NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011

November 10, 2011

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TABLE OF CONTENTS

CEO's Message

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The market turbulence and global economic uncertainty experienced throughout the first half of the year continued during the third quarter. The Canadian economy and commercial real estate market were not, however, negatively impacted, with the year-to-date volume of commercial investment transactions approaching a level of activity on par with the record year of 2007, and market fundamentals appearing to be stabilized across most of the country. Despite these positive signals, most market watchers and commercial real estate investors remain wary of the impact continued economic uncertainty may have.

Operations

The operating results for the third quarter were generally in line with our expectations. FFO per unit for the quarter was consistent with the previous quarter, at $0.23, and AFFO per unit increased slightly to $0.20. Our payout ratio decreased for the third successive quarter, reaching 102%.

Occupancy at the end of the third quarter was essentially unchanged, at 91.8%, despite it being an active and successful quarter in terms of new leasing. This new leasing was, however, mitigated by the loss of three larger tenants within the portfolio:

- The Blockbuster Video space at one of our Toronto area properties was formally vacated. As previously reported, we have been successful in re-leasing the space to healthcare tenancies, but they don't take occupancy until the space has been re-demised for their use in early 2012;
- A large federal government tenant vacated a building in Atlantic Canada since we were not able to accommodate its growth requirements resulting from a merger with another department. The space is currently being re-demised for the smaller tenancies typical in that market; and
- To accommodate the ancillary support services associated with a new, large, family health team medical clinic at a Toronto area property, we took back space from a non-core tenant who was on a month-to-month lease in anticipation of this requirement.

Despite the short term impact of such vacancies, we anticipate that in the next few quarters we will have leased the majority of the space to healthcare tenants, thereby improving our portfolio.

During the quarter 40,394 square feet of new tenancies were added to the portfolio, including a significant family practice medical clinic at a Montreal property and the above-mentioned family health team at the Toronto property, both on longer-term leases.

Same property net operating income was effectively flat from third quarter 2010. It would have been positive if not for the loss of property management fee revenue resulting from the acquisition of Glenmore Professional Centre, which the REIT previously managed on behalf of a third-party.

Year to date the REIT has achieved 67% of its annual budget of new leasing, and 86% of its budgeted renewals for the year. Both new and renewal rents have generally been in line with expectations.

Acquisitions

During the second quarter we were excited to close on the acquisition of two newer generation, well occupied, market dominant medical projects: Polyclinique Val-Belair, a 49,000 square foot mixed-use medical and retail complex in Quebec City, and Canamera Medical Centre, an 82,500 square foot medical office complex in Cambridge, Ontario. Both acquisitions are accretive, with the Quebec City asset providing additional critical mass in that core market, and the Cambridge acquisition representing continued growth in the southern Ontario market.

In addition to these recent transactions our acquisitions pipeline continues to be active.

Liquidity

During the quarter we put in place new long term first mortgage financing for a term expiring in 2020 at Hys Centre in Edmonton, as well as an amended and extended first mortgage at the recently acquired Tawa Centre in Edmonton, increasing the mortgage amount and extending the term until 2018. By doing so we were able to take advantage of the current low interest rate environment and position the REIT for further growth. At the end of the quarter the REIT had a strong liquidity position, with a debt to gross book value of 49.8%, two quality assets representing approximately $28 million in value remaining unencumbered, and our credit facility undrawn.

Outlook

Our focus continues to be improving our funds from operations on a per unit basis and lowering our payout ratio. We expect to accomplish this by continuing to maximize income from our existing properties, while taking advantage of our strong liquidity position to continue our acquisition program.

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 and nine months ended September 30, 2011.

This MD&A is based on the REIT's condensed consolidated interim financial statements for the three and nine months ended September 30, 2011, prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are in Canadian dollars, except where otherwise stated. Per Unit amounts are presented on a diluted basis, except where otherwise stated.

Amounts previously reported in 2010 under Canadian generally accepted accounting principles ("Canadian GAAP") have been restated to IFRS. An explanation of the impact of IFRS is described under Part VII – International Financial Reporting Standards. Note 23 of the condensed consolidated interim financial statements for the three and nine months ended September 30, 2011 also reconciles amounts previously reported under Canadian GAAP to IFRS.

This MD&A should be read in conjunction with the REIT's condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2011, prepared in accordance with IFRS. This MD&A should also be read in conjunction with the REIT's consolidated financial statements for the period from March 25, 2010 to December 31, 2010, prepared in accordance with Canadian GAAP. Additional information about the REIT, including the REIT's annual information form dated March 16, 2011 (the "Annual Information Form"), 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 VIII in this MD&A and in the Annual Information Form.

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-IFRS FINANCIAL MEASURES

Certain terms used such as "**Funds from Operations" ("FFO"), "Adjusted Funds from Operations" ("AFFO"), "Net Operating Income" ("NOI"), "Gross Book Value" ("GBV"), "Payout Ratio", "Interest Coverage" and any related per Unit amounts** used by management to measure, compare and explain the operating results and financial performance of the REIT are not recognized terms under IFRS, and therefore should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. Management believes that these terms are relevant measures in comparing the REIT's performance to industry data and the REIT's ability to earn and distribute cash returns to holders of the REIT's Units. These terms are defined in this MD&A and reconciled to the condensed consolidated interim financial statements of the REIT for the three and nine months ended September 30, 2011. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other publicly traded entities.

PART II

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

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

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

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

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

DECLARATION OF TRUST

The investment guidelines of the REIT are outlined in the REIT's Declaration of Trust, a copy of which is filed on SEDAR and is also available on request to all unitholders. Further information regarding the Declaration of Trust can also be located starting on page 54 of the REIT's Annual Information Form. Some of the main investment guidelines and operating policies in the Declaration of Trust include the following:

Investment Guidelines

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

Operating Policies

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

At September 30, 2011, the REIT was in compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	As at September 30, 2011	As at December 31, 2010
Operational information	(Unaudited)	(Unaudited)
Number of properties	56	50
Gross Leasable Area ("GLA")	3,941,701	3,065,815
Occupancy %	91.8%	91.5%
Average lease term to maturity	4.2 years	4.4 years
Weighted average in place net rental rate (psf)	$15.76	$15.37
Summary of Financial information	(Unaudited)	(Unaudited)
Gross Book Value	$976,025,660	$736,626,230
Debt (1)	$486,514,552	$372,051,861
Debt to Gross Book Value (2)	49.8%	50.5%
Weighted average mortgage interest rate (3)	5.21%	5.54%
Weighted average mortgage term	5.3 years	4.5 years
Adjusted units outstanding – period-end (4):		
Basic	42,762,015	35,266,537
Diluted	42,846,174	35,277,343

	For the 3 months ended September 30, 2011	For the 9 months ended September 30, 2011
Summary of Financial information	(Unaudited)	(Unaudited)
Revenue	$30,664,425	$86,650,056
NOI (5)	$16,636,890	$47,463,762
FFO (5)	$10,009,208	$27,869,716
FFO per unit (Adjusted fully diluted) (6)	$0.23	$0.68
AFFO (5)	$8,360,359	$23,342,017
AFFO per unit (Adjusted fully diluted) (6)	$0.20	$0.57
Distributions per unit	$0.20	$0.60
AFFO Payout ratio	102%	105%
Interest coverage (7)	2.71x	2.61x
Net debt/EBITDA(8)	7.39x	7.79x
Adjusted weighted average units outstanding for the period (4):		
Basic	42,736,958	40,871,096
Diluted	42,807,035	40,917,944

Notes:

(1) Debt is presented net of a Mark to Market premium of $2,552,082 and unamortized financing costs of $411,406.
(2) Defined as total debt excluding Class B exchangeable units, divided by total assets
(3) Current market weighted average mortgage interest rate = approximately 3.8%
(4) Under IFRS the REIT's Class B exchangeable units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B exchangeable units in basic and diluted units outstanding/weighted average units outstanding. As a result the adjusted basic and diluted adjusted units outstanding and the adjusted basic and diluted weighted average units outstanding include 7,633,972 and 7,664,983 outstanding Class B exchangeable units for the three and nine months ended September 30, 2011, respectively.
(5) NOI, FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. NOI, FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to NOI, FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to the condensed consolidated interim financial statements of the REIT.
(6) FFO and AFFO per unit amounts based on fully diluted adjusted weighted average number of units, which includes Class B exchangeable units, for the three and nine months ended September 30, 2011. AFFO amounts are calculated utilizing a stabilized reserve for growth capital expenditures, leasing costs and tenant improvements of 4.5% of revenue from investment properties (reduced from 6% in the prior year to reflect that under IFRS certain costs which previously were capitalized are now being expensed).
(7) Defined as net income before fair value adjustment of investment properties plus finance costs divided by finance costs excluding amounts related to Class B exchangeable units.
(8) Defined as debt less cash and cash equivalents divided by annualized net income before fair value adjustment of investment properties plus finance costs.

SUMMARY OF SIGNIFICANT EVENTS

- AFFO per unit for the quarter was $0.20.
- Occupancy was effectively flat quarter over quarter (91.8% from 91.9% the previous quarter). The positive absorption in the quarter, including a new, multi-practitioner family practice clinic at a Montreal building which resulted in occupancy at that property increasing to 96.7%, was offset by the departure of three relatively large tenants, totaling 18,734 square feet, from the portfolio. None of the three vacating tenants was a core medical user, and one was required to vacate to make space available for an incoming support service tenant related to a new family practice clinic at a Toronto-area property.
- The REIT acquired Polyclinique Val-Belair, a 49,000 square foot mixed-use recently constructed medical office and retail complex in Quebec City on July 22, 2011. The property was acquired, free and clear of mortgage financing, for $11 million.
- On September 15, 2011 the REIT completed the acquisition of Canamera Medical Centre, an 82,500 square foot newer construction, fully occupied medical office complex in Cambridge, Ontario built in 2007 for $14.8 million. As part of the transaction the REIT assumed the vendor's existing mortgage, having a principal amount of approximately $5.4 million, an interest rate of 6.14% and a 2018 maturity. Subsequent to quarter end, the REIT entered into an agreement with the lender to transfer security this mortgage, upon the same terms and conditions, from Canamera Medical Centre to Alexander Medical Building in Peterborough, Ontario which transaction is scheduled to close in the fourth quarter.
- During the quarter the REIT completed the funding of a $35 million 9 year mortgage on Hys Centre. The mortgage carries a fixed rate of 4.55%.
- The REIT up-financed its Tawa Centre property in Edmonton and the new mortgage has a principal amount of $16 million, a blended interest rate of 4.12% and an extended maturity to 2018.
- The weighted average interest rate on the REIT's mortgages decreased to 5.21% as at September 30, 2011, from 5.3% as at June 30, 2011.
- The REIT paid distributions of $0.06667 per unit on July 15, 2011, August 15, 2011 and September 15, 2011 consistent with its annualized target of $0.80 cents per unit.

OUTLOOK AND CURRENT BUSINESS ENVIRONMENT

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

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

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

The REIT continues to pursue an active acquisition pipeline, with multiple properties in varying stages of review, negotiation and due diligence. The REIT believes, through accretive acquisitions that efficiently leverage its existing asset and property management platform, there are significant opportunities to grow the portfolio by being a consolidator within a sector that is characterized by fragmented ownership.

PART III

RESULTS OF OPERATIONS

The REIT's results of operations for the three and nine months ended September 30, 2011 are summarized below:

	Actual results for the three months ended September 30, 2011	Actual results for the three months ended September 30, 2010	Variance	Actual results for the nine months ended September 30, 2011	Pro-rated Actual results for the nine months ended September 30, 2010 (1)Variance	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from operations						
Base rent	$14,578,890	$10,189,300	$4,389,590	$42,017,972	$29,438,491	$12,579,481
Operating cost recoveries	12,554,173	8,106,758	4,447,415	34,094,179	22,748,040	11,346,139
Parking revenue	2,979,458	1,916,693	1,062,765	8,889,737	5,995,871	2,893,866
Other revenue	432,807	283,861	148,946	1,271,038	1,032,368	238,670
Revenue from investment properties	30,545,328	20,496,612	10,048,716	86,272,926	59,214,770	27,058,156
Management fee revenue	119,097	209,072	(89,975)	377,130	605,567	(228,437)
Revenue from operations	30,664,425	20,705,684	9,958,741	86,650,056	59,820,337	26,829,719
Property operating expenses	14,027,535	9,472,737	4,554,798	39,186,294	26,975,468	12,210,826
Operating income	16,636,890	11,232,947	5,403,943	47,463,762	32,844,869	14,618,893
Finance cost	5,854,479	4,530,491	1,323,988	17,272,335	13,146,978	4,125,357
Interest income	(7,598)	(222,884)	215,286	(56,000)	(222,884)	166,884
Trust expenses	780,801	435,546	345,255	2,377,711	1,235,893	1,141,818
Income before undernoted items	10,009,208	6,489,794	3,519,414	27,869,716	18,684,882	9,184,834
Finance cost – Class B exchangeable units	(1,523,186)	(1,550,032)	26,846	(4,595,638)	(4,650,096)	54,458
Finance cost - Fair value adjustment of Class B exchangeable units	4,959,885	(3,487,397)	8,447,282	2,194,817	(12,399,635)	14,594,452
Fair value adjustment of investment properties (2)	22,227,605	-	22,227,605	36,025,641	-	36,025,641
Net income / (loss)	**$35,673,512**	**$1,452,365**	**$34,221,147**	**$61,494,536**	**$1,635,151**	**$59,859,385**

Notes:

(1) Represents the actual results for the seven day period from March 25, 2010 to March 31, 2010 pro-rated on a straight-line basis for the three month period ended March 31, 2010 and combined with the actual results for the six months ended September 30, 2010; except for the fair value adjustment of Class B exchangeable units and the fair value adjustment of investment properties which reflect the actual results of the fair value changes in these items for the period from March 25, 2010 to September 30, 2010. These figures have been prepared by management and are unaudited.

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

Results for the nine months ended September 30, 2011 are not directly comparable to the same period in the prior year as the REIT commenced operations on March 25, 2010. As such, pro-rated results for the nine months ended September 30, 2010 have been estimated based on the REIT's actual results for the seven day period from March 25, 2010 to March 31, 2010, pro-rated on a straight-line basis to derive the estimated three months ended March 31, 2010 which has been combined with the actual results for the six months ended September 30, 2010.

Revenue from Operations

Revenue from operations for the three months ended September 30, 2011 is $9,958,741 greater than the actual for the three months ended September 30, 2010, primarily as a result of eleven properties acquired subsequent to the REIT's IPO that increased revenue $9,527,966 over the actual for the three months ended September 30, 2010. Same property revenue for the three months ended September 30, 2011 increased $430,775 over the actual for the three months ended September 30, 2010, primarily due to increased operating costs, and thus recoveries, at Rockyview Professional Centre II as third party tenants took occupancy and commenced operations in this head-lease property. In addition, higher utility costs and repairs and maintenance increased recovery revenue. Same property parking revenue for the three months ended September 30, 2011 increased over the three months ended September 30, 2010 primarily due to paid parking improvements at several properties.

The year-to-date increase in revenue from operations of $26,829,719 over the prior year pro-rated actual was affected by the acquisition of nine properties that contributed $25,543,061. Same property revenue increased $1,286,658 over the comparable period due to similar items that affected the same property revenue for the quarter.

Property Operating Expenses

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

Operating expenses for the three months ended September 30, 2011 were $4,554,798 greater than the actual for the three months ended September 30, 2010, primarily as a result of acquisitions that contributed $4,052,617 to operating expenses. Same property operating expenses for the three months ended September 30, 2011 increased $502,181 over the actual for the three months ended September 30, 2010, due to a number of factors including lease-up of Rockyview Professional Centre II and HVAC.

The year-to-date increase in operating expenses of $12,210,826 over the prior year pro-rated actual was affected by the acquisition of eleven properties that contributed $10,627,850 to operating expenses. Same property operating expenses for the nine months ended September 30, 2011 increased $1,582,976 over the pro-rated actual for the nine months ended September 30, 2010 due to similar items that affected the same property operating expenses for the quarter as well as utility costs and repairs and maintenance.

Finance Cost

Interest expense for the three months ended September 30, 2011 is $1,323,988 greater than the actual results for the three months ended September 30, 2010, primarily as a result of mortgage interest on acquired properties.

Interest expense for the nine months ended September 30, 2011 is $4,125,357 greater than the pro-rated actual results for the nine months ended September 30, 2010, primarily a result of mortgage interest on acquired properties of $3,376,339, and interest and the amortization of financing costs on the Revolving Credit Facility and the Interim Bridge Facility.

Interest Income

Interest income for the three and nine months ended September 30, 2011, reflects interest earned on cash and cash equivalents.

Trust Expenses

The increase in trust expense for the three months ended September 30, 2011 over the actual results for the three months ended September 30, 2010 is primarily related to increased compensation costs associated with the deferred unit plan, as well as increased legal and professional fees due to accruing year end fees evenly during the year compared with 2010 which was recorded in the fourth quarter.

The increase in trust expense for the nine months ended September 30, 2011 over the pro-rated actual results for the nine months ended September 30, 2010 is due to similar items that affected the trust expenses for the quarter as well as the IFRS implementation including the cost of investment property valuations.

Finance Cost – Class B exchangeable unit distributions

Under IFRS the Class B exchangeable unit distributions are treated as a finance cost. During the three and nine months ended September 30, 2011 the REIT declared distributions of $1,523,186 and $4,595,638, respectively, on the Class B exchangeable units. This represents $0.0667 per unit for each of the months of January to September which is equivalent to the distributions declared on the REIT units and the distributions declared during 2010.

The slight decrease in the finance costs associated with the Class B exchangeable units over the prior year quarter and pro-rated actual nine months reflects the reduction in outstanding Class B exchangeable units following the conversion into REIT units of 65,200 and 69,026 Class B exchangeable units during the quarter and the three months ended December 31, 2010, respectively.

Fair Value Adjustment of Class B exchangeable units

Under IFRS the Class B exchangeable units are carried at fair value with any change in value recognized in the statement of income. During the three month period ended September 30, 2011 the value of the Class B exchangeable units decreased to $11.40 from $12.05 resulting in a reduction of the Class B exchangeable unit liability and an associated gain of $4,959,885. During the nine month period ended September 30, 2011 the value of the Class B exchangeable units decreased to $11.40 from $11.69 resulting in a reduction of the Class B exchangeable unit liability and an associated gain of $2,194,817.

During the actual three months ended September 30, 2010 the outstanding Class B exchangeable units increased from $11.15 to $11.60 resulting in an increase of the Class B exchangeable unit liability and an associated loss of $3,487,397. During the pro-rated actual nine months ended September 30, 2010 the outstanding Class B exchangeable units increased from their issue price as at March 25, 2010 of $10.00 to $11.60 as at September 30, 2010 resulting in an increase of the Class B exchangeable unit liability and an associated loss of $12,399,635.

Fair Value Adjustment of Investment Properties

Under IFRS the REIT has elected to use the fair value model to account for its investment properties. The REIT's primary valuation methodology is discounted cash flow analysis. Under the fair value model, investment properties are carried on the consolidated balance sheet at fair value. The properties are not depreciated and changes in the fair value of the properties are recognized in income in the period in which they occur. During the three month and nine month period ended September 30, 2011 the value of the REIT's investment properties increased by $22,227,605 and $36,025,641, respectively. See Part V – Investment Properties for additional information on the fair value changes to the REIT's investment properties.

NET OPERATING INCOME

NOI is a non-IFRS measure of a REIT's operating performance, defined as property and property related revenue less operating expenses, inclusive of property management recovery fees and amortization of straight line rent. The REIT uses NOI to assess its property operating performance on an unleveraged basis. Same property NOI for the three months ended September 30, 2011 represents income from investment properties held prior to July 1, 2010 and management fee income. Same property NOI for the nine months ended September 30, 2011 represents income from investment properties held since the REIT's IPO on March 25, 2010 and management fee income. The REIT's NOI for the three and nine months ended September 30, 2011 is summarized below:

	Actual results for the three months ended September 30, 2011	Actual results for the three months ended September 30, 2010	Variance	Actual results for the nine months ended September 30, 2011	Pro-rated Actual results for the nine months ended September 30, 2010 (1)	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property revenue from operations						
Base rent	$9,413,793	$9,681,846	($268,053)	$28,586,868	$28,931,036	($344,168)
Operating cost recoveries	8,524,464	7,891,741	632,723	24,147,849	22,533,023	1,614,826
Parking revenue	2,054,117	1,916,693	137,424	6,409,664	5,995,871	413,793
Other revenue	286,691	268,035	18,656	847,187	1,016,542	(169,355)
Revenue from investment properties	20,279,065	19,758,315	520,750	59,991,568	58,476,472	1,515,096
Management fee revenue	119,097	209,072	(89,975)	377,130	605,567	(228,437)
Revenue from operations	20,398,162	19,967,387	430,775	60,368,698	59,082,039	1,286,659
Same property operating expenses	9,739,493	9,237,312	502,181	28,323,019	26,740,043	1,582,976
Same property NOI	**10,658,669**	**10,730,075**	**(71,406)**	**32,045,679**	**32,341,996**	**(296,317)**
Acquisitions	5,978,221	502,872	5,475,349	15,418,083	502,872	14,915,211
NOI	**$16,636,890**	**$11,232,947**	**$5,403,943**	**$47,463,762**	**$32,844,868**	**$14,618,894**

Notes:

(1) Represents the actual results for the seven day period from March 25, 2010 to March 31, 2010 pro-rated on a straight-line basis for the three month period ended March 31, 2010 and combined with the actual results for the six months ended September 30, 2010. These figures have been prepared by management and are unaudited.

Revenue from Investment Properties

Same property revenue from investment properties for the three months ended September 30, 2011 is $520,750 greater than actual results for the three months ended September 30, 2010. On a year-to-date basis same property revenue from investment properties is $1,515,096 greater than the pro-rated actual for the nine months ended September 30, 2010.

For the three and nine months ended September 30, 2011 the same property base rent decreased $268,053 and $344,168, respectively, over the comparable prior year period primarily due to the impact of the loss of Networc Health at Riley Park Health Centre as well as the on-going conversion of gross leases to net, which typically reduces base rent but increases operating cost recoveries.

Same property operating cost recovery revenue for the quarter increased $632,723 over the comparable prior year period. The increase during the quarter was due to increased operating costs, and thus recoveries, at Rockyview Professional Centre II as the head-lease property leased up with new tenants. The on-going conversion of gross leases to net, as well as, higher operating costs associated with HVAC costs and general and administrative costs. The year-to-date increase of $1,614,826 over the prior year pro-rated actual was also affected by these items, as well as, utility costs and repairs and maintenance.

Same property parking revenue increased $137,424 over the actual results for the three months ended September 30, 2010 primarily due to paid parking improvements at several properties. This trend is also reflected on a year to date basis against the prior year pro-rated actual.

Other same property income was consistent with the actual results for the three months ended September 30, 2010. On a year to date basis other income was less than the prior year pro-rated actual primarily due to a non-recurring item at one property.

Management Fee Revenue

Management Fee revenue for the three and nine months ended September 30, 2011 declined versus the comparable prior year period primarily as a result of the acquisition of Glenmore Professional Centre, a property at which the REIT previously earned management fee revenue, and reduced leasing activity at head lease properties.

Property Operating Expenses

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

Same property operating expenses for the three months ended September 30, 2011 were $502,181 greater than the actual results for the three months ended September 30, 2010. The increase was due to a number of factors including higher operating costs at Rockyview Professional Centre II and higher operating costs associated with HVAC costs. The year-to-date increase of $1,582,976 over the prior year pro-rated actual also reflects the impact of these items, as well as, higher utility costs and repairs and maintenance.

FUNDS FROM OPERATIONS

FFO is a supplemental non-IFRS industry wide financial measure of a REIT's operating performance. The REIT calculates FFO as net income (computed in accordance with IFRS), plus distributions on Class B exchangeable units, and adjusted for fair value adjustments on Class B exchangeable units and investment properties. The REIT's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. A reconciliation of IFRS net income to FFO for the three and nine months ended September 30, 2011 is set out below:

	Actual results for the three months ended September 30, 2011	Actual results for the three months ended September 30, 2010	Variance	Actual results for the nine months ended September 30, 2011	Pro-rated Actual results for the nine months ended September 30, 2010 (1)	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income (per IFRS)	**$35,673,512**	**$1,452,365**	**$34,221,147**	**$61,494,536**	**$1,635,151**	**$59,859,385**
Add / (Deduct):						
Finance cost – Class B exchangeable unit distributions (3)	1,523,186	1,550,032	(26,846)	4,595,638	4,650,096	(54,458)
Finance cost - Fair value adjustment of Class B exchangeable units (3)	(4,959,885)	3,487,397	(8,447,282)	(2,194,817)	12,399,635	(14,594,452)
Fair value adjustment of investment properties (3)	(22,227,605)	-	(22,227,605)	(36,025,641)	-	(36,025,641)
FFO(2)	**$10,009,208**	**$6,489,794**	**$3,519,414**	**$27,869,716**	**$18,684,882**	**$9,184,834**
Adjusted basic FFO per unit (4)	$0.23	$0.24	($0.01)	$0.68	$0.72	($0.04)
Adjusted fully diluted FFO per unit (4)	$0.23	$0.24	($0.01)	$0.68	$0.72	($0.04)
Adjusted weighted average units outstanding(5):						
Basic	42,736,958	26,499,963	16,236,995	40,871,096	26,055,754	14,815,342
Fully diluted	42,807,035	26,503,794	16,303,241	40,917,944	26,055,754	14,862,190

Notes:

(1) Represents the actual results for the seven day period from March 25, 2010 to March 31, 2010 pro-rated on a straight-line basis for the three month period ended March 31, 2010 and combined with the actual results for the six months ended September 30, 2010; except for the fair value adjustment of Class B exchangeable units and the fair value adjustment of investment properties which reflect the actual results of the fair value changes in these items for the period from March 25, 2010 to September 30, 2010. These figures have been prepared by management and are unaudited.

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

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

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

(5) Under IFRS the REIT's Class B exchangeable units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B exchangeable units in basic and diluted units outstanding/weighted average units outstanding. As a result the adjusted basic and diluted adjusted units outstanding and the adjusted basic and diluted weighted average units outstanding include 7,633,972 and 7,664,983 outstanding Class B exchangeable units for the three and nine months ended September 30, 2011, respectively and 7,749,772 Class B exchangeable units for the three and nine months ended September 30, 2010. Fully diluted adjusted units outstanding includes the impact of deferred units outstanding.

The FFO per unit of $0.23 for the three months ended September 30, 2011 is slightly lower than the three months ended September 30, 2010 primarily as a result of lower management fee income following the acquisition of Glenmore Professional Centre and lower fees from reduced head lease activity.

The FFO per unit of $0.68 for the nine months ended September 30, 2011 is $0.04 less than the prior year pro-rated actual as result of delays in deploying $46 million of cash on hand at the beginning of the 2011, as well as, lower management fee income following the acquisition of Glenmore Professional Centre and reduced fees from reduced head lease activity.

A reconciliation of FFO reported under Canadian GAAP to FFO reported under IFRS is provided in the Summary of Quarterly Results section of this MD&A.

ACQUISITONS

The REIT acquired Polyclinique Val-Belair, a 49,000 square foot mixed-use medical office and retail complex in Quebec City on July 22, 2011. The property was acquired, free and clear of mortgage financing, for $11 million. Located in north-west Quebec City, within the suburb of Val-Belair, Polyclinique Val-Belair is a newer development that has become the dominant medical office property in a rapidly growing marketplace. Polyclinique Val-Belair is 97% leased on a long term basis and benefits from a quality roster of tenants that includes a large government affiliated medical clinic and other healthcare related users. Complimentary retail tenancy includes a large FamiliPrix pharmacy and two national tenants, Dollarama and National Bank. The investment is the REIT's fourth acquisition in Quebec City and its fourteenth asset in the Province of Quebec.

On September 15, 2011 the REIT completed the acquisition of Canamera Medical Centre, an 82,500 square foot medical office complex in Cambridge, Ontario for $14.8 million. Canamera Medical Centre is a large full service medical office property in the growing Cambridge market. Due to its recent construction and appealing design, the complex is fully leased to a diverse group of healthcare users including a Family Health Team, numerous physicians, a large dental specialty group and a large orthodontics clinic. Additional tenancies include pharmacy, laboratory, diagnostic imaging clinic and other complementary uses. The REIT assumed the vendor’s existing mortgage, having a principal amount of approximately $5.4 million, an interest rate of 6.14% and a 2018 maturity. The equity portion of the REIT's investment was funded from existing resources. This investment will be the REIT's first Cambridge area property and its twenty-third asset in the Province of Ontario.

The weighted average capitalization rate on in-place net operating income of properties acquired during the quarter was 7.2%.

Prior to the quarter, the REIT completed the acquisition of Tawa Centre on May 31, 2011 for $25.9 million. Tawa Centre is a 94,500 square foot medical office complex immediately adjacent to one of Edmonton’s primary hospitals. Tawa Centre is leased to a quality roster of tenants, of which the majority are healthcare related, and 11% vacancy upon acquisition provides up-side opportunity upon lease-up. This investment is the REIT's fifth Edmonton area property. As part of the Tawa Centre acquisition the REIT assumed an $11.3 million mortgage at 5.75% that matured in December 2014. In the third quarter the REIT amended and extended the assumed mortgage increasing it to $16 million, and extending the term to 2018 with a reduced interest rate of 4.12%.

On April 1, 2011 the REIT acquired the Malvern Medical Arts Building for $16.75 million. The Malvern Medical Arts Building is a Class “A” office complex located at 1333 Neilson Road, in the former city of Scarborough portion of Toronto, approximately 3.7 kilometres from the Rouge Valley Centenary Hospital. The property consists of a 41,000 square foot medical office building and is currently 99% occupied.

On February 1, 2011, the REIT completed the acquisition of Hys Centre, the premiere medical office complex in Edmonton, Alberta. Hys Centre is strategically located on and connected by pedway access to the Royal Alexandra Hospital campus. Hys Centre is a Class "A" medical office complex composed of a 147,000 square foot medical office building, 50 residential apartments and a 384-stall pay parking facility. It has a long history of low vacancy, strong tenant retention, and the provision of integrated healthcare services to the community. The REIT acquired Hys Centre for a price of $53 million. The acquisition was funded by a combination of cash on hand and debt, including a $25 million draw on the Interim Bridge Facility and a draw of $23 million on the Revolving Credit Facility both of which were subsequently repaid. In the third quarter the REIT completed the funding of a $35 million, 9 year mortgage on Hys Centre at 4.55%.

On January 25, 2011, the REIT completed the acquisition of the prominent medical and professional office complex known as The Dundas-Edward Centre, in Toronto, Ontario for $103 million. The acquisition was funded by a combination of cash on hand and $60 million drawn on a new Interim Bridge Facility. The draw on the Interim Bridge Facility was subsequently repaid. Located in the Discovery District of downtown Toronto, one block from University Avenue, The Dundas-Edward Centre is a 410,000 square foot two-tower office complex with an eight-level parking facility. The complex is located in close proximity to several hospitals including SickKids, Princess Margaret, Toronto General, and Mount Sinai. On acquisition the complex was 97% leased to primarily medical, professional and government tenancies including the following healthcare tenants: SickKids, Medisys Diagnostic Imaging, a pharmacy, labs, clinics and numerous specialist physicians and general practitioners. The balance of the tenancy is comprised of tenants who value the close proximity to the Provincial Legislature (Queen's Park), the Provincial Courts, Toronto City Hall and the City's financial core. During the second quarter the REIT arranged a $65 million, 10 year, fixed rate mortgage financing at 5.11% on the Dundas-Edward Centre.

Year to date, the REIT has completed almost $225 million of acquisitions with a weighted average capitalization rate on in-place net operating income upon acquisition of approximately 7.13%. The REIT’s acquisition pipeline remains active, with numerous opportunities under review.

PORTFOLIO PROFILE

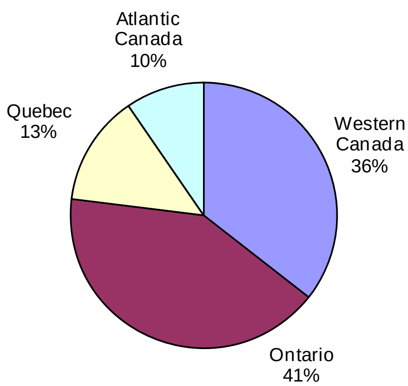
As of September 30, 2011, the REIT's portfolio consisted of 56 Healthcare Real Estate properties, located in six provinces. The properties had a total GLA of approximately 3.9 million square feet encompassing approximately 1,350 individual tenancies.

Geographic Diversification

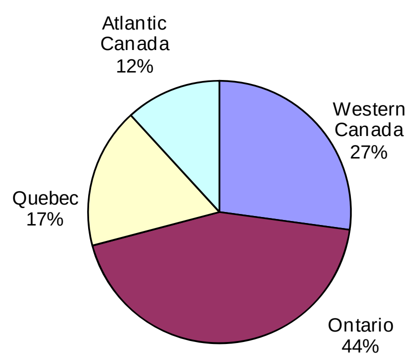
The properties are well diversified throughout Canada, with 84% of annualized NOI derived from the five major markets of the Greater Toronto Area (33%), Calgary (21%), Edmonton (14%), the Greater Montreal Area (10%), and the Halifax Regional Municipality (6%) for the three months ended September 30, 2011. 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	12	1,070,510	94.4%	$19.19
Ontario	23	1,723,763	88.6%	15.59
Quebec	14	682,974	96.7%	12.89
Atlantic Canada	7	464,454	90.5%	12.90
Total	**56**	**3,941,701**	**91.8%**	**$15.76**

Geographic diversification by annualized NOI (2)



Geographic diversification By GLA



Notes:

(1) As at September 30, 2011

(2) Based on NOI for the 3 months ended September 30, 2011, excluding property management fees.

Leasing Activity

Renewal leasing:

During the quarter the REIT completed 70,051 square feet of renewal leasing for a year to date total of 219,146. Tenants occupying an additional 30,015 square feet remained in occupancy and are expected to renew.

New leasing:

During the quarter the REIT completed 40,394 square feet of new leasing for a year to date total of 100,563. Although new leasing was lower than expected the REIT continues to aggressively pursue leasing opportunities in order to improve occupancy.

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 2,500 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 $15.76.

The following table summarizes the REIT's 10 largest tenants by percentage of gross rent for the three months ended September 30, 2011:

	Tenant	% of gross rent
1	Bantrel Corporation	4.8%
2	CLSC/CSSS	3.5%
3	Alberta Health Services	2.8%
4	The Hospital for Sick Children	2.1%
5	NW Trust (1)	1.9%
6	CML Healthcare	1.7%
7	Medical Imaging Consultants	1.5%
8	Lawtons Drugs	1.4%
9	Medisys Diagnostic Imaging	1.3%
10	Shoppers Drug Mart	1.1%
Total		**22.1%**

Notes:

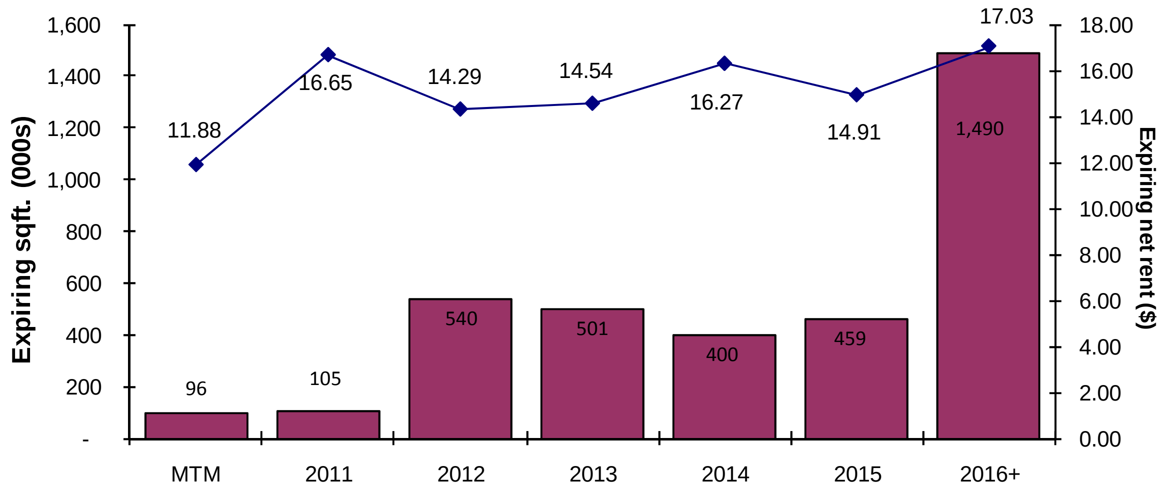
(1) Includes head leases net of impact of leases to third parties

Through acquisitions completed in the quarter, the REIT continued to diversify its tenant base and reduce its exposure to any single tenant.

Lease Expiry Profile

The REIT's diverse tenant base is complemented by a balanced lease maturity profile, with an average of 12% of GLA maturing each year between 2011 and 2015, as illustrated by the chart below, and, as of September 30, 2011, a weighted average term to maturity of 4.2 years.

Lease Maturity Profile



% maturing	MTM	2011	2012	2013	2014	2015	2016+
% maturing	3%	3%	15%	14%	11%	13%	41%

Note: Gross rents have been reduced to reflect CAM and tax recoveries as an estimate of an equivalent net rent.
MTM – month to month
Excludes 27,260 sq ft of residential space at Hys Centre

PART IV

INVESTMENT PROPERTIES

The fair value of investment properties as at September 30, 2011 was $945,042,001 representing an implied weighted average capitalization rate ("Cap Rate") of 7.3%. At December 31, 2010 investment properties were valued at $671,033,290 representing an implied Cap Rate of 7.8%.

The increase in value is summarized as follows:

	(Unaudited)
Balance, January 1, 2011	**$671,033,290**
Acquisitions of investment properties	230,208,876
Additions	6,860,480
Increase in straight-line rents	913,714
Fair value adjustment	36,025,641
Balance, September 30, 2011	**945,042,001**

During the nine months ended September 30, 2011 the REIT acquired six investment properties with fair values of $230,208,876 at acquisition. In addition the REIT incurred approximately $6,860,480 of leasing and capital costs during the period.

The increase in fair value during the period can be primarily attributed to compression of the Cap Rates in all our major markets, but particularly the west.

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

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

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

	September 30, 2011	**December 31, 2010**
	(Unaudited)	(Unaudited)
Discount rates – range	7.1% - 11.0%	7.8% - 11.0%
Discount rate – weighted average	8.4%	8.9%
Terminal capitalization rate - range	6.1% - 10.3%	7.0% - 10.3%
Terminal capitalization rate - weighted average	7.6%	8.1%
Implied capitalization rate – range	5.9% - 9.5%	5.9% - 10.0%
Implied capitalization rate – weighted average	7.3%	7.8%

LIQUIDITY AND CAPITAL RESOURCES

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

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

	Actual results for the three months ended September 30, 2011	**Actual results for the nine months ended September 30, 2011**
Cash provided by / (used in):	(Unaudited)	(Unaudited)
Operating activities	$9,608,662	$21,476,896
Investing activities	(23,286,356)	(211,805,157)
Financing activities	30,737,469	161,532,287
Increase / (Decrease) in cash and cash equivalents during the period	**$17,059,775**	**($28,795,974)**
Cash and cash equivalents, beginning of period	$455,973	$46,311,722
Cash and cash equivalents, end of period	**$17,515,748**	**$17,515,748**

Cash flow activity for the three and nine month period ended September 30, 2011 is primarily related to the results of the REIT's operations, distributions to Unitholders, the negotiation and use of an Interim Bridge Facility, the utilization of the Revolving Credit Facility, the March 2011 follow-on equity raise and the acquisition properties. 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 September 30, 2011	As at December 31, 2010
Indebtedness	(Unaudited)	(Unaudited)
Mortgages Payable	$484,373,876	$369,730,062
Mark-to-Market premium on Mortgages	2,552,082	2,445,647
Unamortized financing costs	(411,406)	(123,848)
	486,514,552	372,051,861
Class B exchangeable units (Authorized – unlimited; Issued: September 30, 2011 - 7,615,546, December 31, 2010 - 7,680,746) (1)	86,817,224	89,787,921
Unitholders' Equity		
Units (Authorized – unlimited; Issued: September 30, 2011 – 35,146,469, December 31, 2010 – 27,585,791)	$321,436,607	$256,706,143
Retained Earnings	64,089,469	2,594,933
	385,526,076	259,301,076
Total capitalization	**$958,857,852**	**$721,140,858**

Notes:

(1) Under Canadian GAAP, the REIT's Class B exchangeable units were presented as equity on the consolidated balance sheet. However, under IFRS the Class B exchangeable units in their current form are presented as a liability at their fair value.

As at September 30, 2011, the REIT had a market capitalization of approximately $487 million (including 7,615,546 Class B exchangeable units) based on a closing unit price of $11.40 on the Toronto Stock Exchange.

Follow-on Equity Offering

During the first quarter the REIT raised net proceeds of $82.4 million from the March 2011 follow-on equity offering (including over-allotment option) of 7,360,000 trust units at a price of $11.75 per unit. The net proceeds of the equity offering were utilized to pay down the Interim Bridge Facility by $80 million and for general trust purposes.

Conversion of Class B exchangeable units

On July 27, 2011, pursuant to the Exchange Agreement, NW Trust exchanged 65,200 Class B exchangeable units for 65,200 units of the REIT.

Mortgage Debt Maturities

The following table sets out, as at September 30, 2011, 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
2011	$2,638,359	-	$2,638,359		0.6%
2012	10,921,618	$10,028,231	20,949,849	5.42%	4.3%
2013	10,678,531	50,341,521	61,020,052	4.34%	12.6%
2014	9,578,135	47,594,815	57,172,950	5.49%	11.8%
2015	8,440,792	49,630,869	58,071,661	5.64%	12.0%
2016	7,926,122	94,029,878	101,956,000	5.51%	21.0%
2017+	16,534,614	166,030,391	182,565,005	5.09%	37.7%
Sub-total	$66,718,171	$417,655,705	$484,373,876	5.21%	100.0%
Marked to market adjustment			2,552,082	(0.47%)	
			486,925,958	4.74%	
Unamortized financing costs			(411,406)		
Total			$486,514,552		

Mortgage Financing

During the quarter the REIT completed the funding of a $35 million 9 year mortgage on Hys Centre. The mortgage carries a fixed rate of 4.55%. The REIT also up-financed and extended its Tawa Centre property in Edmonton and the new mortgage has a principal amount of $16 million, a blended interest rate of 4.12% and a 2018 maturity.

As a result of this activity the weighted average interest rate on the REIT's mortgages decreased to 5.21% as at September 30, 2011 from 5.3% as at June 30, 2011. The average term to maturity of the REIT's mortgages was extended to 5.3 years at September 30, 2011, compared to 4.5 years at December 31, 2010.

Revolving Bank Credit Facility

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 1.75% or Bankers' Acceptances plus 2.75% and expires on March 25, 2013. 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 subject to occupancy requirements and the debt service capacity of the Borrowing Base.

During the quarter the REIT utilized the facility for general trust purposes and to fund the acquisition of Polyclinique Val-Belair. With the mortgage financing of Hys Centre the facility was repaid and there is a $Nil balance outstanding as at September 30, 2011.

Ratios / Covenants

Pursuant to the Declaration of Trust the REIT may not incur or assume any indebtedness if, after giving effect to the incurring or assumption of such indebtedness, the total indebtedness of the REIT would be more than 65% of the GBV of its assets. The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with a term to maturity that is appropriate having regard to the lease maturity profile for each property and which allows the REIT to (i) achieve and maintain staggered debt maturities to lessen exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix the rates and extend loan terms as long as possible when borrowing conditions are favourable. Subject to market conditions and the growth of the REIT, management of the REIT currently intends to maintain indebtedness in a range of 55% to 60% of GBV. The following summarizes the status of these key ratios as at and for the three months ended September 30, 2011:

	As at / For the three months ended September 30, 2011
	(Unaudited)
Gross Book Value	$976,025,660
Debt (excluding Class B exchangeable units)	$486,514,552
Debt to Gross Book Value (1)	49.8%
Amount of debt at fixed rates	$486,514,552
Interest coverage (2)	2.71x
Debt Service coverage (3)	1.92x
Net debt/EBITDA(4)	7.39x
Weighted average mortgage interest rate (at contract) (5)	5.21%

Notes:

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

(2) Defined as net income excluding finance costs (interest, amortization of debt premiums/discounts and financing costs, distributions on Class B exchangeable units) and the revaluation of Class B exchangeable units and investment properties divided by finance costs (excluding distributions on Class B exchangeable units and the revaluation of Class B exchangeable units). For the nine months ended September 30, 2011 interest coverage was 2.61x.

(3) Defined as net income excluding finance costs (interest, amortization of debt premiums/discounts and financing costs, distributions on Class B exchangeable units) and the revaluation of Class B exchangeable units and investment properties divided by finance costs (excluding distributions on Class B exchangeable units and the revaluation of Class B exchangeable units) and scheduled debt repayments. For the nine months ended September 30, 2011 debt service coverage was 1.92x.

(4) Defined as debt less cash and cash equivalents divided by annualized net income before fair value adjustment of investment properties plus finance costs. For the nine months ended September 30, 2011 net debt/EBITA was 7.79x.

(5) Current market weighted average mortgage interest rate = approximately 3.8%

The ratio of Debt to GBV increased slightly in the quarter to 49.8% at September 30, 2011 from 48.8% as at June 30, 2011.

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

The REIT is targeting to distribute 90% of its AFFO to Unitholders, based on utilizing a stabilized reserve for leasing and capital of 4.5% (reduced from 6% in the prior year to reflect that under IFRS certain costs which previously were capitalized are now being expensed) of revenue from investment properties. As such, the REIT does not retain a material amount of operating cash flow to finance its capital requirements including loan principal payments, acquisitions, redevelopments, and portfolio capital expenditures. Capital requirements for loan principal payments, acquisitions and redevelopment are generally sourced by financing for each project through mortgages and/or the Revolving Credit Facility.

LEASING COSTS AND CAPITAL EXPENDITURES

	For the three months ended September 30, 2011	**For the nine months ended September 30, 2011**
	(Unaudited)	(Unaudited)
Leasing costs (1)	$35,252	$424,414
Tenant improvements (2)	1,725,420	3,833,507
Maintenance capital expenditure(3)	984,479	2,002,613
Growth capital expenditure(3)	156,125	599,946
Additions to investment properties	2,901,276	6,860,480
Less: recoverable maintenance capital expenditure	(613,582)	(1,631,716)
Total adjusted leasing costs and capital expenditures	$2,287,694	$5,228,764
Reserve for stabilized capital expenditures, leasing costs and tenant improvements (4)	$1,374,540	$3,882,282
Actual leasing and capital expenditures in excess of reserve	$913,154	$1,346,482

Notes:

(1) Under IFRS leasing costs, which include leasing commissions and costs related to the REIT's internal leasing function, that are incremental and directly attributable to negotiating and arranging tenant leases are added to the carrying value of investment properties. Leasing costs that are not incremental are expensed in the period incurred. The REIT has determined that under IFRS certain leasing costs associated with its internal leasing department do not qualify for capitalization and as a result these amounts have been expensed in the period. For the three and nine months ended September 30, 2011 these amounts were approximately $450,000 and $1,425,000, respectively, and are excluded from the leasing costs capitalized. As a result the leasing reserve has been reduced from 6% to 4.5%.

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

(3) The REIT's capital expenditures include capital costs required to maintain the existing property portfolio (i.e. maintenance capital expenditures) as well as capital costs in relation to the on-going expansion and continuous improvement of the portfolio (i.e. growth capital expenditures). A large portion of the REIT's maintenance capital expenditures are recovered by tenants over future periods.

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

On a quarterly basis and during portfolio repositioning, leasing costs, tenant improvements and capital expenditure can fluctuate and as such, should not be regarded as stabilized. Further, in accordance with the REIT's strategy of extending average lease term whenever possible, especially for primary medical tenancies, often leasing costs are involved. In the third quarter over 70% of tenant improvement costs related to lease deals of ten years or longer and over 90% were primary medical. Included in leasing costs were significant costs associated with a new 10 year lease for a family practice clinic affiliated with Sacred-Heart Hospital at Clinique Bois-De-Boulogne. This tenancy has resulted in increasing the occupancy at the property from 83.6% to 96.7% during the quarter, and will ensure the stability of the property, while also increasing paid parking revenue, for the foreseeable future.

ADJUSTED FUNDS FROM OPERATIONS AND DISTRIBUTIONS

AFFO

AFFO is a supplemental non-IFRS industry wide financial measure of a REIT's cash generating activities after providing for stabilized operating capital requirements. Management considers AFFO to be a useful measure of cash available for distributions. The REIT calculates AFFO as net income (computed in accordance with IFRS), subject to certain adjustments, including: (i) adding back the following items: any fair value losses on investment properties or the Class B exchangeable units, the finance cost associated with distributions on the Class B exchangeable units, Deferred unit plan compensation expense and amortization of any net discount on long-term debt assumed from vendors of properties at rates of interest less than fair value; (ii) deducting the following items: any fair value gains on investment properties or the Class B exchangeable units and amortization of any net premium on long-term debt assumed from vendors of properties at rates of interest greater than fair value; (iii) adjusting for differences, if any, resulting from recognizing rental revenues on a straight-line basis as opposed to contractual rental amounts; (iv) adjusting for differences, if any, resulting from recognizing acquired contracts at fair value rather than the contracted rate; and (v) deducting reserves for tenant inducements, leasing commissions, financing costs and sustaining capital expenditures, as determined by the REIT.

The REIT's method of calculating AFFO may differ from other issuers' methods and accordingly may not be directly comparable to AFFO reported by other issuers. A reconciliation of IFRS net income to AFFO for the three and nine months ended September 30, 2011 is set out below:

	Actual results for the three months ended September 30, 2011	Actual results for the three months ended September 30, 2010	Variance	Actual results for the nine months ended September 30, 2011	Pro-rated Actual results for the nine months ended September 30, 2010[1]	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income (per IFRS)	**$35,673,512**	**$1,452,365**	**$34,221,147**	**$61,494,536**	**$1,635,151**	**$59,859,385**
Add / (Deduct):						
Finance cost – Class B exchangeable unit distributions [3]	1,523,186	1,550,032	(26,846)	4,595,638	4,650,096	(54,458)
Finance cost - Fair value adjustment of Class B exchangeable units [3]	(4,959,885)	3,487,397	(8,447,282)	(2,194,817)	12,399,635	(14,594,452)
Fair value adjustment of investment properties [3]	(22,227,605)	-	(22,227,605)	(36,025,641)	-	(36,025,641)
FFO	**10,009,208**	**6,489,794**	**3,519,414**	**27,869,716**	**18,684,882**	**9,184,834**
Add / (Deduct):						
Amortization of marked to market adjustment	(236,172)	(174,855)	(61,317)	(877,638)	(480,113)	(397,525)
Amortization of finance fees [4]	47,408	138,720	(91,312)	613,310	401,068	212,242
Amortization of straight-line rent	(205,456)	(172,849)	(32,607)	(663,199)	(464,360)	(198,839)
Amortization of above market utility contracts	(41,498)	-	(41,498)	(110,660)	-	(110,660)
Amortization of head office free rent	-	106,074	(106,074)	-	106,074	(106,074)
Deferred unit plan compensation expense[8]	161,408	-	161,408	392,770	20,996	371,774

Reserve for stabilized leasing costs, tenant improvements and growth capital expenditures (5)	(1,374,540)	(922,347)	(452,193)	(3,882,282)	(2,664,665)	(1,217,617)
AFFO (2)	**$8,360,359**	**$5,464,537**	**$2,895,822**	**$23,342,017**	**$15,603,882**	**$7,738,135**
Adjusted basic AFFO per unit (6)	$0.20	$0.21	$(0.01)	$0.57	$0.60	$(0.03)
Adjusted fully diluted AFFO per unit (6)	$0.20	$0.21	$(0.01)	$0.57	$0.60	$(0.03)
Adjusted weighted average units outstanding(7):						
Basic	42,736,958	26,499,963	16,236,995	40,871,096	26,055,754	14,815,342
Fully diluted	42,807,035	26,503,794	16,303,241	40,917,944	26,055,754	14,862,190

Notes:

(1) Represents the actual results for the seven day period from March 25, 2010 to March 31, 2010 pro-rated on a straight-line basis for the three month period ended March 31, 2010 and combined with the actual results for the six months ended September 30, 2010; except for the fair value adjustment of Class B exchangeable units and the fair value adjustment of investment properties which reflect the actual results of the fair value changes in these items for the period from March 25, 2010 to September 30, 2010. These figures have been prepared by management and are unaudited.

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

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

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

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

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

(7) Under IFRS the REIT's Class B exchangeable units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B exchangeable units in basic and diluted units outstanding/weighted average units outstanding. As a result the adjusted basic and diluted adjusted units outstanding and the adjusted basic and diluted weighted average units outstanding include 7,633,972 and 7,664,983 outstanding Class B exchangeable units for the three and nine months ended September 30, 2011, respectively and 7,749,772 Class B exchangeable units for the three and nine months ended September 30, 2010.

(8) During the quarter the REIT amended its AFFO calculation to add back the compensation expense, which is non-cash in nature, related to the REIT's deferred unit plan. As a result the REIT has restated prior period comparatives.

The AFFO per unit of $0.20 for the three months ended September 30, 2011 is slightly lower than the three months ended September 30, 2010 primarily as a result of lower management fee income following the acquisition of Glenmore Professional Centre and lower fees from reduced head lease activity.

The unfavourable AFFO per unit variance of $.03 against the pro-rated actual results for the nine months ended September 30, 2010 is a result of delays in deploying $46 million of cash on hand at the beginning of the 2011, as well as, lower management fee income following the acquisition of Glenmore Professional Centre and lower fees from reduced head lease activity.

A reconciliation of AFFO reported under Canadian GAAP to AFFO reported under IFRS is provided in the Summary of Quarterly Results section of this MD&A.

Distributions

The REIT has adopted a distribution policy pursuant to which the REIT intends to make cash distributions to unitholders and to holders of Class B exchangeable units on each monthly distribution date equal to, on an

annual basis, approximately 90% of AFFO calculated with reserves. The REIT currently intends on making monthly distributions of $0.06667 per unit, equating to $0.80 per unit on an annualized basis.
The REIT's AFFO payout ratio based on reserves for the three months ended September 30, 2011 is calculated below:

	For the three months ended September 30, 2011
	(Unaudited)
Fully diluted AFFO per unit	$0.20
Distributions per unit	$0.20
Payout Ratio	**102%**

The REIT payout ratio decreased slightly from the previous quarter's 104% (as restated for the amended AFFO calculation). The improvement primarily reflects a full quarter contribution in the third quarter from acquisitions completed in the second quarter.

<u>Distribution Reinvestment Plan</u>
Participants in the DRIP have their cash distributions used to purchase units of the REIT and also receive a "bonus distribution" of units equal in value to 3% of each distribution. During the quarter 41,407 units were issued pursuant to the DRIP with 135,478 units issued for the nine months ended September 30, 2011.

PART V

RELATED PARTY TRANSACTIONS

On March 25, 2010, subsidiaries of the REIT acquired 45 properties from NW Trust for total consideration of $171,899,206. Paul Dalla Lana, chair of the Board of Trustees of the REIT is the sole trustee and indirect beneficiary of NW Trust. Part of the consideration included 7,749,772 Class B exchangeable units of NHP Holdings Limited Partnership, a subsidiary of the REIT. These Class B Units, each of which are exchangeable at the option of the holder for one unit of the REIT and that are attached to Special Voting Units of the REIT, provide for voting rights in the REIT.

As at September 30, 2011 the combined economic interest of NW Trust and its affiliates in the REIT is approximately 21.0%.

Information on the agreements governing the relationship with NW Trust are discussed under ‘‘Retained Interests’’ in the Annual Information Form. In addition to disclosures elsewhere in this MD&A, related party transactions are disclosed in Notes 3 and 16 of the condensed consolidated interim financial statements for the three and nine months ended September 30, 2011 and Note 13 of the REIT’s Canadian GAAP consolidated financial statements for the period from March 25, 2010 to December 31, 2010.

As part of the REIT’s acquisition of Glenmore Professional Centre from an affiliate of NW Trust the REIT and NW Trust contracted to enter into a development arrangement with respect to the vacant development parcel at the property. The timing for completion of such an arrangement, pursuant to a mutually agreed to extension, is the fourth quarter of 2011.

HEAD LEASES

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

Head Lease Summary

	At September 30, 2011			Sub-Leased to Third Parties (1)		
Property	**GLA**	**Min. rent (psf) (2)**	**Lease expiry**	**GLA**	**Min. rent (psf) (2)**	**Lease expiry**
Rockyview Professional Centre II	51,177	$21.00	Mar-15	39,579	$16.11	Jul-25 (3)
HealthPark	29,932	16.25	Mar-15	7,878	12.97	Mar-21 (4)
Riley Park Health Centre	20,271	30.00	Mar-15	-	-	
Total / Weighted averages	**101,380**	**$21.40**		**46,925**	**$15.59**	

Notes:

(1) As at November 10, 2011

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

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

(4) Represents the latest lease expiry for the respective property. 1,496 square feet expires May 2020.

During the quarter the REIT leased 532 square feet of head lease space at HealthPark. Negotiations continue for approximately 7,600 square feet or 14% of the uncommitted space including 3,800 square feet under offer at HealthPark.

PART VI

SUMMARY OF QUARTERLY RESULTS

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

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010[1]
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from operations	**$30,664,425**	**$28,883,904**	**$27,101,727**	**$21,856,752**	**$20,705,684**	**$19,369,655**	**$1,535,722**
Property operating income	14,027,535	12,708,519	12,450,240	10,167,965	9,472,737	8,473,558	702,269
Operating income	**16,636,890**	**16,175,385**	**14,651,487**	**11,688,787**	**11,232,947**	**10,896,097**	**833,453**
Finance cost	5,854,479	5,493,516	5,924,340	4,624,863	4,530,491	4,296,796	335,976
Interest income	(7,598)	(12,737)	(35,665)	(341,284)	(222,884)	-	-
Trust expenses	780,801	732,645	864,265	926,179	435,546	429,598	28,836
Income before undernoted items	**10,009,208**	**9,961,961**	**7,898,547**	**6,479,029**	**6,489,794**	**6,169,703**	**468,641**
Finance cost – Class B exchangeable unit distributions	1,523,186	1,536,226	1,536,226	1,545,430	1,550,032	1,666,705	-
Finance costs - Fair value adjustment of Class B exchangeable units	(4,959,885)	1,228,919	1,536,149	683,674	3,487,397	6,587,306	2,324,932
Fair value adjustment of investment properties	(22,227,605)	(9,252,977)	(4,545,059)	(833,242)	-	-	-
Net income / (loss)	**$35,673,512**	**$16,449,793**	**$9,371,231**	**$5,083,167**	**$1,452,365**	**$(2,084,308)**	**$(1,856,291)**
Basic net income per unit[2]	$1.02	$0.47	$0.32	$0.21	$0.08	$(0.11)	$(0.11)
Fully diluted net income per unit[2]	$0.75	$0.45	$0.32	$0.21	$0.08	$(0.11)	$(0.11)
NOI	**$16,636,890**	**$16,175,385**	**$14,651,487**	**$11,688,787**	**$11,232,947**	**$10,896,097**	**$833,453**
FFO – Canadian GAAP				**$7,076,649**	**$7,234,487**	**$6,998,440**	**$530,466**
Above/below market lease intangibles [3]				(172,598)	(305,265)	(431,335)	(32,466)
Internal leasing costs [4]				(411,332)	(410,281)	(377,996)	(28,189)
Other [5]				(13,692)	(29,147)	(19,406)	(1,170)
FFO – IFRS	**$10,009,208**	**$9,961,961**	**$7,898,547**	**$6,479,027**	**$6,489,794**	**$6,169,703**	**$468,641**
Basic FFO per unit [9]	$0.23	$0.23	$0.21	$0.20	$0.24	$0.23	$0.02
Fully diluted FFO per unit[9]	$0.23	$0.23	$0.21	$0.20	$0.24	$0.23	$0.02
AFFO – Canadian GAAP				**$5,405,152**	**$5,565,656**	**$5,211,779**	**$390,907**
Internal leasing costs [4]				(411,332)	(410,281)	(377,996)	(28,189)
Reserve adjustment [6]				331,506	309,162	306,676	24,451
AFFO – IFRS (as previously presented)		**$8,171,639**	**$6,578,658**	**$5,325,326**	**$5,464,537**	**$5,140,459**	**$387,169**
Add: Deferred unit plan compensation expense		66,291	165,071	48,736	-	20,996	-
AFFO – IFRS (restated)[10]	**$8,360,359**	**$8,237,930**	**$6,743,729**	**$5,374,062**	**$5,464,537**	**$5,161,455**	**$387,169**
Basic AFFO per unit[9]	$0.20	$0.19	$0.18	$0.17	$0.21	$0.20	$0.02
Fully diluted AFFO per unit[9]	$0.20	$0.19	$0.18	$0.17	$0.21	$0.20	$0.02
AFFO payout ratio	102%	105%	113%	119%	97%	110%	-
Distributions[7]	$8,549,118	$8,542,595	$7,551,337	$6,816,173	$5,300,293	$5,699,173	-
Distributions per unit	$0.20	$0.20	$0.20	$0.20	$0.20	$0.215[8]	-
Total Assets	$976,025,660	$908,834,609	$873,823,031	$736,626,230	$616,333,237	$571,798,066	$561,369,168
Debt (excluding Class B exchangeable units)	$486,514,552	$443,454,908	$417,544,755	$372,051,861	$351,230,233	$308,719,831	310,212,890
Debt to Gross Book Value	49.8%	48.8%	47.8%	50.5%	57.0%	54.0%	55.3%
Number of properties	56	54	52	50	48	45	45
Gross leasable area	3,941,701	3,807,301	3,668,132	3,065,815	2,893,825	2,701,708	2,697,791
Occupancy % (current) – period end	91.8%	91.9%	91.9%	91.5%	90.4%	90.3%	90.7%
Number of employees	125	125	123	104	103	104	100

Notes:

(1) Seven day period ended September 30, 2010

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

(3) Elimination of net amortization of above-market and below-market leases to reflect the elimination of the related intangibles under IFRS.

(4) To expense certain costs related to the REIT's internal leasing department that have been deemed to not be incremental and as a result have been expensed under IFRS.

(5) Represents impact of amortization of furniture and equipment.

(6) Includes impact of changes to reserve amounts resulting from changes to revenue and a reduction of the reserve amount to 4.5% from 6%, as well as, amortization on furniture and equipment.

(7) Includes distributions on Class B exchangeable units.

(8) Includes proportionate increase in distribution for seven day period from March 25, 2010 to September 30, 2010.

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

(10) During the quarter the REIT amended its AFFO calculation to add back the compensation expense, which is non-cash in nature, related to the REIT's deferred unit plan. As a result the REIT has restated prior period comparatives.

PART VII

INTERNATIONAL FINANCIAL REPORTING STANDARDS

As required by the Canadian Accounting Standards Board IFRS replaced Canadian GAAP, for public entities, effective for fiscal periods beginning on or after January 1, 2011, with comparative figures presented on the same basis. The condensed consolidated interim financial statements of the REIT for the three month and nine month period ended September 30, 2011 have been prepared by management in accordance IFRS expected to be applicable as at December 31, 2011 and with IAS 34, Interim Financial Reporting. These are condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied. The condensed consolidated interim financial statements do not include all the information required for full annual financial statements.

The disclosures required by IFRS 1 concerning the transition from Canadian GAAP to IFRS are given in note 23 of the condensed consolidated interim financial statements. The REIT commenced operations on March 25, 2010 and the date of transition to IFRS is January 1, 2010 (the "Transition Date"). Note 23 includes reconciliations of equity and total comprehensive income for comparative periods reported under Canadian GAAP to amounts reported under IFRS, as well as, equity at the Transition Date reported under Canadian GAAP to equity reported under IFRS at the Transition Date.

Significant Differences

IFRS is based on a conceptual framework similar to Canadian GAAP; however, significant differences exist in certain matters of recognition, measurement and disclosure. The significant accounting policy differences between IFRS and Canadian GAAP are as follows:

Investment Properties

IAS 40 "Investment Property" defines investment properties as property (land or a building) held to earn rentals or for capital appreciation or both. The REIT's properties qualify as investment property. Under IFRS, the REIT can account for investment property using either the fair value model or the cost model. Under the fair value model, investment properties are recorded initially at cost and subsequently at fair value. The properties are not depreciated and changes in the fair value of the properties are recognized in income in the period in which they occur. The cost model is similar to Canadian GAAP and investment properties are carried on the consolidated balance sheet at cost less accumulated depreciation.

The REIT is using the fair value model to account for investment properties because it believes it is more relevant to understanding the REIT's performance. The REIT commenced operations on March 25, 2010, subsequent to the transition date to IFRS (January 1, 2010), and pursuant to the commencement of its operations the REIT investment properties were fair valued by management. As a result, there is no fair value adjustment, related to investment properties, upon adoption of IFRS. Changes in the fair value of investment properties subsequent to March 25, 2010 have been recognized in income in the period in which they occurred.

Leasing Costs

Under Canadian GAAP costs related to the REIT's internal leasing department were capitalized as initial leasing costs. Under IFRS, certain of these costs do not qualify for capitalization, as they are not considered incremental, and as a result have been expensed in the period.

REIT Units
Under Canadian GAAP, the REIT's Units were presented as equity on the consolidated balance sheet. However, under IFRS the REIT's units are considered liability instruments because of the features inherent in the open-ended trust structure. However, the units are the most subordinate class of units and, therefore, may be presented as equity under IFRS.

Class B exchangeable units
Under Canadian GAAP, the REIT's Class B exchangeable units were presented as equity on the consolidated balance sheet. However, under IFRS the Class B exchangeable units, in their current form, are presented as a liability because they are considered puttable instruments. The Class B exchangeable units are classified as fair value through profit or loss financial liabilities and are measured at fair value each reporting period. Changes in value are recognized in income in the period in which they arise and distributions on the Class B exchangeable units are recorded as interest expense rather than distributions. The REIT is currently exploring possible solutions that may allow it in the future, to classify the Class B exchangeable units as equity under IFRS.

Business Combinations
Canadian GAAP and IFRS both require the acquisition method of accounting for all business combinations; however, significant differences exist between the two standards. Canadian GAAP allows the capitalization of transaction costs, but IFRS requires transaction costs in a business combination to be expensed as incurred. In addition, negative goodwill generated in a business combination is recognized in income under IFRS. Under Canadian GAAP it is applied pro rata to reduce the fair value of assets acquired.

The REIT is also required to assess whether the acquisition of investment property represents a business combination or asset purchase. Under IFRS, transaction costs are expensed in a business combination but are generally capitalized in an asset purchase.

Income Tax
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").

Under Canadian GAAP and IFRS, REITs that qualify for the REIT Exception 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.

IFRS 1
In general, IFRS 1 requires an entity to retrospectively apply IFRS standards at the date of transition to IFRS. IFRS 1 provides certain exemptions and exceptions to the retrospective application of IFRS standards. The REIT commenced operations on March 25, 2010 subsequent to the transition date to IFRS (January 1, 2010) and as a result has not utilized any optional IFRS 1 exemptions.

SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies is described in note 2 to the condensed consolidated interim financial statements for the three and nine months ended September 30, 2011. The disclosures required by IFRS 1 concerning the transition from Canadian GAAP to IFRS are given in note 23 to the condensed consolidated interim financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities as at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates. The significant judgements and key estimates are outlined in note 1 of the condensed consolidated interim financial statements. The valuation of investment properties is one of the principal estimates and uncertainties of the REIT.

PART VIII

RISKS AND UNCERTAINTIES

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

Risk Factors Related to the Real Estate Industry

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

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

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which the REIT has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the disclaimer and termination of such tenant's lease, any of which events could have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. Certain of the REIT's tenants may require 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, global geopolitical issues, the availability and cost of credit, and continued uncertainty related to the overall global economy have contributed to increased market volatility and somewhat weakened business and consumer confidence. Although the Healthcare Real Estate industry is an asset class that is not typically 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 September 30, 2011 the REIT had outstanding indebtedness of approximately $486.5 million, excluding Class B exchangeable units. Although a portion of the cash flow generated by investment properties will be devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

The REIT will be subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce AFFO. In order to minimize this risk, the REIT will attempt to diversify the term structure of its debt so that in no one year a disproportionate amount of its debt matures. As at September 30, 2011 none of the REIT's total indebtedness is at variable rates. However, if the REIT draws amounts under 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 September 30, 2011. 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 the REIT to maintain certain financial ratios on a consolidated basis. If the REIT does not maintain such ratios, its ability to make distributions will be limited.

Environmental Matters

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

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

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

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

Potential Conflicts of Interest

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

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

General Insured and Uninsured Risks

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

Regulation Risk

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

Land Leases

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

Specific Lease Considerations

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

Reliance on Key Personnel

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

Limit on Activities

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

Occupancy by Tenants

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

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

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the REIT’s properties or revenues to be derived 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.

Phase II Development Agreement – Glenmore Professional Centre

There can be no assurances that the prospective future development of the additional parcel at the Glenmore Professional Centre (the “Phase II Development Agreement”) will be achieved, in which case the vendor has the right after December 15, 2011 (or such other period as may be agreed) to require the REIT to obtain a severance of the development parcel and re-convey such parcel to the vendor or as it may direct for $2,950,000. In such event, the vendor will be obligated to replace any existing parking stalls lost as a result with on-site (except during construction) surface or underground parking stalls. There exist certain costs (which may be substantial) and certain risks traditionally associated with land severances including the availability of, or conditions to, municipal consent and accordingly, there is no guarantee that the REIT will be able to secure such land severance. Even if the Phase II Development Agreement is achieved, there exist certain risks traditionally associated with real estate development. The Phase II development would be subject to construction risks attributable to construction projects, including construction delays, the availability and timing of municipal approvals, and cost overruns.

Risk Factors Related to the Units

Cash Distributions are Not Guaranteed

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

Tax-Related Risk Factors

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

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

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

Management of the REIT has determined that the REIT is not subject to the SIFT tax as it meets the REIT Exception at September 30, 2011, and plans to continue to do so in the future. Accordingly, no current income tax expense or future income tax assets or liabilities have been recorded in the September 30, 2011, condensed consolidated 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 2011 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 IPO or, if developed, that such a market will be sustained at the price level of the IPO or follow-on equity offerings. A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets.

Indirect Ownership of Units by NW Trust
NW Trust and its affiliates hold an estimated 21% economic interest in the REIT at September 30, 2011, through the ownership of REIT units and Class B exchangeable units, each of which are exchangeable at the option of the holder for one Unit of the REIT and will be attached to a Special Voting Unit of the REIT, providing for voting rights in the REIT. Furthermore, pursuant to the Declaration of Trust, NW Trust will be entitled to appoint a certain number of Trustees based on the percentage of Units held by it. Thus, NW Trust will be in a position to exercise a certain influence with respect to the affairs of the REIT. If NW Trust reduces its ownership interest in the REIT, the market price of the Units could fall. The perception among the public that these sales may occur could also produce such effect.

PART IX

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's disclosure controls and procedures (as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators) to provide reasonable assurance that (i) material information relating to the REIT, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the 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 REIT under securities legislation is recorded, processed, summarized and reported on a timely basis and within the time period specified by securities legislation. The Chief Executive Officer and the Chief Financial Officer have satisfied themselves that as at September 30, 2011, the design of disclosure controls and procedures continues to be appropriate.

Internal Controls Over Financial Reporting

The REIT's Chief Executive Officer and Chief Financial Officer have designed the REIT's internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer have satisfied themselves that as at September 30, 2011, the design of internal controls over financial reporting continues to be appropriate.

Changes in Internal Controls Over Financial Reporting

IFRS – Investment Property Valuations

The REIT has designed an adequate and appropriate controls framework to fair value its investment properties. These controls include utilizing qualified personnel, staff training, review of the assumptions including discount rates, operating costs, future rental rates, leasing activities and capital expenditure. The fair values derived are also subject to multiple levels of review and approved by management.

There were no other significant changes made in internal controls over financial reporting during the three and nine month period ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

Inherent Limitation

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

PART X

SUBSEQUENT EVENTS

- Subsequent to quarter end, the REIT entered into an agreement with the lender to port the $5.4 million mortgage, from the recently acquired Canamera Medical Centre, to Alexander Medical Building in Peterborough, Ontario, upon the same terms and conditions, which transaction is scheduled to close in the fourth quarter.
- The REIT declared distributions of $0.06667 per unit to unitholders of record as at October 31, 2011 and November 30, 2011.

PART XI

FINANCIAL OUTLOOK AND MARKET GUIDANCE

Management's outlook for the REIT is consistent with the recently produced financial update in the Short Form Prospectus dated March 2, 2011 which can be found on SEDAR at www.sedar.com. There is no material change to the operating or economic environment within which the REIT operates.

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

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

Apart from the sometimes significant difference between vendor and purchaser pricing, as well as increasing competition for good quality income-producing properties, the current market for acquisitions is favourable for the REIT's expansion plans, with both debt and equity markets accessible and the market of Healthcare Real Estate fragmented in terms of current ownership. Since the IPO, to date, the REIT has completed or announced the acquisition of approximately $342 million of healthcare assets. The REIT will continue to actively pursue acquisitions, with a focus on properties within markets the REIT already operates, and a preference for well-occupied and well-located properties in order to consistently improve the REIT's portfolio quality.