NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDING MARCH 31, 2018

MAY 15, 2018

CEO'S MESSAGE

The first quarter of 2018 marked another active period for the REIT highlighted by the growth of its German portfolio through continued expansion of our MOB platform and entry into the post-acute care space, the integration and rebranding of it's Australasian management platforms, and the completion of significant Canadian capital recycling initiatives. Subsequent to quarter-end, the REIT acquired, together with Vital Trust, a 10% strategic interest in Healthscope Ltd., Australia's second largest private hospital operator with an objective to acquire its underlying high quality real estate portfolio in conjunction with Vital Trust. In addition, significant progress was made with respect to its planned Australian institutional joint venture initiative targeting finalization later in the second quarter.

Financial and Operational Highlights:

In addition to a very busy transactional quarter, the REIT continued to deliver another stable quarter of financial and operational performance across an expanded 149 property (including subsequent events), 10.1 million square foot diversified healthcare real estate portfolio underpinned by long-term inflation indexed leases.

For the three months ended March 31, 2018, the REIT delivered strong financial and operating results illustrated by the following:

- Total revenue increased 21.8% in Q1 2018 to $88.2 million from $72.5 million in Q1 2017 primarily driven by the acquisition of the Australia REIT and net acquisition in Germany, Canada and Vital Trust;
- Total operating income[1] has increased by 17.9% to $70.2 million over the first quarter of 2017;
- Reported Net Income of $14.5 million;
- Reported and Normalized AFFO per unit for the first quarter 2018 of $0.21 and $0.23 respectively;
- Source currency weighted adjusted SPNOI growth of 1.8% in Q1 2018 as compared to Q1-2017;
- Recognition of a $8.0 million fair value gain in the REIT's total investment property portfolio, driven primarily by gains in Australasia and Brazil;
- Leverage of 46.9% (53.1% including convertible debentures) at the end of Q1 2018. The REIT continues to target a 40% leverage ratio and expects leverage to decline towards that target;
- Gross book value has increased by 1.6% from $4.7 billion to $4.8 billion;
- Net asset value per unit has increased by 2.7% to $12.32 primarily driven by portfolio valuation gains and currency appreciation;
- Strong portfolio occupancy of 96.3% rising 40 bps from Q4 2017 and the international portfolio holding stable above 99% occupancy;
- Weighted average lease expiry of 12.7 years increased by 0.6 years from Q4 2017, underpinned by the international portfolio with a weighted average lease expiry of 16.6 years; and
- The percentage of leases subject to annual indexation[2] is 70.7% and serves as a strong base to deliver organic growth and a natural hedge in a rising interest rate environment.

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

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

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

Key initiatives include:

- Completed $341 million of transactional activity:
  - In Germany acquisitions totalled $119 million;
  - Through its NWH Australia platform acquisitions totalled $55 million; and
  - Capital recycling activities in Canada totalled $167 million.

- Acquired a ~10% strategic stake in Healthscope Ltd., Australia's second largest hospital operator; the REIT's objective is to acquire Healthscope's underlying high quality real estate portfolio in conjunction with Vital Trust; and,

- Advanced it's A$2.0 billion Australian institutional joint venture initiative. Subject to completion of financial and legal due diligence and formal documentation, the REIT expects to finalize this initiative late in the second or early third quarter.

For the balance of 2018 building on these strong results and portfolio improvements, the REIT will continue to drive internal growth through completion of its 11 active value-add development projects.

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

I am pleased that the NorthWest global team has been able to advance a number of key, long-term strategic initiatives during and post quarter. Our bigger and better portfolio is supported by long-term, inflation indexed assets and, as a result, the REIT is even better positioned to deliver stable and growing returns to its unitholders. Further, we continue to be the real estate partner of choice to the healthcare industry which provides exceptional global opportunities to grow accretively and enhance unitholder value.

Sincerely,

Paul Dalla Lana

Chief Executive Officer

FINANCIAL AND OPERATIONAL SUMMARY

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS		As at March 31, 2018	As at December 31, 2017
Expressed in thousands of Canadian dollars, except per unit amounts			
Operational Information (1)			
Number of Properties - 100% of associates		148	146
Gross Leasable Area (sf) - 100% of associates		10,072,474	10,199,039
Occupancy % - 100% of associates		96.3%	95.9%
WALE (Years) - 100% of associates		12.7	12.1
Summary of Financial Information			
Gross Book Value (2)		$ 4,758,598	$ 4,684,028
Debt - Declaration of Trust (3)		$ 2,230,749	$ 2,190,179
Debt to Gross Book Value - Declaration of Trust		46.9%	46.8%
Debt - Including Convertible Debentures (3)		$ 2,524,660	$ 2,487,036
Debt to Gross Book Value - Including Convertible Debentures		53.1%	53.1%
Percentage of Mortgages and Loans Payable at Fixed Rates(9)		67.5%	41.0%
Weighted Average Interest Rate on Fixed Rate Mortgages and Loans Payable		4.38%	4.42%
Adjusted Units Outstanding - period end (5)			
Basic		120,300,309	120,037,252
	For the three months ended March 31, 2018	**For the three months ended March 31, 2017**	**For the three months ended December 31, 2017**
Operating Results			
Revenue from investment properties	$ 88,248	$ 72,464	$ 84,436
Net Income / (Loss)	$ 14,463	$ 74,534	$ 60,119
NOI (6)	$ 66,177	$ 52,894	$ 63,229
Funds From Operations ("FFO") (6)	$ 23,187	$ 24,524	$ 23,009
Adjusted Funds From Operations ("AFFO") (6)	$ 25,070	$ 22,504	$ 22,403
Distributions (7)	$ 24,038	$ 19,419	$ 23,990
Interest Coverage (4)	2.26	2.54	2.03
Per Unit Amounts (5)			
FFO per unit - Basic (8)	$ 0.19	$ 0.26	$ 0.19
FFO per unit - fully diluted (8)	$ 0.19	$ 0.24	$ 0.19
AFFO per unit - Basic	$ 0.21	$ 0.24	$ 0.19
AFFO per unit - fully diluted (8)	$ 0.20	$ 0.23	$ 0.19
Distributions per unit	$ 0.20	$ 0.20	$ 0.20
Adjusted Weighted Average Units Outstanding (5)			
Basic	120,137,990	94,212,738	118,191,998
Diluted - FFO (8)	140,841,738	120,722,716	138,554,550
Diluted - AFFO (8)	140,841,738	117,622,716	138,554,550

FINANCIAL AND OPERATIONAL HIGHLIGHTS CONT.

Notes

(1) Operational information includes 100% of Vital Trust. The REIT has an exposure to an approximate 25% interest in Vital Trust.

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

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

(4) See Ratios and Covenants for the REIT's calculation of Interest Coverage.

(5) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 17,708,065 Class B LP Units outstanding as at March 31, 2018 and 18,998,065 outstanding as at December 31, 2017.

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

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

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

(9) The REIT classifies variable rate debt hedged with fixed rate swaps as fixed rate debt.

HIGHLIGHTS FOR THE QUARTER

ANZ Manager Integration

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

German Property Acquisitions

During the quarter, the REIT completed property acquisitions of three German healthcare investment properties for combined purchase price of $79.0 million (€50.4 million), including transaction costs. The property acquisitions were partially financed by existing and new property specific mortgages of $51.8 million (€33.1 million), bearing weighted average interest rate of 2.61% and with weighted average term to maturity of approximately 9 years.

Canadian Disposition

On March 2, 2018, the REIT completed the sale of a Canadian investment property classified as asset held for sale, for gross proceeds of $167.0 million. The REIT settled a mortgage related to the property of $55.0 million bearing interest rate of 5.11% and repaid $75.0 million of its revolving secured credit facility.

Australia REIT Acquisition

On March 28, 2018, the Australia REIT completed the the remaining 50% interest in Epworth Freemasons Hospital for $54.9 million (A$55.5 million), including transaction costs. The acquisition was funded by draws on the Australia REIT's syndicated term loan facility and cash on hand.

SUBSEQUENT EVENTS

German Acquisition

On April 26, 2018, the REIT has completed the acquisition of a medical office complex in Germany for approximately $40.0 million. The acquisition was partially financed with a new $25.8 million mortgage bearing fixed interest rate of 2.29% with a 10 year term.

Canadian Refinancing

On April 26, 2018, the REIT extended the maturity of one of its non-revolving secured credit facilities from May 2, 2018 to May 2, 2019, bearing interest at Prime plus 1.25% or Bankers' Acceptances plus 2.25%.

Strategic Investment in Healthscope Limited

On May 8, 2018, the REIT acquired a 10% interest in Healthscope Limited ("Healthscope"), at a price of of $2.31 (A$2.39) per share by way of a derivative with Deutsche Bank AG, Sydney.

Healthscope is one of Australia’s leading private hospital operators with a portfolio of 45 hospitals concentrated in large metropolitan centers throughout Australia.

An acquisition of Healthscope's underlying hospital related real estate is of interest to the REIT and Vital Trust in line with their long term strategy to invest in healthcare real estate assets in the Australasian market. The REIT and Vital Trust currently intend to pursue any potential Healthscope real estate acquisition jointly, with scope to introduce other capital partners as appropriate.

Other

On April 13, 2018, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on April 30, 2018, paid May 15, 2018. On May 15, 2018, the REIT declared a distribution of $0.06667 per REIT unit to unitholders of record on May 31, 2018, payable June 15, 2018.

PART I - BASIS OF PRESENTATION

This Management's Discussion and Analysis of the results of operations and financial condition ("**MD&A**") of NorthWest Healthcare Properties Real Estate Investment Trust ("**NorthWest**" or the "**REIT**") should be read in conjunction with the REIT's condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2018, prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are presented in thousands of Canadian dollars, except where otherwise stated. Per unit amounts are presented in Canadian dollars, and are calculated including Class B LP Units (as defined hereafter), except where otherwise stated.

This MD&A should also be read in conjunction with the Annual Information Form of the REIT dated March 28, 2018 (the "**Annual Information Form**") and the REIT's Management Information Circular dated April 5, 2018 (the "**Circular**"). This MD&A is current as of May 15, 2018 unless otherwise stated. Additional information relating to the REIT, including its continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and can be accessed electronically at www.sedar.com.

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

- "**Convertible Debentures**" has the meaning set out in the Section "**CAPITAL STRUCTURE– Convertible Debentures**" and includes the following series of convertible debentures:
    a) NWH.DB;
    b) NWH.DB.C;
    c) NWH.DB.D;
    d) NWH.DB.E;
    e) NWH.DB.F.

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

FORWARD-LOOKING INFORMATION ADVISORY

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

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

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

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

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

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

PERFORMANCE MEASUREMENT

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

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

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

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

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

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

In February 2018, the Real Property Association of Canada ("**REALpac**") issued white papers with recommendations for calculations of FFO and AFFO and introduced a new cash flow measure, Adjusted Cash Flow from Operations ("ACFO"). The REIT is currently reviewing the new guidance and therefore has not adopted the White Paper AFFO and ACFO for the current quarter.

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

"**AFFO**" is defined by management as FFO, subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired; (ii) amortization of transactional deferred financing charges; (iii) compensation expense related to deferred unit incentive plans; (iv) differences, if any, resulting from recognizing property revenues on a straight line basis as opposed to contractual rental amounts, (v) debt repayment costs; and (vi) deducting stabilized amounts for tenant inducements, leasing costs, and sustaining capital expenditures, as determined by the REIT. Other adjustments may be made to AFFO as determined by management at their discretion. Management's definition of AFFO is intended to reflect a stabilized business environment.

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

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

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

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

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

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

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

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

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

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

"Adjusted Same Property NOI" is a non-IFRS measure, defined by the REIT as Same Property NOI, subject to certain adjustments including: (i) straight-line rental revenue recognition; (ii) amortization of operating leases; (iii) lease termination fees; and (iv) one time transactions that are not expected to recur.

Explanation of additional IFRS measure used in this MD&A

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

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

KEY PERFORMANCE DRIVERS

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

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

PART II – BUSINESS OVERVIEW

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

The REIT

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

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

<u>Declaration of Trust</u>

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

Investment Guidelines (condensed summary)

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

Operating Policies (condensed summary)

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

At March 31, 2018, the REIT was in compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

RELATIONSHIP WITH NWVP

As at March 31, 2018, NorthWest Value Partners Inc. ("**NWVP**") indirectly owned approximately 21% (approximately 17% on a fully-diluted basis assuming conversion of the REIT's Convertible Debentures and redemption of its deferred Trust Units) of the REIT through a combination of Trust Units of the REIT and Class B LP Units. Established in 1994, Toronto-based NWVP is one of Canada's leading privately-owned real estate companies. The scope of its business includes real estate, ownership and management, in Canada and internationally with a significant focus on the healthcare sector. The Principal of NWVP serves as an officer and trustee of the REIT.

PORTFOLIO PROFILE

Summary

The REIT provides investors with access to a portfolio of high quality healthcare real estate comprised of interests in a diversified portfolio of 148 income-producing properties and 10.1 million square feet of gross leasable area located throughout major markets in Canada, Brazil, Germany, Australia, and New Zealand.

Canada: The largest non-government owner/manager of medical office buildings ("MOBs") and healthcare related facilities comprised of high quality real estate with stable cash flow underpinned by tenancies supported by the Canadian publicly funded healthcare system.

Brazil: Institutional quality, core healthcare infrastructure assets located in strategic markets including São Paulo, Brasilia and Rio de Janiero delivering stable cash flow with long-term, triple-net, inflation-indexed leases, providing consistent organic growth.

Germany: High quality MOB assets and rehabilitation clinics located in the major markets including Berlin, Hamburg, Frankfurt, Ingolstadt and Leipzig supported by a fully integrated property management and asset management capabilities allowing for efficient operation and deal sourcing.

Australia/New Zealand: Direct exposure to a portfolio of hospital, medical centers and aged care facilities through Northwest Healthcare Properties Australia REIT ("Australia REIT") and an approximate 25% interest in New Zealand Stock Exchange ("NZX") listed Vital Healthcare Properties Trust ("Vital Trust"). The Australasian portfolio generates stable and growing cash flows underpinned by tenancies of high quality hospital and healthcare operators with long-term, inflation-indexed leases. The ANZ Manager team, which provides services to both platforms, is a fully integrated operation with offices in Melbourne, Australia and Auckland, New Zealand comprised of leading investment, development, asset management and property operations professionals.

The following table summarizes the REIT's assets by region as at March 31, 2018:

SUMMARY OF ASSETS

	Canada	Brazil	Germany	Vital Trust (1) (Australasia)	Australia REIT (Australasia)	Consolidated Total (2)
Number of Properties	56	7	26	45	14	148
Asset Mix	100% MOB	100% Hospital	100% MOB	25% MOB/ 75% Hospital & Healthcare Facilities	64% MOB/ 36% Hospital & Healthcare Facilities	47% MOB/ 53% Hospital & Healthcare Facilities
Gross Leaseable Area ("GLA") (million sf)	3.5	1.5	1.3	2.6	1.3	10.1
Total Assets (Cdn$ millions)(2)	$1,062	$727	$370	$1,563	$972	$4,759
Occupancy	91.4%	100.0%	97.2%	99.3%	98.5%	96.3%
WALE (Years)	5.2	20.4	8.8	19.0	15.0	12.7
Average Building Age (Years)	30	14	26	21	12	23
Weighted Average Implied Cap Rate	6.6%	7.7%	5.7%	5.8%	5.7%	6.3%

Notes

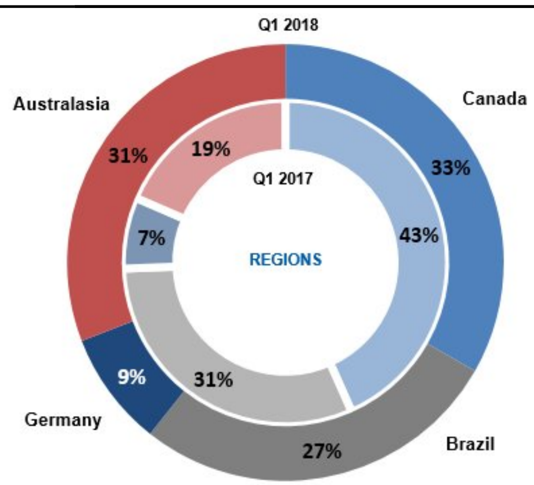
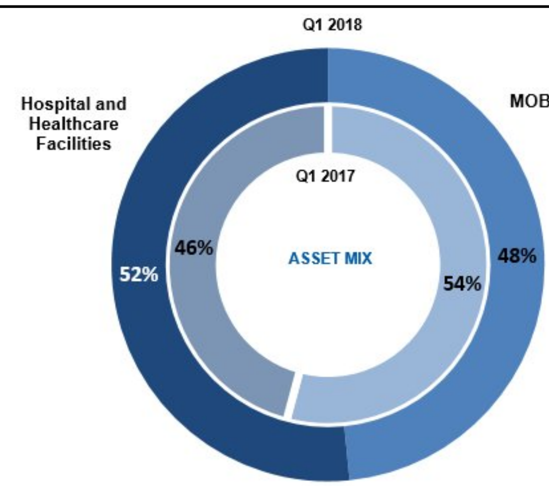
(1) Shown on a 100% basis. The REIT has an approximate 25% interest in Vital Trust and consolidates its investment in Vital Trust.

(2) Consolidated Total includes corporate assets.

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

Diversification of Assets

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

Geographic Profile by NOI (Year-over-Year)	Asset Mix by NOI (Year-over-Year)
	

Notes

(1) Based on Q1 2018 and Q1 2017 annualized NOI.

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

Medical office buildings ("MOBs") are similar to commercial office buildings, are typically multi-tenant properties and are primarily leased to necessity based healthcare providers.

Hospital and other healthcare facilities are typically leased to a single tenant, hospital operators under long-term, inflation indexed, triple net lease structures in which the REIT does not absorb any material property operating cost risk.

Tenant Mix

The following table summarizes the REIT's 10 largest tenants by percentage of revenue for the three months ended March 31, 2018:

10 LARGEST TENANTS BY PERCENTAGE OF RENT

	Tenant	Country	%	# of locations
1	Rede D'Or	Brazil	14.0%	6
2	Healthe Care	Australia	3.6%	18
3	Epworth Foundation	Australia	3.1%	5
4	Bolton Clarke	Australia	1.6%	3
5	CISSS / CIUSSS	Canada	1.5%	5
6	Hospital Sabara	Brazil	1.3%	1
7	Healthscope Limited	Australia	1.2%	2
8	St John of God Healthcare Inc	Australia	0.9%	4
9	ARCBS	Australia	0.9%	1
10	Winnipeg Regional Health Authority	Canada	0.8%	3
			28.9%	48

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

Further information on the REIT's two largest tenants is below:

Rede D'Or is the largest private hospital operator in Brazil. The company operates 35 hospitals and 35 specialized oncology outpatient clinics, comprising 6,043 inpatient beds in total - an average of 173 beds per hospital. With more than 40 years of experience in the health care business, the company has solid business positions and large operating scales in its strategically located key markets: Rio de Janeiro, Sao Paulo, Brasilia and Recife. Since 2005, the company has been substantially increasing the size of its business through both organic and inorganic growth, but primarily through a series of acquisitions. Since 2015, Rede D'Or has had two new shareholders, Carlyle Group and GIC Group and in October, 2017 had its Fitch Rating credit rating firmed to "AAA" on a national scale.

Healthe Care Australia was founded in 2005 and is now the third largest private hospital operator in Australia and one of the country's largest privately-owned healthcare organizations. Healthe Care Australia operates a network of a portfolio of 37 medical/surgical, rehabilitation and mental health hospitals and day surgeries throughout Queensland, New South Wales, Victoria Tasmania, and Western Australia. These include around 2,500 beds and 70 operating theatres. The company also provides a range of outpatient services including workplace rehabilitation and community nursing which offer patients flexibility and continuity of care beyond their hospital stay. Healthe Care is also one of the largest private providers in the mental health sector, offering over 600 beds across Australia. The company is a subsidiary of Luye Medical, a leading healthcare service provider headquartered in Singapore.

INVESTMENT PROPERTIES

The fair value of investment properties as at March 31, 2018 was $4.4 billion (December 31, 2017 - $4.1 billion) representing an implied weighted average capitalization rate of 6.3% (December 31, 2017 - 6.3%).

INVESTMENT PROPERTIES

Expressed in thousands of Canadian dollars Unaudited	Three months ended March 31, 2018					
	Income Properties					
	Canada	**Brazil**	**Germany**	**Vital Trust**	**Australia REIT**	**Total**
Opening Balance	**$1,037,472**	**$ 676,403**	**$ 267,677**	**$1,470,772**	**$ 650,824**	**$4,103,148**
Acquisitions of investment properties	—	—	79,118	6,602	54,949	140,669
Addition to investment properties	5,631	—	813	1	539	6,984
Increase in straight-line rents	343	—	—	—	(98)	245
Settlement of securitization	—	7,945	—	—	—	7,945
Fair value gain (loss)	(1,783)	5,735	(3,841)	9,408	680	10,199
Foreign currency translation	—	16,005	14,918	31,085	6,532	68,540
Closing Balance	**$1,041,663**	**$ 706,088**	**$ 358,685**	**$1,517,868**	**$ 713,426**	**$4,337,730**
	Properties Under Development					
	Canada	**Brazil**	**Germany**	**Vital Trust**	**Australia REIT**	**Total**
Opening Balance	**$ 10,489**	**$ —**	**$ —**	**$ 18,463**	**$ 12,689**	**$ 41,641**
Addition to investment properties	43	—	—	8,718	4,332	13,093
Foreign currency translation	—	—	—	290	146	436
Closing Balance	**$ 10,532**	**$ —**	**$ —**	**$ 27,471**	**$ 17,167**	**$ 55,170**
	Total					
	Canada	**Brazil**	**Germany**	**Vital Trust**	**Australia REIT**	**Total**
Opening Balance	**$1,047,961**	**$ 676,403**	**$ 267,677**	**$1,489,235**	**$ 663,513**	**$4,144,789**
Acquisitions of investment properties	—	—	79,118	6,602	54,949	140,669
Addition to investment properties	5,674	—	813	8,719	4,871	20,077
Increase in straight-line rents	343	—	—	—	(98)	245
Settlement of securitization	—	7,945	—	—	—	7,945
Fair value gain (loss)	(1,783)	5,735	(3,841)	9,408	680	10,199
Foreign currency translation	—	16,005	14,918	31,375	6,678	68,976
Closing Balance	**$1,052,195**	**$ 706,088**	**$ 358,685**	**$1,545,339**	**$ 730,593**	**$4,392,900**

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

2018 Acquisitions

During the three months ended March 31, 2018, the following acquisitions were completed by the REIT:

ACQUISITIONS					
	Quarter Acquired	Region	Location	GLA	Acquisition Cost (in millions) (1)
Fritz-Lang-Platz 6	Q1	Germany	Berlin, Germany	59,600	$ 22.2
Clinic Bismarkstrasse 68	Q1	Germany	Bad Kissingen, Germany	79,500	$ 22.1
Clinic Bremer Strasse 2	Q1	Germany	Wilhemshaven, Germany	151,000	$ 34.7
Epworth Freemasons Private Hospital (remaining 50%)	Q1	Australasia	Melbourne, Australia	150,600	$ 54.9
Other (2)	Q1		Various	—	$ 6.7
Total				**440,700**	**$ 140.6**

(1) Purchase price includes transaction costs.

(2) Other acquisitions include land and properties acquired for future developments.

2018 Dispositions

During the three months ended March 31, 2018, the following dispositions were completed by the REIT:

DISPOSITIONS					
	Quarter Sold	Region	Location	GLA	Proceeds (in millions)
Dundas Edward Centre (1)	Q1	Canada	Toronto, Ontario	417,000	$ 167.0
Total				**417,000**	**$ 167.0**

(1) Proceeds excludes disposition costs of $1.8M.

Valuation of Investment Properties

The fair values of the investment properties at March 31, 2018 were determined based on a combination of internal valuation models incorporating available market evidence and external appraisals. During the three months ended March 31, 2018, the weighted average capitalization rate of the consolidated portfolio stayed consistent at 6.3%.

During the three months ended March 31, 2018, the REIT recorded fair value gains on income producing property totaling $10.2 million (excluding assets previously held for sale). The fair value gain was the result of modest capitalization rate compression on the Vital Trust portfolio and accrued rent adjustment for inflation on the Brazilian assets but partially offset by transaction cost write-offs in Germany and a write-off of non-recoverable capital in the Canadian portfolio.

During the three months ended March 31, 2018, the REIT's portfolio weighted spot exchange rate increased by 3.4% with all foreign currencies appreciating relative to the Canadian dollar. As a result in the quarter the REIT recorded a $69.0 million foreign currency translation adjustment on its investment properties.

DEVELOPMENT ACTIVITY

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

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

MAJOR DEVELOPMENT ACTIVITY BY REGION

Expressed in thousands of Canadian dollars, except percentage amounts

	Number of Projects	Estimated Completion Date	Estimated Project Costs	Estimated Costs to Complete	% Pre-leased	Anticipated Project Yield	Anticipated Stabilized NOI	Potential value accretion
Vital Trust	6	Q2 2018 to Q2 2021	133,669	110,934	100%	7.2%	9,678	27,630
Australia REIT	2	Q3 2018 to Q3 2019	89,584	78,030	100%	6.0%	5,375	17,917
Brazil	2	Q4 2019	54,566	54,566	100%	8.0%	4,365	7,795
Canada	1	Q4 2019	17,600	17,600	25%	7.4%	1,302	2,437
	11		$ 295,419	$ 261,130	96%	7.0%	$ 20,720	$ 55,779

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

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

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

Expansion projects are fully leased at premium yields and expected to generate significant NAV growth on completion.

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

The Australia REIT's development activity pertains to 2 projects with completion dates ranging from the third quarter of 2018 to the second half of 2019. Collectively the projects will add approximately 68,000 square feet of new specialist suites, multiple specialist consulting tenancies, a GP clinic, 12 hospital beds, 3 operating theatres plus a 330 bay underground parking facility. The projects are 100% pre-leased to Epworth Foundation and Healthe Care. Remaining development costs will be funded through the Australia REIT's existing resources.

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

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

LEASING COSTS AND CAPITAL EXPENDITURES

LEASING COSTS AND CAPITAL EXPENDITURES

	Three months ended March 31, 2018					
	Canada[4]	Brazil	Germany	Vital Trust	Australia REIT	Total
Additions to investment properties						
Leasing costs [1]	$ 1,003	$ —	$ —	$ —	$ 4	$ 1,007
Tenant improvements [2]	2,092	—	324	—	231	2,647
Maintenance capital expenditures	596	—	87	—	136	819
Other capital expenditures	2,116	—	403	1	169	2,689
	5,807	—	814	1	540	7,162
Internal leasing costs expensed [1]	364	—	178	—	—	542
	6,171	—	992	1	540	7,704
Less:						
Recoverable maintenance capital expenditures	(596)	—	(87)	—	—	(683)
Other value enhancing and non-recurring capital expenditures	(1,517)	—	(441)	—	—	(1,958)
Leasing costs and non-recoverable maintenance capital expenditures	**$ 4,058**	**$ —**	**$ 464**	**$ 1**	**$ 540**	**$ 5,063**
AFFO adjustment for leasing costs and and non-recoverable maintenance capital expenditures [3]	**$ 1,967**	**$ —**	**$ 362**	**$ 1**	**$ 540**	**$ 2,870**
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	**$ 2,091**	**$ —**	**$ 102**	**$ —**	**$ —**	**$ 2,193**

Notes

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

(2) Tenant improvements include tenant allowances and landlord's work.

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

(4) Leasing costs for the three months ended March 31, 2018 include $176 of additions related to assets held for sale.

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

Canada

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

During the three months ended March 31, 2018 additions for the Canadian investment properties totaled $5.8 million. During the quarter, leasing costs included costs attributable to ten transactions (including one initiated prior to the quarter), of which five are lease renewals or expansions, with an aggregate WALE of 9.8 years.

Included in other value enhancing and non-recurring capital expenditures for the quarter were primarily costs incurred for conversion of a single-tenant building into a multi-tenant property and non-recurring leasing costs to lease up never-before-occupied space at a recently developed building.

Brazil

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

Germany

On a quarterly basis leasing costs, tenant improvements and capital expenditures can fluctuate and as such, should not be regarded as stabilized. Additions to the German investment properties for the three months ended March 31, 2018 were $0.8 million with 98% of the tenant improvements incurred in connection with leasing within the REIT's Leipzig portfolio with the majority (67%) of the cost spent for leasing of three previously vacant units.

Vital Trust and Australia REIT

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

PART III – RESULTS FROM OPERATIONS

NET INCOME

The following is a summary of selected financial information from the condensed consolidated interim statements of income and comprehensive income for the three months ended March 31, 2018 and 2017:

RESULTS FROM OPERATIONS

Expressed in thousands of Canadian dollars	Three months ended March 31, 2018	2017	Variance
Net Operating Income [1]			
Revenue from investment properties	$ 88,248	$ 72,464	$ 15,784
Property operating costs	(22,071)	(19,570)	(2,501)
	66,177	**52,894**	**13,283**
Other income			
Share of profit (loss) from associates	—	5,411	(5,411)
Management fees	446	863	(417)
Interest income	3,624	397	3,227
	4,070	**6,671**	**(2,601)**
	70,247	**59,565**	**10,682**
Other expenses			
Mortgage and loan interest expense	(31,234)	(20,339)	(10,895)
General and administrative expenses	(5,935)	(5,491)	(444)
Transaction costs	(402)	(88)	(314)
Other finance costs	(14,673)	(18,689)	4,016
Foreign exchange gain (loss)	(1,123)	3,989	(5,112)
Income (Loss) before the under noted items	**16,880**	**18,947**	**(2,067)**
Fair value adjustment of DUP Liability	149	(423)	572
Fair value adjustment of investment properties	8,036	72,490	(64,454)
Net loss on disposal of investment properties	(1,771)	—	(1,771)
Gain (Loss) on derivative financial instruments	1,148	(878)	2,026
Income (Loss) before taxes	**24,442**	**90,136**	**(65,694)**
Income tax expense	(9,979)	(15,602)	5,623
Net income (loss)	**$ 14,463**	**$ 74,534**	**$ (60,071)**
Net income (loss) attributable to:			
Unitholders	$ 958	$ 49,799	$ (48,841)
Non-controlling interest	13,505	24,735	(11,230)
	$ 14,463	**$ 74,534**	**$ (60,071)**

Notes

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

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

Revenue from investment properties

Revenue from investment properties for the three months ended March 31, 2018 was $88.2 million as compared to $72.5 million for the three months ended March 31, 2017. The increase of $15.8 million is primarily due to the consolidation of the Australia REIT starting in the third quarter of 2017 which increased revenue by $10.9 million; Brazil revenue improvements of $0.5 million driven by source currency rent indexation and the repayment of the Sabara securitization, partially offset by the weakening of the Brazilian Real against the Canadian dollar; German revenue improvements of $1.8 million driven by source currency rent from acquisition activity and further compounded by a strengthening of the Euro; and Vital Trust revenue improvements of $4.3 million primarily a result of acquisition and development activity. These improvements were partially offset by a decrease in revenue in the Canadian region of $1.8 million, driven by the dispositions, including the Dundas Edward Centre this quarter, and lower portfolio occupancy.

See also **NET OPERATING INCOME**.

Property operating costs

In Canada, Germany and Australasia, property operating costs are comprised of amounts recoverable from tenants (including property taxes, maintenance, utilities and insurance) and non-recoverable expenses including certain property management costs. The nature of the leases in Brazil is such that the tenant is responsible for all operating costs of the property.

Property operating costs for the three months ended March 31, 2018 were $22.1 million as compared to $19.6 million for the three months ended March 31, 2017. Of the increase of $2.5 million, $1.6 million is related to the consolidation of the Australia REIT starting in the third quarter of 2017, and operating cost increases at Vital Trust and Germany of $0.4 million and $0.5 million respectively, driven by acquisitions.

See also **NET OPERATING INCOME**.

Share of profit (loss) of associate

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

Management Fees

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

The following table summarizes the management fees earned by ANZ Manager for the three months ended March 31, 2018 and 2017:

ANZ MANAGER MANAGEMENT FEES

Expressed in thousands of Canadian dollars	Three months ended March 31,		
	2018	2017	Variance
Base fee	$ 2,891	$ 2,772	$ 119
Incentive and performance fee	3,130	6,694	(3,564)
Trustee fees	183	104	79
Project and Acquisition fees	2,102	855	1,247
Other fees	87	132	(45)
Total Management Fees	**$ 8,393**	**$ 10,557**	**$ (2,164)**
less: inter-company elimination [(1)]	(7,947)	(9,694)	1,747
Consolidated Management Fees [(2)]	**$ 446**	**$ 863**	**$ (417)**
add: fees charged to non-controlling interest	5,969	7,288	(1,319)
Proportionate Management Fees [(3)]	**$ 6,415**	**$ 8,151**	**$ (1,736)**

Notes

(1) The ANZ Manager fees charged to Vital Trust and the Australian REIT are eliminated on consolidation as an inter-company transaction.

(2) Represents the reported consolidated management fees, which are primarily property management fees earned from third parties.

(3) Represents the REIT's total exposure to management fees.

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

Interest income

Interest income represents amounts earned on invested cash balances as well as interest earned on loans receivable at the Australia REIT. For the three months ended March 31, 2018 and 2017, the REIT recorded interest income of $3.6 million and $0.4 million, respectively. The increase from the comparable prior year period is attributable to the consolidation of the Australia REIT beginning in July 2017, which accounts for $1.2 million of the increase in interest income for the period, and is further improved by higher interest income in Brazil which increased $2.0 million over the prior period. The increase in interest income in Brazil during the quarter was driven by a higher average cash and receivable balance in Brazil and an increase in weighted average interest rate.

Mortgage and loan interest expense

The mortgage and loan interest expense for the three months ended March 31, 2018 was $31.2 million, an increase of $10.9 million over the prior year period.

The composition of mortgage and loan interest expense for the three months ended March 31, 2018 and 2017 is as follows:

MORTGAGE AND LOAN INTEREST EXPENSE

Expressed in thousands of Canadian dollars	Three months ended March 31,		
	2018	**2017**	**Variance**
Canada			
Mortgages[1]	$ 5,673	$ 6,523	$ 850
Brazil			
Brazil debt	3,926	2,974	(952)
Germany			
Mortgages	821	508	(313)
Australasia			
Term loans	11,466	3,311	(8,155)
Corporate			
Australasian Secured Financing	1,603	1,656	53
Acquisition Facility	191	272	81
Revolving Credit Facility	1,727	524	(1,203)
Other	(1)	4	5
Convertible Debentures	3,943	4,629	686
	7,463	7,085	(378)
less: capitalized interest	(621)	(62)	559
add: prepayment penalties	2,506	—	(2,506)
Total mortgage and loan interest expense	**$ 31,234**	**$ 20,339**	**$ (10,895)**

Notes

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

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

Canada

Mortgage interest expense for the three months ended March 31, 2018 has decreased $0.9 million over the three months ended March 31, 2017. The decrease in mortgage interest expense over the comparable prior year quarter primarily reflects dispositions including the sale of the Dundas Edward Centre during the quarter. In addition, during 2017, the REIT has refinanced 2018 and 2017 mortgage expires at lower interest rates. The weighted average interest rate of the Canadian mortgage portfolio as at March 31, 2018 was 3.62%, a decrease from 3.92% as at March 31, 2017.

Brazil

The increase in interest expense for the three months ended March 31, 2018 over the prior year quarter, primarily reflects the higher level of debt in Brazil in 2018 as a result of the long term financing of Hospital Santa Helena in October 2017 which resulted in gross proceeds of approximately $83.5 million. The increase was partially offset by the decrease in the weighted average interest rate of the Brazilian debt from March 31, 2017 (7.84%) to March 31, 2018 (7.28%) and the weakening of the Brazilian Real against the Canadian dollar by approximately 8% as compared to the prior period.

Germany

Mortgage interest expense increased for the three months ended March 31, 2018 over the comparable prior year due to interest on the mortgage associated with the four German acquisitions that occurred throughout 2017 and three acquisitions that occurred in the first quarter of 2018, further compounded by a strengthening of the Euro by approximately 10% against the Canadian dollar over the prior period.

The weighted average interest rate of the German mortgages was 2.10% as at March 31, 2018, which is an increase from 1.91% as at March 31, 2017.

Australasia

The increase in the interest expense over the comparable prior quarter and year to date is primarily a result of the consolidation of the Australia REIT in July 2017 which increased interest expense by $5.5 million for the three months ended March 31, 2018. The increase is also attributable to the incremental debt related to the REIT's investment in the Australia REIT, which was refinanced as part of the Australia REIT's syndicated term loan facility in December of 2017. The remaining increase for the quarter to date period reflects increased borrowings related to development and acquisition activity, further increased by slightly higher interest rates. The weighted average interest rate of the Vital Trust term loans was 4.30% as at March 31, 2018, a increase from 4.09% as at March 31, 2017.

Corporate

The increase in the interest expense for the three months ended March 31, 2018 over the comparable prior year period reflects an increase in corporate borrowings on the REIT's revolving line of credit, partially offset by a reduction in interest expense as a result of the repayment of two series of Convertible Debenture in the fourth quarter of 2017.

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

General and administrative expenses ("G&A")

G&A expenses for the three months ended March 31, 2018 were $5.9 million as compared to $5.5 million for the three months ended March 31, 2017. G&A for the three months ended March 31, 2018 includes DUP Compensation Expense (as defined under **ADJUSTED FUNDS FROM OPERATIONS ("AFFO") - DUP Compensation Expense**) of $0.7 million (three months ended March 31, 2017 - $1.2 million). G&A, excluding amounts associated with DUP Compensation Expenses, increased $0.9 million over the prior year quarter primarily as a result of G&A associated with the 100% acquisition of Australia REIT in July 2017 and the growth of the portfolio and related platform costs.

DUP expense for the three months ended March 31, 2018 has decreased over the prior year period; which is primarily a result of adjustments made to the Vital Trust DUP plan resulting in lower amortization expense during the three months ended March 31, 2018.

Transaction costs

For the three months ended March 31, 2018 the REIT incurred transaction costs of $0.4 million (three months ended March 31, 2017 - $0.1 million), which are primarily related to the Australia REIT acquisition and related integration.

Other Finance costs

Other finance costs for the three months ended March 31, 2018 and 2017 consisted of the following:

OTHER FINANCE COSTS	Three months ended March 31,		
	2018	2017	Variance
Distributions on Exchangeable Units	$ 3,542	$ 3,800	$ 258
Loss on revaluation of financial liabilities	13,340	1,539	(11,801)
Amortization of deferred financing costs	2,860	899	(1,961)
Amortization of marked to market adjustment	(616)	(766)	(150)
Fair value adjustment of Convertible Debentures	(2,889)	6,568	9,457
Fair value adjustment of Exchangeable Units	(1,564)	6,649	8,213
Total Finance Costs	**$ 14,673**	**$ 18,689**	**$ 4,016**

Loss on revaluation of financial liabilities

The outstanding balances of the Brazil Securitization Financings are adjusted by the inflation rate (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy ("**IPCA**").

For the three months ended March 31, 2018, accretion expense of $13.3 million (for the three months ended March 31, 2017 - $1.5 million) was recorded to account for the related IPCA adjustments on the Brazil debt and deferred consideration. The annual inflation rate for March 31, 2018 was 2.95% as compared to 4.57% for March 31, 2017.

During the three months ended March 31, 2018, the REIT repurchased the rental stream from its Hospital Sabara property that was securitized (the "Sabara Securitization Facility") which had a fair value at the time of payment of $19.7 million (R$50.4 million). The unamortized accounting balance of the securitized rental stream recorded at the time of repayment was $8.3 million (R$21.1 million), which resulted in a revaluation adjustment of $11.4 million (R$29.2 million) being recorded upon repayment.

Fair value adjustment of Convertible Debentures

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

CLOSING PRICE OF CONVERTIBLE DEBENTURES	Mar-18	Dec-17	Sep-17	Jun-17	Mar-17	Dec-16
Month-end closing price (Canadian $)						
NWH.DB	1,020.00	1,030.00	1,040.00	1,025.00	1,020.00	1,017.50
NWH.DB.A (redeemed December 11, 2017)	N/A	N/A	1,010.00	1,003.00	1,030.00	1,020.00
NWH.DB.B (redeemed December 11, 2017)	N/A	N/A	1,030.00	1,022.50	1,032.70	1,020.00
NWH.DB.C	1,017.50	1,037.50	1,050.00	1,050.60	1,050.00	1,025.00
NWH.DB.D	1,043.50	1,050.00	1,064.60	1,042.50	1,050.00	1,020.00
NWH.DB.E	1,020.00	1,027.00	1,050.00	1,060.00	1,025.50	1,010.00
NWH.DB.F	1,020.00	1,030.50	1,042.60	1,042.00	1,031.10	1,002.50

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

Foreign exchange gain (loss)

The REIT's financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. The REIT's unrealized foreign exchange gain (loss) for the periods relate primarily to the revaluation of the New Zealand denominated debt which is held by a Canadian subsidiary of the REIT, and which is predominantly an unrealized exchange movement.

For the three months ended March 31, 2018, the REIT recorded a foreign exchange loss of $1.1 million, which is made up of an unrealized exchange loss of $1.1 million and a realized exchange gain of $nil. During the three months ended March 31, 2018, the New Zealand dollar appreciated by approximately 5% relative to the Canadian dollar, thus increasing the New Zealand dollar denominated debt at the REIT, resulting in an unrealized foreign exchange loss of approximately $3.9 million. During the three months ended March 31, 2018, the Brazilian region also incurred unrealized foreign exchange loss of $1.8 million, which relates to translation of intercompany loans with a Canadian subsidiary which are denominated in Canadian dollars. The unrealized exchange losses for the three months ended March 31, 2018 were partially offset by an unrealized foreign exchange gain at Vital Trust of $4.7 million as a result of the impact of appreciation of the New Zealand dollar relative to the Australian dollar on their Australian dollar denominated debt held in New Zealand.

See also **FOREIGN EXCHANGE AND CURRENCY MANAGEMENT.**

Fair value adjustment of DUP Liability

Under IFRS, the REIT's unit-based deferred unit compensation liability ("**DUP Liability**") is measured at fair value each reporting period. The fair value of the DUP Liability mirrors the trading price of the REIT Trust Units for deferred units exchangeable into REIT Trust Units, and the trading price of Vital Trust units for deferred units exchangeable into Vital Trust units.

The fair value adjustment on revaluation of the DUP Liability for the three months ended March 31, 2018 was a gain of $0.1 million as compared to a loss of $0.4 million for the three months ended March 31, 2017. The increase in the fair value adjustment related to the DUP liability over the comparable prior year period reflects changes in the trading price of the REIT's Trust Units and Vital Trust's units during the period.

Fair value adjustment of investment properties

For the three months ended March 31, 2018, the REIT recorded a fair value gain on investment properties of $8.0 million consisting of a $3.9 million revaluation loss related to the Canadian properties, a $5.7 million revaluation increase of the Brazil portfolio, a $3.8 million revaluation loss of the German portfolio, a $9.4 million increase in the Vital Trust investment properties and a $0.7 million revaluation increase in the Australia REIT portfolio. The revaluation of the Canadian portfolio during the three months ended March 31, 2018 is primarily driven by the revaluation of assets held for sale to adjust for purchase price adjustments. The revaluation of the Brazil portfolio during the three months ended March 31, 2018 is driven exclusively by rent growth resulting from the change in the IPCA index across all assets. The revaluation loss on the German portfolio during the three months ended March 31, 2018 resulted from the write off of transaction costs related to acquisition activity in the first quarter. The increase in the Vital Trust assets reflects capitalization rate compression in both the New Zealand and Australian markets during the quarter. The revaluation increase in the Australia REIT is primarily related to modest cap rate compression at select assets, partially offset by a fair value loss related to the write off of transaction costs from the acquisition of Epworth Freemasons Private Hospital (remaining 50%).

See also **INVESTMENT PROPERTIES**.

Net loss on disposal of investment properties

During the three months ended March 31, 2018, the REIT recognized a loss on sale of $1.8 million (three months ended March 31, 2017 - $nil) related to the sale of Dundas Edward Centre in Canada.

Gain/Loss on derivative financial instruments

Gain/Loss on derivative financial instruments for the three months ended March 31, 2018 and 2017 consisted of the following:

GAIN (LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS			
Expressed in thousands of Canadian dollars	Three months ended March 31,		
	2018	2017	Variance
Canada			
Interest rate swaps	$ 1,971	$ 99	$ 1,872
Germany			
Interest rate swaps	212	38	174
Australasia			
Interest rate swaps	(1,951)	(812)	(1,139)
Foreign exchange contracts	916	(1,370)	2,286
Performance fee receivable	—	501	(501)
Corporate			
Australia REIT future contract	—	666	(666)
Total gain (loss) on derivative financial instruments	**$ 1,148**	**$ (878)**	**$ 2,026**

Income tax expense

The combined current tax and deferred tax expense of the REIT for the three months ended March 31, 2018 was $10.0 million.

For the three months ended March 31, 2018, the REIT recognized current income tax expense of $2.0 million. The current taxes relate primarily to the income taxes payable by the ANZ Manager of $1.1 million, $0.4 million at Vital Trust and $0.3 million in Brazil. The income tax expense generated for the ANZ Manager is largely driven by the level of management fees earned. Current tax for Vital Trust can fluctuate period over period depending on the settlement of foreign currency derivatives utilized in Vital Trust's hedging program. The current tax in Brazil relates to the income earned on the Sabara asset which is currently structured in a corporation.

The deferred tax expense of the REIT for the three months ended March 31, 2018 was $8.0 million. The REIT records deferred tax liabilities in Germany, Brazil, Vital Trust and the Australia REIT arising primarily due to the difference between the carrying value and tax cost of its investment properties. The deferred tax expense (income) of the REIT for the three months ended March 31, 2018 related to Germany and Brazil was $(0.3) million and $2.9 million, respectively. Vital Trust recorded a deferred expense for the three months ended March 31, 2018 of $4.9 million, which relates primarily to the significant fair value increase of Vital Trust's investment properties and that tax impact of an approximate $4.7 million unrealized foreign exchange gain. The ANZ Manager recorded a deferred tax liability for the three months ended March 31, 2018 of $0.5 million, primarily related to deferred compensation liabilities.

NET OPERATING INCOME

NOI is an additional IFRS measure of the REIT's operating performance. NOI is defined as income from properties after operating expenses have been deducted, computed in accordance with IFRS, but before deducting interest expense, finance costs, depreciation and amortization expense, general and administrative expenses, income taxes, leasehold improvement and leasing costs, and unrecoverable capital costs. The REIT uses NOI to assess its property operating performance on an unleveraged basis. Same property NOI for the three months ended March 31, 2018 represents income from currently owned investment properties, excluding properties held for redevelopment, acquired prior to January 1, 2017. The same property NOI analysis below has included the Australia REIT in acquisitions as the portfolio was only consolidated from July 2017.

The REIT's same property NOI for the three months ended March 31, 2018 and 2017 is summarized in the tables below in Canadian dollars and in source currency:

SAME PROPERTY NOI

In thousands of CAD	Three months ended March 31,		
	2018	**2017**	**Var %**
Same property NOI (1)			
Canada	$ 15,809	$ 16,755	(5.6)%
Brazil	14,048	13,516	3.9 %
Germany	3,184	2,787	14.2 %
Vital Trust	17,850	17,627	1.3 %
Australia REIT	n/a	n/a	— %
Same property NOI (1)	**$ 50,891**	**$ 50,685**	**0.4 %**
Developments	(2)	(2)	
Acquisitions (2)	14,457	549	
Dispositions	1,264	2,123	
Intercompany/Elimination	(433)	(461)	
NOI (1)	**$ 66,177**	**$ 52,894**	**25.1 %**

Notes:
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.
(2) Includes $9.3 million of NOI related to Australia REIT acquisition effective July 1, 2017.

ADJUSTED SAME PROPERTY NOI

In thousands of CAD	Three months ended March 31,			
	2018	**2017**	**Var $**	**Var %**
Same property NOI (1)	$50,891	$50,685	206	0.4 %
Adjustments			—	
Straight-line rental revenue recognition	(122)	(241)	119	
Amortization of operating leases	244	228	16	
Lease termination fees	(26)	(20)	(6)	
Other one-time transactions	(1,665)	42	(1,707)	
Adjusted same property NOI (2)	**$49,322**	**$50,694**	**(1,372)**	**(2.7)%**

Notes:
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.
(2) Adjusted same property NOI is a non-IFRS measure defined in this MD&A.

SOURCE CURRENCY ADJUSTED SAME PROPERTY NOI

In source currency (000s)	Three months ended March 31,		
	2018	**2017**	**Var %**
Same property NOI (1)			
Canada	$ 15,809	$ 16,755	(5.6)%
Brazil	R$ 36,087	R$ 32,096	12.4 %
Germany	€ 2,048	€ 1,977	3.6 %
Vital Trust	NZ$ 19,416	NZ$ 18,727	3.7 %
Australia REIT	n/a	n/a	— %
Adjustments			
Straight-line rental revenue recognition	(106)	(229)	
Amortization of operating leases	244	228	
Lease termination fees	(26)	(20)	
Other one-time transactions	(3,569)	49	
	(3,457)	28	
Source currency adjusted same property NOI (2) (3)			**(0.3)%**

Notes:
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.
(2) The source currency adjusted same property NOI percentage change is calculated by weighting the regional source currency percentage change with the regional Canadian dollar same property NOI as a percentage of the portfolio.
(3) Excluding the impact of higher vacancy driven by a non-medical tenant contraction of 65,000 square feet upon renewal in Western Canada that occurred in the third quarter of 2017, adjusted same property NOI, in source currency, increased by 1.8% (decreased by 0.5% in C$)

Canada

Same property NOI for the three months ended March 31, 2018 decreased by 5.6% over the comparable prior year period, due to higher vacancy mainly driven by a non-medical tenant contraction of 65,000 square feet upon renewal in Western Canada that occurred in the third quarter of 2017. Adjusted same property NOI for the three months ended March 31, 2018, also decreased by 5.6% over the comparable prior year period, however, excluding the impact of the non-medical tenant contraction noted above, adjusted same property NOI increased by 1.5% over the comparable prior year period and by 1.2% over the comparable prior year period. The increase was mainly attributable to an increase in occupancy excluding the above mentioned non-medical tenant contraction.

Brazil

Same property NOI for the three months ended March 31, 2018 in BRL, increased by 12.4% (3.9% in C$) over the comparable prior year period mainly driven by the repayment of the Sabara Securitization Facility in March 2018 which resulted in a one-time rental revenue catch up adjustment of $0.6 million (R$1.6 million) as well as inflationary adjustments to rents. Adjusted same property NOI in BRL for the three months ended March 31, 2018, increased by 2.7% (decreased by 5.0% in C$), over the comparable prior year period.

Germany

Same property NOI for the three months ended March 31, 2018 in Euros increased by 3.6% (14.2% in C$) over the comparable prior year period, mainly driven by new leasing and higher renewals in Leipzig, Berlin and Brandenburg regions as well as inflationary rental increases. Adjusted same property NOI, in Euros, for the three months ended March 31, 2018 increased by 2.1% (12.6% in C$) over the comparable prior year period.

Vital Trust

Same property NOI for the three months ended March 31, 2018 in NZ$ increased by 3.7% (1.3% in C$) over the comparable prior year period, mainly driven by development led rent increases, higher rent review increases, and positive FX movement due to the weakening of the Australian dollar relative to the New Zealand dollar.

Adjusted same property NOI, in New Zealand dollars, for the three months ended March 31, 2018 increased by 1.7% (decreased by 0.7% in C$) decreased over the comparable prior year period.

LEASING

Lease Maturities

The REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 12.7 years as at March 31, 2018. Below is a table of the percentage of leases of expiring by year by region.

	2018	2019	2020	2021	2022	2023	2024	2025	Thereafter	Total
Canada	6.9%	10.2%	10.7%	9.1%	13.4%	11.3%	7.7%	6.4%	24.3%	**100.0%**
Brazil	—%	—%	—%	—%	—%	—%	—%	—%	100.0%	**100.0%**
Germany	12.1%	5.9%	17.1%	6.8%	9.1%	2.5%	2.2%	2.3%	42.0%	**100.0%**
Australasia	2.0%	3.5%	2.3%	3.7%	9.0%	3.3%	1.4%	1.2%	73.6%	**100.0%**
Total Portfolio	4.6%	5.4%	6.6%	5.3%	9.0%	5.2%	3.3%	2.8%	57.8%	**100.0%**

Notes:
- As at March 31, 2018.
- Includes 100% of Vital Trust.

The REIT's expiry profile benefits from its Brazilian properties which are subject to long term leases. The seven Brazil hospitals are each occupied by single tenants that are leading hospital operators, and have leases expiring between September 30, 2024 and October 24, 2041. The expiry profile also reflects the longer term nature of many of the hospital tenants within the Vital Trust portfolio which has a WALE of 19.0 years and the Australia REIT which has a WALE of 15.0 years.

The below table summarizes the REIT's WALE allocated by asset type as at March 31, 2018:

	Asset Mix		WALE		
	MOB	**Hospitals & Healthcare Facilities**	**MOB**	**Hospitals & Healthcare Facilities**	**Total**
Canada[1]	100%	—%	5.2	—	**5.2**
Brazil	—%	100%	—	20.4	**20.4**
Germany	100%	—%	8.8	—	**8.8**
Vital[1]	25%	75%	5.5	20.8	**19.0**
Australia REIT[1]	36%	64%	9.7	17.8	**15**

Notes

1 Excluding development projects.

Lease Indexation

As at March 31, 2018, over 70.7% of the REIT's revenue (95.1% of the International Portfolio) is subject to inflationary adjustments and market reviews. The below table summarizes the percentage of revenue by region which receives the benefit of regular inflationary adjustments:

Revenue Subject to Inflationary/Market Based Adjustments	
As at March 31, 2018	**% of Revenue** [(1)]
Canada	—%
Brazil	100.0%
Germany	91.1%
Vital	91.1%
Australia REIT	98.7%
International Total/Weighted Average	**95.1%**
Portfolio Total / Weighted Average	**70.7%**

Notes

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

Leasing Activity

LEASING ACTIVITY						
	Three months ended March 31, 2018					
in thousands of square feet	**Canada**	**Brazil**	**Germany**	**Vital Trust (1)**	**Australia REIT**	**Total**
Opening Occupancy	91.2%	100.0%	96.1%	99.1%	98.5%	95.9%
Opening Balance	3,491	1,493	957	2,556	1,235	9,732
Acquisition	—	—	290	—	—	290
Disposition	(381)	—	—	—	—	(381)
Expires and Early Terminations	(134)	—	(71)	(185)	(6)	(396)
Renewal	101	—	64	185	6	356
New Leasing	54	—	10	1	1	66
Other	(14)	—	—	1	—	(13)
Closing Balance	3,117	1,493	1,250	2,558	1,236	9,654
Closing Occupancy	**91.4%**	**100.0%**	**97.2%**	**99.3%**	**98.5%**	**96.3%**

Notes

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

Canada

During the quarter the REIT completed 101 thousand square feet of renewal leasing, representing a 79% renewal rate. The REIT completed the renewals at an initial net rent of $19.16 per square foot versus an expiring net rent per square foot of $19.90 per square foot, a 3.7% decrease. Excluding two non-medical tenant renewals, the initial renewing net rent versus expiring rent per square foot was essentially flat, at $20.17 per square foot versus $20.27 per square foot, respectively.

During the quarter the REIT also completed 54 thousand square feet of new leasing at an initial net rent of $15.70 per square foot.

As at March 31, 2018 the REIT had 81 thousand square feet of committed leasing against future expiries at an initial net rent of $19.46 per square foot versus expiring net rent per square foot of $18.80, an increase of $0.66 per square foot or 3.5%. The REIT also had 38 thousand square feet of committed leasing against vacant space at an initial net rent of $13.55 per square foot.

Expiring net rent increased slightly to $17.83 per square foot in the first quarter 2018, from $17.96 per square foot in the fourth quarter 2017 mainly due to the higher 2018 operating costs and tax pre-bill rate adjustments on gross leases.

EXPIRING NET RENT ($PSF)		
March 31, 2018		
	Canada	
Month-to-Month	$	15.97
2018	$	17.34
2019	$	16.21
2020	$	17.85
2021	$	18.79
2022	$	16.01
2023+	$	18.64
Total Expires	$	17.83

Brazil

The REIT's Brazil properties are subject to long term leases (portfolio WALE of 20.4 years) and there was no leasing activity during the quarter.

Germany

During the quarter, the REIT completed 64 thousand square feet of renewal leasing. These renewals were completed at an initial net rent of €9.63 per square foot versus an expiring net rent per square foot of €9.63, a 1% decrease. Drop in average rents was due to one tenant whose rent was adjusted to market on renewal.
During the quarter the REIT completed 10 thousand square feet of new leasing at an initial average net rent of €8.17 per square foot. The lower rental rate this quarter is the result of higher weighting of new leasing in our Leipzig portfolio.

EXPIRING NET RENT (€PSF)	
March 31, 2018	
	Germany
Month-to-Month	€ 11.58
2018	€ 9.66
2019	€ 10.05
2020	€ 10.11
2021	€ 13.22
2022	€ 11.80
2023+	€ 9.31
Total Expires	€ 10.14

Vital Trust

Vital Trust's properties are generally subject to long term leases, and as such there was no material leasing activity during the quarter other than the 185 thousand square feet of renewal leasing by exercising renewal options. These renewals were completed at an initial net rent per square foot of NZ$39.48 versus expiring net rent of NZ$39.26, a decrease of 0.6% due to negative foreign exchange movement due to strengthening of the Australian dollar relative to the New Zealand dollar. The renewals of the leases in Australia were completed at an initial net rent per square foot of A$36.72 versus A$35.95, an increase of 2.1%.

Australia REIT

The Australia REIT's properties are generally subject to long term leases, and as such there was no material leasing activity during the quarter other than, the 3 renewal leasing deals totaling 6 thousand square feet. These renewals were completed at an initial rent of A$51.72 versus an expiring rent of A$50.18, a 3.1% increase.

FUNDS FROM OPERATIONS ("FFO")

FFO is a supplemental non-IFRS industry wide financial measure of a REIT's operating performance. The REIT calculates FFO based on certain adjustments to net income (computed in accordance with IFRS) as detailed below. Other adjustments may be made to FFO as determined by management at their discretion. REALpac has established a standardized definition of FFO in a White Paper dated February 2018 ("**REALpac Guidance**"). The REIT's FFO definition differs from the REALpac Guidance in that the REIT excludes the revaluation of financial liabilities in its calculation of FFO.

FUNDS FROM OPERATIONS

Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended March 31,		
	2018	**2017**	**Variance**
Net income (loss) attributable to unitholders	**$ 958**	**$ 49,799**	**$ (48,841)**
Add / (Deduct):			
(i) Fair market value losses (gains)	(13,786)	(57,972)	44,186
Less: Non-controlling interests' share of fair market value losses (gains)	6,302	21,538	(15,236)
(ii) Finance cost - Exchangeable Unit distributions	3,542	3,800	(258)
(iii) Revaluation of financial liabilities	13,340	1,539	11,801
(iv) Unrealized foreign exchange loss (gain)	1,136	(3,979)	5,115
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	3,509	3,935	(426)
(v) Deferred taxes	8,016	11,434	(3,418)
Less: Non-controlling interests' share of deferred taxes	(3,698)	(2,609)	(1,089)
(vi) Transaction costs	402	88	314
(vii) Net adjustments for equity accounted entities	—	(4,111)	4,111
(viii) Internal leasing costs	542	465	77
(ix) Net loss on disposal of investment properties	1,771	—	1,771
(x) Gain on business combination	—	—	—
(xi) Amortization of finance leases	(79)	—	(79)
(xii) Other FFO adjustments	1,232	597	635
Funds From Operations ("FFO") (1)	**$ 23,187**	**$ 24,524**	**$ (1,337)**
FFO per Unit - Basic	$ 0.19	$ 0.26	$ (0.07)
FFO per Unit - fully diluted (3)	$ 0.19	$ 0.24	$ (0.05)
Adjusted weighted average units outstanding (2)			
Basic	120,137,990	94,212,738	25,925,252
Diluted (3)	140,841,738	120,722,716	20,119,022

Notes

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

(2) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 17,708,065 Class B LP Units outstanding as at March 31, 2018 and 18,998,065 outstanding as at December 31, 2017.

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

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

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

FAIR MARKET VALUE LOSSES (GAINS)			
Expressed in thousands of Canadian dollars	Three months ended March 31,		
	2018	2017	Variance
Fair market value losses (gains)			
Fair value adjustment of Convertible Debentures	$ (2,889)	$ 6,568	$ (9,457)
Fair value adjustment of Exchangeable Units	(1,564)	6,649	(8,213)
Fair value adjustment of investment properties	(8,036)	(72,490)	64,454
Loss (Gain) on derivative financial instruments	(1,148)	878	(2,026)
Fair value adjustment of DUP liability	(149)	423	(572)
Total	**$ (13,786)**	**$ (57,972)**	**$ 44,186**

Additional details are below:

(a) Convertible Debentures

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

(b) Exchangeable Units and DUP Liability

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

(c) Investment properties

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

(d) Derivative financial instruments

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

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

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

(iii) **Revaluation of financial liabilities**

Over the term of the loan, the Brazil Securitization Financings are adjusted by the inflation rate (IPCA) from the date of inception of these liabilities to their respective maturities. The accretion expense is treated as a fair value adjustment to the Brazil Securitization Financings and therefore adjusted for when calculating FFO. Although this adjustment is not consistent with REALpac Guidance, the REIT believes the adjustment is consistent with industry practice.

During the three months ended March 31, 2018, the REIT repurchased the rental stream from its Hospital Sabara property that was securitized (the "Sabara Securitization Facility") which had a fair value at the time of payment of $19.7 million (R$50.4 million). The unamortized accounting balance of the securitized rental stream recorded at the time of repayment was $8.3 million (R$21.1 million), which resulted in a revaluation adjustment of $11.4 million (R$29.2 million) being recorded upon repayment.

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

Under IFRS, financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. The REIT's unrealized foreign exchange movements for the periods relate primarily to the revaluation of the Australasian debt which are denominated in Australian and/or New Zealand dollars and held by a Canadian and/or New Zealand subsidiary of the REIT. Consistent with REALpac Guidance, the foreign exchange movements on the indebtedness associated with the REIT's investment in Vital Trust has been added back to the REIT's net income, as it relates to borrowings that arise due to the REIT's interest in a foreign operation (Vital Trust).

(v) **Deferred taxes**

Under IFRS, the REIT has recorded deferred tax liabilities in Germany, Brazil, Vital Trust and the Australia REIT arising primarily due to the difference between the book value and tax cost of its investment properties. Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, deferred taxes have been added back to its net income.

(vi) **Transaction costs**

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

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

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

(viii) **Internal leasing costs**

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

(ix) **Net loss on disposal of investment properties**

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

(x) **Gain on business combination**

Consistent with REALpac Guidance the REIT has adjusted FFO for the gain recognized on acquisitions accounted for as a business combination.

(xi) **Amortization of finance leases**

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

(xii) **Other FFO adjustments**

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

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

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

In February 2018, REALpac issued a White Paper with recommendations for the calculation of AFFO. The REIT's AFFO definition differs from the recently-issued REALpac Guidance in that the REIT excludes the revaluation of financial liabilities, amortization of transactional deferred financing charges, debt mark-to-market adjustments, DUP compensation expense, and debt repayment costs in its AFFO calculations.

ADJUSTED FUNDS FROM OPERATIONS

Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended March 31,		
	2018	2017	Variance
Funds From Operations ("FFO") (1)	**$ 23,187**	**$ 24,524**	**$ (1,337)**
Add / (Deduct):			
(i) Amortization of marked to market adjustment	(616)	(766)	150
(ii) Amortization of transactional deferred financing charges	1,964	252	1,712
(iii) Straight-line revenue	298	304	(6)
Less: non-controlling interests' share of straight-line revenue	(156)	(357)	201
(iv) Leasing costs and non-recoverable maintenance capital expenditures	(2,870)	(3,022)	152
Less: non-controlling interests' share of actual capex and leasing costs	72	492	(420)
(v) DUP Compensation Expense	685	1,189	(504)
(vi) Debt repayment costs	2,506	—	2,506
(vii) Net adjustments for equity accounted entities	—	(112)	112
Adjusted Funds From Operations ("AFFO") (1)	**$ 25,070**	**$ 22,504**	**$ 2,566**
AFFO per Unit - Basic	$ 0.21	$ 0.24	$ (0.03)
AFFO per Unit - fully diluted (3)	$ 0.20	$ 0.23	$ (0.03)
Distributions per Unit - Basic	$ 0.20	$ 0.20	$ —
Adjusted weighted average units outstanding: (2)			
Basic	120,137,990	94,212,738	25,925,252
Diluted (3)	140,841,738	117,622,716	23,219,022

Notes

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

(2) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 17,708,065 Class B LP Units outstanding as at March 31, 2018 and 18,998,065 outstanding as at December 31, 2017.

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

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

(i) Amortization marked to market adjustment

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

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

Under IFRS, the REIT has recorded amortization of deferred financing charges. The REIT believes the amortization of deferred financing charges to be a proxy for the financing fees incurred over the term of the related debt and thus does not make an adjustment to AFFO for amortization financing charges, except for the amortization of fees related to short-term transaction related financings, which the REIT adds back to AFFO to reflect a stabilized business environment.

(iii) **Straight-line revenue**

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

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

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

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

(v) **DUP Compensation Expense**

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

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

(vi) **Debt repayment costs**

During the three months ended March 31, 2018, the REIT has incurred debt repayment costs of $2.5 million related to the early repayment of the mortgage related to Dundas Edward Centre in Canada which was sold in the first quarter. During the three months ended March 31, 2017 the REIT did not incur any debt repayment costs.

NORMALIZED AFFO

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

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

Expressed in thousands of Canadian dollars, except per unit amounts		Q1 2018	Q1 2018 Per Unit	Q1 2018 Annualized	Annualized Per Unit
AFFO as reported		**$ 25,070**	**$ 0.21**	**$ 100,280**	
Normalization adjustments [1]:					
(2)	Acquisition and disposition activities			4,053	
(3)	Accrued indexation related to Brazil leases			699	
(4)	ANZ manager and activity fees			4,106	
(5)	Saving on interest expenses on debt optimization during the quarter			4,502	
(6)	Potential debt optimization post quarter			4,899	
(7)	One-time items			(9,101)	
(8)	On-going developments at the Australia REIT			997	
Normalized AFFO on an annualized basis				**$ 110,435**	**$ 0.92**
Weighted average units outstanding for the Q1 2018 period (000s)					120,138
(9)	Normalization adjustment				162
Normalized Units Outstanding (000s) - March 31, 2018					120,300

Details of adjustments from AFFO to Normalized AFFO are as follows:

(1) Represents the full year effect of items recognized in the quarter that are seasonal; the full year effect of transactions that have closed during the quarter; and the full year effect of transactions that have closed in the subsequent quarter; all that will have an impact on future quarters.

(2) To reflect the impact of the REIT's net investment activity completed during and post quarter as disclosed in **HIGHLIGHTS FOR THE QUARTER**, **SUBSEQUENT EVENTS** and **INVESTMENT PROPERTIES** as summarized below:

Investment Activity

Expressed in thousands of Canadian dollars, except per unit amounts

Annualized, Q1 2018	Value	NOI	Implied capitalization rate	Normalized AFFO	Reported AFFO	Adjustment
				(a)	(b)	(a) - (b)
Dispositions	(167,000)	(6,413)	3.8%	(2,074)	(1,383)	(691)
Acquisitions	160,896	10,488	5.7%	5,935	1,191	4,744
Total	**$ (6,104)**	**$ 4,075**		**$ 3,861**	**$ (192)**	**$ 4,053**

(3) To reflect the estimated impact of contracted inflation (IPCA) indexation on current net rents of Brazilian leases based on the actual YTD IPCA of 1.3% and Q1 2018 average exchange rates.

(4) To reflect the estimated increase in the ANZ Manager's base management fees net of non-controlling interests and taxes, converted at Q1 2018 average foreign exchange rates assuming a total gross asset value ("GAV") of $2.4 billion representing the combined GAV of Vital Trust and Australia REIT as at March 31, 2018.

(5) To reflect the impact of the REIT's net financing activity completed during and post quarter as disclosed in **HIGHLIGHTS FOR THE QUARTER**, **SUBSEQUENT EVENTS** and **CAPITALIZATION AND LIQUIDITY** as summarized below:

Financing Activity

Expressed in thousands of Canadian dollars

	Value	Interest Rate %	Normalized interest expense	Reported interest expense	Quarterly interest savings	Annualized interest savings
Adjustments to reflect full quarter activity:			(a)	(b)	(c)=(a)-(b)	(c) * 4
Corporate credit facility draws	(123,000)	3.76%	(1,156.2)	(932)	(224)	(896)
Corporate credit facility repayments	45,000	5.88%	—	(628)	628	2,510
Canadian mortgage repayments	546,854	3.62%	(4,950)	(5,672)	722	2,888
Total	**$ 468,854**		**$ (6,106)**	**$ (7,232)**	**$ 1,126**	**$ 4,502**

(6) To reflect the estimated impact of potential debt optimization post-quarter as summarized below:

Debt Optimization

Expressed in thousands of Canadian dollars

	Value	Interest Rate %	Normalized interest expense	Reported interest expense	Quarterly interest savings	Annualized interest savings
Adjustments to reflect potential debt optimization post quarter:			(a)	(b)	(c)=(a)-(b)	(c) * 4
Repayment of high cost debt	(151,480)	8.00%	—	(3,029)	3,029	12,116
Potential debt optimization - refinancing (incl. transaction costs)	144,322	5.00%	(1,804)	—	(1,804)	(7,217)
Total	**$ (7,158)**		**$ (1,804)**	**$ (3,029)**	**$ 1,225**	**$ 4,899**

(7) To eliminate the annualized impact of one-time, non-recurring items during the quarter related to (i) the repayment of the Sabara Securitization Facility in March 2018 which resulted in a one-time rental revenue catch up adjustment of $0.6 million (R$1.6 million) and (ii) a stabilized level of interest income in Brazil reflecting redeployment of liquidity on the balance sheet.

(8) To reflect the estimated impact of the completion of Australia REIT's $85.3 million of development activity as discussed under **DEVELOPMENT ACTIVITY.**

(9) To adjust unit count to period end number of units outstanding.

DISTRIBUTIONS

For the three months ended March 31, 2018, the REIT declared a total of $24.0 million, respectively, in distributions, including distributions on Exchangeable Units. These distributions reflect an annualized distribution rate of $0.80 per unit per annum.

For the three months ended March 31, 2017, the REIT declared a total of $19.4 million, respectively, in distributions, including distributions on Exchangeable Units. These distributions reflect an annualized distribution rate of $0.80 per unit per annum.

Distribution Reinvestment Plan

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

During the three months ended March 31, 2018, a total of 180,057 trust units were issued under the DRIP (three months ended March 31, 2017, a total of 142,291 trust units).

For the three months ended March 31, 2018 the REIT's DRIP participation rate was 9.4% (three months ended March 31, 2017 - 8.6%).

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

DIFFERENCES BETWEEN CASH FLOW FROM OPERATIONS/NET INCOME AND CASH DISTRIBUTIONS

Expressed in thousands of Canadian dollars	Three months ended March 31, 2018	Three months ended March 31, 2017
Net income (loss) attributable to unitholders	$ 958	$ 49,799
Add: Finance cost - Exchangeable Unit distributions	3,542	3,800
Adjusted net income (loss)	$ 4,500	$ 53,599
Cash flow from operating activities attributable to unitholders	$ 14,632	$ 18,156
Distributions paid and payable		
Trust Units	$ 20,496	$ 15,619
Exchangeable Units	3,542	3,800
	$ 24,038	$ 19,419
Surplus (shortfall) of adjusted net income (loss) attributable to unitholders over distributions paid and payable	$ (19,538)	$ 34,180
Surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	$ (9,406)	$ (1,263)
Value of Trust Units issued pursuant to the DRIP	$ 1,934	$ 4,821

During three months ended March 31, 2018, the REIT's cash flow from operating activities were insufficient to pay distributions. For the three months ended March 31, 2018, the table above identifies $9.4 million, of distributions that were financed from other sources being primarily draws on the REIT's Revolving Credit Facility and the DRIP. For the three months ended March 31, 2018, a significant driver of the shortfall relates to changes in non-cash working capital balances, which for the quarter were a use of operating cash flow of $9.0 million. Working capital can fluctuate from quarter to quarter depending on timing of cash receipts/payments.

Participants in the REIT's DRIP have their distribution entitlement used to purchase Trust Units and also receive a "bonus distribution" of Trust Units equal in value to 3% of each distribution. During the three months ended March 31, 2018, there was $1.9 million in value of Trust Units issued, under the DRIP (three months ended March 31, 2017, there was $4.8 million in value of Trust Units). While reducing the cash required to settle the REIT's distributions, the Trust Units issued, pursuant to the DRIP, may in future result in additional cash distributions, should the holders of these Trust Units opt out of the DRIP.

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

In assessing its distribution policy, the REIT considers not only cash flows from operating activities (attributable to unitholders) but also AFFO. Due to the timing of cash receipts relating to certain adjustments affecting AFFO and the fact that certain AFFO adjustments are non-cash, a portion of the 2018 distributions were funded by financing activities. The REIT believes that it is able to sustain distributions in the near term as the REIT measures distributions in relation to AFFO and the REIT believes it will be able to obtain new financing to meet its cash flow requirements due to the timing of cash receipts relating to certain adjustments affecting AFFO.

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

REIT's distributions during 2017 were deemed a 100% return of capital for tax purposes. The composition for tax purposes may change over time thus affecting the after-tax return to a Unitholder. The REIT has chosen to make distributions partly representing an economic return on capital for tax purposes as its distribution policy is based on AFFO earned rather than the expected tax attributes of the distributions.

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

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

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

RECONCILIATION OF CASH FLOW FROM OPERATIONS TO AFFO			
Expressed in thousands of Canadian dollars	**Three months ended March 31,**		
	2018	**2017**	**Variance**
Cash flow from operating activities	**$ 21,471**	**$ 24,953**	**$ (3,482)**
Add (deduct):			
Non-cash interest expense	(2,858)	(1,327)	(1,531)
Non-cash current taxes	860	(2,891)	3,751
Changes in non-cash working capital balances	9,028	4,395	4,633
AFFO of equity accounted entities	—	(4,223)	4,223
Other FFO adjustments	1,232	597	635
Internal leasing costs	542	465	77
Amortization of recurring financing charges	(896)	(647)	(249)
Non-recurring transaction costs	402	88	314
Leasing costs and non-recoverable maintenance capital expenditures	(2,870)	(3,022)	152
Interest income	1,800	—	1,800
Amortization of deferred revenue	—	307	(307)
Straight-line revenue	298	304	(6)
Redemption of units issued under the DUP	1,145	212	933
Amortization of furniture and office equipment	29	(382)	411
Foreign exchange	(143)	—	(143)
Debt repayment costs	2,506	—	2,506
Share of profit (loss) from associates	—	5,411	(5,411)
AFFO attributable to non-controlling interest	(7,476)	(1,736)	(5,740)
	$ 3,599	$ (2,449)	$ 6,048
AFFO	**$ 25,070**	**$ 22,504**	**$ 2,566**

QUARTERLY PERFORMANCE

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

QUARTERLY PERFORMANCE								
Expressed in thousands of Canadian dollars except per unit amounts	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16
Summary of Financial information								
Gross Book Value ("GBV") (1)	$ 4,758,598	$ 4,684,028	$ 4,454,086	$ 4,161,721	$ 3,645,527	$ 3,328,533	$ 3,166,994	$ 2,914,693
Debt - Declaration of Trust (2)	$ 2,230,749	$ 2,190,179	$ 2,079,307	$ 1,810,466	$ 1,480,961	$ 1,382,785	$ 1,364,757	$ 1,402,740
Debt to GBV - Declaration of Trust	46.9%	46.8%	46.7%	43.5%	40.6%	41.5%	43.1%	48.1%
Debt - Including Convertible Debentures (2)	$ 2,524,660	$ 2,487,036	$ 2,421,546	$ 2,151,363	$ 1,819,363	$ 1,714,619	$ 1,620,846	$ 1,578,387
Debt to GBV - Incl. Convertible Debentures	53.1%	53.1%	54.4%	51.7%	49.9%	51.5%	51.2%	54.2%
Operating results								
Revenue from investment properties	$ 88,248	$ 84,436	$ 83,932	$ 73,134	$ 72,464	$ 81,783	$ 66,488	$ 64,170
Net income (loss)	$ 14,463	$ 60,119	$ (71,213)	$ 161,799	$ 74,534	$ 100,846	$ 3,633	$ 25,838
NOI (3)	$ 66,177	$ 63,229	$ 61,805	$ 54,131	$ 52,894	$ 63,557	$ 48,277	$ 46,056
FFO (3)	$ 23,187	$ 23,009	$ 24,123	$ 25,912	$ 24,524	$ 21,354	$ 21,432	$ 17,710
AFFO (3)	$ 25,070	$ 22,403	$ 23,310	$ 25,154	$ 22,504	$ 18,641	$ 17,304	$ 17,104
Distributions (4)	$ 24,038	$ 23,990	$ 21,322	$ 21,291	$ 19,419	$ 17,674	$ 17,652	$ 16,173
Per Unit amounts (5)								
FFO per unit - Basic	$ 0.19	$ 0.19	$ 0.23	$ 0.24	$ 0.26	$ 0.24	$ 0.25	$ 0.22
AFFO per unit - Basic	$ 0.21	$ 0.19	$ 0.22	$ 0.24	$ 0.24	$ 0.21	$ 0.20	$ 0.22
Distributions	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Adjusted Weighted Average units outstanding (5)								
Basic	120,137,990	118,191,998	106,585,010	106,015,975	94,212,738	88,366,983	86,344,032	78,982,759

Notes

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

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

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

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

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

PART IV – CAPITALIZATION AND LIQUIDITY

CAPITAL STRUCTURE

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

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

The following table shows the REIT's total capital as at March 31, 2018 and December 31, 2017:

CAPITAL STRUCTURE		
Expressed in thousands of Canadian dollars	As at March 31, 2018	As at December 31, 2017
Mortgages and loans payable	$ 2,230,749	$ 2,132,356
Deferred consideration	—	38
Mortgages related to assets held for sale	—	57,785
Debt - Declaration of Trust (1)	**2,230,749**	**2,190,179**
Convertible Debentures at Fair Value	293,911	296,857
Debt - Including Convertible Debentures (1)	**2,524,660**	**2,487,036**
Mortgages and loans payable - marked to market	4,760	5,376
Mortgages and loans payable - unamortized financing costs	(21,807)	(22,765)
Total Debt	2,507,613	2,469,647
DUP Liability	16,603	18,009
Class B LP Exchangeable Units	199,570	216,008
Unitholders' equity	1,002,500	947,670
Total Capitalization	**$ 3,726,286**	**$ 3,651,334**

Notes

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

Unitholders' Equity

The following table reconciles the movements in the units outstanding for the three months ended March 31, 2018:

UNITS OUTSTANDING	
Trust Units outstanding, December 31, 2017	**101,039,187**
Issuance of Trust Units under the DRIP	180,057
Issuance of Trust Units under the DUP	78,200
Issuance of Trust Units pursuant to conversion of Convertible Debentures	4,800
Issuance of Trust Units pursuant to conversion of Exchangeable Units	1,290,000
Trust Units outstanding, March 31, 2018	**102,592,244**

Class B LP Units

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

On January 31, 2018, the REIT converted 1,290,000 Class B units to Trust units. There were 17,708,065 Exchangeable Units outstanding as at March 31, 2018 (December 31, 2017 - 18,998,065).

Debt

DEBT

Expressed in thousands of Canadian dollars

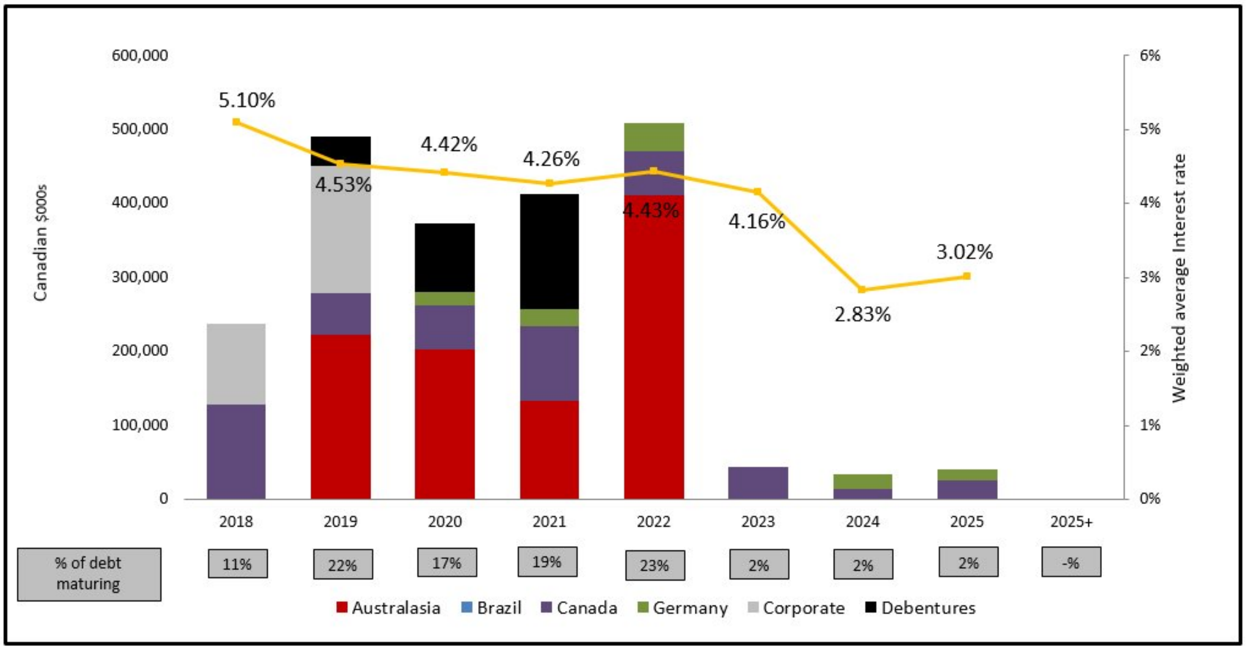
	As at March 31, 2018					
	Weighted Average Interest Rate (1)	**Outstanding Balance**	**Marked to Market**	**Unamortized Financing Costs**	**Balance**	**Maturity**
Canada mortgages	3.62% $	546,584 $	4,760 $	(1,215) $	550,129	May 2018 - January 2029
Brazil debt (2)	7.28%	223,946	—	(10,513)	213,433	May 2026 - November 2027
Germany mortgages	2.10%	196,120	—	(1,792)	194,328	August 2020 - January 2028
Australasia term loans	4.50%	971,333	—	(5,028)	966,305	March 2019 - December 2022
Corporate debt	5.45%	282,798	—	(3,259)	279,539	July 2018 - November 2019
	4.47% $	**2,220,781 $**	**4,760 $**	**(21,807) $**	**2,203,734**	
Finance Lease	7.00%	9,968	—	—	9,968	February 2088
Total Mortgages and Loans Payable	**4.48% $**	**2,230,749 $**	**4,760 $**	**(21,807) $**	**2,213,702**	
Deferred Consideration	n/a	—	—	—	—	n/a
Total Debt excluding Convertible Debentures	**4.48% $**	**2,230,749 $**	**4,760 $**	**(21,807) $**	**2,213,702**	
Convertible Debentures (Corporate)	5.57%	287,029	6,882	—	293,911	October 2019 - December 2021
Total Debt	**4.61% $**	**2,517,778 $**	**11,642 $**	**(21,807) $**	**2,507,613**	
	As at December 31, 2017					
	Weighted Average Interest Rate (1)	**Outstanding Balance**	**Marked to Market**	**Unamortized Financing Costs**	**Balance**	**Maturity**
Canada mortgages	3.83% $	582,684 $	5,376 $	(1,344) $	586,716	July 2018 - January 2029
Brazil debt (2)	7.28%	221,208	—	(10,803)	210,405	May 2026 - November 2027
Germany mortgages	1.91%	137,608	—	(1,458)	136,150	August 2020 - December 2027
Australasia term loans	3.96%	897,672	—	(4,725)	892,947	July 2018 - November 2021
Corporate debt	5.26%	293,184	—	(4,435)	288,749	July 2018 - November 2019
	4.31% $	**2,132,356 $**	**5,376 $**	**(22,765) $**	**2,114,967**	
Finance Lease	7.00%	9,802	—	—	9,802	February 2088
Total Mortgages and Loans Payable	**4.33% $**	**2,142,158 $**	**5,376 $**	**(22,765) $**	**2,124,769**	
Deferred Consideration	n/a	38	—	—	38	n/a
Total Debt excluding Convertible Debentures	**4.33% $**	**2,142,196 $**	**5,376 $**	**(22,765) $**	**2,124,807**	
Convertible Debentures (Corporate)	5.57%	287,083	9,774	—	296,857	October 2019 - December 2021
Total Debt	**4.47% $**	**2,429,279 $**	**15,150 $**	**(22,765) $**	**2,421,664**	

Notes

(1) Weighted average interest rate of total debt has been calculated excluding deferred consideration.

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

The following chart summarizes, as at March 31, 2018, the REIT's debt maturities:



Additional details on the maturities of the REIT's mortgages and loans payables are detailed below:

DEBT MATURITIES

Expressed in thousands of Canadian dollars	Canada		Brazil		Germany		Australasia		Corporate	
	Total debt payable	**WAIR**	**Total debt payable**	**WAIR**	**Total debt payable**	**WAIR**	**Total debt payable**	**WAIR**	**Total debt payable**	**WAIR**
2018	$ 139,054	3.54 %	$ 14,052	—%	$ 4,300	—%	$ —	—%	$110,278	6.91%
2019	69,250	3.58 %	19,934	—%	5,266	—%	222,943	4.30%	172,520	4.52%
2020	71,381	4.01 %	21,397	—%	22,262	1.42%	203,531	4.30%	—	—%
2021	109,432	3.12 %	22,968	—%	28,313	2.46%	132,901	4.30%	—	—%
2022	65,032	3.81 %	24,656	—%	42,696	1.74%	411,958	4.77%	—	—%
2023	47,584	4.16 %	26,471	—%	3,422	—%	—	—%	—	—%
2024	16,452	4.30 %	28,422	—%	23,182	1.80%	—	—%	—	—%
2025	26,628	3.50 %	30,518	—%	17,601	2.21%	—	—%	—	—%
2026	541	— %	24,543	—%	2,389	—%	—	—%	—	—%
2027 and thereafter	1,230	— %	10,985	—%	46,689	2.80%	—	—%	—	—%
	$ 546,584	3.62 %	$ 223,946	7.28%	$ 196,120	2.10%	$ 971,333	4.50%	$ 282,798	5.45%
Marked to market premium	4,760	(0.9)%	—	—	—	—	—	—	—	—
	$ 551,344	2.75 %	$ 223,946	7.28%	$ 196,120	2.10%	$ 971,333	4.50%	$ 282,798	5.45%
Unamortized financings costs	(1,215)		(10,513)		(1,792)		(5,028)		(3,259)	
Total	$ 550,129		$ 213,433		$ 194,328		$ 966,305		$ 279,539	

The table below summarizes the movements in the REIT's mortgages and loans during the three months ended March 31, 2018:

DEBT CONTINUITY

	Canada Mortgages	Brazil Debt	Germany Mortgages	Australasia Term Loans	Corporate Debt	Total
Opening balance, January 1, 2018	**$ 586,716**	**$ 210,405**	**$ 136,150**	**$ 892,947**	**$ 288,749**	**$ 2,114,967**
Principal amortization	(4,349)	—	(1,162)	—	—	(5,511)
Assumed debt	—	—	11,761	—	—	11,761
Repayments	(31,751)	(4,439)	—	(258,158)	(101,000)	(395,348)
Refinancing	—	—	—	—	85,500	85,500
Advances	—	—	39,634	321,931	—	361,565
Additional financing fees incurred	(9)	—	(319)	(702)	(433)	(1,463)
Amortization of finance fees	138	521	73	365	1,763	2,860
Amortization of mark-to-market	(616)	—	—	—	—	(616)
Inflation adjustment	—	1,954	—	—	—	1,954
Foreign exchange adjustment	—	4,992	8,191	9,922	4,960	28,065
Ending balance, March 31, 2018	**$ 550,129**	**$ 213,433**	**$ 194,328**	**$ 966,305**	**$ 279,539**	**$ 2,203,734**

During the three months ended March 31, 2018, the REIT repaid $31.8 million in Canadian mortgages and $101.0 million in Corporate debt using the proceeds from the sale of Dundas-Edward Centre and additional draws from the revolving credit facility ($85.5 million). The REIT purchased three properties in Germany, two of which involved new mortgages ($39.6 million) and one assumed mortgage ($11.8 million). The REIT had drawn further on the ANZ syndicated facility ($321.9 million), partially used to repay the term loans and previous revolving credit facility (repaid in full in February 2018) as well as to fund the acquisition of remaining 50% of Epworth Freemasons Hospital.

Finance Lease Payable

The lease of land on which one of Australia REIT's investment properties is built is accounted for as a finance lease. The remaining term of the lease at March 31, 2018 was 69 years. There is no purchase option.

Convertible Debentures

The following table summarizes, as at March 31, 2018, the REIT’s Convertible Debentures:

CONVERTIBLE DEBENTURES

Expressed in thousands of Canadian dollars	Fair Value (1)	Face Value	Interest Rate	Conversion Price per Unit	Maturity Date	Interest Payment Dates
As at March 31, 2018						
Series NWH.DB	41,055	40,250	5.25%	$ 14.20	**September 30, 2020**	**March 31, September 30**
Series NWH.DB.C	39,427	38,750	7.25%	$ 12.50	**October 31, 2019**	**April 30, October 31**
Series NWH.DB.D	55,074	52,779	5.50%	$ 11.25	**October 31, 2020**	**April 30, October 31**
Series NWH.DB.E	76,245	74,750	5.25%	$ 12.75	**July 31, 2021**	**January 31, July 31**
Series NWH.DB.F	82,110	80,500	5.25%	$ 12.80	**December 31, 2021**	**June 30, December 31**
	$ 293,911	**$ 287,029**	**5.57%**			

Notes

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

During the three months ended March 31, 2018, $0.1 million of the NWH.DB.D debentures were converted to REIT units (three months ended March 31, 2017 - $nil).

DUP Liability

Under IFRS, the REIT's DUP Liability is measured at fair value each reporting period. The fair value of the DUP Liability mirrors the trading price of the REIT Trust Units. As at March 31, 2018 the DUP Liability is $16.6 million (December 31, 2017 - $18.0 million) representing 3,067,901 deferred units of which 1,159,486 are vested but not exercised (December 31, 2017 -3,755,443 deferred units of which 1,433,183 are vested but not exercised).

RATIOS AND COVENANTS

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

The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with a term to maturity that is appropriate having regard to the lease maturity profile for each property and which allows the REIT to (i) achieve and maintain staggered debt maturities to lessen exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix the rates and extend loan terms as long as possible when borrowing conditions are favourable. The following summarizes the status of these key ratios as at and for the three months ended March 31, 2018 and 2017:

RATIOS (1)

Expressed in thousands of Canadian dollars	As at March 31, 2018	As at December 31, 2017
Gross book value (2)	$ 4,758,598	$ 4,684,028
Debt - declaration of trust (3)	$ 2,230,749	$ 2,190,179
Debt to Gross Book Value - Declaration of Trust	**46.9%**	**46.8%**
Debt - including convertible debentures (3)	$ 2,524,660	$ 2,487,036
Debt to Gross Book Value - Including Convertible Debentures	**53.1%**	**53.1%**

	Three months ended March 31,		
	2018	2017	Variance
Income (Loss) before taxes	$ 24,442	$ 90,136	$ (65,694)
Add (deduct):			
Mortgage and loan interest expense	31,234	20,339	10,895
Distributions on Exchangeable Units	3,542	3,800	(258)
Amortization of deferred financing costs	2,860	899	1,961
Amortization of marked to market adjustment	(616)	(766)	150
EBITDA	$ 61,462	$ 114,408	$ (52,946)
Loss on revaluation of financial liabilities	13,340	1,539	11,801
Fair market value losses (gains)	(13,786)	(57,972)	44,186
DUP compensation expense	685	1,189	(504)
Foreign exchange loss (gain)	1,123	(3,989)	5,112
Net loss on disposal of investment properties	1,771	—	1,771
Transaction costs	402	88	314
Less: share of (profit) loss of associates	—	(5,411)	5,411
Add: distribution income from equity accounted associates	—	1,898	(1,898)
Adjusted EBITDA	$ 64,997	$ 51,750	$ 13,247
Mortgage and loan interest expense	$ 31,234	$ 20,339	$ (10,895)
Less: debt repayment costs	(2,506)	—	2,506
Adjusted mortgage and loan interest expense	$ 28,728	$ 20,339	$ (8,389)
Interest coverage	**2.26**	**2.54**	**(0.28)**

Notes

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

LIQUIDITY AND CASH RESOURCES

Cash Resources and Liquidity

CASH AND LIQUIDITY		
Expressed in thousands of Canadian dollars	As at March 31, 2018	As at December 31, 2017
Cash	$ 48,099	$ 71,704
Restricted Cash	370	363
Total	**$ 48,469**	**$ 72,067**

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

The REIT also has a Revolving Credit Facility that provides for additional liquidity. As at March 31, 2018, the drawn balance on the Revolving Credit Facility was $123.0 million of the $248.0 million available to be drawn. The liquidity of the Australasian Secured Financing fluctuates based on the market price (as defined in the agreement) of the pledged units securing the facilities and is currently fully drawn.

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

Contractual cash flows

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

The following table sets out the REIT's contractual cash flows as at March 31, 2018:

CONTRACTUAL CASH FLOWS

Expressed in thousands of Canadian dollars	Carrying amount	Contractual cash flow	2018	2019	2020	2021	2022	Thereafter
Accounts payable and accrued liabilities	$ 61,689	$ 61,689	$ 61,689	$ —	$ —	$ —	$ —	$ —
Distributions payable	6,840	6,840	6,840	—	—	—	—	—
Income tax payable	10,025	10,025	10,025	—	—	—	—	—
Convertible debentures	293,911	337,279	12,957	54,726	106,196	163,400	—	—
Finance lease payable	9,968	9,968	314	403	387	372	357	8,135
Mortgages and loans payable	2,203,734	2,377,811	295,035	521,843	346,801	314,899	561,803	337,430
Total	**$2,586,167**	**$ 2,803,612**	**$386,860**	**$576,972**	**$453,384**	**$478,671**	**$562,160**	**$345,565**

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

The REIT's current liabilities totaled $575.5 million, exceeding current assets of $130.1 million, resulting in a working capital deficiency of $445.4 million as at March 31, 2018.

Current liabilities include:

- The Canadian Non-Revolving Secured Credit Facility with a balance of $51.2 million which matures on May 2, 2018. Subsequent to quarter end, the REIT extended the maturity to May 2, 2019.
- Australasian Secured Financing of $102.3 million maturing in July 2018. The REIT currently expects to renew the facility on or before its maturity or repay through further capital recycling and balance sheet optimization initiatives.
- The Acquisition Facility with an outstanding balance of $8.0 million which matures December 31, 2018. The REIT currently expects to repay or renew the facility on or before its maturity.
- $222.9 million of Vital Trust Term Loans which mature in March 2019. The REIT expects to refinance in the normal course as they mature.
- $108.4 million of Canadian mortgage maturities that the REIT expects to refinance in the normal course as they mature.

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

Changes in Cash

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

NET CHANGE IN CASH [1]

Expressed in thousands of Canadian dollars	Three months ended March 31, 2018		
	2018	**2017**	**Variance**
Cash provided by / (used in):			
Operating activities	$ 21,471	$ 24,953	$ (3,482)
Investing activities	15,598	(99,217)	114,815
Financing activities	(58,083)	114,916	(172,999)
Net increase / (decrease) in cash during the period	**(21,014)**	**40,652**	**(61,666)**
Effect of foreign currency translation	(2,591)	469	(3,060)
Net increase / (decrease) in cash during the period	**$ (23,605)**	**$ 41,121**	**$ (64,726)**

Operating activities

Cash provided by operating activities totaled $21.5 million for the three months ended March 31, 2018 as compared to cash flow provided by operating activities of $25.0 million for the three months ended March 31, 2017, a decrease of $3.5 million. Of this decrease, $4.6 million relates to working capital movements, $9.4 million relates to an increase in mortgage and loan interest paid, a increase to taxes paid of $1.5 million and a decrease in management fee revenue of $0.4 million, $0.9 million relates to an increase in general and administrative expenses, net of DUP expense, and $0.9 million relates to an increase in DUP redemptions, partially offset by NOI improvements of $13.3 million.

Investing activities

Cash used by investing activities totaled $15.6 million for the three months ended March 31, 2018, which is primarily due to $129.8 million related to acquisitions of investment properties, and $16.9 million of additions to investment properties; offset by the net proceeds from disposal of investment properties of $162.5 million.

Financing activities

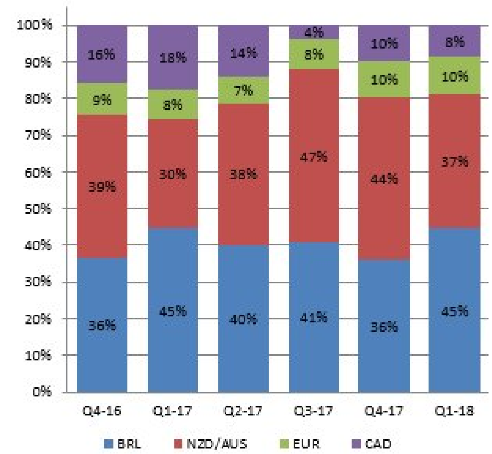
Cash used in financing activities totaled $58.1 million for the three months ended March 31, 2018 as compared to $114.9 million of cash generated from financing activities during the three months ended March 31, 2017.

During the three months ended March 31, 2018 the REIT made net repayments, to mortgages, loans payable and credit facilities of $8.7 million, paid financing fees of $1.5 million, paid distributions to REIT unitholders of $22.0 million, paid distributions to non-controlling unitholders of Vital Trust and the Australia REIT of $5.8 million, settled securitization repayment of $19.6 million related to Hospital Sabara in Brazil, and paid net advances to related parties of $0.5 million.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months ended March 31, 2018, approximately 92% of the REIT's AFFO was conducted in currencies other than Canadian dollars, while its distributions to Unitholders, certain general and administrative expenses, interest expenses and interest income were denominated in Canadian dollars. A summary of the REIT's currency exposure by quarter for the last five quarters is presented below:

AFFO by Currency by Quarter [1]



Trading Range

(Against CAD)	BRL	EUR	NZD	AUD
Three months ended March 31, 2018:				
High	0.4128	1.5298	0.8816	1.0127
Low	0.3205	1.4081	0.8313	0.9659
Average	0.3893	1.5543	0.9194	0.9937
Balance Sheet:				
March 31, 2018	0.3899	1.5874	0.9321	0.9904
December 31, 2017	0.3809	1.5084	0.8900	0.9805
Profit & Loss:				
Q1 2018 Average Rate	0.3893	1.5543	0.9194	0.9937
Q4 2017 Average Rate	0.3909	1.4965	0.8850	0.9766
Q3 2017 Average Rate	0.3961	1.4729	0.9157	0.9897
Q2 2017 Average Rate	0.4193	1.4795	0.9481	1.0102
Q1 2017 Average Rate	0.4211	1.4099	0.9413	1.0028

Notes

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

For the three months ended March 31, 2018, a portion of the AFFO generated in foreign currencies was retained in those foreign currencies to provide funds for operations, future investments in those foreign jurisdictions and to minimize currency conversion costs, while a portion has been repatriated back to Canada to fund distributions, interest payments and other corporate expenses.

For the three months ended March 31, 2018, Canadian dollar AFFO was $2.1 million while Canadian dollar distributions paid in cash to unitholders totaled $24.0 million. Deficiencies were funded from cash repatriated to Canada from Brazil, Germany, Australia, and New Zealand and the draws on the Revolving Credit Facility.

As at March 31, 2018 the REIT held approximately $6.0 million of cash and receivables denominated in Canadian Dollars.

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

The REIT intends to implement its formal hedging policy, when necessary, practicable and economically feasible to do so, to mitigate the impact of foreign currency fluctuations and to provide more certainty regarding the payment of distributions to unitholders if the Canadian dollar increases in value compared to foreign currencies. The REIT's current hedging arrangements include natural currency hedges through local-currency denominated debt, inflation- indexed leases that provide protection against currency devaluation, and exposure to a diversified basket of currencies. Future hedging arrangements may include implementing specific foreign currency hedging derivatives.

The REIT (with the exception of Vital Trust) does not currently have any specific foreign currency hedging derivatives in place.

Each of the REIT's global currencies have seen appreciation against the CAD over the quarter. Specifically, the EURO, BRL, NZD and AUD are up 5.2%, 2.4%, 4.7%, and 1.0% respectively against the CAD since December 31, 2017.

PART V – RELATED PARTY TRANSACTIONS

a) As at March 31, 2018, NWVP indirectly owned approximately 21% of the outstanding Trust Units (approximately 17% on a fully-diluted basis assuming conversion of the REIT's Convertible Debentures and redemption of its deferred units) of the REIT through a combination of Trust Units of the REIT and Class B LP Units. Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer ("**CEO**") of the REIT, is the sole shareholder, sole director and President of NWVP.

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

RELATED PARTY TRANSACTIONS			
Expressed in thousands of Canadian dollars	Three months ended March 31,		
	2018	2017	Variance
Out-of-pocket costs paid (advanced)	$ (463)	$ 673	$ (1,136)
Cost-sharing and sublease amounts paid	—	103	(103)

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

RELATED PARTY BALANCE SHEET AMOUNTS			
Expressed in thousands of Canadian dollars	As at March 31, 2018	As at December 31, 2017	Variance
Amounts receivable (payable)			
Out-of-pocket costs advanced (paid)	$ 517	$ 60	$ 457
Amounts payable			
Class B Exchangeable Unit distributions	$ 1,181	$ 1,267	$ (86)

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

PART VI – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

The preparation of financial statements in conformity with IFRS requires the REIT to make judgments, estimates, and assumptions that affect the reported amounts recognized in the financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the financial statements. Actual results could differ from estimates. Please refer to note 1 in the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2017.

PART VII – RISKS AND UNCERTAINTIES

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

PART VIII – CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's disclosure controls and procedures (as defined by National Instrument 52‐109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators ("NI 52‐109")) to provide reasonable assurance that: (i) material information relating to the REIT, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the filings are being prepared; and (ii) material information required to be disclosed in the 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, 2018 that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

PART IX – OUTLOOK

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

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

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

PART X – PROPERTY TABLE

As at March 31, 2018

PROPERTY TABLE

	Property	Location	Date Acquired	Year Built [1]	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE[2]
	Canada							
1	Glenmore Professional Centre	Calgary, AB	Dec 31 2010	2007	137,821	2	60.7%	4.7
2	Sunridge Professional Centre	Calgary, AB	Mar 25 2010	1985	132,827	35	100.0%	3.6
3	Riley Park Health Centre (6)	Calgary, AB	Mar 25 2010	1956	72,801	9	100.0%	4.3
4	Rockyview Health Centre I	Calgary, AB	Mar 25 2010	1977	68,492	31	96.4%	4.4
5	Foothills Professional Building	Calgary, AB	Mar 25 2010	1980	58,607	21	100.0%	3.2
6	Sunpark Plaza	Calgary, AB	Dec 7 2011	2005	53,209	8	67.2%	3.3
7	Rockyview Health Centre II	Calgary, AB	Mar 25 2010	1992	53,126	6	82.0%	6.5
8	Willow Brook Medical Centre	Airdrie, AB	Apr 10 2012	2010	34,680	5	100.0%	5.5
9	Hys Centre	Edmonton, AB	Feb 1 2011	1978	181,560	35	88.9%	4.2
10	Tawa Centre	Edmonton, AB	May 31 2011	1986	87,650	24	99.4%	4.2
11	Mira Health Centre	Edmonton, AB	Mar 25 2010	1992	69,352	18	78.9%	4.8
12	Garneau Professional Building	Edmonton, AB	Mar 25 2010	1980	58,326	14	62.8%	4.0
13	Queen Street Place	Spruce Grove, AB	Jul 7 2010	2007	73,699	14	96.7%	5.2
14	WRHA Downtown West Community	Winnipeg, MB	May 16 2013	1974	43,685	3	100.0%	10.1
15	Hargrave Place	Winnipeg, MB	Jul 31 2013	1977	71,154	3	100.0%	11.3
16	Davisville Medical Dental Centre	Toronto, ON	Mar 25 2010	1964	95,778	82	93.7%	2.7
17	Fairview Health Centre	Toronto, ON	Mar 25 2010	1971	87,259	53	98.1%	6.0
18	North York Medical Arts Building	Toronto, ON	Mar 25 2010	1969	75,865	60	100.0%	4.7
19	The Stewart Building	Toronto, ON	Mar 25 2010	1892	43,118	1	100.0%	1.1
20	Malvern Medical Arts	Toronto, ON	Apr 1 2011	1987	40,584	17	90.7%	3.8
21	Albany Medical Clinic	Toronto, ON	Sep 27 2012	2010	42,582	1	100.0%	12.1
22	One Medical Place	Toronto, ON	Mar 25 2010	1964	41,122	21	88.3%	5.7
23	Danforth Health Centre	Toronto, ON	Mar 25 2010	1991	29,496	9	96.5%	3.5
24	Bathurst Health Centre	Toronto, ON	Mar 25 2010	1984	29,089	15	100.0%	7.0
25	81 The East Mall (6)	Toronto, ON	Jan 16 2015	1994	35,402	6	83.1%	12.4
	85 The East Mall (6)	Toronto, ON	Jan 16 2015	2016	46,448	8	93.2%	14.1
26	Queensway Professional Centre	Mississauga, ON	Mar 25 2010	1977	170,023	69	80.8%	5.4
27	Trafalgar Professional Centre	Oakville, ON	Mar 25 2010	1985	66,047	30	96.6%	4.6
28	Dundas-Centre Medical	Whitby, ON	Oct 1 2012	1987	34,526	23	96.2%	4.6
29	Wentworth?Limeridge Medical Centre	Hamilton, ON	Mar 25 2010	1989	40,716	21	96.8%	4.1
30	Queenston Medical-Dental Centre	Hamilton, ON	Oct 1 2012	1992	18,556	15	100.0%	2.6
31	Oxford Health Centre	London, ON	Mar 25 2010	1994	39,184	21	86.3%	3.4
32	Springbank Medical Centre	London, ON	Mar 30 2012	2011	53,112	29	90.5%	4.3
33	Canamera Medical Centre	Cambridge, ON	Sep 15 2011	2007	86,283	20	100.0%	5.4
34	Guelph Medical Place I	Guelph, ON	Oct 1 2012	1991	36,063	16	100.0%	3.9
35	Guelph Medical Place II	Guelph, ON	Oct 1 2012	2011	27,950	12	97.6%	4.1
36	Collingwood Health Centre	Collingwood, ON	Mar 25 2010	1995	26,354	13	93.5%	4.1
37	Owen Sound Medical Building	Owen Sound, ON	Feb 9 2015	2011	77,542	13	91.2%	5.4
38	Smyth Medical Centre	Ottawa, ON	Sep 10 2012	1983	21,631	17	91.7%	3.2
39	Barrie Primary Care Campus	Barrie, ON	Feb 9 2015	2016	79,229	10	77.2%	11.7
40	CSSS Haut-Richelieu	Richelieu, QC	Sep 1 2010	2009	54,659	1	100.0%	5.8
41	Le Carrefour Medical	Laval, QC	Mar 25 2010	1990	117,856	35	86.3%	4.4
42	Clinique Bleue	Longueuil, QC	Mar 25 2010	1988	25,728	7	97.2%	5.3
43	2924 Taschereau Boulevard	Longueuil, QC	Mar 25 2010	1988	24,644	1	100.0%	2.5

PART X – PROPERTY TABLE (CON'T.)

PROPERTY TABLE

	Property	Location	Date Acquired	Year Built [1]	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE [2]
44	CLSC Saint-Hubert	Saint Hubert, QC	Mar 25 2010	1991	49,323	2	100.0%	9.4
45	950 Montee des Pionniers	Lachenaie, QC	Mar 25 2010	2004	64,516	15	98.0%	4.4
46	Agence Lanaudiere	Joliette, QC	Dec 20 2012	1994	53,771	1	100.0%	5.3
47	CSSS Grand Littoral	Levis, QC	Sep 1 2010	2008	64,563	2	100.0%	4.7
48	Polyclinique Val-Belair	Quebec City, QC	Jul 22 2011	2009	46,053	12	100.0%	3.8
49	Centre Medicale de L'Hetriere	Quebec City, QC	Jan 19 2012	2007	36,619	6	90.5%	5.4
50	Fredericton Medical Centre	Fredericton, NB	Mar 25 2010	1985	70,569	38	87.6%	4.0
51	Moncton Medical Clinic	Moncton, NB	Jan 23 2012	1984	40,576	17	97.4%	5.7
52	Cobequid Centre	Lower Sackville, NS	Mar 25 2010	2006	30,009	1	100.0%	4.4
53	Halifax Professional Centre	Halifax, NS	Mar 25 2010	1972	115,832	76	87.7%	4.1
54	Gladstone Professional Centre	Halifax, NS	Mar 25 2010	1985	41,860	12	95.7%	1.8
55	New Glasgow Medical Centre	New Glasgow, NS	Dec 21 2011	2009	33,800	1	100.0%	6.6
					3,411,326	**1,037**	**91.4%**	**5.2**
	Redevelopment Properties:							
56	490 Harwood Boulevard	Vaudreuil-Dorion, QC	Mar 25 2010	1985	24,457	n/a	—%	n/a
	Parkwood (6)	Calgary, AB	Mar 25 2010	1956	20,271	n/a	—%	n/a
					44,728	**n/a**	**n/a**	**n/a**
	Development Land:							
	St. Albert Land	St. Albert, AB	Feb 9 2015	n/a	n/a	n/a	n/a	n/a
	479 Hume	Collingwood, ON	Jan 26 2017	n/a	n/a	n/a	n/a	n/a

PART X – PROPERTY TABLE (CON'T.)

PROPERTY TABLE

	Property	Location	Date Acquired	Year Built [1]	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE [2]
	Brazil							
57	Sabará Children's Hospital	São Paulo	Nov 16 2012	2010	104,915	1	100.0%	6.5
	Rede D'Or Hospital Portfolio:							
58	Hospital e Maternidade Brasil ("HMB")	São Paulo	Dec 27 2012	1970 - 2007	342,000	1	100.0%	19.8
59	Hospital Santa Luzia	Brasilia's South Wing	Dec 23 2013	2003	185,139	1	100.0%	20.8
60	Hospital Do Coracao	Brasilia's South Wing	Dec 23 2013	2007	96,875	1	100.0%	20.8
61	Hospital Caxias	Rio de Janeiro	Dec 23 2013	2013	290,626	1	100.0%	20.8
62	Hospital IFOR	São Paulo	July 19 2016	2001	150,000	1	100.0%	23.3
63	Hospital Santa Helena	Brasilia - DF	Oct 24 2016	2006	323,774	1	100.0%	23.6
					1,493,329	**7**	**100.0%**	**20.4**
	Germany							
64	Adlershof 1	Berlin	Nov 16 2012	2004	55,291	53	95.1%	4.7
65	Adlershof 2	Berlin	Nov 16 2012	2010	47,507	45	100.0%	2.9
66	Berlin Neukölln	Berlin	Nov 16 2012	2000	33,991	16	99.8%	4.7
67	Königs Wusterhausen 1	Königs Wusterhausen	Nov 16 2012	2001	35,693	26	91.6%	3.2
68	Fulda - 3-5flem	Fulda	Mar 31 2013	2010	111,205	30	97.2%	2.5
69	Polimedica Centre	Berlin	Jun 25 2014	2007	113,937	34	98.8%	8.3
70	Hollis Centre	Ingolstadt	Jun 25 2014	1996	99,651	38	99.2%	3.3
71	Leipzig am Park	Leipzig	Jun 25 2014	1977	19,048	10	100.0%	9.0
72	Leipzig Baestlein	Leipzig	Jun 25 2014	1975	19,163	11	93.4%	4.9
73	Leipzig Gruenauer	Leipzig	Jun 25 2014	1980	15,932	9	96.8%	9.3
74	Leipzig Karlsruher	Leipzig	Jun 25 2014	1982	19,013	7	91.4%	7.3
75	Leipzig Lidicestrasse	Leipzig	Jun 25 2014	1975	19,201	13	100.0%	5.4
76	Leipzig Pfaffensteinstrasse	Leipzig	Jun 25 2014	1985	18,277	8	79.5%	3.3
77	Leipzig Plovdiver	Leipzig	Jun 25 2014	1975	18,217	4	93.6%	3.7
78	Leipzig Schlehenweg	Leipzig	Jun 25 2014	1989	18,625	11	99.5%	1.9
79	Leipzig Stuttgarter	Leipzig	Jun 25 2014	1978	18,047	9	83.6%	3.6
80	Leipzig Tauchaer Strasse	Leipzig	Jun 25 2014	1982	18,681	10	100.0%	4.7
81	Leipzig Yorckstrasse	Leipzig	Jun 25 2014	1975	11,624	5	86.0%	4.4
82	Hohenschonhausen	Berlin	Aug 30 2014	1996	64,640	38	94.1%	2.3
83	Mehrower Allee	Berlin	Apr 14 2016	2006	82,242	58	97.0%	3.9
84	Alstadt-Caree Fulda Medical Centre	Fulda	Feb 1 2017	2017	30,638	11	95.4%	7.4
85	Medical Care Centre Hamburg-Bergedorf	Hamburg	Feb 1 2017	1989	60,453	31	92.8%	5.0
86	Praxis-Klinik Bergedorf	Hamburg	Dec 18 2017	1994	66,699	30	99.8%	7.4
87	Clinic Bismarkstr68	Bad Kissingen	Feb 22 2018	1996	79,513	1	100.0%	26.9
88	Clinic Bremerstr2	Wilhelmshaven	Mar 15 2018	1994	150,964	1	100.0%	27.0
89	Fritz-Lang-Platz 6	Berlin	Feb 1 2018	2005	59,664	11	100.0%	6.2
					1,287,916	**520**	**97.2%**	**8.8**
	Development Land:							
	Rubensstr Land	Berlin	Apr 1 2015	n/a	n/a	n/a	n/a	n/a
	Mehrower Land	Berlin	Jan 30 2017	n/a	n/a	n/a	n/a	n/a

PART X – PROPERTY TABLE (CON'T)

PROPERTY TABLE

	Property	Location	Date Acquired	Year Built (1)	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE (2)
	Vital Trust							
	Australia							
90	The Southport Private Hospital	Southport, Queensland	Dec 22 2010	1979	318,776	1	100.0%	19.9
91	Belmont Private Hospital	Carina, Queensland	Dec 22 2010	1973/2015	94,024	1	100.0%	17.9
92	Clover-Lea Residential Aged Care	Sydney, New South Wales	Mar 1 2016	1919/1960/2003	16,146	1	100.0%	17.9
93	Dubbo Private Hospital	Dubbo, New South Wales	Dec 22 2010	1994	60,144	1	100.0%	13.8
94	Epworth Eastern Hospital	Melbourne, Victoria	Mar 30 1999	2005	136,610	6	100.0%	21.2
95	Epworth Eastern Medical Centre	Melbourne, Victoria	Mar 30 1999	1986	33,421	24	100.0%	9.4
96	Epworth Rehabilitation	Melbourne, Victoria	Feb 01 1999	1971	37,136	1	100.0%	5.9
97	Fairfield Residential Aged Care	Sydney, New South Wales	Mar 1 2016	1968/2009	31,000	1	100.0%	17.9
98	Gold Coast Surgery Centre	Southport, Queensland	Dec 22 2010	1999	29,506	7	66.8%	1.8
99	Hamersley Residential Aged Care	Perth, Western Australia	Mar 1 2016	1971	20,279	1	100.0%	17.9
100	Hurstville Private Hospital	Sydney, New South Wales	Apr 30 2012	1894/2015	135,239	1	100.0%	24.1
101	Lingard Private Hospital	Merewether, New South Wales	Dec 22 2010	1975/2015	99,567	1	100.0%	22.9
102	Maitland Private Hospital	Maitland, New South Wales	Dec 22 2010	2001/2015	127,435	2	100.0%	19.8
103	Marian Centre	Perth, Western Australia	Aug 12 2014	1965	38,212	1	100.0%	16.4
104	Mayo Private Hospital	Taree, New South Wales	Dec 16 2011	1997	62,700	1	100.0%	13.7
105	North West Private Hospital	Burnie, Tasmania	Dec 22 2010	1988	87,361	2	100.0%	13.8
106	Palm Beach Currumbin Clinic	Currumbin, Queensland	Dec 22 2010	1980	53,443	1	100.0%	18.9
107	Rockingham Residential Aged Care	Perth, Western Australia	Mar 1 2016	1968/1992	14,596	1	100.0%	17.9
108	South Eastern Private Hospital	Melbourne, Victoria	Dec 22 2010	1970	91,462	1	100.0%	22.9
109	Sportsmed Private Hospital	Adelaide, South Australia	Dec 3 2012	1990/2008	56,608	2	100.0%	17.2
110	Sportsmed Consulting (8)	Adelaide, South Australia	Jan 20 2016	1990	9,074	1	100.0%	17.8
111	Sportsmed Office (8)	Adelaide, South Australia	Jan 20 2016	1988	15,253	1	100.0%	17.8
112	Toronto Private Hospital	Toronto, New South Wales	Dec 22 2010	1988	55,682	2	100.0%	24.8
113	Mons Road	Westmead, New South Wales	Sept 30 2016	2010	31,179	6	100.0%	4.7
114	Ekera Medical Centre	Box Hill, Victoria	Nov 17 2016	2014	30,753	12	94.1%	2.7
115	Abbotsford Private Hospital	West Leederville, WA	Feb 24 2017	2012	16,695	1	100.0%	23.9
116	Grafton Aged Care Home	South Grafton, NSW	Mar 31 2017	1940	37,674	1	100.0%	19.0
117	Hirondelle Private Hospital	Chatswood, NSW	May 31 2017	2013	34,402	1	100.0%	24.2
118	The Hills Clinic	Kellyville, NSW	July 31 2017	2011	31,797	1	100.0%	29.4
119	Eden Rehabilitation Hospital	Cooroy, Queensland	Dec 8 2017	1979	40,171	1	100.0%	19.7
					1,846,345	**84**	**99.4%**	**18.6**
	Development Land:							
120	25 Nelson Road(9)	Box Hill, Victoria	Nov 28 2014	n/a	n/a	n/a	n/a	n/a
121	142 Brighton Avenue(10)	Toronto, New South Wales	Jul 22 2015	n/a	n/a	n/a	n/a	n/a
122	27 Hopkins Street (11)	Merewether, New South Wales	Nov 25 2015	n/a	n/a	n/a	n/a	n/a
123	6 Lingard Street (11)	Merewether, New South Wales	Dec 4 2015	n/a	n/a	n/a	n/a	n/a
	New Zealand							
124	Apollo Health and Wellness Centre	Albany, Auckland	Sep 01 2008	2005	52,807	21	91.4%	7.3
125	Ascot Central	Greenlane East, Auckland	May 1 2008	2008	51,437	17	98.5%	2.1
126	Ascot Central Car Park	Greenlane East, Auckland	ground lease	1999	4,833	16	100.0%	14.4
127	Ascot Hospital	Greenlane East, Auckland	Mar 25 1999	1999	122,497	20	99.5%	17.8
128	Kensington Hospital	Whangarei, Northland	Mar 12 2001	2001	25,371	1	100.0%	28.3
129	Napier Health Centre	Napier, Hawke's Bay	Dec 23 1999	1999	46,231	1	100.0%	1.7
130	Boulcott Private Hospital	Lower Hutt	Jul 1 2016	1985	45,672	1	100.0%	20.3
131	Ormiston Hospital	Flatbush, South Auckland	Apr 04 2017	2008	53,805	8	100.0%	4.5
132	Royston Hospital	Hastings, Hawke's Bay	Dec 12 2017	1931	63,723	1	100.0%	29.7
133	Wakefield Hospital	Newtown, Wellington	Dec 12 2017	1910	155,626	1	100.0%	29.7
134	Bowen Hospital	Crofton Downs, Wellington	Dec 12 2017	1971	114,777	1	100.0%	29.7
					736,779	**88**	**99.2%**	**19.9**
	Development Land:							
	678 High Street	Lower Hutt	Jul 1 2016	n/a	n/a	n/a	n/a	n/a
	Australasia - Vital Trust (3)				**2,583,124**	**172**	**99.3%**	**19.0**

PART X – PROPERTY TABLE (CON'T.)

PROPERTY TABLE

	Property	Location	Date Acquired	Year Built (1)	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE(2)
	Australia REIT							
135	Epworth Freemasons Private Hospital	East Melbourne,Victoria	Jun 1 2006	1935/1950/1960 /1970/1990/ 2007/2014/2015	**150,588**	**1**	100.0%	16.2
136	Epworth Freemasons Private Hospital and Medical Centre	East Melbourne, Victoria	Jun 1 2006	1980	**92,398**	**32**	100.0%	17.7
137	Pacific Private Clinic	Southport ,Queensland	Jun 1 2007	2000	**85,622**	**21**	80.0%	3.1
138	Frankston Private Hospital	Frankston,Victoria	Jun 1 2007	2006	**127,672**	**9**	100.0%	15.9
139	ARCBS (Australian Red Cross Blood Service) Facility	Brisbane, Queensland	Jun 1 2008	2008	**217,960**	**11**	100.0%	15.0
140	Westmead Rehabilitation Hospital	Merrylands ,New South Wales	Apr 19 2013	2005	**30,699**	**1**	100.0%	20.2
141	Spring Hill	Brisbane ,Queensland	May 23 2014	1988	**90,321**	**12**	98.5%	4.8
142	Frankston Specialist Centre	Frankston ,Victoria	Nov 3 2014	1989	**6,458**	**1**	100.0%	6.6
143	St John Of God Berwick Specialist Centre	Berwick,Victoria	Jun 1 2015	2015	**38,502**	**13**	100.0%	6.7
144	Bolton Clarke Tantula Rise Aged Care Facility	Alexandra Headland, Queensland	Jun 25 2015	2005/2007	**83,615**	**1**	100.0%	18.3
145	Bolton Clarke Baycrest Aged Care Facility	Pialba, Queensland	Jun 25 2015	1990/2006	**71,860**	**1**	100.0%	18.2
146	Bolton Clarke Darlington Aged Care Facility	Banora Point, New South Wales	Jun 25 2015	2005/2007	**67,695**	**1**	100.0%	18.6
147	Waratah Private Hospital Ground Floor Suites	Hurstville,New South Wales	Sept 11 2015	2010	**7,933**	**1**	100.0%	17.8
148	St John of God Private Hospital (Casey Stage 2)	Berwick,Victoria	March 21 2013	2017	**180,728**	**1**	100.0%	19.6
	Development Property:							
	Gray Street Centre and Albert Street Car Park (12)	East Melbourne,Victoria	Jun 1 2006	n/a	**n/a**	**n/a**	n/a	n/a
	St John of God Private Hospital (Casey Stage 3)	Berwick,Victoria	March 21 2013	n/a	**n/a**	**n/a**	n/a	n/a
					1,252,051	**106**	**98.5%**	**15.0**
	Portfolio Totals / Weighted Averages (5)				**10,072,474**	**1,842**	**96.3%**	**12.7**
	Portfolio Totals / Weighted Averages-at ownership interest (4)(5)				**8,135,130**		**95.6%**	**11.2**

Notes

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

(2) As at March 31, 2018 weighted average lease expiry in years.

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

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

(5) Weighted Average Occupancy and WALE excluding Redevelopment Properties

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

(7) Adjacent to South Eastern Private Hospital

(8) Adjacent Sportsmed Private Hospital

(9) Adjacent to Epworth Eastern Hospital

(10) Adjacent to Toronto Private Hospital

(11) Adjacent Lingard Private Hospital

(12) Adjoining the Epworth Freemasons Private Hospital.

SUPPLEMENTAL DISCLOSURE										
Unaudited	Three months ended March 31, 2018									
Expressed in thousands of Canadian dollars	**Canada**	**Brazil**	**Germany**	**Australia/New Zealand**					**Corporate** [3]	**Consolidated**
				Vital Trust	**Australia REIT**	**ANZ Manager**	**Elimination**	**Total**		
Net Operating Income [1]										
Revenue from investment properties	$ 32,778	$ 14,048	$ 6,041	$ 24,918	$ 10,942	$ —	$ (479)	$ 35,381	$ —	$ 88,248
Property operating costs	(15,707)	—	(1,668)	(3,133)	(1,609)	—	46	(4,696)	—	(22,071)
	$ 17,071	**$ 14,048**	**$ 4,373**	**$ 21,785**	**$ 9,333**	**$ —**	**$ (433)**	**$ 30,685**	**$ —**	**$ 66,177**
Other income										
Share of profit (loss) from associates	—	—	—	—	—	(547)	547	—	—	—
Management fees	—	—	—	—	—	8,393	(7,947)	446	—	446
Interest income	38	2,275	1	26	1,242	20	—	1,288	22	3,624
	38	**2,275**	**1**	**26**	**1,242**	**7,866**	**(7,400)**	**1,734**	**22**	**4,070**
	17,109	**16,323**	**4,374**	**21,811**	**10,575**	**7,866**	**(7,833)**	**32,419**	**22**	**70,247**
Other expenses										
Mortgage and loan interest expense	(8,179)	(3,926)	(821)	(5,381)	(5,464)	—	—	(10,845)	(7,463)	(31,234)
General and administrative expenses	(428)	(592)	(709)	(6,505)	(73)	(2,058)	6,690	(1,946)	(2,260)	(5,935)
Transaction costs	—	—	—	—	(31)	(107)	—	(138)	(264)	(402)
Other Finance costs	478	(13,862)	(74)	(151)	(1,210)	—	—	(1,361)	146	(14,673)
Foreign exchange gain (loss)	(5)	(1,779)	—	4,671	—	(167)	—	4,504	(3,843)	(1,123)
Income / (Loss) before the undernoted items	**8,975**	**(3,836)**	**2,770**	**14,445**	**3,797**	**5,534**	**(1,143)**	**22,633**	**(13,662)**	**16,880**
Fair value adjustment of DUP liability	—	—	—	—	—	63	—	63	86	149
Fair value adjustment of investment properties	(3,946)	5,734	(3,840)	9,357	680	—	51	10,088	—	8,036
Net loss on disposal of investment properties	(1,770)	—	—	—	(1)	—	—	(1)	—	(1,771)
Gain / (Loss) on derivative financial instruments	1,971	—	212	(940)	(13,898)	—	—	(14,838)	13,803	1,148
Income / (Loss) before taxes	**5,230**	**1,898**	**(858)**	**22,862**	**(9,422)**	**5,597**	**(1,092)**	**17,945**	**227**	**24,442**
Income tax expense	—	(3,198)	306	(5,361)	—	(1,549)	—	(6,910)	(177)	(9,979)
Net income (loss)	**$ 5,230**	**$ (1,300)**	**$ (552)**	**$ 17,501**	**$ (9,422)**	**$ 4,048**	**$ (1,092)**	**$ 11,035**	**$ 50**	**$ 14,463**
Non-Controlling Interest	—	—	7	13,144	676	—	(322)	13,498	—	13,505
Income attributable to Unitholders	**$ 5,230**	**$ (1,300)**	**$ (559)**	**$ 4,357**	**$ (10,098)**	**$ 4,048**	**$ (770)**	**$ (2,463)**	**$ 50**	**$ 958**
Add / (Deduct):										
Fair market value losses (gains)	1,975	(5,734)	3,628	(8,417)	13,218	(63)	(51)	4,687	(18,342)	(13,786)
Less: Non-controlling interests' share of fair market value losses (gains)	—	—	—	5,053	(893)	—	2,142	6,302	—	6,302
Finance cost - Exchangeable Unit distributions	—	—	—	—	—	—	—	—	3,542	3,542
Revaluation of financial liabilities	—	13,340	—	—	—	—	—	—	—	13,340
Unrealized foreign exchange loss (gain)	5	1,779	—	(4,671)	—	169	—	(4,502)	3,854	1,136
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	—	—	—	3,509	—	—	—	3,509	—	3,509
Deferred taxes	—	2,906	(310)	4,923	—	497	—	5,420	—	8,016
Less: Non-controlling interests' share of deferred taxes	—	—	—	(3,698)	—	—	—	(3,698)	—	(3,698)
Non-recurring transaction costs	—	—	—	—	31	107	—	138	264	402
Internal Leasing Costs	364	—	178	—	—	—	—	—	—	542
Net loss on disposal of investment properties	1,770	—	—	—	1	—	—	1	—	1,771
Amortization of finance leases	—	—	—	—	(79)	—	—	(79)	—	(79)
Other FFO adjustments	144	—	—	—	—	—	1,088	1,088	—	1,232
Funds From Operations ("FFO") [2]	**$ 9,488**	**$ 10,991**	**$ 2,937**	**$ 1,056**	**$ 2,180**	**$ 4,758**	**$ 2,409**	**$ 10,403**	**$ (10,632)**	**$ 23,187**

SUPPLEMENTAL DISCLOSURE (CON'T)

Unaudited Expressed in thousands of Canadian dollars	Three months ended March 31, 2018									
	Canada	Brazil	Germany	Australia/New Zealand					Corporate [3]	Consolidated
				Vital Trust	Australia REIT	ANZ Manager	Elimination	Total		
Funds From Operations ("FFO") [2]	**$ 9,488**	**$ 10,991**	**$ 2,937**	**$ 1,056**	**$ 2,180**	**$ 4,758**	**$ 2,409**	**$ 10,403**	**$ (10,632)**	**$ 23,187**
Add / (Deduct):										
Amortization of marked to market adjustment	(616)	—	—	—	—	—	—	—	—	(616)
Amortization of transactional deferred financing charges	26	188	—	—	1,001	—	—	1,001	749	1,964
Straight line revenue	79	—	—	187	32	—	—	219	—	298
Less: non-controlling interests' share of straight-line revenue	—	—	—	(130)	(26)	—	—	(156)	—	(156)
Leasing costs and non-recoverable maintenance capital expenditures	(1,967)	—	(362)	(1)	(540)	—	—	(541)	—	(2,870)
Less: non-controlling interests' share of actual capex and leasing costs	—	—	—	1	71	—	—	72	—	72
DUP Compensation Expense	—	—	—	—	—	(142)	—	(142)	827	685
Debt repayment costs	2,506	—	—	—	—	—	—	—	—	2,506
Adjusted Funds From Operations ("AFFO") [2]	**$ 9,516**	**$ 11,179**	**$ 2,575**	**$ 1,113**	**$ 2,718**	**$ 4,616**	**$ 2,409**	**$ 10,856**	**$ (9,056)**	**$ 25,070**

Unaudited	**As at March 31, 2018**									
Expressed in thousands of Canadian dollars	**Canada**	**Brazil**	**Germany**	**Australia/New Zealand**					**Corporate** [3]	**Consolidated**
				Vital Trust	**Australia REIT**	**ANZ Manager**	**Elimination**	**Total**		
Assets										
Investment properties	$ 1,052,195	$ 706,088	$ 358,685	$ 1,543,324	$ 729,967	$ —	$ 2,641	$ 2,275,932	$ —	$ 4,392,900
Intangible Asset	—	—	—	—	46,757	550	—	47,307	—	47,307
Goodwill	—	—	—	—	93,897	—	—	93,897	41,671	135,568
Financial instruments	877	—	—	5,302	—	—	—	5,302	—	6,179
Other assets	9,310	21,202	11,579	14,619	101,277	12,225	(6,074)	122,047	12,506	176,644
	$ 1,062,382	**$ 727,290**	**$ 370,264**	**$ 1,563,245**	**$ 971,898**	**$ 12,775**	**$ (3,433)**	**$ 2,544,485**	**$ 54,177**	**$ 4,758,598**
Liabilities										
Mortgages and loans payable	550,129	213,433	194,328	558,547	417,726	—	—	976,273	279,539	2,213,702
Convertible Debentures	—	—	—	—	—	—	—	—	293,911	293,911
Deferred tax liability	—	99,259	11,723	82,943	43,365	1,160	—	127,468	—	238,450
Financial instruments	—	—	810	12,982	756	—	—	13,738	—	14,548
Exchangeable Units	65,321	—	—	—	—	—	—	—	134,249	199,570
Other liabilities	25,975	266	4,458	27,751	7,887	4,827	(7,076)	33,389	31,069	95,157
	$ 641,425	**$ 312,958**	**$ 211,319**	**$ 682,223**	**$ 469,734**	**$ 5,987**	**$ (7,076)**	**$ 1,150,868**	**$ 738,768**	**$ 3,055,338**
Net assets	**420,957**	**414,332**	**158,945**	**881,022**	**502,164**	**6,788**	**3,643**	**1,393,617**	**(684,591)**	**1,703,260**
Less: Non-controlling interest	—	—	(469)	(640,699)	(56,038)	—	(3,554)	(700,291)	—	(700,760)
Unitholders' Equity	**$ 420,957**	**$ 414,332**	**$ 158,476**	**$ 240,323**	**$ 446,126**	**$ 6,788**	**$ 89**	**$ 693,326**	**$ (684,591)**	**$ 1,002,500**

Notes

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

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

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

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

PART XI – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)

Unaudited	**Three months ended March 31, 2017**									
Expressed in thousands of Canadian dollars	**Canada**	**Brazil**	**Germany**	**Australia/New Zealand**					**Corporate** (3)	**Consolidated**
				Vital Trust	**Vital Manager**	**Elimination**	**Australia REIT** (4)	**Total**		
Funds From Operations ("FFO") (2)	**$ 12,999**	**$ 10,009**	**$ 2,063**	**$ 743**	**$ 6,426**	**$ 677**	**$ 341**	**$ 8,187**	**$ (8,734)**	**$ 24,524**
Add / (Deduct):										
Amortization of marked to market adjustment	(766)	—	—	—	—	—	—	—	—	(766)
Amortization of transactional deferred financing charges	—	—	—	—	—	—	—	—	252	252
Straight line revenue	(231)	60	—	475	—	—	—	475	—	304
Less: non-controlling interests' share of straight-line revenue	—	—	—	(357)	—	—	—	(357)	—	(357)
Leasing costs and non-recoverable maintenance capital expenditures	(2,076)	(38)	(254)	(654)	—	—	—	(654)	—	(3,022)
Less: non-controlling interests' share of actual capex and leasing costs	—	—	—	492	—	—	—	492	—	492
DUP Compensation Expense	—	—	—	—	429	—	—	429	760	1,189
Debt repayment costs	—	—	—	—	—	—	—	—	—	—
Net adjustments for equity accounted entities	—	—	—	—	—	(112)	—	(112)	—	(112)
Adjusted Funds From Operations ("AFFO") (2)	**$ 9,926**	**$ 10,031**	**$ 1,809**	**$ 699**	**$ 6,855**	**$ 565**	**$ 341**	**$ 8,460**	**$ (7,722)**	**$ 22,504**

Notes

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

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

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

(4) Includes Generation Manager, which in 2018 has been reclassified to ANZ Manager.

PART XII – NET ASSET VALUE

Expressed in thousands of Canadian dollars, except per unit amounts			
			Q1 2018
Total Assets		**$**	**4,758,598**
less Total Liabilities			(3,055,338)
less Non-controlling interest			(700,760)
Unitholders' equity			**1,002,500**
Add/(deduct):			
Deferred unit plan liability			16,603
Deferred tax liability	238,450		
less NCI	(62,323)		176,127
Financial instruments - net	8,369		
less NCI	(5,771)		2,598
Exchangeable Units			199,570
ANZ Manager valuation adjustment			83,500
Other			1,337
Net Asset Value ("NAV")		**$**	**1,482,235**
Adjusted Units Outstanding (000s)- period end [1]			120,300
NAV per Unit		**$**	**12.32**

Notes

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

CORPORATE INFORMATION

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Stock Exchange Listing
Toronto Stock Exchange (TSX)
Listing symbols:
- REIT Trust Units - NWH.UN
- 5.25% convertible debentures - NWH.DB
- 7.25% convertible debentures - NWH.DB.C
- 5.50% convertible debentures - NWH.DB.D
- 5.25% convertible debentures NWH.DB.E
- 5.25% convertible debentures NWH.DB.F

Distribution Reinvestment Plan

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

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