, by 95% of the current market price on the date fixed for redemption or September 30, 2020, as applicable. In addition, subject to any required regulatory approvals and provided that no event of default has occurred and is continuing, freely-tradeable REIT Units may be issued with the proceeds used to satisfy the obligation to pay interest on the Convertible Debentures.

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 50% to 60% of GBV. The following summarizes the status of these key ratios as at and for the three months ended March 31, 2015:

Expressed in thousands of dollars	**As at/for the three months ended March 31, 2015**	**As at/for the three months ended March 31, 2014**
	(Unaudited)	(Unaudited)
Gross Book Value	$1,278,308	$1,310,412
Debt (excluding Class B Exchangeable Units)	$718,968	$696,379
Debt to Gross Book Value (1)	56.2%	53.1%
Amount of debt at fixed rates	$648,448	$632,120
Amount of debt at variable rates(2)	$70,520	$64,259
Interest coverage (3)	2.43x	2.39x
Debt Service coverage (4)	1.58x	1.58x
Net debt/EBITDA(5)	9.3x	8.9x
Weighted average mortgage interest rate (at contract) (6)	4.39%	4.74%

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. Debt includes Convertible Debentures.

(2) The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on $48,692 of its variable rate debt payable as at March 31, 2015 ($50,288– March 31, 2014). A 1.00% change in the interest rate, on the remaining variable rate debt will change the quarterly finance cost related to the outstanding balance by $220.

(3) Defined as net income before fair value adjustment of investment properties, loss on disposal of investment properties, plus finance costs divided by finance costs excluding amounts related to Class B Exchangeable Units, Convertible Debentures issuance costs, acquisition related costs, fair value adjustments of financial liabilities and goodwill impairment.

(4) Defined as net income excluding finance costs (interest, amortization of debt premiums/discounts and financing costs, distributions on Class B Exchangeable Units), acquisition related costs, goodwill impairment 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 issuance costs on the Convertible Debentures) and scheduled debt repayments.

(5) Defined as debt (excluding Class B Exchangeable Units) less cash and cash equivalents divided by annualized net income before fair value adjustment of investment properties plus finance costs.

(6) Excludes Revolving Credit Facility and Convertible Debentures. Current market weighted average mortgage interest rate is approximately 3.0%.

The ratio of Debt to GBV increased slightly in the quarter to 56.2% as at March 31, 2015 from 55.3% as at December 31, 2014 due to the acquisitions completed in the quarter that were primarily funded by debt.

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 80-95% of its AFFO to Unitholders, based on utilizing a stabilized reserve for leasing and capital. 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

In connection with the REIT's IPO on March 25, 2010, subsidiaries of the REIT acquired 45 properties from NorthWest Operating Trust ("NW Trust") for total consideration of $171,900. Part of the consideration included 7,749,772 Class B Exchangeable Units of NHP LP, a subsidiary of the REIT. These Class B Exchangeable 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.

NW Trust is indirectly 100% owned by NWI which acquired NW Trust from NorthWest Value Partners Inc. ("NWVP") and certain of its affiliates in June 2013 pursuant to a put/call agreement between NWI and NWVP, and its affiliates, dated November 16, 2012. The interest in the REIT acquired by NWI, by way of its purchase of NW Trust, consists of 4,345,900 Units of the REIT and 7,551,546 Class B Exchangeable Units of NHP LP. NW Trust also holds certain board appointment rights, preemptive rights and registration rights related to the REIT.

Paul Dalla Lana, Chair and Chief Executive Officer of NWI, is the sole shareholder of NWVP and is the Chair of the REIT.

As at March 31, 2015 NWI indirectly controls approximately 25.4% (23.8% on a fully diluted basis) of the REIT.

On March 10, 2015, the REIT entered into the Combination Transaction with NWI. For additional information on the Combination Transaction see "Proposed Transactions".

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

The following are the related party transactions for the three months ended March 31st:

Expressed in thousands of dollars	Note	Three months ended March 31, 2015	Three months ended March 31, 2014
		(Unaudited)	(Unaudited)
Revenue from investment properties:			
Head lease income	(a)	376	402
Rental income	(b)	-	171
Management fee revenue:			
Leasing and construction supervision services	(c)	-	-
Management services and cost sharing	(d)	-	2
Support services provided	(e)	12	33
Property operating and trust expenses:			
Support services provided	(e)	148	108
Rental expense	(f)	96	77
Management fee expense	(i)	14	-
Interest income:			
Interest	(h)	23	43
Owen Sound Loan interest	(g)	-	74
Finance cost:			
Class B Exchangeable Unit distributions		1,510	1,510
Leasing costs reimbursement	(a)(b)	-	2

The following are the related party balances as at March 31st:

Expressed in thousands of dollars	Note	As at March 31, 2015	As at December 31, 2014
		(Unaudited)	(Unaudited)
Balance sheet balances:			
Accounts receivable		$-	$4,406
Working capital adjustment payable		-	92
Loan receivable	(g)	-	4,000

(a) In conjunction with its IPO the REIT entered into head leases, originally with NW Trust and subsequently assigned to an affiliate of NW Trust, on three properties. The head leases commenced March 25, 2010 and expired March 24, 2015 and were subject to certain rights of termination upon third party leasing of such space. The tenant was responsible for any leasing costs incurred in leasing this space and reimbursed the REIT for costs incurred.

(b) The REIT earned rental revenue from a tenant which is an affiliate of NW Trust. The lease was surrendered on September 1, 2013 and the tenant was responsible for any rental shortfall derived from the new tenant as compared to the rent that would have been paid by the tenant for the period September 1, 2013 to December 31, 2018, the original expiry date of the lease held by the tenant. As part of the Development Acquisition (defined hereafter) the REIT released the tenant from future rental shortfall amounts due, if any, under the lease surrender agreement.

(c) The REIT had a Leasing and Construction Supervision Services Agreement with an affiliate of NW Trust for the provision of supervision and leasing services at the properties subject to the head leases for a period of five years that expired March 24, 2015.

(d) The REIT had a Management and Cost Sharing Agreement with NW Trust for the REIT to provide property management services for one property for a period of five years commencing March 25, 2010. The agreement was terminated by the related party on December 31, 2013 following sale of the property.

(e) The REIT has entered into a Support Services Agreement with an affiliate of NW Trust to provide each party certain general management and administrative support services for a fee based on sharing the costs incurred.

(f) The REIT has a monthly Sublease Agreement with an affiliate of NW Trust for the REIT to lease its head office premises.

(g) The REIT earned interest on the Owen Sound Loan at 7.5% per annum (see "Owen Sound Loan and Right of First Offer" below).

(h) The REIT charges interest on net amounts receivables relating to (a), (b), (c) and (e).

(i) The REIT paid a management fee during the three months ended March 31, 2015, to an affiliate of NW Trust, following acquisition of an investment property and prior to internalizing management of the property.

Additional information on the agreements governing the relationship with NW Trust and affiliates of NW Trust are discussed under ''Relationship with NW Trust'' in the Annual Information Form.

During the three months ended March 31, 2015 the REIT completed a series of transactions with affiliates of NW Trust, as part of its on-going portfolio optimization strategy, that improve portfolio quality and position the REIT for growth. The transactions included:

Owen Sound Medical Building

On February 10, 2015, with an adjustment date of January 1, 2015, the REIT acquired the Owen Sound Medical Building for $23,000 pursuant to a right of first offer it held over the property. Consideration included the assumption of a $13,903 mortgage secured by the property, and subsequently refinanced, and settlement of the $8,000 Owen Sound Loan.

Development Properties

The REIT acquired the right to purchase a two-building investment property, and assumed a post-acquisition redevelopment opportunity, at 81-85 The East Mall, Toronto, Ontario and purchased two land parcels slated for medical office building development, one in Barrie, Ontario and one in St. Albert, Alberta (the "Development Acquisition"). Consideration for the 81-85 The East Mall acquisition right and the two land parcels was $10,000, subject to adjustments, and was partially settled by the $4,406 account receivable due from affiliates of NW Trust. The two-building investment property located at 81-85 The East Mall, Toronto, Ontario was acquired from a third party for $10,515.

Concurrent with these acquisitions, the REIT ended its development relationship with NWVP, an affiliate of NW Trust, at no cost, and hired NWVP's development employees.

Each of the transactions described above involved NWVP and since Paul Dalla Lana is the sole shareholder of NWVP and is also a trustee of the REIT, each of the transactions described herein above is considered a "related party transaction" for the purposes of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions (“MI 61-101”). All were, therefore, reviewed, overseen and unanimously recommended for Board of Trustee approval by a Special Committee of the REIT consisting of three independent trustees. These transactions were not subject to the formal valuation and minority approval requirements of MI 61-101 as neither the fair market value nor the subject matter of any of the transactions represent more than 25% of the REIT's market capitalization.

Phase II Development Agreement – Glenmore Professional Centre

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. This agreement was terminated on February 12, 2015 as part of the Development Acquisition.

Owen Sound Loan and Right of First Offer

On December 23, 2011 the REIT granted a loan in the amount of $8,000 (the “Owen Sound Loan”) to a party which is indirectly owned 50% by NWVP, an affiliate of NW Trust. The Owen Sound Loan bore interest at 7.5%. The Owen Sound Loan was secured by the pledge of certain securities of the borrower and was guaranteed by certain affiliates of the borrower; each limited to 50% of the obligations under the Owen Sound Loan. In exchange for the Owen Sound Loan, the REIT was granted a right of first offer to acquire the Owen Sound Medical Building. This right of first offer was executed by the REIT and the medical building in question was acquired as of February 12, 2015. As part of the consideration the Owen Sound Loan was settled by the REIT.

PART VI

SUMMARY OF QUARTERLY RESULTS

The following sets out summary information for the eight most recently completed quarters since the REIT commenced operations:

Expressed in thousands of dollars	Q1 2015	Q4 2014	Q3 2014	Q2 2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from operations	**$38,316**	**$36,725**	**$37,103**	**$37,411**
Property operating expenses	18,099	16,623	17,109	16,857
Operating income	**20,217**	**20,102**	**19,994**	**20,554**
Finance cost	7,970	8,270	7,965	8,382
Interest income	(27)	(178)	(210)	(233)
Transaction costs	1,903	793	-	-
Trust expenses	881	1,009	932	1,254
Income before undernoted items	**9,490**	**10,208**	**11,306**	**11,151**
Finance cost:				
Class B Exchangeable Unit distributions	(1,510)	(1,511)	(1,510)	(1,511)
Fair value adjustment of Class B Exchangeable Units	1,208	3,549	1,888	(3,398)
Fair value adjustment of Convertible Debentures	(801)	664	(865)	(202)
Fair value adjustment of other financial instruments	(1,716)	(979)	(110)	(536)
Fair value adjustment of investment properties	(272)	(6,886)	(3,207)	(49,181)
Net loss on disposal of investment properties	(257)	(260)	(36)	(638)
Goodwill impairment	-	(4,458)	-	-
Net income / (loss)	**6,142**	**327**	**7,467**	**(44,315)**
NOI	**20,217**	**20,102**	**19,994**	**20,554**
FFO	**11,733**	**11,403**	**11,655**	**11,780**
FFO per unit (basic)(1)	$0.25	$0.24	$0.25	$0.25
FFO per unit (fully diluted) (1)	$0.25	$0.24	$0.25	$0.25
AFFO	**$9,608**	**$9,901**	**$9,574**	**$9,966**
AFFO per unit (basic) (1)	$0.21	$0.21	$0.21	$0.21
AFFO per unit (fully diluted) (1)	$0.20	$0.21	$0.20	$0.21
AFFO payout ratio (basic)	97%	94%	97%	93%
AFFO payout ratio (fully diluted)	99%	95%	98%	95%
Distributions(2)	9,346	9,328	9,306	9,291
Distributions per Unit	$0.20	$0.20	$0.20	$0.20
Total Assets	$1,278,308	$1,244,641	$1,255,827	$1,254,849
Debt (excluding Class B Exchangeable Units)	$718,968	$688,640	$692,295	$689,105
Debt to Gross Book Value	56.2%	55.3%	55.1%	54.9%
Number of properties	74	73	74	75
Gross leasable area	4,549,848	4,503,375	4,562,195	4,572,882
Occupancy % – period end	91.4%	91.9%	91.8%	92.1%
Number of employees	141	139	140	139

Notes:

(1) 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.

(2) Includes distributions on Class B Exchangeable Units.

Expressed in thousands of dollars	Q1 2014	Q4 2013	Q3 2013	Q2 2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from operations	**$39,190**	**$38,425**	**$37,683**	**$36,882**
Property operating expenses	19,052	17,684	16,954	16,676
Operating income	**20,138**	**20,741**	**20,729**	**20,206**
Finance cost	8,160	8,260	10,124	7,970
Interest income	(213)	(196)	(200)	(235)
Trust expenses	864	823	930	933
Income before undernoted items	**11,327**	**11,854**	**9,875**	**11,538**
Finance cost:				
Class B Exchangeable Unit distributions	(1,510)	(1,510)	(1,511)	(1,510)
Fair value adjustment of Class B Exchangeable Units	6,721	5,437	2,341	9,515
Fair value adjustment of Convertible Debentures	(201)	(805)	805	-
Fair value adjustment of other financial instruments	(1,234)	210	194	2,316
Fair value adjustment of investment properties	(428)	(14,428)	(217)	(7,709)
Net loss on disposal of investment properties	(349)	-	-	-
Goodwill impairment	-	-	-	-
Net income / (loss)	**14,326**	**758**	**11,487**	**14,150**
NOI	**20,138**	**20,741**	**20,729**	**20,206**
FFO – previous presentation	11,327	11,854	11,967	11,538
Internal leasing costs	401	405	356	372
Fair value adjustment to deferred unit plan liability	(219)	(101)	6	(133)
FFO – current presentation (1)	**11,509**	**12,158**	**12,329**	**11,777**
FFO per unit (basic)(1)(2)	$0.25	$0.26	$0.27	$0.25
FFO per unit (fully diluted) (1)(2)	$0.24	$0.26	$0.26	$0.25
AFFO – previous presentation	$9,522	$10,042	$10,148	9,680
Internal leasing costs	401	405	356	372
Reserve adjustment	(587)	(574)	(559)	(551)
Net reserve increase	(186)	(169)	(203)	(179)
AFFO – current presentation (1)	**$9,336**	**$9,873**	**$9,945**	**$ 9,501**
AFFO per unit (basic) (1)(2)	$0.20	$0.21	$0.22	$0.21
AFFO per unit (fully diluted) (1)(2)	$0.20	$0.21	$0.21	$0.20
AFFO payout ratio (basic)	99%	94%	93%	97%
AFFO payout ratio (fully diluted)	100%	95%	94%	98%
Distributions(3)	9,275	9,263	9,242	9,239
Distributions per Unit	$0.20	$0.20	$0.20	$0.20
Total Assets	$1,310,412	$1,314,992	$1,333,118	$1,302,951
Debt (excluding Class B Exchangeable Units)	$696,379	$698,629	$704,714	$678,795
Debt to Gross Book Value	53.1%	53.1%	52.9%	52.1%
Number of properties	76	78	78	77
Gross leasable area	4,634,670	4,695,333	4,686,027	4,609,212
Occupancy % – period end	91.8%	91.3%	92.0%	91.6%
Number of employees	140	140	144	144

Notes:

(1) Prior periods FFO comparative information has been restated to include the add-back of internal leasing costs to FFO and the impact of fair value adjustments to the REIT's deferred unit plan liability. Prior period AFFO comparative information has been restated to reflect the increase in AFFO reserve for stabilized leasing costs, tenant improvements and growth capital expenditures in the calculation of AFFO.

(2) 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.

(3) Includes distributions on Class B Exchangeable Units.

PART VII

SIGNIFICANT ACCOUNTING POLICIES

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, and the REIT's significant accounting policies, are described in note 1 and note 2 of the REIT's condensed consolidated interim financial statements for the three months ended March 31, 2015 and in note 1 and note 2 of the REIT's consolidated financial statements for the year ended December 31, 2014.

PART VIII

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units, Convertible Debentures and in the activities of the REIT, which current and prospective Unitholders and current or prospective investors in Convertible Debentures should carefully consider. For a full list and explanation of the REIT's risks and uncertainties refer to "Risks and Uncertainties" in the REIT's MD&A for the three months and year ended December 31, 2014 or the Annual Information Form, both of which can be found on SEDAR at www.sedar.com.

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.

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.

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, 2015 the REIT had outstanding indebtedness of approximately $718,968, including Convertible Debentures, but 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, 2015, $70,520 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. To mitigate this risk the REIT has entered into an interest rate swap contract to limit its exposure to fluctuations in the interest rates on $48,692 of its variable rate debt payable as at March 31, 2015. In addition, the REIT has conduit loans outstanding as at March 31, 2015. Access to this type of financing has diminished. Although substantially all of the amounts outstanding under the REIT's conduit loans mature in 2015 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.

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 (the "SIFT 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 (the "REIT Exception"). 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 financial statements for the three months ended March 31, 2015.

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 2015 or any subsequent year until the end of the particular year.

Risk Factors Relating to the Combination Transaction

The Combination Transaction is expected to close in the second quarter 2015 and will be affected by a plan of arrangement pursuant to which NWH will acquire all of the assets of NWI. Information about the risk factors relating to the Combination Transaction can be found in the Circular under "Risk Factors Relating to the Arrangement", which can be found on SEDAR at www.sedar.com.

PART IX

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's disclosure controls and procedures to provide reasonable assurance that (i) material information relating to the REIT, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the filings are being prepared, and (ii) material information required to be disclosed in the fillings or other reports filed or submitted by the REIT under securities legislation is recorded, processed, summarized and reported on a timely basis and within the time period specified by securities legislation.

Changes in Internal Controls Over Financial Reporting

There were no significant changes made in internal controls over financial reporting during the three months ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

For additional information on the REIT's disclosure controls and procedures and internal controls over financial reporting refer to "Controls and Procedures" in the REIT's MD&A for the three months and year ended December 31, 2014, which can be found on SEDAR at www.sedar.com.

PART X

SUBSEQUENT EVENTS

- Subsequent to the quarter, on May 5, 2015, the Combination Transaction was approved at the special meeting of NWH voting unitholders by 96.64% of the total votes cast and 93.6% of the votes cast excluding NWI and other interested parties. The Combination Transaction was also approved by 99.19% of the votes cast at the special meeting of NWI unitholders. The Combination Transaction is expected to close in the second quarter of 2015.
- The REIT declared distributions of $0.06667 per unit to Unitholders of record as at April 30, 2015.

PART XI

FINANCIAL OUTLOOK AND MARKET GUIDANCE

There is no material change to the Canadian operating or economic environment within which the REIT operates. However with the expected closing of the Combination Transaction the REIT will expand its operational reach into new markets including Germany, Brazil and Australasia.

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

- Closing the Combination Transaction with NWI to form Canada's only global healthcare REIT;
- Continue to pursue accretive acquisitions of quality properties, with a focus on properties within markets the REIT already operates, with a preference for well-occupied, well-built and well-located properties in order to consistently improve the REIT's portfolio quality;
- Develop best in class Healthcare Real Estate;
- Dispose of certain non-core properties from time to time, when market conditions warrant, to improve portfolio quality and recycle capital for other investments;
- Improving operational productivity;
- Increasing occupancy in the portfolio;
- Maximizing net operating income.

Since the IPO, to date, the REIT has completed or announced the acquisition of over $613,000 of Canadian healthcare assets. With the Closing of the Combination Transaction the REIT will have over $2,000,000 of assets.