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, 2013

November 4, 2013

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, 2013

TABLE OF CONTENTS

PART I 2
FORWARD-LOOKING INFORMATION 2
NON-IFRS FINANCIAL MEASURES 3
PART II 3
BUSINESS OVERVIEW AND STRATEGIC DIRECTION 3
DECLARATION OF TRUST 4
FINANCIAL AND OPERATIONAL HIGHLIGHTS 5
SUMMARY OF SIGNIFICANT EVENTS 6
OUTLOOK AND CURRENT BUSINESS ENVIRONMENT 7
PART III 8
RESULTS OF OPERATIONS 8
NET OPERATING INCOME 10
PORTFOLIO PROFILE 12
INVESTMENT PROPERTIES 16
ACQUISITIONS 17
LEASING COSTS AND CAPITAL EXPENDITURES 18
PART IV 19
FUNDS FROM OPERATIONS 19
ADJUSTED FUNDS FROM OPERATIONS AND DISTRIBUTIONS 20
LIQUIDITY AND CAPITAL RESOURCES 22
CAPITALIZATION AND DEBT PROFILE 23
PART V 27
RELATED PARTY TRANSACTIONS 27
HEAD LEASES 29
PART VI 30
SUMMARY OF QUARTERLY RESULTS 30
PART VII 32
SIGNIFICANT ACCOUNTING POLICIES 32
PART VIII 32
RISKS AND UNCERTAINTIES 32
PART IX 35
CONTROLS AND PROCEDURES 35
PART X 36
SUBSEQUENT EVENTS 36
PART XI 36
FINANCIAL OUTLOOK AND MARKET GUIDANCE 36

CEO's Message

November 4, 2013

During the quarter, overall market sentiment improved as the threat of impending interest rate increases receded given the tepid North American economic data and projections. As a result, a number of organizations accessed the capital market, including our REIT, which issued convertible debentures resulting in net proceeds of approximately $38 million.

Operations

The operating results for the third quarter improved, with FFO and AFFO per unit for the quarter increasing to $0.26 and $0.22, respectively. The payout ratio for the quarter decreased to 92%.

Occupancy was 92.0%, which was also an improvement from the previous quarter.

Year to date we have achieved 64% of our annual budget for new leasing, and 92% of our budgeted renewals for the year. Rents for new leasing deals have been in line with expectations, although some renewals rents, especially for support service tenants such as diagnostic imaging clinics, have been somewhat below expectations, especially for those locations impacted by CML Healthcare's sale of such businesses. In many instances we have reduced rent in the short term to provide the new operators some time to re-establish the businesses, with rents often set to increase over the term of the lease. This situation negatively impacted our renewal spreads this quarter, which were negative as a direct result of one such renewal.

We expect to exceed our renewal targets for the year in terms of space renewed, but we expect to fall short of our new leasing projections, primarily as a result of delays in leasing at a small number of specific properties currently not stabilized in terms of occupancy. We were, however, pleased with leasing activity in the last couple of quarters at some of our southwestern Ontario properties, and we are working hard to maintain that positive momentum.

Acquisitions & Dispositions

During the quarter, we closed the acquisition of the Hargrave Portfolio, our second acquisition in the Winnipeg market. The property is a three-building complex located just west of the downtown core. The property is fully leased, with the Winnipeg Regional Health Authority ("WRHA") being the most significant tenant, occupying 84% of the rentable area under a long-term lease to 2031. This acquisition complements our second quarter acquisition of the Portage Portfolio in Winnipeg, and which is also anchored by the WRHA on a long term lease.

Liquidity

This year we have taken steps to enhance the REIT's liquidity, including the early renewal of several mortgage financings, and our issuance of convertible debentures, on a bought deal basis, in the third quarter. The offering, including the over-allotment option which was fully subscribed, resulted in net proceeds of approximately $38 million, which were used primarily to repay indebtedness outstanding under our credit facility, thereby replacing shorter-term debt with longer-term debt without materially increasing our aggregate indebtedness.

Subsequent to the quarter we also refinanced our only remaining property mortgage maturing in 2013 with a new 5-year mortgage at 3.57%.

Outlook

The focus for the remainder of 2013 is the continuation of efforts to maximize the operational performance of the portfolio.

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, 2013.

This MD&A is based on the REIT's condensed consolidated interim financial statements for the three and nine months ended September 30, 2013, prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are in thousands of Canadian dollars, except where otherwise stated. Per unit amounts are presented in Canadian dollars, except where otherwise stated.

This MD&A should be read in conjunction with the REIT's condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2013, prepared in accordance with IFRS. This MD&A should also be read in conjunction with the REIT's consolidated financial statements and accompanying notes for the year ended December 31, 2012, prepared in accordance with IFRS. Additional information about the REIT, including the REIT's annual information form dated March 12, 2013 (the "Annual Information Form"), can be found on SEDAR at www.sedar.com.

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

- "Convertible Debenture" means 5.25% convertible unsecured subordinated debentures of the REIT;
- "Class B Exchangeable Unit" means Class B limited partnership unit of NHP Holdings Limited Partnership ("NHP LP"), exchangeable for Units;
- "Special Voting Unit" means a special voting unit of the REIT attached to a Class B Exchangeable Unit;
- "Unit" or "REIT Unit" means a unit of the REIT; and
- "Unitholder" means a holder of Units and any reference to a Unitholder in the context of such Unitholder's right to vote at a meeting of Unitholders also includes reference to a holder of Special Voting Units.

PART I

FORWARD-LOOKING INFORMATION

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

- the intention of the REIT to pay stable and growing distributions;
- the ability of the REIT to execute its growth strategies;
- any projections of financial performance of the REIT for the periods set out herein;
- the expected tax treatment of the REIT's distributions to Unitholders;
- the ability of the REIT to qualify for the REIT Exception (as defined herein);
- the access of the REIT to debt markets; and
- the expected healthcare industry and demographic trends.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management of the REIT as of the date of this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The REIT's estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, the REIT's future growth potential, results of operations, future prospects and opportunities, the demographic and industry trends remaining unchanged, future levels of indebtedness, the tax laws as currently in effect remaining unchanged, and the current economic conditions remaining unchanged.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not, and the times at or by which, such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors". These forward-looking statements are made as of the date of this MD&A and, except as expressly required by applicable law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

NON-IFRS FINANCIAL MEASURES

Certain terms used such as "**Funds from Operations" ("FFO"), "Adjusted Funds from Operations" ("AFFO"), "Net Operating Income" ("NOI"), "Gross Book Value" ("GBV"), "Payout Ratio", "Interest Coverage" and any related per Unit amounts** used by management to measure, compare and explain the operating results and financial performance of the REIT are not recognized terms under IFRS, and therefore should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. Management believes that these terms are relevant measures in comparing the REIT's performance to industry data and the REIT's ability to earn and distribute cash returns to holders of the REIT's Units. These terms are defined in this MD&A and reconciled to the condensed consolidated interim financial statements of the REIT for the three and nine months ended September 30, 2013. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other publicly traded entities.

PART II

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

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

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

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

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

DECLARATION OF TRUST

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

Investment Guidelines

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

Operating Policies

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

At September 30, 2013, the REIT was in compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Expressed in thousands of dollars, except per unit amounts	As at September 30, 2013	As at December 31, 2012
Operational information	(Unaudited)	(Unaudited)
Number of properties	78	77
Gross Leasable Area ("GLA")	4,686,097	4,597,358
Occupancy %	92.0%	91.2%
Average lease term to maturity	4.8 years	4.6 years
Weighted average in place net rental rate ($psf)	$16.29	$16.30
Summary of Financial information	(Unaudited)	(Unaudited)
Gross Book Value	$1,333,118	$1,281,477
Debt (1)	$704,714	$661,222
Debt to Gross Book Value (2)	52.9%	51.6%
Weighted average mortgage interest rate (3)	4.76%	4.93%
Weighted average mortgage term	4.8 years	4.6 years
Adjusted units outstanding – period-end (4):		
Basic	46,272,075	46,115,449
Diluted(5)	49,383,334	46,292,584
	For the three months ended September 30, 2013	**For the three months ended September 30, 2012**
Summary of Financial information	(Unaudited)	(Unaudited)
Revenue	$37,683	$32,672
NOI (6)	$20,729	$18,154
FFO (6)	$11,967	$11,092
FFO per unit (Adjusted basic)	$0.26	$0.25
FFO per unit (Adjusted fully diluted)	$0.26	$0.25
AFFO (6) (7)	$10,148	$9,500
AFFO per unit (Adjusted basic)	$0.22	$0.21
AFFO per unit (Adjusted fully diluted)	$0.22	$0.21
Distributions per Unit	$0.20	$0.20
AFFO Payout ratio (fully diluted)	92%	94%
Interest coverage (8)	2.49x	2.57x
Net debt/EBITDA(9)	8.8x	8.6x
Adjusted weighted average units outstanding for the period (10):		
Basic	46,242,692	44,305,301
Diluted(11)	47,094,002	44,466,432

Notes:

(1) Debt is presented net of a Mark-to-Market premium of $2,196 (December 31, 2012 - $3,232), a Mark-to-Market discount of $805 (December 31, 2012 - $Nil) on the Convertible Debentures and unamortized financing costs of $1,411 (December 31, 2012 - $1,372).

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

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

(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. There were 7,551,546 outstanding Class B Exchangeable Units outstanding as at September 30, 2013 (December 31, 2012 -7,615,546).

(5) Adjusted diluted units outstanding includes 2,834,507 REIT Units issuable on the conversion of Convertible Debentures (December 31, 2012 – Nil).

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

(7) AFFO amounts are calculated utilizing a stabilized reserve for growth capital expenditures, leasing costs and tenant improvements of 4.5% of revenue from investment properties.

(8) 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 and Convertible Debenture issuance costs.

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

(10) Adjusted basic and diluted weighted average units outstanding include 7,551,546 outstanding Class B Exchangeable Units for the three months ended September 30, 2013 and 7,615,546 outstanding Class B Exchangeable Units for the three months ended September 30, 2012.

(11) Adjusted diluted weighted average units outstanding includes 584,048 REIT Units issuable on the conversion of Convertible Debentures for the three months ended September 30, 2013 and Nil REIT Units issuable on the conversion of Convertible Debentures for the three months ended September 30, 2012.

SUMMARY OF SIGNIFICANT EVENTS

- AFFO per unit for the quarter was $0.22, up from $0.21 the previous quarter and comparable prior year quarter. The increase was driven by same property income improvements, the accretive impact of the Portage Portfolio (Q2) and Hargrave Portfolio (Q3) acquisitions (each as defined hereafter), as well as, certain non-recurring items.
- Same property net operating income for the quarter increased by 0.8% compared to the prior year quarter.
- FFO per unit for the quarter was $0.26, up from $0.25 the previous quarter and comparable prior year quarter.
- Occupancy continued upwards to 92.0%, up from the previous quarter at 91.6%.
- Effective July 31, 2013, the REIT acquired a Winnipeg office portfolio comprising 70,247 square feet primarily located at 490-494, 496 & 500 Hargrave Street ("Hargrave Portfolio"). The Hargrave Portfolio was purchased for $21,000, with the REIT assuming and up-financing the vendor's existing first mortgage for a principal amount of approximately $15,750, a blended interest rate of 4.75% and a 2023 maturity. The acquisition was immediately accretive. Located within the downtown Exchange District, the Hargrave Portfolio is comprised of one recently developed and two recently upgraded office buildings, and is a leading example of contemporary design in the City of Winnipeg. The portfolio is fully-occupied, with the majority of the premises (84%) leased to the WRHA on a longer term basis, with the majority of the space leased to 2031. Primary use at the Hargrave Portfolio relates to the WRHA's home-care nursing program, while secondary uses relate to community health services, including a travel and tropical medicine clinic. Additional tenancies include a provincially funded post-secondary institution and a non-profit educational NGO. The investment is the REIT's second asset in the Province of Manitoba.
- During the quarter the REIT raised net proceeds of $38,158 through the issuance of $40,250 aggregate principal amount of 5.25% convertible unsecured subordinated debentures due September 30, 2020 (the "Convertible Debentures") on a bought deal basis, including the subsequent exercise of an over-allotment option, to a syndicate of underwriters.
- The REIT paid distributions of $0.06667 per unit on July 15, 2013, August 15, 2013 and September 13, 2013 consistent with its annualized target of $0.80 cents per unit.

See Part X – Subsequent Events

OUTLOOK AND CURRENT BUSINESS ENVIRONMENT

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

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

During the third quarter the S&P/TSX Capped REIT Index declined by 4.0% as the hangover from economic events of the second quarter continued. 5-year and 10-year Government of Canada bond yields remained at higher levels than previous quarters but appear to be easing subsequent to the quarter, while the mortgage market remains relatively robust. Capital raising continued to slowdown in the quarter but the REIT believes equity and debt capital markets remain open as evidenced by the REIT's Convertible Debenture placement.

The REIT continues to pursue an active acquisition pipeline, with multiple properties in varying stages of review and negotiation. The REIT believes, through accretive acquisitions that 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 relatively fragmented ownership. Further, portfolio growth often enhances the REIT's relationships with the healthcare communities within which it operates, which over the longer term, will also contribute to improved performance.

PART III

RESULTS OF OPERATIONS

The REIT's results of operations for the three and nine months ended September 30, 2013 are summarized below:

Expressed in thousands of dollars	Three months ended September 30, 2013	Three months ended September 30, 2012	Variance	Nine months ended September 30, 2013	Nine months ended September 30, 2012	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from operations						
Base rent	$18,018	$16,058	$1,960	$53,257	$47,394	$5,863
Operating cost recoveries	14,858	12,812	2,046	44,491	38,635	5,856
Parking revenue	3,755	3,147	608	11,377	9,835	1,542
Other revenue	648	527	121	1,898	1,535	363
Revenue from investment properties	37,279	32,544	4,735	111,023	97,399	13,624
Management fee revenue	404	128	276	662	355	307
Revenue from operations	37,683	32,672	5,011	111,685	97,754	13,931
Property operating expenses	16,954	14,518	(2,436)	50,905	44,197	(6,708)
Operating income	20,729	18,154	2,575	60,780	53,557	7,223
Finance cost	10,124	7,075	(3,049)	25,815	20,306	(5,509)
Interest income	(200)	(892)	(692)	(620)	(1,500)	(880)
Trust expenses	930	879	(51)	2,819	2,779	(40)
Income before undernoted items	9,875	11,092	(1,217)	32,766	31,972	794
Finance cost:						
Class B Exchangeable Units distributions	(1,511)	(1,524)	13	(4,540)	(4,570)	30
Fair value adjustment of Class B Exchangeable Units	2,341	153	2,188	9,944	(12,108)	22,052
Fair value adjustment of Convertible Debentures	805	-	805	805	-	805
Fair value adjustment of other financial instruments	194	(1,055)	1,249	2,609	(1,055)	3,664
Fair value adjustment of investment properties	(217)	15,460	(15,677)	(5,749)	54,448	(60,197)
Net loss on disposal of investment properties	-	-	-	(73)	-	(73)
Net income	**$11,487**	**$24,126**	**($12,639)**	**$35,762**	**$68,687**	**($32,925)**

Revenue from Operations
Revenue from operations for the three months ended September 30, 2013 is $5,011 greater than the actual for the three months ended September 30, 2012, primarily as a result of sixteen properties acquired subsequent to June 30, 2012 that increased revenue $3,809 over the actual for the three months ended September 30, 2012. Included in Revenue from operations is $21 of lease termination revenue (three months ended September 30, 2012 - $Nil).

Revenue from operations for the nine months ended September 30, 2013 is $13,931 greater than the actual for the nine months ended September 30, 2012, primarily as a result of twenty-one properties acquired subsequent to December 31, 2011 that increased revenue $11,731 over the actual for the nine months ended September 30, 2012.

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, 2013 were $2,436 greater than the three months ended September 30, 2012, primarily as a result of acquisitions that contributed $1,648 to operating expenses.

Operating expenses for the nine months ended September 30, 2013 were $6,708 greater than the nine months ended September 30, 2012, primarily as a result of acquisitions that contributed $5,268 to operating expenses.

Finance Cost
Finance cost for the three months ended September 30, 2013 is $3,049 greater than the actual results for the three months ended September 30, 2012 due primarily to $2,092 of issuance costs related to the Convertible Debentures. The balance consists of mortgage interest on acquired properties of $863 and increased leverage at one of the REIT's existing properties.

Finance cost for the nine months ended September 30, 2013 is $5,509 greater than the actual results for the nine months ended September 30, 2012 due primarily to $2,092 of issuance costs related to the Convertible Debentures and mortgage interest on acquired properties of $2,524. The balance of the increase consists of increased leverage at two of the REIT's existing properties and debt repayment costs, on the refinancing of several mortgages, of $208.

Interest Income
Interest income for the three and nine months ended September 30, 2013 reflects primarily interest earned on an $8,000 loan secured by a medical office building in Owen Sound, Ontario, over which the REIT has a right of first offer. Interest income for the three and nine months ended September 30, 2012 also included interest earned on $41,300 of promissory notes receivable which were repaid during the fourth quarter of 2012.

Trust Expenses
The increase in trust expense for the three and nine months ended September 30, 2013 over the three and nine months ended September 30, 2012 is related to various administrative costs.

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, 2013 the REIT declared distributions of $1,511 and $4,504, respectively (2012 - $1,524 and $4,570, respectively), on the Class B Exchangeable Units. This represents $0.0667 per unit, equivalent to REIT Units, for each month of the three and nine month periods ended September 30, 2013 and 2012, respectively.

The slight decrease in the finance costs associated with the Class B Exchangeable Units over the prior year's quarter reflects the reduction in outstanding Class B Exchangeable Units following the conversion into REIT Units of 64,000 Class B Exchangeable Units in March 2013.

Finance Cost - 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, 2013 the value of the Class B Exchangeable Units decreased to $11.16 from $11.47 resulting in a decrease of the Class B Exchangeable Units liability and an associated gain of $2,341. During the three month period ended September 30, 2012 the value of the Class B Exchangeable Units decreased from $13.10 to $13.08 resulting in a decrease of the Class B Exchangeable Unit liability and an associated gain of $153.

During the nine month period ended September 30, 2013 the value of the Class B Exchangeable Units decreased from $12.48 to $11.16 resulting in a decrease of the Class B Exchangeable Unit liability and an associated gain of $9,944. During the nine month period ended September 30, 2012 the value of the Class B Exchangeable Units increased from $11.49 to $13.08 resulting in an increase of the Class B Exchangeable Unit liability and an associated loss of $12,108.

Finance Cost – Fair Value Adjustment of Convertible Debentures
During the three months ended September 30, 2013 the REIT issued $40,250 of Convertible Debentures. The debentures were designated by the REIT on initial recognition as fair value through profit and loss and are therefore carried at fair value with any change in value recognized in the statement of income.

Finance Cost – Fair Value Adjustment of Other Financial Instruments
During the three and nine months ended September 30, 2013 the REIT recognized a fair value gain of $194 and $2,609, respectively (2012 - $1,055 loss and $1,055 loss, respectively), on interest rate swap contracts used to fix the interest rate on certain variable rate mortgages. The interest rate swap contracts have not been designated by the REIT as hedges and as a result fair value movements on the derivatives are recognized in statement of income rather than other comprehensive income. The fair value movements are non-cash in nature and are expected to reverse over the life of the contracts.

Fair Value Adjustment of Investment Properties
Under IFRS the REIT has elected to use the fair value model to account for its investment properties. The REIT's primary valuation methodology is discounted cash flow analysis. Under the fair value model, investment properties are carried on the consolidated balance sheet at fair value. The properties are not depreciated and changes in the fair value of the properties are recognized in income in the period in which they occur. During the three and nine months ended September 30, 2013 the value of the REIT's investment properties decreased by $217 and $5,749, respectively. See Part III – Investment Properties for additional information on the fair value changes to the REIT's investment properties.

Net Loss on Disposal of Investment Properties
During the three months ended March 31, 2013 the REIT sold a non-core investment property for gross proceeds of $1,035. The loss on disposal of $73 for the nine months ended September 30, 2013 represents transaction costs associated with the sale.

NET OPERATING INCOME

NOI is a non-IFRS measure of a REIT's operating performance, defined as property and property related revenue less operating expenses, inclusive of property management recovery fees and amortization of straight line rent. The REIT uses NOI to assess its property operating performance on an unleveraged basis. Same property NOI for the three months ended September 30, 2013 represents income from investment properties held prior to July 1, 2012. Same property NOI for the nine months ended September 30, 2013 represents income from investment properties held prior to January 1, 2012. The REIT's NOI for the three and nine months ended September 30, 2013 is summarized below:

Expressed in thousands of dollars	Three months ended September 30, 2013	Three months ended September 30, 2012	Variance	Nine months ended September 30, 2013	Nine months ended September 30, 2012	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property revenue from operations						
Base rent	$15,967	$16,028	($61)	$45,341	$45,462	($121)
Operating cost recoveries	13,515	12,802	713	39,269	37,584	1,685
Parking revenue	3,315	3,134	181	9,896	9,664	232
Other revenue	620	527	93	1,494	1,397	97
Revenue from investment properties	33,417	32,491	926	96,000	94,107	1,893
Same property operating expenses	15,279	14,491	(788)	44,391	42,951	(1,440)
Same property NOI	**18,138**	**18,000**	**138**	**51,609**	**51,156**	**453**
Management fee revenue	404	128	276	662	355	307
Acquisitions	2,187	26	2,161	8,509	2,046	6,463
NOI	**$20,729**	**$18,154**	**$2,575**	**$60,780**	**$53,557**	**$7,223**

Revenue from Investment Properties
Same property base rent for the three and nine months ended September 30, 2013 decreased slightly from the comparable prior year period due to the conversion of a number of gross leases to net in Quebec.

Same property operating cost recovery revenue for the quarter increased $713 over the comparable prior year period with net operating cost recoveries decreasing approximately $75 over the comparable prior year period. The decrease reflects various non-recurring non-recoverable costs in 2013 partially offset by the conversion of gross leases to net leases in Quebec. Same property operating cost recovery revenue for the nine months ended September 30, 2013 increased $1,685 over the comparable prior year period with net operating cost recoveries improved approximately $245 over the comparable prior year period. The increase reflects the on-going conversion of gross leases to net leases and improved same property occupancy.

Same property parking revenue increased $181 and $232 over the three and nine months ended September 30, 2013, respectively as the REIT saw improvements at a number of properties in the Greater Toronto Area and Western Canada.

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, 2013 increased over the comparable prior year period primarily due to increased repairs and maintenance partially offset by utility cost savings.

Same property operating expenses for the nine months ended September 30, 2013 increased over the comparable prior year period primarily due to increased property taxes and repairs and maintenance costs.

Management Fee Revenue

Management fee revenue for the three and nine months ended September 30, 2013 increased over the comparable prior year periods primarily due to a non-recurring leasing and construction supervision fees of $200 earned pursuant to a lease termination with a related party (see Part V – Related Party Transactions).

PORTFOLIO PROFILE

As of September 30, 2013, the REIT's portfolio consisted of 78 Healthcare Real Estate properties, located in seven provinces. The properties had a total GLA of approximately 4.7 million square feet encompassing approximately 1,570 individual tenancies.

Geographic Diversification

The properties are well diversified throughout Canada, with 75% of annualized NOI derived from the greater metropolitan areas of the following six major markets of Toronto (27%), Calgary (20%), Edmonton (12%), Montreal (8%), Quebec City (4%) and Halifax (4%) for the three months ended September 30, 2013. The following charts and graphs set out the regional diversification of the portfolio by NOI and GLA.

Region	# of Properties	Total GLA	Current Occupancy Rate (1)	Avg. In-place Net Rent (psf)
Western Canada	16	1,274,738	94.5%	$21.04
Ontario	37	2,091,076	88.1%	15.77
Quebec	16	776,290	97.0%	12.26
Atlantic Canada	9	543,923	93.6%	13.14
Total	**78**	**4,686,027**	**92.0%**	**$16.29**

Geographic diversification by NOI (2)

Geographic diversification by GLA

Notes:

(1) As at September 30, 2013

(2) Based on NOI for the 3 months ended September 30, 2013, excluding property management fees.

Tenant Mix

The portfolio has a well-diversified tenant profile, reflecting an attractive mix of healthcare-related tenants, including regional health authorities, primary care networks, family health teams, medical and diagnostic imaging clinics, medical practitioners, pharmacies and laboratories, as well as institutional and non-healthcare tenants. Approximately 77% of the REIT's tenants are healthcare-oriented. The average tenant occupies approximately 2,700 square feet of GLA. The primary source of revenue for a large portion of the REIT's tenants is government funding, either directly or indirectly, through medical practitioners, which supports the credit quality of the REIT's tenants. The weighted average in place net rent per square foot for the properties is $16.29.

The following table summarizes the REIT's 10 largest tenants by percentage of gross rent for the three months ended September 30, 2013:

	Tenant	% of Gross Rent	No. of Locations
1	Bantrel Corporation	4.4%	1
2	CLSC/CSSS	3.8%	6
3	Alberta Health Services	2.2%	6
4	Shoppers Drug Mart	2.2%	7
5	Lawtons Drugs	2.0%	5
6	The Hospital for Sick Children	1.4%	2
7	CML Healthcare	1.3%	10
8	Medical Imaging Consultants	1.3%	2
9	Albany Medical Clinic	1.2%	1
10	Centric Health	1.2%	7
Total		**21.0%**	
Weighted average lease term			6.6 years

Leasing Activity

Leasing Activity (square feet) – three months ended September 30, 2013				
	Total GLA	**Occupied**	**Vacant**	**Committed[1]**
June 30, 2013	4,609,212	4,220,775	388,437	195,029
Acquired	71,647	71,647	-	-
Expiries	-	(124,963)	124,963	-
Renewal	-	106,063	(106,063)	[2]21,277
Early Terminations	-	(9,837)	9,837	-
New Leasing	-	45,463	(45,463)	[3](8,354)
Month to month	-	(2,757)	2,757	-
Re-measurements and other	5,168	2,208	2,960	-
September 30, 2013	4,686,027	4,308,599	377,428	207,952

Notes:

(1) Represents existing tenants that have early renewed prior to lease expiry or new tenant leasing where the lease commences subsequent to the quarter end.

(2) Net change of 21,277 square feet during the quarter equals 90,042 square feet of early renewals during the quarter less 68,765 square feet of prior quarter early renewals that commenced during the current quarter.

(3) Net change of 8,354 square feet during the quarter equals 18,790 square feet of leasing, with lease commencement subsequent to the quarter, less 27,144 square feet of prior quarter new leasing that commenced during the current quarter.

Leasing Activity (square feet) – nine months ended September 30, 2013				
	Total GLA	**Occupied**	**Vacant**	**Committed[1]**
December 31, 2012	4,597,358	4,191,488	405,870	273,909
Acquired	116,164	116,164	-	-
Disposition	(13,218)	(10,721)	(2,497)	-
Expiries	-	(417,172)	417,172	-
Renewal	-	313,686	(313,686)	(58,230)
Early Terminations	-	(35,343)	35,343	-
New Leasing	-	118,440	(118,440)	(7,727)
Month to month	-	21,675	(21,675)	-
Re-measurements and other	(14,277)	10,382	(24,659)	-
September 30, 2013	4,686,027	4,308,599	377,428	207,952

Notes:

(1) Represents existing tenants that have early renewed prior to lease expiry or new tenant leasing where the lease commences subsequent to the quarter end.

Renewal leasing:

During the quarter the REIT completed 106,063 square feet of renewal leasing inclusive of 13,501 square feet of month to month tenants that renewed during the quarter. In addition 16,715 square feet of expiries remained in occupancy on a month to month basis, and are expected to renew. The REIT also early renewed 90,042 square feet of future expiries during the quarter.

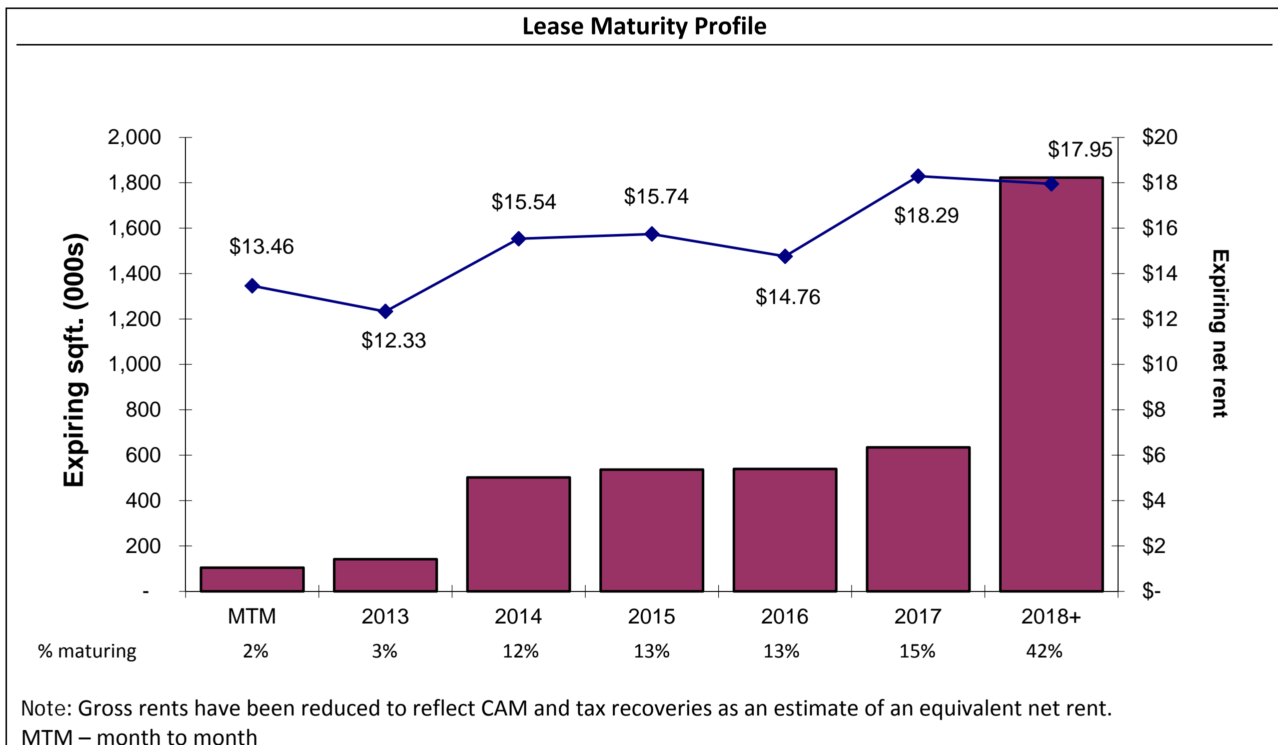
Tenant renewals during the quarter were completed at an initial net rent per square foot of $15.27 versus an expiring net rent per square foot of $15.59. Rents for renewals have been in line with expectations, although some renewals rents, especially for support service tenants such as diagnostic imaging clinics, have been somewhat below expectations. In many instances we have reduced rent in the short term to provide the new operators some time to re-establish the businesses, with rents often set to increase over the term of the lease. This situation negatively impacted our renewal spreads this quarter, which were negative 2%, but would have been positive 2% if not for one such renewal. Year to date renewal leasing was completed at a weighted average initial net rent per square foot of $15.76 versus a weighted average expiring net rent per square foot of $15.96.

New leasing:

During the quarter the REIT completed 45,463 square feet of new leasing commencing in the quarter, plus 18,790 square feet of leasing with lease commencement subsequent to the quarter. New leasing commencing during the quarter was completed at an initial net rent per square foot of $13.80. Year to date the REIT completed 118,440 square feet of new leasing at a weighted average initial net rent per square foot of $14.18.

Lease Expiry Profile

The REIT's diverse tenant base is complemented by a balanced lease maturity profile, with an average of 13% of GLA maturing each year between 2014 and 2017, as illustrated by the chart below, and, as of September 30, 2013, a weighted average term to maturity of 4.8 years.



Expiring Square Feet						
	Western Canada	Ontario	Quebec	Atlantic Canada	Total	Committed
Month to month	-	96,116	-	8,279	104,395	-
2013	25,440	44,368	46,975	24,920	141,703	85,281
2014	132,997	242,805	62,263	63,734	501,799	62,298
2015	143,809	244,122	65,215	83,682	536,828	20,959
2016	93,653	277,583	119,283	48,740	539,259	677
2017	277,959	240,086	61,234	55,045	634,324	858
2018+	503,812	696,452	397,807	224,960	1,823,031	1,512
Total Expiries	1,177,670	1,841,532	752,777	509,360	4,281,339	171,585
Residential	27,260	-	-	-	27,260	-
	1,204,930	1,841,532	752,777	509,360	4,308,599	171,585
Vacant	69,808	249,544	23,513	34,563	377,428	36,367
Total GLA	1,274,738	2,091,076	776,290	543,923	4,686,027	207,952
Occupancy percentage	**94.5%**	**88.1%**	**97.0%**	**93.6%**	**92.0%**	

Expiring Net Rent ($psf)						
	Western Canada	Ontario	Quebec	Atlantic Canada	Total	Committed[(1)]
Month to month	-	13.99	-	7.31	13.46	-
2013	17.62	13.50	9.61	9.98	12.33	14.48
2014	18.97	14.91	14.10	12.17	15.54	20.10
2015	20.23	15.50	12.91	10.95	15.74	19.51
2016	17.46	14.88	10.74	18.74	14.76	16.75
2017	23.25	14.78	14.21	13.06	18.29	10.00
2018+	22.59	18.35	13.14	14.82	17.95	26.00
Total Expiries	21.54	16.19	12.68	13.68	16.74	17.22

Notes:

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

The REIT has 36,367 square feet of committed future leasing against vacant space at an initial net rent per square foot of $13.91.

INVESTMENT PROPERTIES

The fair value of investment properties as at September 30, 2013 was $1,294,375 representing an implied weighted average capitalization rate ("Implied Cap Rate") of 6.7%. At September 30, 2012 investment properties were valued at $1,131,191 representing an Implied Cap Rate of 6.6%.

The increase in value is summarized as follows:

Expressed in thousands of dollars	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Opening Balance	**$1,264,659**	**$1,088,893**	**$1,244,875**	**$985,384**
Acquisitions of investment properties	21,683	20,930	35,612	75,759
Additions	7,765	5,367	19,503	14,302
Disposition of investment property	-	-	(1,035)	-
Increase in straight-line rents receivable	485	541	1,169	1,298
Fair value adjustment	(217)	15,460	(5,749)	54,448
Closing Balance	**$1,294,375**	**$1,131,191**	**$1,294,375**	**$1,131,191**

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

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

During the quarter the REIT had external valuations performed on properties with a value of $72,550. The REIT expects to have a portion, likely one-quarter to one-third, of the value of the portfolio externally appraised each year, depending on management's assessment that such valuations would be appropriate given the market conditions and/or material changes at the properties at that time.

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

	September 30, 2013	September 30, 2012
	(Unaudited)	(Unaudited)
Discount rates – range	6.3% - 10.0%	6.5% - 11.0%
Discount rate – weighted average	7.7%	7.7%
Terminal capitalization rate - range	6.0% - 9.3%	5.8% - 10.3%
Terminal capitalization rate - weighted average	7.2%	6.9%
Implied capitalization rate – range	5.6% - 9.1%	5.5% - 9.3%
Implied capitalization rate – weighted average	6.7%	6.6%

During the three months ended March 31, 2013 the REIT sold a non-core investment property for gross proceeds of $1,035.

ACQUISITIONS

Effective July 31, 2013, the REIT acquired a Winnipeg office portfolio comprising 70,247 square feet primarily located at 490-494, 496 & 500 Hargrave Street ("Hargrave Portfolio"). The Hargrave Portfolio was purchased for $21,000, with the REIT assuming and up-financing the vendor's existing first mortgage for a principal amount of approximately $15,750, a blended interest rate of 4.75% and a 2023 maturity. The acquisition was immediately accretive. Located within the downtown Exchange District, the Hargrave Portfolio is comprised of one recently developed and two recently upgraded office buildings, and is a leading example of contemporary design in the City of Winnipeg. The portfolio is fully-occupied, with the majority of the premises (84%) leased to the WRHA on a longer term basis, with the majority of the space leased to 2031. Primary use at the Hargrave Portfolio relates to the WRHA's home-care nursing program, while secondary uses relate to community health services, including a travel and tropical medicine clinic. Additional tenancies include a provincially funded post-secondary institution and a non-profit educational NGO. The investment is the REIT's second asset in the Province of Manitoba.

During the third quarter the REIT also acquired an additional condo unit at the Smyth Medical Centre in Ottawa.

During the second quarter, effective May 16, 2013 the REIT acquired 741, 755, and 765 Portage Avenue, a three building office portfolio located in downtown Winnipeg ("Portage Portfolio"). The Portage Portfolio was purchased for $13,200, with the REIT assuming the vendor's existing first mortgage, as well as securing a new vendor take-back second mortgage, for an aggregate principal amount of approximately $9,600, a weighted average interest rate of 4.56% and an average term to maturity of 14 years. The acquisition was immediately accretive. Totaling 43,750 square feet, the Portage Portfolio is fully-leased to three tenants, of which the WRHA is the most significant, occupying all of the recently developed, purpose-built government healthcare building located at 755 Portage Avenue (80% of the total portfolio rentable area), under a long-term lease (2029). The WRHA is funded by the provincial government and is charged with the organization and provision of healthcare services for Winnipeg and surrounding municipalities, operating and funding over 200 healthcare facilities and programs with an annual budget of over $2 billion. The Portage Portfolio is home to a WRHA Community Health Office, which provides healthcare related services focusing on childhood development, mental health, public health and child and family services. The investment was the REIT's first asset in the Province of Manitoba.

During the first quarter there were no significant property acquisitions. However, during the three months ended March 31, 2013 the REIT acquired an additional condo unit at the Smyth Medical Centre in Ottawa and land adjacent to one of the REIT's Ontario investment properties.

LEASING COSTS AND CAPITAL EXPENDITURES

Expressed in thousands of dollars	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Leasing costs [1]	$467	$392	$1,384	$1,277
Tenant improvements [2]	3,942	2,259	10,271	5,724
Capital expenditures[3]	3,356	2,716	7,848	7,301
Additions to investment properties	7,765	5,367	19,503	14,302
Less: recoverable maintenance capital expenditures	(1,711)	(1,869)	(4,663)	(3,833)
Less: value enhancing and non-recurring capital expenditures	(1,787)	(459)	(5,150)	(3,014)
Total adjusted leasing costs and capital expenditures	$4,267	$3,039	$9,690	$7,455
Reserve for stabilized capital expenditures, leasing costs and tenant improvements [4]	$1,678	$1,465	$4,996	$4,383
Actual leasing and capital expenditures in excess of reserve	$2,589	$1,574	$4,694	$3,072

Notes:

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

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

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

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

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

Included in capital expenditures and tenant improvements for the quarter is approximately $1,700 related to three specific value enhancing activities:

- An expansion of our Collingwood building by approximately 6,500 square feet (a 33% increase of the building's GLA) in order to accommodate the expansion and lease extension of the property's primary tenant, the Georgian Bay Family Health Team;
- The replacement of a non-operating, former assisted-living facility at our Riley Park property in Calgary with a multi-practitioner medical clinic which will not only enhance the image and vitality of the property, but whose lease is extended approximately six years past the formers tenant's lease expiry; and
- The relocation of numerous tenants at our Windsor property in order to better position a block of vacant space for re-leasing by locating it all in one building.

In the quarter over 79% of leasing costs and tenant improvement costs related to lease deals of ten years or longer, which typically require greater upfront costs, and over 77% were primary medical.

PART IV

FUNDS FROM OPERATIONS

FFO is a supplemental non-IFRS industry wide financial measure of a REIT's operating performance. The REIT calculates FFO as net income (computed in accordance with IFRS), excluding gains (or losses) from sales of investment properties and extraordinary items plus distributions on Class B Exchangeable Units, and adjusted for fair value adjustments on Class B Exchangeable Units and investment properties, plus deferred income tax and after adjustments for equity accounted for entities and non-controlling interests. The REIT calculates FFO substantially in accordance with the definition adopted by the Real Property Association of Canada with the exception of adding back to FFO the issuance costs of the Convertible Debentures. The issuance costs are expensed to income calculated in accordance with IFRS and the REIT believes adding back these non-recurring issuance costs improves the comparability of FFO to other periods. The REIT's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. A reconciliation of IFRS net income to FFO for the three and nine months ended September 30, 2013 is set out below:

Expressed in thousands of dollars, except per unit amounts	**Three months ended September 30, 2013**	**Three months ended September 30, 2012**	**Variance**	**Nine months ended September 30, 2013**	**Nine months ended September 30, 2012**	**Variance**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income	**$11,487**	**$24,126**	**($12,639)**	**$35,762**	**$68,687**	**($32,925)**
Add / (Deduct):						
Finance cost – Class B Exchangeable Unit distributions [2]	1,511	1,524	(13)	4,540	4,570	(30)
Finance cost - Fair value adjustment of Class B Exchangeable Units [2]	(2,341)	(153)	(2,188)	(9,944)	12,108	(22,052)
Finance cost - Fair value adjustment of Convertible Debentures	(805)	-	(805)	(805)	-	(805)
Finance cost – Convertible Debenture issuance costs [3]	2,092	-	2,092	2,092	-	2,092
Finance costs – Fair value adjustment of other financial instruments	(194)	1,055	(1,249)	(2,609)	1,055	(3,664)
Fair value adjustment of investment properties [2]	217	(15,460)	15,677	5,749	(54,448)	60,197
Net loss on disposal of investment properties	-	-	-	73	-	73
FFO[1]	**$11,967**	**$11,092**	**$875**	**$34,858**	**$31,972**	**$2,886**
FFO per unit (Adjusted basic)	$0.26	$0.25	$0.01	$0.75	$0.74	$0.01
FFO per unit (Adjusted fully diluted) [4]	$0.26	$0.25	$0.01	$0.75	$0.73	$0.02
Adjusted weighted average units outstanding[5]:						
Basic	46,242,692	44,305,301	1,937,391	46,189,833	43,528,399	2,661,434
Fully diluted [6]	47,094,002	44,466,432	2,627,570	46,626,845	43,667,800	2,959,045

Notes:

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

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

(3) Non-recurring issuance costs of the Convertible Debentures.

(4) Includes dilutive impact of Convertible Debentures.

(5) Adjusted basic and diluted weighted average units outstanding include 7,551,546 and 7,571,004 outstanding Class B Exchangeable Units for the three and nine months ended September 30, 2013, respectively, and 7,615,546 outstanding Class B Exchangeable Units for the three and nine months ended September 30, 2012, respectively.

(6) Adjusted diluted weighted average units outstanding includes 584,048 and 196,822 REIT Units issuable on the conversion of Convertible Debentures for the three and nine months ended September 30, 2013, respectively, and Nil REIT Units issuable on the conversion of Convertible Debentures s for the three and nine months ended September 30, 2012, respectively.

The FFO per unit of $0.26 for the three months ended September 30, 2013 increased $0.01 over the three months ended September 30, 2012. The increase was driven by same property income improvements, the accretive impact of the Portage Portfolio (Q2) and Hargrave Portfolio (Q3) acquisitions, as well as, certain non-recurring items.

ADJUSTED FUNDS FROM OPERATIONS AND DISTRIBUTIONS

AFFO

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

The REIT's method of calculating AFFO may differ from other issuers' methods and accordingly may not be directly comparable to AFFO reported by other issuers. A reconciliation of FFO to AFFO for the three and nine months ended September 30, 2013 is set out below:

Expressed in thousands of dollars, except per unit amounts	**Three months ended September 30, 2013**	**Three months ended September 30, 2012**	**Variance**	**Nine months ended September 30, 2013**	**Nine months ended September 30, 2012**	**Variance**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
FFO	**$11,967**	**$11,092**	**$875**	**$34,858**	**$31,972**	**$2,886**
Add / (Deduct):						
Amortization of mark-to-market adjustment	(297)	(310)	13	(1,078)	(951)	(127)
Amortization of finance fees [(2)]	126	104	22	398	248	150
Amortization of straight-line rent	(229)	(151)	(78)	(616)	(625)	9
Amortization of above market utility contracts	-	(41)	41	-	(124)	124
Deferred unit plan compensation expense	259	271	(12)	591	889	(298)
Debt repayment costs[(3)]	-	-	-	208	-	208
Reserve for stabilized leasing costs, tenant improvements and growth capital expenditures [(4)]	(1,678)	(1,465)	(213)	(4,996)	(4,383)	(613)
AFFO [(1)]	**$10,148**	**$9,500**	**$648**	**$29,365**	**$27,026**	**$2,339**
Adjusted basic AFFO per Unit	$0.22	$0.21	$0.01	$0.64	$0.62	$0.02
Adjusted fully diluted AFFO per Unit[(5)]	$0.22	$0.21	$0.01	$0.63	$0.62	$0.01
Adjusted weighted average units outstanding[(6)]:						
Basic	46,242,692	44,305,301	1,937,391	46,189,833	43,528,399	2,661,434
Fully diluted [(7)]	47,094,002	44,466,432	2,627,570	46,626,845	43,667,800	2,959,045

Notes:

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

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

(3) During the second the REIT refinanced various mortgages. Debt repayment cost include the difference between the carrying amount and the settlement amount of mortgages payable that were settled during the nine months ended September 30, 2013, including unamortized mark-to-market adjustments written off on the debt extinguishments of $492, prepayment penalty and other costs of $82, and mark-to-market adjustments of $618 recognized on the refinancing of existing mortgages.

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

(5) Includes dilutive impact of Convertible Debentures.

(6) Adjusted basic and diluted weighted average units outstanding include 7,551,546 and 7,571,004 outstanding Class B Exchangeable Units for the three and nine months ended September 30, 2013, respectively, and 7,615,546 outstanding Class B Exchangeable Units for the three and nine months ended September 30, 2012, respectively.

(7) Adjusted diluted weighted average units outstanding includes 584,048 and 196,822 REIT Units issuable on the conversion of Convertible Debentures for the three and nine months ended September 30, 2013, respectively, and Nil REIT Units issuable on the conversion of Convertible Debentures s for the three and nine months ended September 30, 2012, respectively.

The AFFO per unit of $0.26 for the three months ended September 30, 2013 increased $0.01 over the three months ended September 30, 2012. The increase was driven by same property income improvements, the accretive impact of the Portage Portfolio (Q2) and Hargrave Portfolio (Q3) acquisitions, as well as, certain non-recurring items.

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, 2013 is calculated below:

	For the three months ended September 30, 2013	For the three months ended September 30, 2012
	(Unaudited)	(Unaudited)
Fully diluted AFFO per Unit	$0.22	$0.21
Distributions per Unit	$0.20	$0.20
Payout Ratio	**92%**	**94%**

The REIT payout ratio improved slightly from the previous quarter and the prior year period primarily due to same property improvements and accretive acquisitions.

Distribution Reinvestment Plan

Participants in the DRIP have their cash distributions used to purchase units of the REIT and also receive a "bonus distribution" of Units equal in value to 3% of each distribution. During the quarter 60,003 Units were issued pursuant to the DRIP and the DRIP participation rate was approximately 7% during the quarter.

LIQUIDITY AND CAPITAL RESOURCES

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

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

Expressed in thousands of dollars	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Cash provided by / (used in):	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating activities	$12,443	$9,183	$29,363	$26,736
Investing activities	(28,729)	(38,197)	(43,520)	(137,473)
Financing activities	17,590	28,871	11,975	108,226
Increase / (Decrease) in cash and cash equivalents during the period	**$1,304**	**($143)**	**($2,182)**	**($2,511)**
Cash and cash equivalents, beginning of period	$703	$1,348	$4,189	$3,716
Cash and cash equivalents, end of period	**$2,007**	**$1,205**	**$2,007**	**$1,205**

Cash flow activity for the three months ended September 30, 2013 is primarily related to the results of the REIT's operations, distributions to Unitholders, the prepayment of the Revolving Credit Facility, an investment property acquisition and additions to investment properties. The financing activities included a net decrease in the draw on the Revolving Credit Facility during the quarter of $25,000 as a portion of the $38,158 net proceeds of the Convertible Debenture issue were used to repay the outstanding balance on the facility. Additional commentary on these events can be found in the notes to the REIT's condensed consolidated interim financial statements for the three and nine months ended September 30, 2013.

CAPITALIZATION AND DEBT PROFILE

Expressed in thousands of dollars	As at September 30, 2013	As at December 31, 2012
Indebtedness	(Unaudited)	(Unaudited)
Mortgages Payable	$653,005	$624,316
Mark-to-Market premium on Mortgages	2,178	3,232
Unamortized financing costs	(1,411)	(1,122)
	653,772	626,426
Convertible Debenture (net of $805 Mark-to-Market discount)	39,445	-
Loans Payable (net of $Nil of unamortized financing fees, December 31, 2012 - $250)	11,497	34,796
	704,714	661,222
Class B Exchangeable Units (Authorized – unlimited; Issued: September 30, 2013 - 7,551,546, December 31, 2012 - 7,615,546)	84,275	95,042
Unitholders' Equity		
Units (Authorized – unlimited; Issued: September 30, 2013 – 38,660,526, December 31, 2012 – 38,499,903)	$398,264	$395,625
Retained Earnings	116,736	104,154
	515,000	499,779
Total capitalization	**$1,303,989**	**$1,256,043**

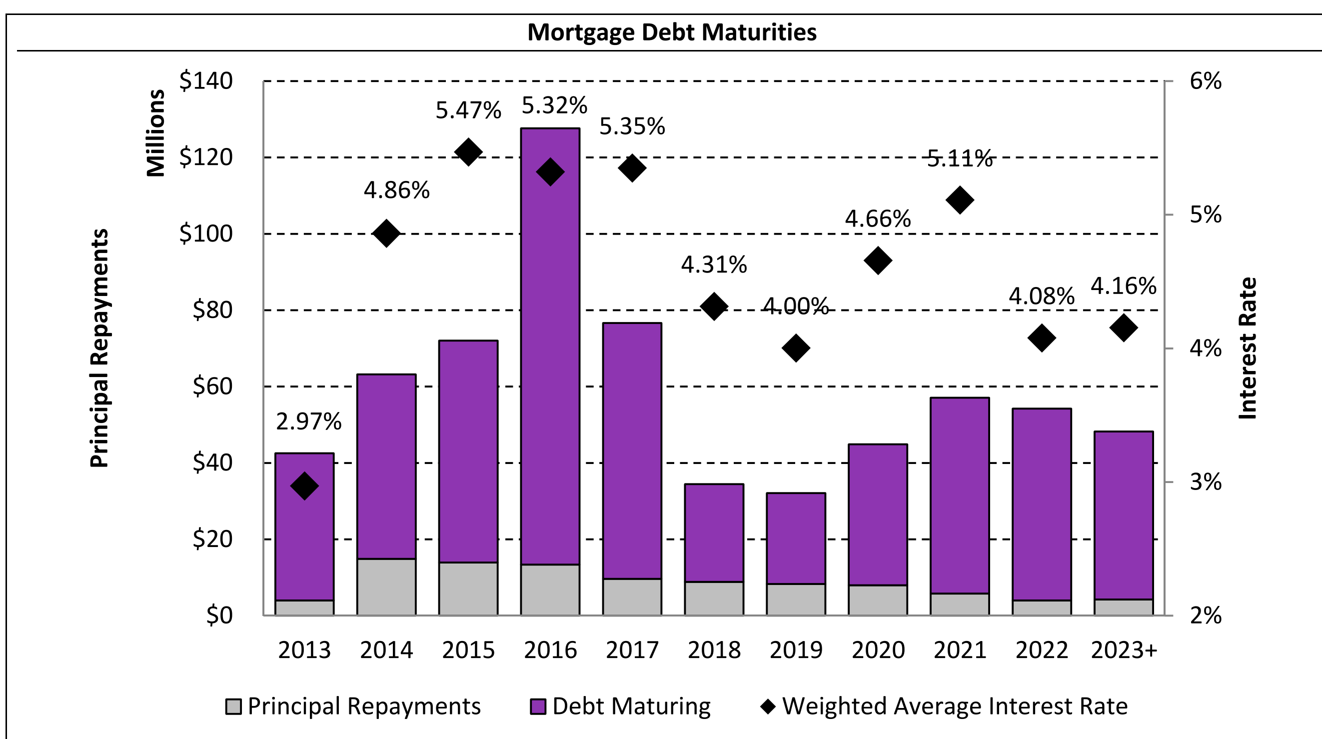
As at September 30, 2013, the REIT had a market capitalization of approximately $516,000 (including 7,551,546 Class B Exchangeable Units) based on a closing Unit price of $11.16 on the Toronto Stock Exchange.

Mortgage Debt Maturities

The following table sets out, as at September 30, 2013, scheduled principal payments, debt maturity amounts and weighted average interest rate of maturing mortgages:

Expressed in thousands of dollars

Year Ending December 31st	Scheduled Principal Payments	Debt Maturing during the Year	Total Mortgages Payable	Weighted Average Interest Rate of Maturing Mortgages	Percentage of Total Mortgages Payable
2013	$4,002	$38,547	$42,549	2.97%	6%
2014	14,865	48,324	63,189	4.86%	10%
2015	13,917	58,102	72,019	5.47%	11%
2016	13,369	114,267	127,636	5.32%	20%
2017	9,662	66,971	76,633	5.35%	12%
2018	8,847	25,617	34,464	4.31%	5%
2019	8,321	23,788	32,109	4.00%	5%
2020	7,956	36,907	44,863	4.66%	7%
2021	5,786	51,308	57,094	5.11%	9%
2022	3,968	50,264	54,232	4.08%	8%
2023+	4,244	43,973	48,217	4.16%	7%
Sub-total	$94,937	$558,068	$653,005	4.76%	100%
Mark-to-market adjustment			2,178	(0.26%)	
			655,183	4.50%	
Unamortized financing costs			(1,411)		
Total			$653,772		



Mortgage Financing

During the quarter as part of the Hargrave Portfolio acquisition the REIT assumed and up-financed the vendor's existing first mortgage for a principal amount of approximately $15,750, a blended interest rate of 4.75% and a 2023 maturity. The weighted average interest rate of the REIT's mortgage debt remained unchanged from the previous quarter at 4.76% and the weighted average term decreased slightly to 4.8 years from 5.0 years.

See Part X – Subsequent Events

Revolving Credit Facility

The REIT has a $50,000 Revolving Credit Facility, which bears interest at a rate equal to the bank's prime rate plus 1.25% or Bankers' Acceptances plus 2.25%, with a term to March 25, 2014. 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, include Riley Park Health Centre, Rockyview Health Centre II, Collingwood Health Centre, Polyclinique Val-Belair, Canamera Medical Centre, Wharncliffe Health Centre and CLSC La Presqu'Ile.

During the quarter the balance outstanding on Revolving Credit Facility decreased to $Nil from $25,000 as a portion of the $38,158 net proceeds of the Convertible Debenture issue were used to repay the outstanding balance on the facility.

Convertible Debenture

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

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

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

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

Ratios / Covenants

Pursuant to the Declaration of Trust, the REIT may not incur or assume any indebtedness if, after giving effect to the incurring or assumption of such indebtedness, the total indebtedness of the REIT would be more than 65% of the GBV of its assets. The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with a term to maturity that is appropriate having regard to the lease maturity profile for each property and which allows the REIT to (i) achieve and maintain staggered debt maturities to lessen exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix the rates and extend loan terms as long as possible when borrowing conditions are favourable. Subject to market conditions and the growth of the REIT, management of the REIT currently intends to maintain indebtedness in a range of 50% to 60% of GBV. The following summarizes the status of these key ratios as at and for the three months ended September 30, 2013:

Expressed in thousands of dollars	**As at/for the three months ended September 30, 2013**	**As at/for the three months ended September 30, 2012**	**As at/for the year ended December 31, 2012**
	(Unaudited)	(Unaudited)	(Unaudited)
Gross Book Value	$1,333,118	$1,206,489	$1,281,477
Debt (excluding Class B Exchangeable Units)	$704,714	$622,260	$661,222
Debt to Gross Book Value (1)	52.9%	51.6%	51.6%
Amount of debt at fixed rates	$602,383	$528,330	$563,704
Amount of debt at variable rates(2)	$102,331	$93,930	$97,518
Interest coverage (3)	2.49x	2.57x	2.53x
Debt Service coverage (4)	1.67x	1.80x	1.77x
Net debt/EBITDA(5)	8.8x	8.6x	9.1x
Weighted average mortgage interest rate (at contract) (6)	4.76%	4.96%	4.93%

Notes:

(1) Defined by the Declaration of Trust as total debt (excluding Class B Exchangeable Units) divided by the book value of the total assets in the consolidated balance sheet. Debt includes Convertible Debentures.

(2) The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on $50,598 of its variable rate debt payable as at September 30, 2013 ($44,610– September 30, 2012). A 1.00% change in the interest rate, on the remaining variable rate debt will change the quarterly finance cost related to the outstanding balance by $517.

(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 issuance costs on the Convertible Debenture).

(4) 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 issuance costs on the Convertible Debenture) and scheduled debt repayments.

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

(6) Excludes Revolving Credit Facility and Convertible Debentures. Current market weighted average mortgage interest rate is approximately 3.8%.

The ratio of Debt to GBV increased slightly in the quarter to 52.9% at September 30, 2013 from 52.1% as at June 30, 2013 primarily as a result of the issuance of the Convertible Debenture during the quarter.

Interest rates and debt maturities are reviewed regularly by the management and trustees of the REIT ("Trustees") to ensure the appropriate debt management strategies are implemented. The REIT intends to finance its ongoing operations with a combination of, primarily, fixed rate secured debt with staggered maturities and floating rate secured

short-term, construction and/or revolving debt. The fixed rate debt is expected to be comprised primarily of first charge mortgages.

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

PART V

RELATED PARTY TRANSACTIONS

In connection with the REIT's IPO on March 25, 2010, subsidiaries of the REIT acquired 45 properties from NorthWest Operating Trust ("NW Trust") for total consideration of $171,900. Part of the consideration included 7,749,772 Class B Exchangeable Units of NHP LP, a subsidiary of the REIT. These Class B Exchangeable Units, each of which are exchangeable at the option of the holder for one Unit of the REIT and that are attached to Special Voting Units of the REIT, provide for voting rights in the REIT.

As at September 30, 2013 the interest of NW Trust and its affiliates in the REIT is approximately 25.7% (24.1% on a fully diluted basis).

NW Trust is indirectly 100% owned by NorthWest International Healthcare Properties REIT ("International REIT") which acquired NW Trust from NorthWest Value Partners Inc. ("NWVP") and certain of its affiliates in June, 2013 pursuant to a put/call agreement between International REIT and NWVP, and its affiliates, dated November 16, 2012 (the "Put/Call Agreement") (see "Exercise of Put/Call Agreement By Significant Unitholder" below).

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

The following are the related party transactions for the periods ended September 30th:

Expressed in thousands of dollars	Note	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from investment properties:					
Head lease income	(a)	432	471	1,295	1,617
Rental income	(b)	223	234	715	707
Management fee revenue:					
Leasing and construction supervision services	(b)(c)	206	-	211	17
Management services and cost sharing	(d)	97	98	297	292
Support services provided	(e)	23	19	65	33
Property operating and trust expenses:					
Support services provided	(e)	64	-	64	(72)
Rental expense	(f)	77	77	235	258
Interest income:					
Interest	(a)(b)	8	-	26	-
Owen Sound Loan interest	(g)	76	76	224	233
Promissory note interest	(h)	-	728	-	966
Finance cost:					
Class B Exchangeable Unit distributions		1,511	1,524	4,540	4,570
Leasing costs reimbursement	(a)(b)	1,179	3	1,217	91

(a) In conjunction with its IPO the REIT entered into head leases with NW Trust on three properties in which NW Trust is the tenant. The head leases commenced March 25, 2010 and have a term of five years subject to certain rights of termination upon third party leasing of such space. NW Trust is responsible for any leasing costs incurred in leasing this space and reimburses the REIT for costs incurred.

(b) The REIT earned rental revenue from a tenant which is an affiliate of NW Trust. The lease was surrendered on September 1, 2013 and the tenant is responsible for any rental shortfall (see "Lease Surrender Agreement" below).

(c) The REIT has a Leasing and Construction Supervision Services Agreement with NW Trust for the provision to NW Trust of supervision and leasing services at the properties subject to the head leases for a period of five years commencing March 25, 2010.

(d) The REIT has Management and Cost Sharing Agreements with NW Trust for the REIT to provide property management services for one property for a period of five years commencing March 25, 2010.

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

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

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

(h) The REIT earned interest in 2012 on two promissory notes related to the GT REIT Transaction; these notes were fully repaid in 2012 (see "GT REIT Transaction" below).

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

Lease Surrender Agreement

On September 1, 2013 the REIT leased the space, previously leased by a tenant which is an affiliate of NW Trust, to a third party healthcare tenant. The new lease is a 10 year term with rental steps during the term of the lease. As part of the surrender agreement the tenant agreed to reimburse the REIT $1,160 for the restoration of the premises and $200 as a leasing and construction supervision fee. As part of the agreement the tenant is responsible for any rental shortfall between the rent and parking income derived from the new tenant as compared to the rent that would have been paid by the tenant for the period September 1, 2013 to December 31, 2018, the original expiry date of the lease held by the tenant.

Phase II Development Agreement – Glenmore Professional Centre

As part of the REIT's acquisition of Glenmore Professional Centre in December, 2010, from an affiliate of NW Trust, the REIT and NW Trust contracted to enter into a development arrangement with respect to the vacant development parcel at the property. The timing for completion of such an arrangement, pursuant to a mutually agreed to extension, is by December 31, 2013.

Owen Sound Loan and Right of First Offer

On December 23, 2011 the REIT granted a loan in the amount of $8,000 (the "Owen Sound Loan") to a party which is indirectly owned 50% by NWVP, an affiliate of NW Trust. The Owen Sound Loan bears interest at 7.5% per annum and matures on January 31, 2014. The Owen Sound Loan is secured by the pledge of certain securities of the borrower and is guaranteed by certain affiliates of the borrower; each limited to 50% of the obligations under the Owen Sound Loan. In exchange for the Owen Sound Loan, the REIT was granted a right of first offer to acquire a recently completed 73,500 square foot medical office building in Owen Sound, Ontario.

Exercise of Put/Call Agreement By Significant Unitholder

On June 21, 2013, International REIT announced that, pursuant to a put right held by NWVP, an affiliate of NW Trust, under the Put/Call Agreement, International REIT had acquired NW Trust from NWVP and its affiliates. The interest in the REIT acquired by International REIT, by way of its purchase of NW Trust, consists of 4,345,900 Units of the REIT and 7,551,546 Class B Exchangeable Units of NHP LP, which are exchangeable on a one-for-one basis for Units of the REIT. NW Trust also holds certain board appointment rights, preemptive rights and registration rights related to the REIT.

Pursuant to the terms of the Put/Call Agreement, International REIT acquired the securities of the REIT at a price of $13.22 per Unit, for total gross consideration of approximately $157,300 less approximately $73,800 of debt (at approximately 4.25%) that was indirectly assumed by International REIT.

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

GT REIT Transaction

On April 20, 2012, the REIT entered into an agreement with NWVP whereby the REIT, subject to regulatory approvals, would acquire, by way of a share and unit transaction, twelve investment properties from GT Canada Medical Properties REIT ("GT REIT") in the event that NWVP was successful in a take-over bid for GT REIT. On May 31, 2012, NWVP announced it was successful in its take-over bid for GT REIT.

On June 1, 2012, the REIT issued by way of private placement 1,323,858 REIT Units to NWVP in a private placement at a subscription price of $12.3125 per REIT Unit, for aggregate consideration of $16,300, pursuant to the acquisition of GT REIT.

On November 14, 2012 the REIT acquired an investment property from a subsidiary of International REIT, formerly GT REIT, by way of share and unit transactions, with an effective date of October 1, 2012. The purchase price was $2,900, plus the assumption of mortgage debt of approximately $5,000, subject to usual adjustments.

On November 16, 2012, the REIT acquired eleven investment properties in Ontario from a subsidiary of GT REIT, by way of share and unit transactions, with an effective date of October 1, 2012. The purchase price, as adjusted on closing, together with reimbursement of certain transaction costs, was $36,300, plus the assumption of mortgage debt of approximately $43,300. The purchase price, as adjusted, and transaction costs were satisfied by a cash payment of $6,300 and the transfer of a note in the amount of $30,000 bearing interest at 8% (the “GT Note”). During Q4 2012 the GT Note was set-off against an amount receivable from a subsidiary of NWVP.

On November 16, 2012, the REIT issued 1,746,142 REIT units to NW Trust in a private placement at a subscription price of $12.3125 per REIT unit pursuant to the acquisition of GT REIT.

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, 2013			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	45,922	$16.24	Jul-25 [3]
HealthPark	29,932	16.25	Mar-15	13,378	10.32	Apr-24[4]
Riley Park Health Centre	20,271	30.00	Mar-15	-	-	
Total / Weighted averages	**101,380**	**$21.40**		**59,300**	**$14.91**	

Notes:

(1) As at November 4, 2013

(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. 12,876 square feet expires August 2020, 1,900 square feet expires September 2020, 4,723 square feet expires March 2021, 14,978 square feet expires April 2022 and 11,445 square feet expires July 2025.

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

No head lease space was leased during the quarter.

PART VI

SUMMARY OF QUARTERLY RESULTS

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

Expressed in thousands of dollars	Q3 2013	Q2 2013	Q1 2013	Q4 2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from operations	**$37,683**	**$36,882**	**$37,120**	**$36,704**
Property operating expenses	16,954	16,676	17,275	16,629
Operating income	**20,729**	**20,206**	**19,845**	**20,075**
Finance cost	10,124	7,970	7,721	8,118
Interest income	(200)	(235)	(185)	(502)
Trust expenses	930	933	956	808
Income before undernoted items	**9,875**	**11,538**	**11,353**	**11,651**
Finance cost:				
Class B Exchangeable Unit distributions	(1,511)	(1,510)	(1,519)	(1,523)
Fair value adjustment of Class B Exchangeable Units	2,341	9,515	(1,912)	4,569
Fair value adjustment of Convertible Debentures	805	-	-	-
Fair value adjustment of other financial instruments	194	2316	99	8
Fair value adjustment of investment properties	(217)	(7,709)	2,177	9,101
Net loss on disposal of investment properties	-	-	(73)	-
Net income / (loss)	**11,487**	**14,150**	**10,125**	**23,806**
NOI	**20,729**	**20,206**	**19,845**	**20,075**
FFO	**11,967**	**11,538**	**11,353**	**11,651**
FFO per Unit (Adjusted basic)[1]	$0.26	$0.25	$0.25	$0.26
FFO per Unit (Adjusted fully diluted) [1]	$0.26	$0.25	$0.25	$0.26
AFFO	**10,148**	**9,680**	**9,537**	**9,664**
AFFO per Unit (Adjusted basic) [1]	$0.22	$0.21	$0.21	$0.21
AFFO per Unit (Adjusted fully diluted) [1]	$0.22	$0.21	$0.21	$0.21
AFFO payout ratio	92%	96%	97%	94%
Distributions[2]	9,242	9,239	9,230	9,103
Distributions per Unit	$0.20	$0.20	$0.20	$0.20
Total Assets	$1,333,118	$1,302,951	$1,285,854	$1,281,477
Debt (excluding Class B Exchangeable Units)	$704,714	$678,795	$661,151	$661,222
Debt to Gross Book Value	52.9%	52.1%	51.4%	51.6%
Number of properties	78	77	76	77
Gross leasable area	4,686,027	4,609,212	4,583,850	4,597,358
Occupancy % – period end	92.0%	91.6%	91.3%	91.2%
Number of employees	144	144	143	134

Notes:

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

(2) Includes distributions on Class B Exchangeable Units.

Expressed in thousands of dollars	Q3 2012	Q2 2012	Q1 2012	Q4 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from operations	**$32,672**	**$32,567**	**$32,515**	**$31,502**
Property operating expenses	14,518	14,412	15,267	14,489
Operating income	**18,154**	**18,155**	**17,248**	**17,013**
Finance cost	7,075	6,821	6,410	6,153
Interest income	(892)	(437)	(171)	(42)
Trust expenses	879	1,002	898	847
Income before undernoted items	**11,092**	**10,769**	**10,111**	**10,055**
Finance cost:				
Class B Exchangeable Unit distributions	(1,524)	(1,523)	(1,523)	(1,523)
Fair value adjustment of Class B Exchangeable Units	153	(6,473)	(5,788)	(686)
Fair value adjustment of Convertible Debentures	-	-	-	-
Fair value adjustment of other financial instruments	(1,055)	-	-	-
Fair value adjustment of investment properties	15,460	20,804	18,184	9,000
Net loss on disposal of investment properties	-	-	-	-
Net income / (loss)	**24,126**	**23,577**	**20,984**	**$16,846**
NOI	**18,154**	**18,155**	**17,248**	**$17,013**
FFO	**11,092**	**10,769**	**10,111**	**$10,055**
FFO per Unit (Adjusted basic)[(1)]	$0.25	$0.25	$0.24	$0.23
FFO per Unit (Adjusted fully diluted) [(1)]	$0.25	$0.25	$0.24	$0.23
AFFO	**9,500**	**9,115**	**8,411**	**$8,504**
AFFO per Unit (Adjusted basic) [(1)]	$0.21	$0.21	$0.20	$0.20
AFFO per Unit (Adjusted fully diluted) [(1)]	$0.21	$0.21	$0.20	$0.20
AFFO payout ratio	94%	96%	102%	101%
Distributions[(2)]	8,864	8,678	8,581	$8,564
Distributions per Unit	$0.20	$0.20	$0.20	$0.20
Total Assets	$1,206,489	$1,153,492	$1,073,280	$1,011,717
Debt (excluding Class B Exchangeable Units)	$622,260	$586,782	$548,532	$507,659
Debt to Gross Book Value	51.6%	50.9%	51.1%	50.2%
Number of properties	64	62	61	58
Gross leasable area	4,262,292	4,203,528	4,148,498	4,035,480
Occupancy % – period end	91.3%	91.1%	90.9%	91.2%
Number of employees	131	131	134	124

Notes:

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

(2) Includes distributions on Class B Exchangeable Units.

PART VII

SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities as at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates. The significant judgments and key estimates made by the management of the REIT, and the REIT's significant accounting policies, are described in note 1 and note 2 of the REIT's condensed consolidated interim financial statements for the three and nine months ended September 30, 2013 and in note 1 and note 2 of the REIT's consolidated financial statements for the year ended December 31, 2012.

Beginning January 1, 2013 the REIT has applied the following new accounting standards, or amendments to existing standards, for the first time:

- IFRS 10, Consolidated Financial Statements
- IFRS 13, Fair Value Measurements
- IFRS 7, Financial Instruments: Disclosures
- IAS 1, Presentation Financial Statements
- IAS 28, Investments in Associates and Joint Ventures
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interest in Other Entities

The adoption of these new accounting standards, or amendments, did not have a material impact on the REIT's condensed consolidated interim financial statements. For additional information on the adoption of these standards see note 2 of the REIT's condensed consolidated interim financial statements for the three and nine months ended September 30, 2013.

PART VIII

RISKS AND UNCERTAINTIES

There are certain risks inherent in investments in REIT Units, Convertible Debentures and in the activities of the REIT, which current and prospective Unitholders and current or prospective investors in Convertible Debentures should carefully consider. For a full list and explanation of the REIT's risks and uncertainties refer to "Risks and Uncertainties" in the REIT's MD&A for the three months and year ended December 31, 2012 or the Annual Information Form, both of which can be found on SEDAR at www.sedar.com.

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

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

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which the REIT has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the disclaimer and

termination of such tenant's lease, any of which events could have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. Certain of the REIT's tenants may require licenses to operate their business, such as laboratories. To the extent these businesses are unable to obtain licenses or maintain existing licenses; the REIT's operations may be adversely impacted. The ability to rent unleased space in the properties in which the REIT will have an interest will be affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises and various other factors, many of which are beyond the REIT's control.

Liquidity

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

Access to Capital

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

Financing Risks

As at September 30, 2013 the REIT had outstanding indebtedness of approximately $704,714, including Convertible Debentures, but excluding Class B Exchangeable Units. Although a portion of the cash flow generated by investment properties will be devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

The REIT will be subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce AFFO. In order to minimize this risk, the REIT will attempt to diversify the term structure of its debt so that in no one year a disproportionate amount of its debt matures. As at September 30, 2013, $102,331 of the REIT's total indebtedness is at variable rates. This will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise, the REIT's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution. To mitigate this risk the REIT has entered into an interest rate swap contract to limit its exposure to fluctuations in the interest rates on $50,598 of its variable rate debt payable as at September 30, 2013. In addition, the REIT has conduit loans outstanding as at September 30, 2013. Access to this type of financing has diminished. Although substantially all of the amounts outstanding under the REIT's conduit loans mature in 2014 or later, there is a risk that the REIT may not be able to refinance such loans on similar terms, although, based upon the REIT's current loan-to-value ratios and loan amortizations, the REIT expects to be able to refinance such conduit loans as they come due.

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

Environmental Matters

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

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

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

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

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 related acquisition agreement ("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. During the remaining term of the Head Leases (which expire in March 2015) NW Trust has covenanted to maintain an amount equal to the present value of its basic and additional rent obligations under the Head Leases plus 25% of tenant inducement obligations, from time to time (the "Head Lease Security"), calculated using a discount rate equal to the appropriate Government of Canada bond rate. There can be no assurance that the REIT will be fully protected in the event of a breach of NW Trust's obligations under the Head Leases or a breach of the surviving representations and warranties or that NW Trust will be in a position to indemnify the REIT if any such breach occurs. The REIT may not be able to successfully enforce the indemnity contained in the Acquisition Agreement against NW Trust or such indemnity may not be sufficient to fully indemnify the REIT from third party claims. The REIT may also be subject to undisclosed liability to third parties as a result of the prior history of HPLP and such liability may be material, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. The REIT has advanced an $8,000 loan to a joint venture in which NW Trust indirectly holds a 50% interest and is accordingly subject to the risks associated with having a loan outstanding.

See "Related Party Transactions."

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 31, 2013 (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. 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.

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

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

Management of the REIT has determined that the REIT is not subject to the SIFT tax as it currently meets the REIT Exception and plans to continue to do so in the future. Accordingly, no current income tax expense or deferred income tax assets or liabilities have been recorded in the condensed consolidated financial statements for the three and nine months ended September 30, 2013.

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 2013 or any subsequent year until the end of the particular year.

Risks Factors Related to Convertible Debentures
For a full list and explanation of the risks inherent in an investment in the Convertible Debentures see "Risk Factors" in the REIT's Final Short Form Prospectus dated August 30, 2013 issued in connection with the offering of Convertible Debentures which can be found on SEDAR at www.sedar.com.

PART IX

CONTROLS AND PROCEDURES

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

Changes in Internal Controls Over Financial Reporting
There were no significant changes made in internal controls over financial reporting during the three months ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

For additional information on the REIT's disclosure controls and procedures and internal controls over financial reporting refer to "Controls and Procedures" in the REIT's MD&A for the three months and year ended December 31, 2012, which can be found on SEDAR at www.sedar.com.

PART X

SUBSEQUENT EVENTS

- Subsequent to the quarter, the REIT refinanced its Glenmore Professional Centre in Calgary for a principal amount of $50,000, an interest rate of 3.57% and a 5-year term. The mortgage resulted in approximately $11,000 of net proceeds to the REIT.
- Subsequent to the quarter the REIT issued a repayment notice to repay a $13,000 variable rate mortgage secured by one of the REIT's investment properties.
- The REIT declared distributions of $0.06667 per unit to Unitholders of record as at October 31, 2013.

PART XI

FINANCIAL OUTLOOK AND MARKET GUIDANCE

During the third quarter the S&P/TSX Capped REIT Index declined by 4.0% as the hangover from economic events of the second quarter continued. 5-year and 10-year Government of Canada bond yields remained at higher levels than previous quarters but appear to be easing subsequent to the quarter, while the mortgage market remains relatively robust. Capital raising continued to slowdown in the quarter but the REIT believes equity and debt capital markets remain open as evidenced by the REIT's Convertible Debenture placement.

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

Subject to the foregoing, apart from the sometimes significant difference between vendor and purchaser pricing expectations, as well as competition for good quality income-producing properties, the current market for acquisitions is favourable for the REIT's expansion plans, with both debt and equity markets accessible and the market of Healthcare Real Estate fragmented in terms of current ownership. Since the IPO, to date, the REIT has completed or announced the acquisition of over $570,000 of real estate 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.