NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Quarterly Report – June 30, 2010

August 12, 2010

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
OF OPERATIONS AND FINANCIAL CONDITION
FOR THE 3 MONTHS ENDING JUNE 30, 2010

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CEO's Message **August 12, 2010**

Our REIT had a good second quarter, its first full quarter as a public company. Our focus this quarter was on addressing any follow-on issues from the initial public offering, focusing our efforts on operational issues, especially leasing, and executing on our acquisition pipeline.

Initial Public Offering (IPO)

The over-allotment option provided to the underwriters of our IPO, which closed March 25, 2010, was fully exercised on April 7, 2010, resulting in another $12.5 million of gross proceeds. Analyst coverage of the REIT was initiated by two groups, with a third publishing its initial report subsequent to the quarter. Subsequent to the quarter the working capital adjustment was agreed upon with the vendor.

Operations

The operating results for the second quarter were substantially in line with the financial forecast contained in our IPO prospectus, with FFO per unit at $0.27 (vs. $0.28) and AFFO per unit at $0.20 (vs. $0.21), with the difference resulting from the issuance of additional units associated with the over-allotment and lower occupancy.

Occupancy at the end of the quarter was 90.3%. While behind plan, we believe this to be a temporary pause because it includes the move-out of three larger non-healthcare tenancies in each of Halifax, London and Mississauga, which in two cases was part of our plan to make space available for replacement healthcare tenancies.

During the quarter the REIT completed or expects to complete 114% of its budgeted renewals for the quarter. This represents 81% of expiring leases for the quarter. Renewal rents were in line with budget. The REIT has completed 71% of all renewal leasing budgeted for the year, and expects to complete the renewal of all budgeted renewal square footage by year end. In addition, the REIT has early renewed 15,055 square feet of 2011 expiries.

During the quarter the REIT completed 15,934 square feet of new leasing against a budget (adjusted for unbudgeted renewals) of 48,764 square feet. Of that 32,830 square foot shortfall, 15,959 square feet has been leased with occupancy commencing after June 30. New rents were in line with budget. The REIT has completed 45% of all new leasing budgeted for the year, and we remain confident of continued progress against our targets for new leasing.

Head Leases

During the quarter 4,555 square feet of the head lease space was leased. This brings the total of head lease leasing to 21.7% of the space. Negotiations continue for approximately 65% of the remaining head lease premises.

Subsequent to the quarter conditional lease agreements were completed for a further 14,973 square feet of the head lease space at Rockyview Professional Centre II. Successful conclusion of these leases will result in 35,428 square feet, or 70% of the building, having been leased to third party tenants.

Also subsequent to the quarter end, at HealthPark in Sydney, the REIT was advised that approximately 6,000 square feet will be leased by a local healthcare institution.

Acquisitions

One of the primary reasons for completing our IPO was to position the REIT for growth through acquisitions. During the quarter we acted on that strategy, announcing the acquisition of Queen Street Place, a newly constructed, fully-occupied multi-tenant medical office building located just outside of Edmonton for approximately $21.2 million, which closed July 7, 2010. Also subsequent to the quarter, we announced the pending acquisition of two newly constructed healthcare buildings located on the periphery of each of Montreal and Quebec City for a total of $21.1 million. Each of these buildings is fully-leased to government tenants on

ten and fifteen year leases. Both acquisitions are not only expected to be immediately accretive, but each is newly constructed and fully-leased with longer term leases which will also improve the quality of the portfolio in terms of average building age, occupancy and lease term to maturity.

Beyond these recent acquisitions our pipeline continues to be active and we are confident of being able to execute additional acquisitions in the coming quarters.

Capital Structure

Refinancing is not a focus of 2010, with only one mortgage of approximately $1.4 million maturing during the year. Instead, financing will be limited to any mortgage requirements for acquisitions.

The weighted average interest rate on our mortgage debt is 5.58% and our debt to gross book value ratio is 52.9%, well below the 65% permitted in our Declaration of Trust. Subsequent to the quarter end we utilized our line of credit in order to close Queen Street Place and to permit ourselves the appropriate time to achieve the best long term, fixed-rate replacement mortgage for the asset, and we anticipate putting in place in the third quarter a 10-year, $14 million first mortgage with a fixed interest rate of 4.933%.

Despite the pending Queen Street Place financing and the REIT having additional capacity in its credit facility, based on our acquisition activity and pipeline we will be exploring with our lenders the contemplated expansion of the credit facility from $35 million to $50 million, which is in place subject to certain conditions, in order to provide additional acquisition capacity.

Outlook

Although we anticipate general business conditions to be stable for the remainder of the year, in a few select markets within which we operate (Windsor, London, Laval and Sydney) we expect continued weak market conditions. While our healthcare-focused tenancies are less immune than traditional office space users to such influences, weak markets conditions can negatively impact all tenants, as well as all competitors and potential competitors who will now consider healthcare tenancies for their properties in order to absorb vacant space.

Our focus for the remainder of 2010 will be to continue to improve portfolio quality. This will be done through operations - by leasing vacant space, renewing expiring tenants, improving the physical condition of our buildings and enhancing existing healthcare relationships. It is also expected to be done through further acquisitions, with a focus on stabilized, accretive investments utilizing a combination of the credit facility, mortgage debt and equity.

We look forward to keeping you up to date on our progress.

Sincerely,

(signed) Peter Riggin
Chief Executive Officer

This Management's Discussion and Analysis ("MD&A") sets out NorthWest Healthcare Properties Real Estate Investment Trust's (the "REIT") operating strategies, risk profile considerations, business outlook and analysis of its financial performance and financial condition for the three month period from April 1, 2010 to June 30, 2010. The analysis provides a comparison to the REIT's quarterly forecast provided in its initial public offering ("IPO") Prospectus (the "Prospectus") dated March 16, 2010.

This MD&A is based on financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") using the REIT's reporting currency, the Canadian dollar. Per Unit amounts are presented on a diluted basis, except where otherwise stated.

This MD&A should be read in conjunction with the REIT's unaudited interim consolidated financial statements and accompanying notes for the three month period ended June 30, 2010, and with the unaudited pro forma income statements of the acquired real estate properties and the forecast contained in the Prospectus.

Information about the REIT, including the Prospectus, can be found on SEDAR at www.sedar.com.

PART I

FORWARD-LOOKING INFORMATION

Certain statements in this MD&A may constitute "forward-looking statements" under applicable Canadian securities law. When used in this MD&A, words including, but not limited to, ''plans'', ''expects'', ''scheduled'', ''estimates'', ''intends'', ''anticipates'', "predicts", ''projects'', ''believes'' or variations of such words and phrases or statements to the effect that certain actions, events or results ''may'', ''will'', ''could'', ''would'', "should", ''might'', ''occur'',''be achieved'' or ''continue'' and similar expressions identify forward-looking statements.

Forward-looking statements reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the REIT and are necessarily based on a number of estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies which could cause actual results to differ materially from those that are disclosed in such forward-looking statements. While considered reasonable by management of the REIT, any of these assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could be incorrect. The REIT's estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, the REIT's future growth potential, results of operations, future prospects and opportunities, the demographic and industry trends remaining unchanged, future levels of indebtedness, the tax laws as currently in effect remaining unchanged, and the current economic conditions remaining unchanged. When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to those presented in Part VII in this MD&A.

These forward-looking statements are made as of the date of this MD&A. 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. All forward-looking statements in this MD&A are qualified by these cautionary statements.

NON-GAAP FINANCIAL MEASURES

Certain terms used such as "**Funds from Operations" ("FFO"), "Adjusted Funds from Operations" ("AFFO"), "Net Operating Income" ("NOI"), "Gross Book Value" ("GBV"), "Payout Ratio", "Interest Coverage" and any related per Unit amounts** used by management to measure, compare and explain the operating results and financial performance of the REIT are not recognized terms under Canadian GAAP, and therefore should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with Canadian GAAP. Management believes that these terms are relevant measures in

comparing the REIT's performance to industry data and the REIT's ability to earn and distribute cash returns to holders of the REIT's Units. These terms are defined in this MD&A and reconciled to the interim consolidated financial statements of the REIT for the ninety day period ended June 30, 2010. Such terms do not have a standardized meaning prescribed by Canadian GAAP and may not be comparable to similarly titled measures presented by other publicly traded entities.

PART II

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

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

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

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

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

DECLARATION OF TRUST

The investment guidelines of the REIT are outlined in the Trust's DOT, a copy of which is filed on SEDAR and is also available on request to all unitholders. Further information regarding the DOT can also be located starting on page 117 of the Prospectus. Some of the main investment guidelines and operating policies are summarized in the DOT starting on page 114 of the Prospectus, including in part, the following:

Investment Guidelines

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

Operating Policies

1. Maximum portfolio debt capacity not to exceed 65% of Gross Book Value;
2. No guaranteeing of third-party debt outside its existing structure and potential joint venture partner structures, except under certain specific conditions and meeting certain defined criteria;
3. Limitations meeting certain defined criteria restricting leasing to non – institutional tenants; and
4. Environmental third party surveys are required prior to the acquisition of any property.

At June 30, 2010, the REIT was in material compliance with all investment guidelines and operating policies stipulated in the DOT.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	As at / For the 3 months ended June 30, 2010
Operational information	
Number of properties	45
Gross Leasable Area ("GLA")	2,701,708
Occupancy % (current) [1]	90.3%
Occupancy % (contracted) [2]	90.9%
Average lease term to maturity	3.8 years
Weighted average in place net rental rate (psf)	$14.80
Summary of Financial information	
Gross Book Value	$582,749,309
Debt [3]	$308,430,660
Debt to Gross Book Value [4]	52.9%
Interest coverage [5]	2.63x
Weighted average mortgage interest rate [6]	5.58%
Revenue	$19,800,990
Net operating income ("NOI") [7]	$11,724,833
Funds from Operations ("FFO") [7]	$6,998,439
FFO per unit (Fully diluted) [8]	$0.27
Adjusted funds from Operations ("AFFO") [7]	$5,211,779
AFFO per unit (Fully diluted) [8]	$0.20
AFFO (annualized) [9]	$20,847,111
Distributions declared (annualized) [9]	$21,202,864
Distributions per unit (annualized) (Fully Diluted)	$0.80
Annualized Payout ratio	101.7%
Units outstanding – period-end:	
Basic	26,499,772
Diluted	26,503,580
Weighted average units outstanding for the period:	
Basic	26,333,956
Diluted	26,333,956

Notes:

(1) As at June 30, 2010
(2) As at June 30, 2010, adjusting for the completed acquisition of Queen Street Place and contracted move-ins and known move-outs as at August 12, 2010. On a same store basis, contracted occupancy, adjusted for contracted move-ins and known move-outs as at August 12, 2010 is 90.7%.
(3) Debt is presented net of a Mark to Market premium of $1,936,537 and unamortized financing costs of $387,030
(4) Defined as total debt divided by total assets incl. accumulated depreciation and amortization of income properties.
(5) Defined as net income plus amortization and interest expense divided by interest expense
(6) Market weighted average mortgage interest rate = 5.07%
(7) NOI, FFO and AFFO are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. NOI, FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to NOI, FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to the consolidated financial statements of the REIT
(8) Per unit amounts based on fully diluted weighted average number of units for the three months ended June 30, 2010
(9) AFFO has been annualized on straight line basis for a 12 month calendar year. Distributions have been annualized based on a targeted annual distribution of $0.80 per unit and the fully diluted units outstanding as at the end of the respective period. Refer to Part IV – Adjusted Funds From Operations and Distributions for additional details.

SUMMARY OF SIGNIFICANT EVENTS

- The REIT successfully completed its first full quarter after closing its IPO on March 25, 2010. The positive market reaction to the REIT's offering was reflected in the April 7, 2010 exercise of the over-allotment option granted to the underwriters in connection with the IPO, which resulted in an additional 1.25 million units being issued at a price of $10 per unit for total gross proceeds of $12.5 million, or $11.8 million net of underwriters' fees and other transaction costs.
- As part of the REIT's IPO and the subsequent acquisition of the 45 properties and pursuant to the acquisition agreement for the 45 properties dated March 25, 2010 (the "Acquisition Agreement"), the REIT and NW Trust have agreed to a working capital adjustment payable to the REITof approximately $11.2 million, which is in line with the REIT's initial estimate of approximately $11.4 million. In addition to the working capital adjustment, NW Trust also agreed to absorb approximately $2 million relating to IPO closing costs.
- On June 4, 2010, the REIT announced that it waived conditions and expected to close the acquisition of a newly constructed, multi-tenant medical office building, Queen Street Place, just outside of Edmonton, Alberta (the "Queen Street Acquisition"). The REIT subsequently closed the Queen Street Acquisition on July 7, 2010 for $21.2 million, subject to closing adjustments. Queen Street Place is the dominant medical building in its market and is the REIT's third asset in the Edmonton market.
- On July 15, 2010, subsequent to quarter end, the Ontario Municipal Board ruled against the REIT's appeal to institute paid parking at Trafalgar Professional Centre, located in Oakville, Ontario. While this is disappointing, the 2010 Forecast of Financial Information disclosed in the REIT's Prospectus did not include any revenue from this potential paid parking operation.
- On July 19, 2010, subsequent to quarter end, the REIT announced that it waived conditions and expects to close the acquisition of a 117,000 square foot property portfolio of two buildings in the province of Quebec for a total purchase price of approximately $21.1 million, subject to closing adjustments. The portfolio comprises of one property located in Richelieu near Montreal and one property located in Levis, a suburb of Quebec City. Both of the properties are fully-leased, newly constructed, in 2008 and 2009, respectively and collectively have an average remaining lease term of approximately 12.7 years. The REIT expects the acquisition to close in the 3rd quarter of 2010.
- The REIT paid out monthly distributions to reach its annualized target of $0.80 cents per unit at a monthly rate of $0.06667 per unit. Distributions of $0.081725 cents per unit were declared on April 22, 2010 and paid on May 17, 2010 for the period from March 25, 2010 to April 30, 2010. During the quarter ended June 30, 2010, the REIT also declared distributions of $0.06667 per unit on May 17, 2010 and June 18, 2010.
- The operating results for the period ending June 30, 2010 were generally in line with management's expectations and the guidance provided in the 2010 Forecast of Financial Information disclosed in the REIT's prospectus, although occupancy, which decreased from 90.7% to 90.3% was behind plan because of a lag in the commencement date of new leasing taking effect against projections. Contracted occupancy is, however, expected to increase in the third quarter based on 15,595 square feet of new leases which take effect.
- Adjusted Funds from Operations ("AFFO") for the period of $5,211,779 was, against the forecasted AFFO of $5,395,022, unfavourable by $183,243, or 3.4%, primarily due to the delay in new leasing.

OUTLOOK AND CURRENT BUSINESS ENVIRONMENT

The REIT believes that its portfolio of primarily necessity-based tenancies is typically not materially impacted by economic slowdowns. Regardless of current economic conditions, the REIT believes that it is well-positioned to capitalize upon longer term demographic and healthcare industry trends. However, the improving fundamentals in the underlying Canadian economy through the second quarter of 2010 can only serve to assist the REIT in achieving its near-term goals of renewing existing tenants, leasing vacant space and pursuing acquisitions of Healthcare Real Estate.

The REIT continues to focus its leasing efforts on increasing the healthcare tenancies within each building, wherever possible, which means aggressively renewing healthcare tenancies and selectively renewing non-healthcare tenancies. Over the long term, this is important in order to create the positive synergies that result from an agglomeration of healthcare users in one property. It also assists in driving maximum traffic to the property which translates into increased parking and other revenue.

The REIT believes there are significant opportunities to grow the portfolio by being a consolidator within a fragmented sector that has not been targeted by traditional institutional investors, through accretive acquisitions that efficiently leverage its existing asset and property management platform.

In early 2010 Canadian real estate equity and debt capital markets returned to stability and debt availability is no longer considered a constraining factor to acquisition activity. In fact, quite the opposite is true, with mortgage financing now readily available and competitively priced. In general the investment market has become more competitive with increased activity as capital recently raised, especially by REITs, is available for investment. As a consequence of this growth in demand there has been a gradual decline in yields.

The REIT is currently pursuing an active acquisition pipeline, with multiple properties in varying stages of review and negotiation. This pipeline also includes an on-going review of Glenmore Professional Centre and University Centre, both located in Calgary, Alberta, over which the REIT has a right of first offer to acquire from NW Trust, as set out in the Prospectus.

PART III

RESULTS OF OPERATIONS

Comparison to Forecast

Results for the three month period ended June 30, 2010 have been prepared in accordance with GAAP and are presented on a consistent basis with the three month forecast included in the Prospectus for the same period. For the three months ended June 30, 2010, actual net operating income was broadly in line with the forecast. The REIT's results of operations for the three month period from April 1, 2010 to June 30, 2010 are summarized below:

	Actual results for the 3 months ended June 30, 2010	Forecast results for the 3 months ended June 30, 2010 [1]	Variance
Revenue			
Base rent	10,091,090	10,112,128	(21,038)
Property operating cost recoveries	7,139,499	8,026,999	(887,500)
Parking and other	2,355,809	2,358,869	(3,060)
Property management recovery fees	214,592	184,027	30,565
Total property and property related revenue	**19,800,990**	**20,682,023**	**(881,033)**
Expenses			
Operating	8,076,157	8,934,922	(858,765)
Interest expense	4,296,796	4,317,963	(21,167)
Depreciation and amortization	6,150,558	6,723,178	(572,620)
Trust expenses	429,598	410,625	18,973
Total expenses	**18,953,109**	**20,386,688**	**(1,433,579)**
Net income / (loss)	**847,881**	**295,335**	**552,546**
Calculation of Net Operating Income			
Property and property related revenue	19,800,990	20,682,023	(881,033)
Operating expenses	8,076,157	8,934,922	(858,765)
Net Operating Income ("NOI") [2]	**11,724,833**	**11,747,101**	**(22,268)**
NOI margin	*59.2%*	*56.8%*	*2.3%*

Notes:

(1) Represents the forecast contained in the Prospectus on page 16 for the 3 months ended June 30, 2010. These figures have been prepared by management and are unaudited.

(2) Net Operating Income ("NOI") is a non-GAAP measure of a REIT's operating performance, defined as property and property related revenue less operating expenses, inclusive of Property management recovery fees, above/below market rent amortization and amortization of straight line rent. The REIT uses NOI to assess its property operating performance on an unleveraged basis.

Property and Property Related Revenue
Total property and property related revenue is $881,033 less than forecast, primarily as a result of lower occupancy and recoverable operating expenses, and therefore lower operating expense recoveries, for the three month period. Please refer to the commentary on operating expenses below for additional details.

The unfavourable variance in base rent of $21,038 against the forecast is a result of a favourable variance in above and below market rent amortization of $185,477, due to revisions to the purchase price allocation, offset by an unfavourable variance against forecast in base rent of $206,378 relating to lower occupancy as result of delayed starts for new leasing at several properties where local market conditions and/or the recent repositioning of the property has contributed to weaker tenant demand and slower space absorption. The REIT is currently in the process of completing the valuation of the net assets acquired and the purchase price allocation and related values of above and below market rents will be adjusted in future periods.

Parking and other revenue is broadly in line with forecast, as unfavourable variances in parking revenues were offset by favourable variances in storage, lease termination and miscellaneous income. The unfavourable variance in parking revenue was offset by a favourable variance in non-recoverable parking expenses, resulting in net parking results being favourable.

The favourable variance in property management recovery fees of $30,565 against forecast is a result of greater than forecast management and supervision fees charged to ROFO assets and the Head Lease properties.

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

Operating expenses were $858,765 less than forecast as a result of a warmer spring across Canada which resulted in lower than forecast utility costs. In addition there has been a delay in the timing of general repairs and maintenance expenditures relative to the FOFI. These costs are likely to be incurred in future quarters.

Interest Expense
The favourable variance in interest expense of $21,167 as compared to the forecast is attributable to the fact that the forecast assumed interest expense related to the earlier utilization of the REIT's revolving credit facility (the "Revolving Credit Facility"), which was not drawn upon during the period.

Depreciation and Amortization Expense
The favourable variance of $572,620 in depreciation and amortization expense as compared to the forecast is attributable to revisions in the purchase price allocation. The REIT is in the process of completing the valuation of the net assets acquired and the purchase price allocation will be adjusted in future periods. Specifically, management anticipates that further revisions will be made to its current estimates for above and below market leases, in-place leases and tenant relationships and related amortization.

Trust Expenses
The Prospectus forecast of trust expenses reflected management's best estimate of legal fees, trustee fees, annual report costs, transfer agent fees, insurance costs, salaries, benefits and incentive compensation for the REIT. Trust expenses were $18,973 greater than forecast, broadly in line with management's estimates. .

Comparison to Prior Year
Results for the 3 month period ended June 30, 2010 are not directly comparable to the actual results for the three months ended June 30, 2009 as a result of the REIT's IPO which effected changes in capital and management structure. As such, Pro Forma results for the three months ended June 30, 2009 have been estimated based on the REIT's Pro Forma Consolidated Statement of Operations for the nine months ended September 30, 2009, which was disclosed in the Prospectus on page F-4. The Pro Forma nine month figures have been pro-rated on a straight-line basis to derive the estimated 3 months figures for the period ending June 30, 2009. The REIT's results of operations for the 3 month period ending June 30, 2010 are summarized below:

	Actual results for the 3 months ended June 30, 2010	Pro Forma results for the 3 months ended June 30, 2009 (1)	Variance
Revenue			
Base rent	10,091,090	9,905,354	185,736
Property operating cost recoveries	7,139,499	7,037,924	101,576
Parking and other	2,355,809	2,147,878	207,931
Property management recovery fees	214,592	109,034	105,557
Total property and property related revenue	**19,800,990**	**19,200,190**	**600,800**
Expenses			
Operating	8,076,157	8,232,808	(156,651)
Interest expense	4,296,796	4,101,787	195,009
Depreciation and amortization	6,150,558	6,606,533	(455,975)
Trust expenses	429,598	512,050	(82,452)
Total expenses	**18,953,109**	**19,453,178**	**(500,069)**
Net income / (loss)	**847,881**	**(252,988)**	**1,100,869**
Calculation of Net Operating Income			
Property and property related revenue	19,800,990	19,200,190	600,800
Operating expenses	8,076,157	8,232,808	(156,649)
Net Operating Income ("NOI") (2)	**11,724,833**	**10,967,382**	**757,449**
NOI margin	*59.2%*	*57.1%*	*1.9%*

Notes:

(1) Represents Pro Forma figures for the nine months ended September 30, 2009 contained in the Prospectus on page F-5 pro rated on a straight-line basis for the 3 months ended June 30, 2009. These figures have been prepared by management and are unaudited.

(2) Net Operating Income ("NOI") is a non-GAAP measure of a REIT's operating performance, defined as property and property related revenue less operating expenses, inclusive of Property management recovery fees, above/below market rent amortization and amortization of straight line rent. Property revenue excludes interest income. The REIT uses NOI to assess its property operating performance on an unleveraged basis.

Property and Property Related Revenue

Total property and property related revenue of $19,800,990 is $600,800 greater than the pro-rated Pro Forma, primarily as a result of increased operating cost recoveries and parking income.

The year over year increase in base rent of $185,736 is a result of a favourable variance in above and below market rent amortization of $185,477, due to revisions to the purchase price allocation. Excluding changes in above and below market rent amortization, base rent for the three month period ended June 30, 2010 has remained broadly flat against the pro-rated 2009 three month Pro Forma. The REIT is currently in the process of completing the valuation of the net assets acquired and the purchase price allocation and related values of above and below market rents will be adjusted in future periods

Property operating cost recoveries for the three months ended June 30, 2010 were $101,576 greater than the pro-rated three Pro Forma as a result of an increase in the proportion of net tenants, as management has focused on converting gross tenants to the REIT's standard net terms.

The $207,931 year over year increase in parking and other revenues relate to increased parking revenues driven by the active management of paid parking lots as well as one additional paid parking location as well as favourable variances in storage, lease termination and miscellaneous income.

Property management recovery fees were greater than the pro-rated Pro Forma by $105,557 as a result of an increase in management and supervision fees charged to ROFO assets and Head Lease properties.

Operating Expenses

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

Operating expenses were $156,651 less than the pro-rated 2009 Pro forma due to a warmer spring across Canada which resulted in lower than pro-rated 2009 Pro forma forecast utility costs. In addition there has been a delay in the timing of general repairs and maintenance expenditures relative to 2009 and these costs are likely to be incurred in future quarters.

Interest Expense

Interest expense for the three months ending June 30, 2010 was $195,009 greater than the pro-rata 2009 Pro Forma as a result of increased amortization fees related to the Mark to Market adjustment on mortgages and financing fees related to the REIT's Revolving Credit Facility. These increases were partially offset by reduced mortgage interest costs due to scheduled principal repayments. Mortgage repayments upon closing of the REIT's IPO are reflected in the 2009 Pro Forma interest expense.

Depreciation and Amortization Expense

Depreciation and amortization expense had a favourable variance of $455,975 as compared to the pro-rated Pro Forma. This is attributable to revisions to the purchase price allocation and related depreciation on income-producing properties and amortization of intangible assets. The REIT is in the process of completing the valuation of the net assets acquired and the purchase price allocation will be adjusted in future periods.

Trust Expenses

Pro Forma trust expenses reflect management's best estimate of legal fees, trustee fees, annual report costs, transfer agent fees, insurance costs, salaries, benefits and incentive compensation for the REIT. Trust expenses were $82,452 less than the pro-rated 2009 Pro Forma as a result of timing differences as the pro-rated 2009 Pro Forma assumed that trust expenses would be incurred evenly throughout the year. Management anticipates that the timing differences will reverse in Q3 and Q4 2010.

FUNDS FROM OPERATIONS

Funds from Operations ("FFO") is a supplemental non-GAAP industry wide financial measure of a REIT's operating performance. The REIT calculates FFO as net income (computed in accordance with GAAP), plus property depreciation and amortization. The REIT's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. A reconciliation of GAAP net income to FFO for the three months ended June 30, 2010 is set out below:

	Actual results for the 3 months ended June 30, 2010	2010 Forecast [1]	Variance
Net income / (loss) (per GAAP)	847,881	295,335	552,546
Add / (Deduct):			
Depreciation and amortization	6,150,558	6,723,178	(572,620)
Funds from Operations ("FFO")	**6,998,439**	**7,018,513**	**(20,074)**
Basic FFO per unit	$0.27	$0.28	$(0.01)
Fully diluted FFO per unit	$0.27	$0.28	$(0.01)
Weighted average units outstanding:			
Basic	26,333,956	25,249,772	-
Fully diluted	26,333,956	25,249,772	-

Notes:

(1) Represents the forecast contained in the Prospectus on page 16 for the 3 months ended June 30, 2010. These figures have been prepared by management and are unaudited.

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

PORTFOLIO PROFILE

As of June 30, 2010, the REIT's portfolio consisted of 45 Healthcare Real Estate properties, located in six provinces. The properties had a total GLA of approximately 2.7 million square feet encompassing approximately 1,150 individual tenancies.

Geographic Diversification

The properties are well diversified throughout Canada, with 72% of annualized NOI derived from the four major markets of the Greater Toronto Area (29%), Calgary (23%), the greater Montreal Area (10%), and the Halifax Regional Municipality (10%) for the three months ended June 30, 2010. The following charts and graphs set out the regional diversification of the portfolio by annualized NOI and GLA.

Region	# of properties	Total GLA	Current Occupancy rate (1)	Avg. in- place net rent (psf)
Western Canada	8	588,178	97.8%	$17.35
Ontario	19	1,134,029	86.2%	14.78
Quebec	11	522,813	90.4%	12.85
Atlantic Canada	7	456,688	90.8%	13.55
Total	**45**	**2,701,708**	**90.3%**	**$14.80**

Geographic diversification by annualized NOI (2)

Atlantic Canada 15%
Western Canada 31%
Quebec 13%
Ontario 41%

Geographic diversification By GLA

Atlantic Canada 17%
Western Canada 22%
Quebec 19%
Ontario 42%

Notes:

(1) As at June 30, 2010
(2) Based on NOI for the 90 days ended June 30, 2010 annualized for a 12 month period, excluding Property management recovery fees

Leasing Activity

Renewal leasing:

During the quarter the REIT completed 47,748 square feet against a budget of 45,392 square feet. An additional 4,095 square feet of tenants remained in occupancy and are expected to renew. Including these tenants, the overall renewal rate for the quarter is 114% against budget and 81% against expiries. Renewal rents were in line with budget.

For year to date 2010 (all year to date references are from January 1), the REIT has completed a total of 96,572 square feet of renewal leasing versus a budget of 89,402 square feet out of the 121,971 square feet expiring in the first half of the year. An additional 5,392 square feet of tenants remain in occupancy and are expected to renew. Including this square footage the overall renewal rate is 114% against budget and 84% against expiries.

The REIT has completed a further 88,039 square feet of lease renewals and is in active negotiations with another 35,649 square feet , which in total represent 57% of all remaining 2010 expiries. In addition, the REIT has early renewed 15,055 square feet of 2011 expiries.

New leasing:

During the quarter the REIT completed 15,934 square feet of new leasing against a budget (adjusted for unbudgeted renewals) of 48,764 square feet. Of that 32,830 square foot shortfall, a further 15,959 square feet had been leased with occupancy occurring after June 30. New rents were in line with budget.

For year to date, the REIT has completed 44,366 square feet of new leasing against a budget (adjusted for unbudgeted renewals) of 90,193. An additional 39,225 square feet has been leased with occupancy occurring after June 30, bringing the new leasing total against budget for 2010 to 45%.

Tenant Mix

The portfolio has a well diversified tenant profile, reflecting an attractive mix of healthcare-related tenants, including regional health authorities, primary care networks, family health teams, medical and diagnostic imaging clinics, medical practitioners, pharmacies and laboratories, as well as institutional and non-healthcare tenants. The average tenant occupies approximately 2,160 square feet of GLA. The primary source of revenue for a large portion of the REIT's tenants is government funding, either directly or indirectly, through medical practitioners, which supports the credit quality of the REIT's tenants. The weighted average in place net rent per square foot for the Properties is approximately $14.80.

The following table summarizes the REIT's 10 largest tenants by minimum rent:

	Tenant	# of locations	% of annual min. net rent	% of GLA	Avg. min. net rent (psf)	Remaining term [(1)]
1	NW Trust Head Leases	3	5.4%	3.8%	$21.40	4.8
2	Alberta Health Services [(2)]	6	4.1%	2.7%	23.05	3.1
3	Shoppers Drug Mart	3	2.6%	0.9%	41.68	11.3
4	Lawtons Drugs	4	2.4%	1.8%	19.16	9.1
5	CLSC	3	2.2%	3.2%	10.11	1.7
6	CML Healthcare	7	2.1%	1.5%	21.77	2.5
7	University of Toronto	1	2.1%	1.6%	19.71	3.8
8	Networc Health Inc	1	2.1%	0.9%	32.00	3.5
9	Sunnyhill Wellness Centre [(3)]	1	1.6%	0.7%	32.60	8.4
10	Charles-Lemoyne Hospital	1	0.3%	0.9%	19.98	10.0
Total / Weighted averages		**30**	**25.7%**	**18.1%**	**$21.29**	**4.8**

Notes:

(1) Remaining term as of June 30, 2010, weighted by GLA

(2) Alberta Health Services was formed by the amalgamation of all of Alberta's regional health authorities, including the REIT's two tenants, Calgary Health Region and Capital Health Region

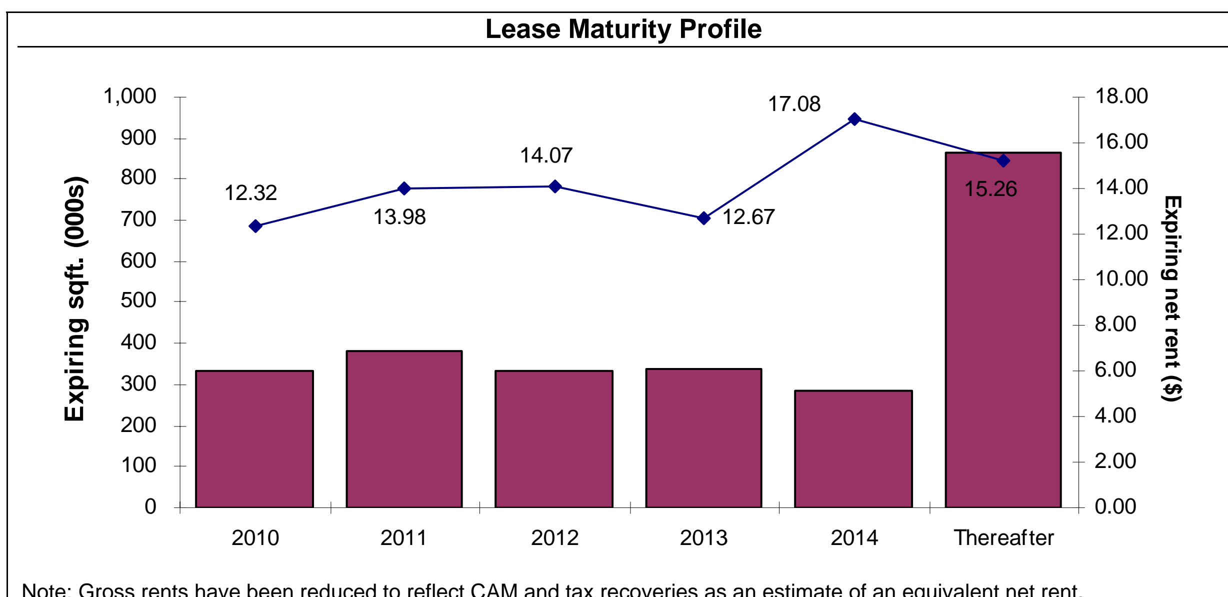
(3) Sunnyhill Wellness Centre is an assisted living centre owned and operated by an affiliate of NW Trust. While the affiliate has only owned the business since 2005, it has operated since 2002, and its residents receive approximately 60% reimbursement from Alberta Health Services

During the quarter, Networc Health Inc ("Networc"), the REIT's eighth largest tenant (by % of annual minimum net rent) occupying approximately 26,000 square feet at Riley Park Health Centre, had an interim receiver appointed at the request of Alberta Health Services ("AHS") until January 15, 2011. The REIT is disappointed by this event, since Networc was not in default with the REIT and the REIT had no reason to believe that it would default. It was alleged that Networc had defaulted in relation to another creditor. The interim receivership was granted to ensure that the surgical procedures performed in the Networc premises continued for the public good.

As at August 12, 2010, Networc continues to pay rent and had no overdue balances outstanding with the REIT. The REIT is confident that, to the extent it is determined through the interim receivership period that the space is not needed by Networc/AHS past early 2011, that demand for the space will be strong from replacement tenants. In fact, the REIT already has documented leasing interest for a portion of the space.

Lease Expiry Profile

The REIT's diverse tenant base is complemented by a balanced lease maturity profile, with an average of 12.4% of GLA maturing each year between 2010 and 2014, as illustrated by the chart below, and, as of June 30, 2010, a weighted average term to maturity of 3.8 years.



PART IV

LIQUIDITY AND CAPITAL RESOURCES

The REIT expects to be able to meet all of its obligations as they become due and have sufficient liquidity from the following sources: (i) cash flow from operating activities; (ii) financing availability through a Revolving Credit Facility and conventional mortgage debt secured by income producing properties; and (iii) the ability to issue equity and convertible/unsecured debentures.

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

	Actual results for the 3 months ended June 30, 2010
Cash provided by / (used in):	
Operating activities	$(563,818)
Financing activities	6,253,159
Investing activities	(2,614,211)
Increase / (Decrease) in cash and cash equivalents during the period	**$3,075,130**
Cash and cash equivalents, beginning of period	$2,264,231
Cash and cash equivalents, end of period	**$5,339,361**

Cash flow activity for the three month period ended June 30, 2010 primarily related to the results of the REIT's operations, distributions to unitholders and the exercise of the over-allotment option as part of the REIT's IPO.

Additional commentary on these events can be found in the notes to the financial statements as well as earlier in this MD&A.

CAPITALIZATION AND DEBT PROFILE

	As at June 30, 2010
Indebtedness	
Existing Mortgages Payable	$306,881,153
Mark-to-Market premium on Existing Mortgages	1,936,537
Unamortized financing costs	(387,030)
Revolving Credit Facility	-
Unitholders' Equity	
Issuance of units – Initial Public Offering	$175,000,000
Issuance of units – Over-Allotment Option	12,500,000
Class B LP Units (Authorized – unlimited ; Issued – 7,749,772)	77,497,720
Less: Issue costs	(15,647,069)
Total capitalization (at book value)	**$557,781,311**

The following table sets out, as at June 30, 2010, scheduled principal payments, debt maturity amounts and weighted average interest rate of maturing mortgages.

Year ending December 31st	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Weighted average interest rate of maturing mortgages	Percentage of total mortgages payable
2010 (1)	3,002,537	1,365,000	4,367,537	4.77%	1.4%
2011	6,259,052	-	6,259,052	n/a	2.0%
2012	6,444,219	10,028,231	16,472,450	5.42%	5.4%
2013	6,538,633	17,228,510	23,767,143	6.15%	7.7%
2014	5,974,551	35,864,975	41,839,526	5.68%	13.6%
2015	4,824,589	49,630,869	54,455,458	5.64%	17.7%
2016	4,130,496	94,029,887	98,160,383	5.51%	32.0%
2017	620,524	60,939,080	61,559,604	5.49%	20.1%
Sub-total	37,794,601	269,086,552	306,881,153	5.58%	100.0%
MTM adjustment			1,936,537	(0.51%)	
Unamortized financing costs			(387,030)		
Total			308,430,660	5.07%	

Notes:
(1) 2010 represents the period from 1 July 2010 to 31 December 2010

Revolving Bank Credit Facility

At June 30, 2010, no amounts were outstanding under the REIT's Revolving Credit Facility (the "RCF"). Subsequent to quarter end, the REIT drew $18.0 million on the RCF in relation to the acquisition of Queen Street Place, which was completed on July 7, 2010. As part of the acquisition, the REIT elected to have the existing $11.5 million mortgage repaid upon closing and financed the $21.2 million purchase price through existing resources and the RCF. The REIT is currently finalizing permanent financing on the property and expects to secure a 10 year first mortgage of $14.0 million at a fixed interest rate of 4.933%..

The Revolving Credit Facility has a maximum principal amount of $35 million, which may be increased to $50 million, subject to standard conditions including lender consent. The Revolving Credit Facility bears interest at a rate equal to the bank's prime rate plus 250 basis points or Bankers' Acceptances plus 350 basis points, with an initial term of one year, maturing on March 25, 2011. The Revolving Credit Facility is secured by a pool of first ranking mortgages on certain properties (the ''Borrowing Base''). The properties within the Borrowing Base, subject to a right of substitution under certain standard conditions, are Riley Park Health Centre, Rockyview Professional Centre II, Collingwood Health Centre, Wharncliffe Health Centre and CLSC La

Presqu'Ile. The REIT is entitled to borrow a maximum of 60% of the appraised value of the properties in the Borrowing Base.

Ratios / Covenants
Pursuant to the Declaration of Trust the REIT may not incur or assume any indebtedness if, after giving effect to the incurring or assumption of such indebtedness, the total indebtedness of the REIT would be more than 65% of the GBV of its assets. The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with a term to maturity that is appropriate having regard to the lease maturity profile for each property and which allows the REIT to (i) achieve and maintain staggered debt maturities to lessen exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix the rates and extend loan terms as long as possible when borrowing conditions are favourable. Subject to market conditions and the growth of the REIT, management of the REIT currently intends to maintain indebtedness in a range of 55% to 60% of GBV. The following summarizes the status of these key ratios as at and for the period ended June 30, 2010:

	As at June 30, 2010
Gross Book Value	582,749,309
Debt	308,430,660
Debt to Gross Book Value (1)	52.9%
Amount of debt at fixed rates	308,430,660
Interest coverage (2)	2.63x
Debt Service coverage (3)	1.85x
Weighted average mortgage interest rate (at contract) (4)	5.58%

Notes:
(1) Defined as total debt divided by total assets plus accumulated depreciation and amortization of income properties
(2) Defined as net income plus depreciation & amortization and interest expense divided by interest expense
(3) Defined as EBITDA divided by interest expense and scheduled principal repayments during the period. EBITDA represents AFFO, excluding reserves for stabilized CAPEX and LC/TI's and adding back interest expense.
(4) Market weighted average mortgage interest rate = 5.07%

Management expects that the ratio of indebtedness to GBV will increase, as a result of the REIT's recently announced acquisitions. Interest rates and debt maturities will be reviewed regularly by the trustees of the REIT ("Trustees") to ensure the appropriate debt management strategies are implemented. The REIT intends to finance its ongoing operations with a combination of, primarily, fixed rate secured debt with staggered maturities and floating rate secured short-term, construction and/or revolving debt. The fixed rate debt is expected to be comprised primarily of first charge mortgages.

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

LEASING COSTS AND CAPITAL EXPENDITURES

Leasing costs
Leasing costs, which include tenant allowances, landlord's work, leasing commissions and costs related to the REIT's internal leasing function, vary with the timing of new leases, renewals, vacancies and tenant mix. On a quarterly basis and during portfolio repositioning, leasing costs can fluctuate and as such, should not be regarded as stabilized.

For the three months ended June 30, 2010, the REIT incurred $1,416,965 of leasing costs related to new and renewal leasing. In addition, the REIT incurred $355,829 of recoverable tenant improvements related to 2924 Taschereau Boulevard, resulting in total leasing costs for the quarter of $1,772,794.

2924 Taschereau Boulevard is a Montreal area property that is currently being redeveloped to accommodate a new 10-year lease with the neighbouring Charles-Lemoyne Hospital, which will occupy the entire building. In addition, to these non-standard costs were other non-standard costs, such as the costs related to leases with

terms of 10 years or greater and the costs related to the relocation of four primary medical tenants to secure them for longer terms in new premises while also accommodating other users in their former units, which represented approximately 67% of total quarterly leasing costs. Approximately 87% of total leasing costs incurred during the quarter relate to primary medical tenants, addressing another focus of the REIT, which is to intensify medical/healthcare tenancies whenever possible. Also included in total leasing costs for the quarter is $519,376 related to directly attributable internal costs of obtaining and renewing leases and external leasing commissions.

Capital Expenditures

The REIT's capital expenditures include capital costs required to maintain the existing property portfolio (i.e. maintenance capital expenditures) as well as capital costs in relation to the on-going expansion and continuous improvement of the portfolio (i.e. growth capital expenditures). A large portion of the REIT's maintenance capital expenditures are recovered by tenants over future periods. On a quarterly basis and during portfolio repositioning, capital expenditures can fluctuate and as such, should not be regarded as stabilized.

For the three months ended June 30, 2010, the REIT incurred $1,759,073 in capital expenditures, of which $1,441,885 are considered to be growth related and $317,188 are considered to be maintenance related.

Growth capital expenditures for the quarter represent additions to income-producing properties and primarily relate to the one-time repositioning and development of certain properties within the portfolio, principally base building work at Rockyview Professional Centre II, which amounted to $1,114,718. These capital expenditures are not directly recoverable from tenants.

Maintenance capital expenditures represent both recoverable tenant improvements as well costs associated with non-recoverable capital projects. For the three months ending June 30, 2010, the REIT incurred $317,188 of maintenance capital expenditures, all of which are recoverable from tenants in future periods.

ADJUSTED FUNDS FROM OPERATIONS ("AFFO") AND DISTRIBUTIONS

Adjusted Funds From Operations ("AFFO")

Adjusted Funds from Operations ("AFFO") is a supplemental non-GAAP industry wide financial measure of a REIT's cash generating activities after providing for (stabilized) operating capital requirements. Management considers AFFO to be a useful measure of cash available for distributions. The REIT calculates AFFO as net income (computed in accordance with GAAP), subject to certain adjustments, including: (i) adding back the following items: depreciation of buildings and improvements (including amortization of tenant installation costs and financing costs) and amortization of related intangibles (including amortization of value of tenant rents regarding in-place lease agreements, amortization of differential between in-place rent and above market rents, amortization of customer relationships) and amortization of any net discount on long-term debt assumed from vendors of properties at rates of interest less than fair value; (ii) deducting the following items: amortization of differential between in-place rents and below market rents and amortization of any net premium on long-term debt assumed from vendors of properties at rates of interest greater than fair value; (iii) adjusting for differences, if any, resulting from recognizing rental revenues on a straight line basis as opposed to contractual rental amounts; and (iv) deducting reserves for tenant inducements, leasing commissions, financing costs and sustaining capital expenditures, as determined by the REIT.

The REIT's method of calculating AFFO may differ from other issuers' methods and accordingly may not be directly comparable to AFFO reported by other issuers. A reconciliation of GAAP net income to AFFO for the period ended June 30, 2010 is set out below:

	Actual results for the 3 months ended June 30, 2010	2010 Forecast [1]	Variance
Net income / (loss) (per GAAP)	**847,881**	**295,335**	**552,546**
Add / (Deduct):			
Depreciation and amortization	6,150,558	6,723,178	(572,620)
Funds from Operations ("FFO") [2]	**6,998,439**	**7,018,513**	**(20,074)**
Add / (Deduct):			
Amortization of Mark to Market adjustment	(153,685)	(134,609)	(19,076)
Amortization of finance fees [3]	132,079	143,750	(11,671)
Amortization of above/below market rent	(431,335)	(245,858)	(185,477)
Amortization of straight line rent	(145,660)	(145,852)	192
Reserve for stabilized capital expenditures [4]	(396,020)	(413,640)	17,621
Reserve for stabilized leasing commissions and tenant inducements [5]	(792,039)	(827,281)	35,242
Adjusted Funds from Operations ("AFFO") [2]	**5,211,779**	**5,395,022**	**(183,243)**
Basic AFFO per unit	$0.20	$0.21	$(0.01)
Fully diluted AFFO per unit	$0.20	$0.21	$(0.01)
Weighted average units outstanding:			
Basic	26,333,956	25,249,772	-
Fully diluted	26,333,956	25,249,772	-

Notes:

(1) Represents the forecast contained in the Prospectus on page 16 for 3 months of operations ended June 30, 2010. These figures have been prepared by management and are unaudited

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

(3) Represents costs related to the REIT's Revolving Credit Facility

(4) Based on an estimate of 2.0% of revenue

(5) Based on an estimate of 4.0% of revenue

Adjusted Funds from Operations ("AFFO") for the period was $183,243 less than forecasted AFFO, primarily due to lower occupancy as a result of a delay in new leasing.

AFFO for the three months ending June 30, 2010 of approximately $5.2 million, is calculated after deducting approximately $1.2 million of stabilized reserves for leasing costs and capital expenditures. An additional $0.4 million per quarter of leasing costs (approximately $1.4 million for the year) were also disclosed in the Prospectus in relation to the 10-year, Charles-Lemoyne Hospital lease at 2924 Taschereau Boulevard, allowing for a total leasing cost and capital expenditure reserve this quarter of approximately $1.6 million.

During the period, the REIT incurred approximately $3.5 million in actual leasing costs and capital expenditures, resulting in an unfavourable variance of approximately $1.9 million. Approximately $1.1 million of the variance relates to the one-time repositioning and development at Rockyview Professional Centre II, while an additional $0.4 million relates to the one-time relocation of four primary medical tenants to better "stack" four buildings. The remaining $0.4 million of the unfavourable variance in total leasing costs and capital expenditures against reserves relates to costs incurred on strategic and longer term (i.e. ten years or greater) healthcare deals with a view to better position and improve the quality of the REIT's current tenant mix and lease maturity profile.

Distributions

The REIT has adopted a distribution policy pursuant to which the REIT intends to make cash distributions to unitholders and to holders of Class B LP Units on each monthly distribution date equal to, on an annual basis, approximately 90% of AFFO. As disclosed on page 20 of the REIT's Prospectus, the REIT intends on making monthly distributions of $0.06667 per unit, equating to $0.80 per unit on an annualized basis.

The REIT's AFFO payout ratio for the period from April 1, 2010 to June 30, 2010 is calculated below:

	As at / For the 3 months ended June 30, 2010
Adjusted Funds from Operations ("AFFO") (1)	5,211,779
Annualized AFFO (2)	**20,847,111**
Annual target distributions / unit	$0.80
Fully diluted units outstanding at end of period	26,503,580
Annualized distributions	**21,202,864**
Payout Ratio	**101.7%**

Notes:
(1) Adjusted Funds from Operations ("AFFO") is a non-GAAP measure of a REIT's operating performance. AFFO is only one measure of real estate operating performance and is an alternative measure of determining available cash flow. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital
(2) Annualized on a straight line basis for 12 months

The current annualized AFFO payout ratio of 101.7% is in excess of management's target of 90% as a result of the unfavourable AFFO variance of $183,243 and the annualization of a three month period which does not take into consideration delays in new leasing and organic growth embedded in the latter half of the 2010 forecast. In addition, recent acquisitions announced by the REIT are not reflected in Q2 results and as such, net proceeds of the over-allotment and cash generated from operations have yet to be deployed.

Management forecasts that the REIT's payout ratio will decrease as it accretively deploys proceeds from the offering and subsequent over-allotment as well as works towards the leasing targets set forth in the 2010 forecast.

PART V - HEAD LEASES

A summary of Head Lease space as well as space which has been sub-leased to 3rd parties is presented below. Pursuant to the terms of the Head Lease agreement, NW Trust is required to pay for any potential shortfalls in rent for space sub-leased to 3rd parties for the duration of the Head Lease term.

Head Lease Summary

	At June 30, 2010			Sub-Leased to Third Parties (1)		
Property	**GLA**	**Min. rent (psf) (2)**	**Lease expiry**	**GLA**	**Min. rent (psf) (2)**	**Lease expiry**
Rockyview Professional Centre II	51,177	$21.00	Mar-15	20,455	$14.70	Jul-25 (3)
HealthPark	29,932	16.25	Mar-15	1,496	15.03	May-20
Riley Park Health Centre	20,271	30.00	Mar-15	-	-	
Total / Weighted averages	**101,380**	**$21.40**		**21,951**	**$14.72**	

Notes:
(1) As at August 12, 2010
(2) Represents straight line annual minimum rent psf for the Head Lease term and excludes subsequent rent escalations
(3) Represents the latest lease expiry for the respective property. 8,000 square feet expires July 2025, 7,900 square feet expires July 2020 and 4,555 expires February 2021

Third-party commitments are in place for approximately 21,951 square feet or 21.7% of additional head lease space, with another 4,555 square feet leased during the quarter. While the average in place rent at the Rockyview Professional Centre II is below the head lease rent, management believes that all of the sub-leases represent good tenants for the property, as:

- there are rental rate escalations throughout the respective lease terms, some of which are during the Head Lease term and are reflected in the minimum rent psf presented above on a straight line basis;
- two of the leases are considered "anchor" healthcare tenancies that will assist in the future lease-up of the building; and,
- the sub-tenants are expected to drive significant parking demand for the property, resulting in paid parking revenue beyond the Head Lease term.

In addition to the in-place third-party commitments, negotiations continue for approximately 51,630 square feet or 65% of the uncommitted space.

PART VI

SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies and changes in accounting policies are described in note 1 to the interim consolidated financial statements. The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities as at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

Acquisitions
Upon acquisition of commercial properties, the REIT performs an assessment of the fair value of the properties' related tangible and intangible assets and liabilities (including land, buildings, origination costs, in-place leases, above-and below-market leases, and any other assumed assets and liabilities), and allocates the purchase price to the acquired assets and liabilities. The purchase price allocation may be adjusted in future periods.

The REIT assesses and considers fair value based on cash flow projections that take into account relevant discount and capitalization rates and any other relevant sources of market information available. Estimates of future cash flow are based on factors that include historical operating results, if available, and anticipated trends, local markets and underlying economic conditions.

The REIT allocates the purchase price based on the following:

- Land: The amount allocated to land is based on an estimate of its fair value.
- Buildings: Buildings are recorded at the fair value of the building on an ‘‘as-if-vacant’’ basis, which is based on the present value of the anticipated net cash flow of the building from vacant start-up to full occupancy.
- In-place leases: In-place lease values are determined based on estimates of the avoided costs of originating the acquired leases plus an estimate of the value of lost net rental income over the estimated lease-up period of the property.
- Tenant relationships: Tenant relationships are determined based on estimates of the avoided costs of renewing existing leases plus an estimate of value of lost net rental income over the estimated lease-up period of the property.
- Goodwill represents the cost of acquired net assets in excess of their fair values
- Above-and below-market leases: The values ascribed to above- and below-market leases are determined based on the present value of the difference between the rents payable under the terms of the respective leases and estimated future market rents.
- Fair value of debt: The values ascribed to fair value of debt are determined based on the differential between the contractual and market interest rates on long-term liabilities assumed at acquisition.

Income-producing Properties
Income-producing properties include land, buildings and tenant improvements. Income-producing properties are carried at cost less accumulated depreciation and are reviewed periodically for impairment.

Depreciation of buildings is calculated using the straight-line method with reference to each property's cost, its estimated useful life (not exceeding 40 years) and its residual value.

Amortization of tenant improvements is determined using the straight-line method over the terms of the tenant lease agreements and renewal periods where applicable.

Repair and maintenance improvements that are not recoverable from tenants are either expensed as incurred or in the case of a major item, capitalized to income-producing properties and amortized on a straight-line basis over the useful life of the improvement.

Revenue Recognition
The Trust has adopted the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases is accounted for on the straight-line basis over the term of the lease. Accordingly, an accrued rent receivable/payable is recorded from tenants for the current difference between the straight-line rent recorded as rental revenue and the rent that is contractually due from the tenant.

Revenue from income-producing properties includes rents earned from tenants under lease agreements, parking, realty tax and operating cost recoveries and other incidental income. Lease related revenue is recognized as revenue over the term of the underlying leases. Other revenue is recognized at the time the service is provided.

Use of Estimates
The preparation of interim consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The significant areas of estimation and assumption include:

- Impairment of assets;
- Depreciation and amortization;
- Allocation of purchase price on property acquisitions; and
- Fair value of income-producing property debt.

Impairment of Long-Lived Assets
Long-lived assets are reviewed for impairment annually or whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable.

If it is determined that the net recoverable value of a long-lived asset is less than its carrying value, the long-lived asset is written down to its fair value. The net recoverable amount represents the undiscounted estimated future cash-flow expected to be received from the long-lived asset. Assets reviewed under this policy include commercial properties and intangible assets.

Financial Instruments
The fair value of a financial instrument is the estimated amount that the REIT would receive or pay to settle the financial assets and financial liabilities as at the reporting date.

The REIT has classified its financial instruments in the following categories:

- Held for trading - restricted cash, cash and cash equivalents
- Loans and receivables - Notes receivable and accounts receivable
- Other financial liabilities - Mortgages payable, accounts payable and accrued liabilities

The book values of cash and cash equivalents, restricted cash, receivables, payables and accruals approximate fair values at the balance sheet date.

Fair value of the other instruments is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the REIT might pay or receive in actual market transactions.

The fair values of the REIT's mortgages payable approximate the carrying values at June 30, 2010. The fair values have been estimated based on the current market rates for mortgages with similar terms and conditions.

Income Tax
Under Canadian GAAP, REITs that qualify for the REIT Exception (as defined below) are not required to recognize future income tax assets or liabilities on temporary differences when there is an intention by management to distribute its taxable income to unitholders. The Canadian accounting profession is currently in the process of assessing and interpreting the application of deferred tax under IFRS standards as it relates to Canadian REITs that qualify for the REIT Exception. Management will continue to monitor the guidance received from this process to assess the appropriate methodology for the adoption of the IFRS deferred tax

standards. “REIT Exception” means the exclusion from the definition of specified investment flow – through trust in the Income Tax Act (Canada)(the “Tax Act’) for a trust qualifying as a “real estate investment trust” as defined in subsection 122.1(1) of the Tax Act.

International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards (‘‘IFRS’’) will, for public entities, replace Canadian generally accepted accounting principles effective for fiscal periods beginning on or after January 1, 2011, with comparative figures presented on the same basis.

The Canadian Securities Administrators have provided issuers with the option of early adopting IFRS for Canadian reporting purposes. The REIT does not intend to prematurely adopt IFRS at this time. The REIT is currently evaluating the impact of adopting IFRS and its primary accounting principles and developing its changeover plan. IFRS are premised on a conceptual framework similar to Canadian GAAP; however, significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not have a material impact on the REIT’s reported cash flows, it may have a material impact on the REIT’s consolidated balance sheet and statement of net income. The REIT performed an initial assessment of the impact of IFRS and has identified significant accounting policy differences between IFRS and current Canadian GAAP pertaining to accounting for investment properties, REIT units, income tax and leases that the REIT will be required to further assess and implement.

The REIT has commenced with Phase 1 of its IFRS conversion, which includes identifying major accounting differences and their relevance to the REIT and formulating key IFRS conversion issues to be dealt with in Phase 2 of the project. Key employees with responsibility for financial reporting are currently being provided with IFRS education. Phase 2 of the project will commence immediately thereafter and will include the formation of functional implementation teams that will be responsible for effecting required changes to business and accounting processes and systems. The REIT has evaluated its internal valuation processes and has completed the external appraisal and assessment of the fair values of the REIT’s investment properties as of January 1, 2010, as more particularly described in the Prospectus.

The REIT will continue to assess the impact of the transition to IFRS and to review all of the proposed and ongoing projects of the International Accounting Standards Board to determine their impact on the REIT.

Additionally, the REIT will continue to invest in training and resources throughout the transition period to facilitate a timely conversion.

PART VII

RISKS AND UNCERTAINTIES

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

Risk Factors Related to the Real Estate Industry

Real Property Ownership and Tenant Risks

The REIT owns the properties in its portfolio and is expected in the future to acquire interests in other real property. All real property investments are subject to elements of risk. By specializing in a particular type of real estate, the REIT is exposed to adverse effects on that segment of the real estate market and does not benefit from a diversification of its portfolio by property type.

The value of real property and any improvements thereto depends on the credit and financial stability of tenants, and upon the vacancy rates of the properties. AFFO will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties in which the REIT will have an interest become vacant and are not able to be leased on economically favourable lease terms.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the REIT than the existing lease. In the event of

default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which the REIT has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the disclaimer and termination of such tenant's lease, any of which events could have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. Certain of the REIT's tenants may require licences to operate their business, such as laboratories. To the extent these businesses are unable to obtain licences or maintain existing licences, the REIT's operations may be adversely impacted. The ability to rent unleased space in the properties in which the REIT will have an interest will be affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises and various other factors, many of which are beyond the REIT's control.

Fixed Costs

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

The timing and amount of capital expenditures by the REIT will indirectly affect the amount of cash available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

Liquidity

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

Competition

The real estate business is competitive. Numerous other developers, managers and owners of office properties will compete with the REIT in seeking tenants. Some of the properties located in the same markets as the REIT's properties are newer, better located, less levered or have stronger tenant profiles than the REIT's properties. Some property owners with properties located in the same markets as the REIT's properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn. The existence of developers, managers and owners in such markets and competition for the REIT's tenants could have a negative effect on the REIT's ability to lease space in its properties in such markets and on the rents charged or concessions granted, which could have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders.

Competition for acquisitions of real properties can be intense and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that the REIT may be prepared to accept. An increase in the availability of investment funds, an increase in interest in real property investments or a decrease in interest rates may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Current Economic Environment

Continued concerns about the uncertainty over whether the economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of increased unemployment, volatile energy costs, geopolitical issues, the availability and cost of credit, the Canadian mortgage market and a distressed commercial real estate market have contributed to increased market volatility and weakened business and consumer confidence. Although the Healthcare Real Estate industry is an asset class that is not typically impacted by

recessions or economic slowdowns, this difficult operating environment could adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the REIT's tenants and operators to maintain occupancy rates in the REIT's properties, which could harm the REIT's financial condition. If these economic conditions continue, the REIT's tenants and operators may be unable to meet their rental payments and other obligations due to the REIT, which could have a material adverse effect on the REIT.

Risk Factors Related to the Business of the REIT

Acquisitions

The REIT's business plan includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If the REIT is unable to manage its growth effectively, it could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to Unitholders will increase in the future.

Acquisitions and development agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of the REIT. Representations and warranties given by such third parties to the REIT may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Moreover, the acquired properties may not meet expectations of operational or financial performance due to unexpected costs associated with developing an acquired property, as well as the general investment risks inherent in any real estate investment.

Access to Capital

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

Financing Risks

As at June 30, 2010 the REIT had outstanding indebtedness of approximately $308 million. Although a portion of the cash flow generated by income-producing properties will be devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

The REIT will be subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce AFFO. In order to minimize this risk, the REIT will attempt to diversify the term structure of its debt so that in no one year a disproportionate amount of its debt matures. As at June 30, 2010 none of the REIT's total indebtedness is at variable rates. To the extent the REIT incurs variable rate indebtedness, including pursuant to the Revolving Credit Facility, this will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise, the REIT's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution. In addition, the REIT has conduit loans outstanding as at June 30, 2010. Due to the current economic climate, access to this type of financing has diminished significantly. Although substantially all of the amounts outstanding under the REIT's conduit loans mature in 2014 or later, there is a risk that the REIT may not be able to refinance such loans on similar terms, although,

based upon the REIT's current loan-to-value ratios and loan amortizations, the REIT expects to be able to refinance such conduit loans as they come due.

The Revolving Credit Facility contains covenants that require it to maintain certain financial ratios on a consolidated basis. If the REIT does not maintain such ratios, its ability to make distributions will be limited.

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

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

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

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

Potential Conflicts of Interest
The Trustees will, from time to time, in their individual capacities, deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The interest of these persons could conflict with those of the REIT. The Declaration of Trust contains conflict of interest provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters.

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

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

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

International Financial Reporting Standards
Canada's Accounting Standards Board recently confirmed its strategic plan that will result in GAAP, as used by publicly accountable enterprises, being fully converged with IFRS as issued by the International Accounting Standards Board ("IASB") over a transitional period to be completed by 2011. The REIT will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning no later than on or after January 1, 2011. GAAP will be fully converged with IFRS through a combination of two methods: first, as current joint-convergence projects of the United States' Financial Accounting Standards Board and the IASB are agreed upon, they will be adopted by Canada's Accounting Standards Board and may be introduced in Canada before the publicly accountable enterprises' transition date to IFRS; and second, standards not subject to a joint-convergence project will be exposed in an omnibus manner for introduction at the time of the publicly accountable enterprises' transition date to IFRS. The IASB currently has projects underway that are expected to result in new pronouncements that continue to evolve. Implementing IFRS will have an impact on accounting, financial reporting and supporting information technology systems and processes. It may also have an impact on taxes, contractual commitments involving GAAP based clauses (including debt covenants), employee compensation plans and performance metrics. The REIT's implementation plan will include measures to provide extensive training to key finance personnel and to form functional implementation teams that will be responsible for effecting required changes to business and accounting processes and systems. Changing from current GAAP to IFRS may materially affect the REIT's reported financial position, AFFO and other financial measures.

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

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

Reliance on Key Personnel
The management and governance of the REIT depends on the services of certain key personnel, including the names executive officers of the REIT and the Trustees. The loss of the services of any key personnel could

have an adverse effect on the REIT and adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. The REIT does not have key man insurance on any of its key employees.

Limit on Activities

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

Occupancy by Tenants

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

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

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

Lease Renewals and Rental Increases

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

NW Trust Indemnity and Prior Commercial Operations

The indirect acquisition of the properties owned by the REIT in connection with its IPO included the indirect acquisition from NW Trust of all of the outstanding partnership units of Healthcare Properties LP ("HPLP"). Pursuant to the Acquisition Agreement, NW Trust made certain representations and warranties to the REIT with respect to HPLP. NW Trust also provided an indemnity to the REIT under the Acquisition Agreement that, subject to certain conditions and thresholds, NW Trust will indemnify the REIT for breaches of such representations and warranties. Although NW Trust has covenanted to maintain minimum net assets of $20 million plus an amount equal to the present value of its basic and additional rent obligations under the Head Leases plus 25% of tenant inducement obligations, from time to time, calculated using a discount rate equal to the appropriate Government of Canada bond rate for the remaining term of the Head Leases, for a period of 18 months following Closing, there can be no assurance that the REIT will be fully protected in the event of a breach of such representations and warranties or that NW Trust will be in a position to indemnify the REIT if any such breach occurs. The REIT may not be able to successfully enforce the indemnity contained in the Acquisition Agreement against NW Trust or such indemnity may not be sufficient to fully indemnify the REIT from third party claims. The REIT may also be subject to undisclosed liability to third parties as a result of the prior history of HPLP and such liability may be material, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Risk Factors Related to the Units

Cash Distributions are Not Guaranteed

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

may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Tax-Related Risk Factors
Management of the REIT believes the REIT currently qualifies as a mutual fund trust for income tax purposes. If the REIT were not to so qualify, the consequences could be material and adverse.

The Income Tax Act (Canada) contains rules (the "SIFT Rules"), which tax certain publicly traded or listed trusts in a manner similar to corporations and taxes certain distributions from such trusts as taxable dividends from a taxable Canadian corporation. Distributions paid by a SIFT as returns of capital will generally not be subject to the tax.

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

Management of the REIT has determined that the REIT is not subject to the SIFT tax as it meets the REIT Exception at June 30, 2010, and plans to continue to do so throughout 2010. Accordingly, no current income tax expense or future income tax assets or liabilities have been recorded in the June 30, 2010, interim financial statements.

The REIT Exception is applied on an annual basis. As such, it will not be possible to determine if the REIT will satisfy the conditions of the REIT Exception for 2010 or any subsequent year until the end of the particular year.

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

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

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

Availability of Cash Flow
AFFO may exceed actual cash available to the REIT from time to time because of items such as principal repayments, and tenant allowances, leasing costs and capital expenditures in excess of stipulated reserves

identified by the REIT in its calculation of AFFO and redemptions of Units, if any. The REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. The REIT anticipates temporarily funding such items, if necessary, through the Revolving Credit Facility in expectation of refinancing long-term debt on its maturity.

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

Public Market Fluctuations
The REIT cannot predict at what price the Units will trade and there can be no assurance that an active trading market will develop after the Offering or, if developed, that such a market will be sustained at the price level of the Offering. A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets.

Indirect Ownership of Units by NW Trust
NW Trust holds an estimated 29.2% economic interest in the REIT with the exercise of the Over-Allotment Option through the ownership of Class B LP Units, each of which are exchangeable at the option of the holder for one Unit of the REIT and will be attached to a Special Voting Unit of the REIT, providing for voting rights in the REIT. Furthermore, pursuant to the Declaration of Trust, NW Trust will be entitled to appoint a certain number of Trustees based on the percentage of Units held by it. Thus, NW Trust will be in a position to exercise a certain influence with respect to the affairs of the REIT. If NW Trust reduces its ownership interest in the REIT, the market price of the Units could fall. The perception among the public that these sales may occur could also produce such effect.

PART 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) to provide reasonable assurance that (i) material information relating to the Trust, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the interim filings are being prepared, and (ii) material information required to be disclosed in the interim fillings or other reports filed or submitted by the Trust under securities legislation is recorded, processed, summarized and reported on a timely basis and within the time period specified by securities legislation.

Internal Controls Over Financial Reporting
The REIT's Chief Executive Officer and Chief Financial Officer have designed the REIT's internal control over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Changes in Internal Controls Over Financial Reporting
There were no significant changes made in internal controls over financial reporting during the 3 month period ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

Inherent Limitation
Internal controls over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of their inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusions or improper management override. Because of such limitations, there is risk that material misstatements may not be

prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

PART IX

SUBSEQUENT EVENTS

- On July 7, 2010, the REIT completed the acquisition of a new medical office building, Queen Street Place, just outside of Edmonton, Alberta for a purchase price of $21.2 million, subject to closing adjustments. As part of the acquisition, the REIT elected to have the existing $11.5 million mortgage repaid upon closing and financed the acquisition through existing resources and an $18.0 million draw on the REIT's Revolving Credit Facility. The REIT is currently finalizing permanent financing on the property and expects to secure a 10 year first mortgage of $14.0 million.
- On July 14, 2010, the declared distributions of $0.06667 per unit for the period from July 1, 2010 to July 31, 2010. The distributions will be payable on August 16, 2010 to unitholders of record as at July 31, 2010.
- On July 15, 2010, the Ontario Municipal Board ("OMB") ruled against the REIT's appeal to institute paid parking at Trafalgar Professional Centre, located in Oakville, Ontario. While this is disappointing, the 2010 Forecast of Financial Information disclosed in the REIT's Prospectus did not include any revenue from this potential paid parking operation.
- On July 19, 2010, the REIT announced that it waived conditions and expects to close the acquisition of a 117,000 square foot property portfolio of two buildings in the province of Quebec for a total purchase price of approximately $21.1 million, subject to adjustments. The REIT expects the acquisition to close in the 3rd quarter of 2010.

PART X

FINANCIAL OUTLOOK AND MARKET GUIDANCE

Management's outlook for the REIT is consistent with the recently produced Prospectus, with no material change to the operating or economic environment within which the REIT operates. Any additional income generated from closed or pending acquisitions is expected to off-set any negative income variance from delayed leasing of vacant space.

In order to achieve its 2010 objectives the REIT will focus on:

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

Apart from the sometimes significant difference between vendor and purchaser pricing, the current market for acquisitions is favourable for the REIT's expansion plans, with both debt and equity markets accessible and the market of Healthcare Real Estate fragmented in terms of current ownership. To date the REIT has acquired one multi-tenant medical office building and has announced its intention to acquire additional healthcare assets. The REIT will continue to aggressively pursue acquisitions, with a focus on properties within markets the REIT already operates, and a preference for newer, well-occupied properties in order to consistently improve the REIT's status on these parameters. While it is expected that acquisitions will be immediately accretive, the REIT will also consider those acquisitions that improve the overall quality of the portfolio and/or will be accretive over the longer term.