NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

NOVEMBER 14, 2019



CEO'S MESSAGE

Paul Dalla Lana
Chief Executive Officer

Strong Results for Q3

Dear Fellow Unitholders,

On top of delivering strong operating results, the REIT also advanced a number of key strategic initiatives, including integrating the $1.2 billion Healthscope hospital portfolio acquisition, increasing Australian JV capital commitments by $1.6 billion, and successfully completing more than $600 million in accretive debt and equity financings.

Meanwhile the REIT continues to see significant opportunities to capitalize on its differentiated healthcare real estate platform, making substantial progress towards attracting an additional $3.0 billion of institutional capital commitments and identifying a significant pipeline of attractive investment opportunities. Taken together, these initiatives provide the REIT with significant runway and resources to continue to scale its business in both the near and long-term.

The REIT's strong results derive from a 171 property, $6.2 billion defensive healthcare infrastructure portfolio having long-term, inflation-indexed net leases with leading healthcare operators as well as a rapidly growing asset management platform with $3.6 billion of third-party capital commitments, including $1.6 billion of available capacity.

For the three months ended September 30, 2019, the REIT delivered another quarter of strong financial and operating results with key highlights as follows:

- IFRS revenue increased by 4.7% in Q3 2019 to $91.1 million from $87.0 million in Q3 2018 primarily driven by net acquisition activities;
- For Q3 2019, IFRS net income increased to $17.7 million from a loss of $28.5 million in Q3 2018;
- FFO per unit for the third quarter of 2019 of $0.23 and $0.94 on an annualized basis after adjusting for a one-time $7.5 million debt repayment charge related to the accretive Brazilian refinancing completed during the quarter;
- AFFO per unit for the third quarter 2019 of $0.22 and $0.88 on an annualized basis ($0.92 per unit on a normalized basis);
- Source currency and Canadian dollar cash recurring SPNOI growth of 3.6% and 2.6%, respectively, in Q3 2019 as compared to Q3 2018;
- Leverage of 45.4% (52.8% including convertible debentures) at the end of Q3 2019. The REIT continues to target a 50% leverage ratio (including converts) and expects leverage to decline towards that target in the medium term;
- Net asset value per unit of $11.84 ($12.06 at current foreign exchange rates), representing a 6.7% increase over Q3 2018 primarily driven by the revaluation of the REIT's ANZ Manager on the back of an incremental $1.6 billion commitment in respect of the REIT's Australian healthcare joint venture, partially offset by foreign currency movement;
- Strong portfolio occupancy of 97.1% rising 40 bps from Q4 2018 and the international portfolio holding stable above 98.0% occupancy;
- Relatively strong Canadian dollar, which appreciated 4.0% over the quarter and 4.8% over the last 12 months against the REIT's international currencies.

During the third quarter and subsequent to quarter-end, the REIT has continued executing on expanding institutional capital commitments, advancing low-risk development and expansion projects, completing accretive debt refinancing and pursuing select accretive acquisitions. Significant achievements included:

Institutional Capital Commitments: During the quarter, the REIT entered into an agreement to increase the size of its existing Australian helathcare joint venture to $1.6 billion of debt and equity bringing the total joint venture commitment to approximately $3.4 billion (A$3.7 billion). The REIT also continues to advance on commitments for an additional $3.0 billion of JV capital in its other international regions which are expected to close before year end.

Acquisitions: Year to date, the REIT has closed $1.5 billion of accretive acquisitions including the strategic $1.2 billion HSO portfolio which was successfully integrated into the REIT's platform during the quarter. Third quarter acquisition activity includes:

- Approximately $90 million of European acquisitions comprising of a German MOB for $30.9 million and subsequent to quarter-end, an additional German clinic as well as two MOB's in the Netherlands for an aggregate purchase price of purchase price of $54.9 million.
- Approximately $57 million of Canadian MOB acquisitions including the Cambrian Centre in Calgary, Alberta.

Developments: During the quarter, the REIT progressed its earnings and NAV accretive development projects. On a fully consolidated basis, the REIT has approximately $358.3 million of projects under construction and a further $43.5 million of committed projects, expecting to generate incremental stabilized NOI of $25.6 million between Q4 2019 and Q4 2021. This drives an incremental $45.7 million of value creation on a fully consolidated basis.

Financing: The REIT has identified a 50% consolidated LTV target and undertook the following activity during and post quarter-end,

- On July 31, the REIT closed a $172.6 million equity offering (including full exercise of the over allotment option), which was used to repay higher cost debt including the REIT's $38.8 million, 7.25% Series C convertible debenture maturing October, 2019 and to fund the equity component of European acquisitions. As a result of the offering, the REIT's leverage declined by 260 bps.
- During the quarter and post quarter end the REIT repaid $435.2 million of debt with a weighted average interest rate ("WAIR") and weighted average term to maturity ("WATM") of 5.61% and 1.9 years, respectively and entered into new facilities totaling $543.0 million with a WAIR and WATM of 3.84% and 6.0 years, respectively, generating $7.7 million of annualized interest savings on a leverage neutral basis and reducing the REIT's overall WAIR by 56 basis points to 3.96% and extending overall WATM by 4.1 years.

Looking forward, the opportunities in front of the REIT continue to grow as it benefits from constructive healthcare industry trends resulting in a broader opportunity set. With deep relationships, best-in class regional operating platforms and strong access to public and increasingly attractively priced private capital, the REIT is well positioned to continue executing on accretive growth while prudently managing its balance sheet and delivering long term value for Unitholders.

Sincerely,

Paul Dalla Lana
Chief Executive Officer

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

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

FINANCIAL AND OPERATIONAL SUMMARY

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Expressed in thousands of Canadian dollars, except per unit amounts (unaudited)		As at September 30, 2019	As at December 31, 2018
Operational Information (1)			
Number of Properties		171	156
Gross Leasable Area (sf)		13,977,942	11,244,071
Occupancy %		97.1%	96.7%
WALE (Years)		13.7	12.6
Summary of Financial Information			
Assets Under Management (3)		$ 6,181,766	$ 5,076,020
Gross Book Value (2)		$ 5,201,319	$ 5,071,648
Debt - Declaration of Trust (3)		$ 2,360,477	$ 2,423,137
Debt to Gross Book Value - Declaration of Trust		45.4%	47.8%
Debt - Including Convertible Debentures (3)		$ 2,747,403	$ 2,824,372
Debt to Gross Book Value - Including Convertible Debentures		52.8%	55.7%
Percentage of Mortgages and Loans Payable at Fixed Rates(9)		69.3%	65.8%
Weighted Average Interest Rate on Fixed Rate Mortgages and Loans Payable (9)		3.80%	3.72%
Adjusted Units Outstanding - period end (5)			
Basic		150,230,343	121,278,312
	For the three months ended September 30, 2019	**For the three months ended September 30, 2018**	**For the three months ended June 30, 2019**
Operating Results			
Revenue from investment properties	$ 91,106	$ 87,044	$ 91,409
Net Income / (Loss)	$ 17,673	$ (28,469)	$ 83,696
NOI (6)	$ 69,787	$ 65,213	$ 70,457
Funds From Operations ("FFO") (6)	$ 26,494	$ 24,504	$ 31,147
Adjusted Funds From Operations ("AFFO") (6)	$ 31,286	$ 24,294	$ 30,360
Distributions (7)	$ 30,025	$ 24,196	$ 27,045
Interest Coverage (4)	2.33	2.11	2.3
Per Unit Amounts (5)			
FFO per unit - Basic (8)	$ 0.18	$ 0.20	$ 0.23
FFO per unit - fully diluted (8)	$ 0.18	$ 0.20	$ 0.22
AFFO per unit - Basic	$ 0.22	$ 0.20	$ 0.22
AFFO per unit - fully diluted (8)	$ 0.21	$ 0.20	$ 0.21
Distributions per unit	$ 0.20	$ 0.20	$ 0.20
AFFO Payout Ratio	93%	100%	89%
AFFO Payout Ratio - fully diluted (8)	97%	102%	93%
Adjusted Weighted Average Units Outstanding (5)			
Basic	145,301,905	120,955,418	135,178,069
Diluted - FFO (8)	163,056,940	141,337,742	164,925,003
Diluted - AFFO (8)	175,254,743	141,337,742	164,925,003

FINANCIAL AND OPERATIONAL HIGHLIGHTS CONT.

Notes

(1) Operational information includes 100% of Vital Trust and the Australia REIT (including the JV). The REIT has an exposure to an approximate 25% interest in Vital Trust and 30% of the JV in Australia REIT.

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

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

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

(5) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding, which is on a non-IFRS basis. There were 17,708,065 Class B LP Units outstanding as at September 30, 2019 (December 31, 2018 - 17,708,065 Class B LP Units).

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

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

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

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

HIGHLIGHTS FOR THE QUARTER

European Investment Property Acquisitions

On July 5, 2019, the REIT completed property acquisition of a German healthcare investment property for approximately $34.5 million. The acquisition was partially financed by new property specific mortgage of $20.5 million bearing interest of 1.51% with term to maturity of 10 years.

On September 30, 2019 the REIT made a deposit of $13.1 million held in escrow with a third party, toward acquisition of two medical office buildings located in the Netherlands with the combined purchase price of $29.4 million. The REIT completed the acquisition of both properties on October 1, 2019. The acquisitions are partially financed by new property specific financing of approximately $18.0 million, bearing interest of 1.86% and term to maturity of three years.

Completion of $150 million Offering of Trust Units

On July 31, 2019, the REIT completed a public offering of 14,628,000 units at a price of $11.80 per unit for gross proceeds of approximately $172.6 million, which included the exercise in full of the over-allotment option granted to the underwriters, whereby an additional 1,908,000 units were issued at a price of $11.80 per unit.

Redemption of $38.6 million Convertible Debentures

On September 3, 2019, the REIT redeemed the NWH.DB.C convertible debenture series with principal amount of $38.6 million bearing interest rate of 7.25% using proceeds from new Brazilian financing.

Canadian Investment Property Acquisition

On August 8, 2019, the REIT acquired a Canadian MOB in Toronto, Ontario for $5.7 million. The acquisition was entirely financed by new property specific debt and refinancing of a existing property located in the surrounding area, bearing interest rate of 3.10% and maturing April 2021.

On September 16, 2019, the REIT completed the acquisition of a Canadian MOB located in Calgary, Alberta for $51.2 million. The acquisition was partially financed with a new property specific mortgage of $37.0 million, bearing interest rate of 3.35% and terms to maturity of five years.

Joint Venture Upsize

On September 17, 2019, the REIT entered into agreement to increase the size of its existing Australian healthcare joint venture by $1.6 billion of debt and equity bringing the total joint venture commitment to approximately $3.4 billion (A$3.7 billion).

Financing Activity

On July 3, 2019, subsidiaries of the REIT entered into a new New Zealand Dollar denominated bank loan facility of $109.5 million, secured by 108,823,293 units of Vital Trust owned indirectly by the REIT, at an initial interest rate of approximately 4.30% and matures July 2022. The REIT partially used the proceeds from the financing to repay the outstanding balance of the existing Australasian secured financing in the amount of $96.4 million bearing 6.91%.

On July 22, 2019, the REIT closed a new Brazilian term debt of approximately $175.9 million, secured by portfolio of four Brazilian hospitals. The financing has term to maturity of 12 years and bears interest of 3.88%, subject to annual inflation adjustments. Proceeds from the new Brazilian financing were partially used to repay existing term debt on August 20, 2019 with outstanding balance of approximately $105.0 million, bearing interest rate of 7.84%.

On August 8, 2019, the REIT partially repaid a corporate revolving credit facility of $32.0 million bearing interest rate of 8.20%.

SUBSEQUENT EVENTS

German Investment Property Acquisitions

On October 31, 2019, the REIT completed property acquisition of a German healthcare investment property for purchase price of approximately $23.3 million (€16.2 million). The acquisition was partially financed by new property specific mortgage of $15.9 million (€11.0 million) , bearing interest of 2.05% with term to maturity of 15 years.

Amendments to Vital Trust Deed

On October 31, 2019, Vital Trust held its annual meeting where 99.9% of Vital Trust voting Unitholders approved amendments to Vital Trust deed including changes to the Manager's fees (see **Net Income**). Financial results for September 30, 2019 were tabulated prior to the outcome of the vote and reflect the prior fee structure. The new fee structure will be applied retroactively from April 1, 2019 to future results. The REIT does not expect any material impact to Vital Trust operating results or to the management fees earned by ANZ manager as a result of the governance review and amended Vital Trust deed.

Financing Activity

On October 1, 2019, the REIT completed refinancing of mortgages related four German properties. The new mortgages are in aggregate approximately $39.5 million (€27.3 million), bear interest rate ranging from 1.30% to 1.44%, and have a term to maturity of 10 years. Proceeds from the refinancing were partially used to repay existing mortgages on the four properties of approximately $31.1 million (€21.5 million), bearing interest rate ranging from 1.42% to1.70%.

On November 1, 2019, the REIT amended and refinanced the terms of its existing revolving and non-revolving credit facilities. The REIT new revolving term facility has total availability of $218 million and matures on November 1, 2022. Draws under the new revolving term facility are permitted in Canadian dollars, Euros, British pound, Australian dollars and US dollars at floating interest rate based on CDOR, EURIBOR, LIBOR, BBSY, and Federal Fund Effective Rate, respectively, with a 0% floor and a margin ranging from 0.7% to 1.7%. The revolving credit facility is secured by 15 Canadian investment properties.

Other

On October 11, 2019, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on October 31, 2019, will be payable on November 15, 2019.

PART I - BASIS OF PRESENTATION

This Management's Discussion and Analysis of the results of operations and financial condition ("**MD&A**") of NorthWest Healthcare Properties Real Estate Investment Trust ("**NorthWest**" or the "**REIT**") should be read in conjunction with the REIT's condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2019, prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Certain content and schedules in the MD&A are unaudited. All amounts are presented in thousands of Canadian dollars, except where otherwise stated. Per unit amounts are presented in Canadian dollars, and are calculated including Class B LP Units (as defined hereafter), except where otherwise stated.

This MD&A should also be read in conjunction with the Annual Information Form of the REIT dated March 15, 2019 (the "**Annual Information Form**") and the REIT's Management Information Circular dated April 23, 2019 (the "**Circular**"). This MD&A is current as of November 14, 2019 unless otherwise stated. Additional information relating to the REIT, including its continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and can be accessed electronically at www.sedar.com.

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

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

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

FORWARD-LOOKING INFORMATION ADVISORY

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

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

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

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

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

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

PERFORMANCE MEASUREMENT

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

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

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

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

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

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

"**FFO**" is defined as net income (computed in accordance with IFRS), excluding: (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments and other effects of redeemable units classified as liabilities; (v) revaluation adjustments of financial liabilities; (vi) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vii) deferred income tax expense; (viii) convertible debentures issuance costs; (ix) goodwill impairment; (x) internal leasing costs; (xi) transaction costs; (xii) unrealized foreign exchange gains and losses; (xii) amortization of finance leases; (xiii) amortization on Right of Use ('ROU') assets, net of payments on leases where the REIT is a lessee; and includes (xiv) the cash flow benefit to the REIT of certain ANZ Manager fees which are eliminated on consolidation but benefit the REIT to the extent of the non-controlling interest, all after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties.

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

In February 2019, the Real Property Association of Canada ("**REALpac**") issued amendments to white papers with recommendations for calculations of FFO and AFFO. The REIT reviewed the REALpac white papers and determined its FFO and AFFO definitions are substantially aligned with the white paper guidelines with some exceptions, which are outlined below.

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

"**Normalized AFFO"** is a non-IFRS measure which management believes is relevant in representing its ability to earn and distribute cash returns to Unitholders. In addition to the adjusting items to arrive at AFFO, Normalized AFFO also adjusts for the full year effect of transactions occurring in the reporting period, transactions that have occurred subsequent to the reporting period, and adjusts for other items management believes were non-recurring or seasonal in nature and estimated based on management's expectations on a normalized level of activity in a stabilized operating environment. The REIT considers Normalized AFFO to be a meaningful measure because it provides, in management's view, an estimate of AFFO reflecting the annualized results of the REIT's stabilized operations at a point in time. There is no standard industry-defined measure of Normalized AFFO. As such, the

REIT's method of calculating Normalized AFFO will differ from other issuers' methods and, accordingly, will not be comparable to such amounts reported by other issuers. We have provided an analysis of Normalized AFFO under **NORMALIZED AFFO**.

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

"**AUM**" is a non-IFRS financial measure that is key to evaluating trends in earnings. AUM is the main driver for investment property income and management fees. Growth in AUM is driven by the REIT's direct investments and investments managed on behalf of third-party investors. For reporting purposes, the REIT calculates AUM as the sum of fair value of investment properties and properties under development, loans receivables, finance lease assets, real estate related financial instruments, assets held for sale and the third-party share of investment in the aforementioned.

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

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

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

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

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

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

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

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

Explanation of additional IFRS measure used in this MD&A

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

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

KEY PERFORMANCE DRIVERS

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

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

PART II – BUSINESS OVERVIEW

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

The REIT

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

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

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. Further information regarding the Declaration of Trust can also be located in the REIT's Annual Information Form under the heading "Declaration of Trust". Some of the main investment guidelines and operating policies in the Declaration of Trust include the following:

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

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

At September 30, 2019, the REIT was in compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

RELATIONSHIP WITH NWVP

As at September 30, 2019, NorthWest Value Partners Inc. ("**NWVP**") indirectly owned approximately 17% (approximately 14% on a fully-diluted basis assuming conversion of the REIT's Convertible Debentures and redemption of its deferred Trust Units) of the REIT through a combination of Trust Units of the REIT and Class B LP Units. Established in 1994, Toronto-based NWVP is one of Canada's leading privately-owned real estate companies. The scope of its business includes real estate, ownership and management, in Canada and internationally with a significant focus on the healthcare sector. The Principal of NWVP serves as the Chief Executive Officer and trustee of the REIT.

PORTFOLIO PROFILE

Summary

The REIT provides investors with access to a portfolio of high quality healthcare real estate comprised of interests in a diversified portfolio of 171 income-producing properties and 14.0 million square feet of gross leasable area located throughout major markets in Canada, Brazil, Europe (Germany and the Netherlands), Australia, and New Zealand.

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

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

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

Australia/New Zealand: Direct exposure to a portfolio of hospitals, medical centers and aged care facilities through Northwest Healthcare Properties Australia REIT ("Australia REIT"), an approximate 25% interest in New Zealand Stock Exchange ("NZX") listed Vital Healthcare Properties Trust ("Vital Trust") ") which is consolidated by the REIT for financial reporting purposes, and a 30% interest in a joint venture ("JV") with an institutional investor. The Australasian portfolio generates stable and growing cash flows underpinned by tenancies of high quality hospital and healthcare operators with long-term, inflation-indexed leases. The ANZ Management team, which provides services and derives fees from $3.5 billion of third-party assets under management (September 30, 2018 - $1.5 billion), is a fully integrated operation with offices in Melbourne, Australia and Auckland, New Zealand comprised of leading investment, development, asset management and property operations professionals.

The following table summarizes the REIT's assets by region as at September 30, 2019:

SUMMARY OF ASSETS	Canada	Brazil	Europe	Vital Trust (1)	Australia REIT (2)	Consolidated Total (3)
				(Australasia)	(Australasia)	
Number of Properties	57	8	35	45	26	171
Asset Mix	100% MOB	100% Hospital	86% MOB & 14% Hospitals & Healthcare Facilities	21% MOB & 79% Hospitals & Healthcare Facilities	23% MOB & 77% Hospitals & Healthcare Facilities	47% MOB & 53% Hospitals & Healthcare Facilities
Gross Leaseable Area ("GLA") (million sf)	3.6	1.7	3.2	2.6	2.8	14.0
Total Assets (Cdn$ millions)(2)	$1,197	$808	$699	$1,586	$787	$5,201
Occupancy	92.2%	100.0%	97.1%	99.9%	98.9%	97.1%
WALE (Years)	5.0	19.6	14.7	18.2	15.9	13.7
Average Building Age (Years)	30	15	27	31	29	28
Weighted Average Implied Cap Rate	6.4%	7.0%	5.7%	5.6%	5.7%	6.0%

Notes

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

(2) Except for total assets, which includes amounts otherwise accounted for under the equity method, Australia REIT is shown at 100% for assets held as part of a Joint Venture Agreement ("JV") with an institutional investor. The REIT owns 30% interest in the JV, which includes investment in HSO Portfolio.

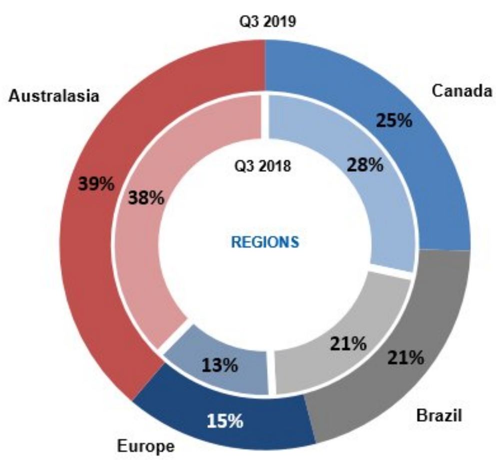
(3) Consolidated Total includes corporate assets.

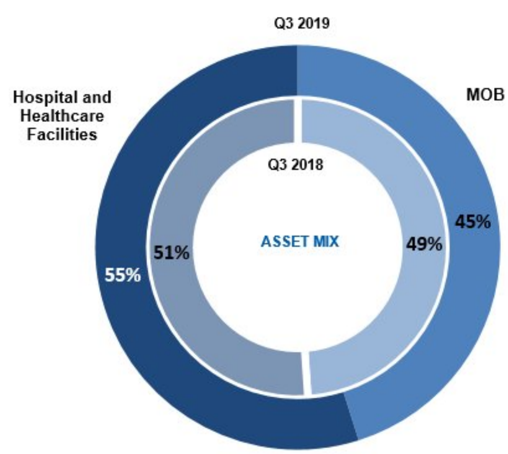
See **PART XI – PROPERTY TABLE** for additional property portfolio information.

Diversification of Assets

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

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





Notes

(1) Based on Q3 2019 and Q3 2018 reported NOI.

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

(3) Australia REIT is shown at pro-share ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30% interest in the JV.

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

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

Tenant Mix

The following table summarizes the REIT's 10 largest tenants by percentage of revenue for the three months ended September 30, 2019:

10 LARGEST TENANTS BY PERCENTAGE OF RENT

	Tenant	Country	%	# of locations
1	Rede D'Or	Brazil	13.7%	7
2	Healthscope Limited	Australia	5.6%	14
3	Healthe Care	Australia	3.6%	18
4	CISSS / CIUSSS	Canada	1.5%	5
5	Median Kliniken	Europe	1.3%	3
6	Epworth Foundation	Australia	1.3%	6
7	Hospital Sabara	Brazil	1.1%	1
8	Bolton Clarke	Australia	1.1%	4
9	St John of God Healthcare Inc	Australia	0.9%	2
10	Alberta Health Services	Canada	0.8%	6
			30.9%	66

Note:
(1) Vital Trust included on a proportionate ownership basis. The REIT has an approximate 25% interest in Vital Trust and consolidates its investment in Vital Trust.
(2) Australia REIT is shown at pro-share ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30% interest in the JV.

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

Rede D'Or is the largest private hospital operator in Brazil. The company operates 38 hospitals, with 3 under construction, and more than 40 specialized oncology outpatient clinics, comprising over 6,000 inpatient beds - an average of 160 beds per hospital. With more than 40 years of experience in the healthcare business, the company has solid business positions and operational scale in its strategically located key states: Rio de Janeiro, Sao Paulo, Pernambuco, Brasilia, Maranhao and Bahia. Since 2004, the company has grown substantially through a series of strategic partnerships and acquisitions. Since 2015, Rede D'Or has added Carlyle Group and GIC Group as investors and in October, 2017, Fitch increased its credit rating to "AAA" on a national scale.

Healthscope Limited ("HSO") is currently the REIT's second largest tenant in three directly held properties and occupying the HSO Portfolio, accounting in total for 5.6% of the REIT's proportionate revenues. HSO, formed in 1985, is a leading private healthcare provider in both Australia and New Zealand. With a portfolio of 43 private hospitals in Australia and 25 laboratories in New Zealand, comprising a market-leading international pathology operation, Healthscope has a presence in every Australian state and territory. Specializing in medical and surgical, mental health, rehabilitation and maternity services, its hospitals are concentrated in large metropolitan centres, constituting 30 acute, 7 mental health and 6 rehabilitation hospitals. In New Zealand, it is the largest provider of human pathology services to New Zealand's District Health Boards and provides veterinary and analytical pathology services though the Gribbles brand. In 2018, Healthscope divested its 39 pathology laboratories in Asia for $279 million, allowing the company to redirect its focus to its core hospital and pathology operations.

Healthe Care Australia was founded in 2005 and is the third largest private hospital operator in Australia and one of the country's largest privately-owned healthcare organizations. Healthe Care Australia operates a network of 36 private healthcare facilities, comprising medical and surgical, rehabilitation and mental health hospitals and day surgeries throughout Queensland, New South Wales, Victoria, Tasmania, Western Australia and New Zealand. These include approximately 2,500 beds and 70 operating theatres. The company also provides a range of outpatient services including workplace rehabilitation and community nursing which offer patients flexibility and continuity of care beyond their hospital stay. Healthe Care is one of the largest private providers of mental health services, with more than 800 mental health beds. The company is a subsidiary of Luye Medical Group, a leading healthcare service provider headquartered in Singapore.

INVESTMENT PROPERTIES

The fair value of investment properties as at September 30, 2019 was $4.8 billion (December 31, 2018 - $4.7 billion) representing an implied weighted average capitalization rate of 6.0% (December 31, 2018 - 6.2%).

INVESTMENT PROPERTIES

Expressed in thousands of Canadian dollars Unaudited	Three months ended September 30, 2019					
	Income Properties					
	Canada	Brazil	Europe	Vital Trust	Australia REIT	Total
Opening Balance	**$1,104,737**	**$ 805,111**	**$ 661,228**	**$1,573,678**	**$ 550,640**	**$4,695,394**
Acquisitions of investment properties	56,870	—	34,566	—	—	91,436
Right of use asset Addition	—	—	—	3,385	—	3,385
Addition to investment properties	5,539	40	2,283	380	708	8,950
Increase in straight-line rents	321	—	—	—	480	801
Transfers from (to) properties under development	—	—	(12,409)	5,129	—	(7,280)
Transfers from (to) assets held for sale	—	—	—	—	(8,421)	(8,421)
Fair value gain (loss)	3,138	2,008	(4,569)	3,246	(887)	2,936
Foreign currency translation	119	(51,488)	(19,164)	(54,891)	(14,400)	(139,824)
Closing Balance	**$1,170,724**	**$ 755,671**	**$ 661,935**	**$1,530,927**	**$ 528,120**	**$4,647,377**
	Properties Under Development					
	Canada	Brazil	Europe	Vital Trust	Australia REIT	Total
Opening Balance	**$ 14,096**	**$ —**	**$ —**	**$ 43,301**	**$ 39,617**	**$ 97,014**
Acquisitions of investment properties	—	—	—	377	1	378
Addition to investment properties	2,868	—	283	11,981	5,405	20,537
Transfers from (to) income properties	—	—	12,409	(5,129)	—	7,280
Fair value gain (loss)	—	—	(58)	(18)	207	131
Foreign currency translation	—	—	(193)	(789)	(1,058)	(2,040)
Closing Balance	**$ 16,964**	**$ —**	**$ 12,441**	**$ 49,723**	**$ 44,172**	**$ 123,300**
	Total					
	Canada	Brazil	Europe	Vital Trust	Australia REIT	Total
Opening Balance	**$1,118,833**	**$ 805,111**	**$ 661,228**	**$1,616,979**	**$ 590,257**	**$4,792,408**
Acquisitions of investment properties	56,870	—	34,566	377	1	91,814
Right of use asset Addition	—	—	—	3,385	—	3,385
Addition to investment properties	8,407	40	2,566	12,361	6,113	29,487
Increase in straight-line rents	321	—	—	—	480	801
Transfers from (to) assets held for sale	—	—	—	—	(8,421)	(8,421)
Fair value gain (loss)	3,138	2,008	(4,627)	3,228	(680)	3,067
Foreign currency translation	119	(51,488)	(19,357)	(55,680)	(15,458)	(141,864)
Closing Balance	**$1,187,688**	**$ 755,671**	**$ 674,376**	**$1,580,650**	**$ 572,292**	**$4,770,677**

INVESTMENT PROPERTIES

Expressed in thousands of Canadian dollars (unaudited)	Nine months ended September 30, 2019					
	Income Properties					
	Canada	Brazil	Europe	Vital Trust	Australia REIT	Total
Opening Balance	**$1,090,752**	**$ 761,112**	**$ 599,257**	**$1,577,612**	**$ 557,476**	**$4,586,209**
Acquisitions of investment properties	57,207	—	130,059	(100)	—	187,166
Right of use asset	4,335	—	—	3,385	—	7,720
Disposition of investment properties	(50)	—	—	—	—	(50)
Addition to investment properties	12,219	153	5,406	1,682	1,842	21,302
Increase in straight-line rents	1,118	—	—	—	1,557	2,675
Transfers from (to) properties under development	—	—	(12,409)	13,815	—	1,406
Transfers from (to) assets held for sale	—	—	—	—	(8,421)	(8,421)
Fair value gain (loss)	5,024	70,807	(11,859)	57,518	15,539	137,029
Foreign currency translation	119	(76,401)	(48,519)	(122,985)	(39,873)	(287,659)
Closing Balance	**$1,170,724**	**$ 755,671**	**$ 661,935**	**$1,530,927**	**$ 528,120**	**$4,647,377**
	Properties Under Development					
	Canada	Brazil	Europe	Vital Trust	Australia REIT	Total
Opening Balance	**$ 11,987**	**$ —**	**$ —**	**$ 41,143**	**$ 30,465**	**$ 83,595**
Acquisitions of investment properties	—	—	—	1,053	44	1,097
Disposition of investment properties	(2,201)	—	—	—	—	(2,201)
Addition to investment properties	6,165	—	283	24,807	13,853	45,108
Transfers from (to) income properties	—	—	12,409	(13,815)	—	(1,406)
Fair value gain (loss)	1,013	—	(58)	(263)	2,329	3,021
Foreign currency translation	—	—	(193)	(3,202)	(2,519)	(5,914)
Closing Balance	**$ 16,964**	**$ —**	**$ 12,441**	**$ 49,723**	**$ 44,172**	**$ 123,300**
	Total					
	Canada	Brazil	Europe	Vital Trust[1]	Australia REIT	Total
Opening Balance	**$1,102,739**	**$ 761,112**	**$ 599,257**	**$1,618,755**	**$ 587,941**	**$4,669,804**
Acquisitions of investment properties	57,207	—	130,059	953	44	188,263
Right of use asset	4,335	—	—	3,385	—	7,720
Disposition of investment properties	(2,251)	—	—	—	—	(2,251)
Addition to investment properties	18,384	153	5,689	26,489	15,695	66,410
Increase in straight-line rents	1,118	—	—	—	1,557	2,675
Transfers from (to) assets held for sale	—	—	—	—	(8,421)	(8,421)
Fair value gain (loss)	6,037	70,807	(11,917)	57,255	17,868	140,050
Foreign currency translation	119	(76,401)	(48,712)	(126,187)	(42,392)	(293,573)
Closing Balance	**$1,187,688**	**$ 755,671**	**$ 674,376**	**$1,580,650**	**$ 572,292**	**$4,770,677**

Investment Properties on Proportionate Basis[1]	
Expressed in thousands of Canadian dollars	September 30, 2019
Total reported investment properties	4,770,677
Proportionate share of the JV investments[2]	338,301
NCI share of Vital Trust investment properties	(1,188,175)
Total investment properties at proportionate share	**3,924,307**

Notes:

(1) Investment Properties on a proportionate basis is a non-IFRS financial measure that presents the value of investment properties at the REIT's effective ownership interest.

(2) Proportionate share of jointly owned investments where the REIT's interest is equity accounted. The JV includes properties that has been accounted on a proportionate basis and the HSO portfolio, which is equity accounted.

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

2019 Acquisitions

During the three and nine months ended September 30, 2019, the following acquisitions were completed by the REIT:

ACQUISITIONS				
Region	**Quarter**	**GLA**	**Acquisition Cost (in millions)** [1]	
Europe	Q1	676,039	$	63.9
	Q2	358,793	$	31.6
	Q3	95,624	$	34.6
Australasia [2]	Q2	1,500,930	$	371.1
Canada	Q3	170,814	$	56.9
Various		—	$	1.3
Total		**2,802,200**	**$**	**559.4**

(1) Purchase price includes transaction costs.

(2) Represents 100% GLA related to the HSO portfolios managed by the REIT, whereas acquisition costs are shown at the REIT's 30% share of the gross value of the properties.

Valuation of Investment Properties

The fair values of the investment properties at September 30, 2019 were determined based on a combination of internal valuation models incorporating available market evidence. As at September 30, 2019, the weighted average capitalization rate decreased slightly to 6.0% for the consolidated portfolio as compared to 6.2% for December 31, 2018.

During the three and nine months ended September 30, 2019, the REIT recorded fair value gain of $3.1 million and $140.1 million, respectively on income producing property totaling. The fair value gain for the three months ended September 30, 2019 was primarily the result of cap rate compression in Canada and rentalization of Vital Trust developments, partially offset by write-off of transaction costs initially recorded as part of the fair value of properties on acquisition in Europe. For the nine months ended September 30, 2019, the fair value gain was largely driven by a 50 bps cap rate compression on the Brazilian portfolio driven by a firming of Brazilian risk free rates, as well as a 12 bps cap rate compression in both AREIT and Vital Trust's same-property portfolio.

During the three and nine months ended September 30, 2019 the REIT's portfolio weighted spot exchange rate decreased 2.9% by 6.3% respectively, with all foreign currencies depreciating relative to the Canadian dollar. As a result, for the three and nine months ended September 30, 2019, the REIT recorded a foreign currency translation adjustment on its investment properties of $141.9 million and $293.6 million, respectively.

DEVELOPMENT ACTIVITY

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

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

MAJOR DEVELOPMENT ACTIVITY BY REGION

Expressed in thousands of Canadian dollars, except percentage amounts

	Number of Projects	Estimated Completion Date	Estimated Project Costs	Estimated Costs to Complete	% Pre-leased	Anticipated Project Yield	Anticipated Stabilized NOI	Potential value accretion
Australasia[1]	6	Q4 2019 to Q2 2021	320,827	218,160	100%	6.1%	19,502	37,068
Brazil	2	Q4 2019 to Q4 2020	43,522	43,522	100%	7.5%	3,264	2,931
Canada	2	Q1 2020	37,500	3,400	61%	7.5%	2,814	5,766
	10		$ 401,849	$ 265,082	96%	6.4%	$ 25,580	$ 45,765

[1] The REIT's interest in the Grey Street development in Australasia is limited to 30% of the presented amounts as a result of the development being owned by the JV

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

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

Within Australasia, Vital Trust has 5 expansion projects with completion dates ranging from the fourth quarter of 2019 to the second quarter of 2021. The projects include a mix of modernisation and expansion at acute surgical and mental health facilities to meet the growing demand for healthcare services. Expansion projects are primarily with Vital Trust's largest tenant, Healthe Care. The developments are expected to be funded through Vital Trust's existing resources and availability on existing debt facilities.

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

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

Australasia also includes Australia REIT's active development project, Grey Street Centre, with expected completion in second half of 2019. As part of the JV agreement, 70% of this development project was sold during the quarter as part of the Seed Portfolio. The project will add approximately 68,000 square feet of new specialist sites, multiple specialist consulting tenancies, a GP clinic, 12 hospital beds, 3 operating theatres plus a 330 bay underground parking facility. The project is 100% pre-leased to Epworth Foundation. Remaining development costs will be funded through the JV facility.

The Brazilian development activity relates to expansion planned for the REIT's Hospital e Maternidade Brasil ("**HMB**") and Hospital Sao Luiz Morumbi and is expected to be funded through a combination of existing resources and property financing. The HMB development commitment was executed during the quarter and the development will be phased with final completion expected in Q4-2019.

Canada currently has two active development of approximately 105,000 square foot MOBs currently under construction.

LEASING COSTS AND CAPITAL EXPENDITURES

LEASING COSTS AND CAPITAL EXPENDITURES

Expressed in thousands of Canadian dollars	Three months ended September 30, 2019					
	Canada[4]	**Brazil**	**Europe**	**Vital Trust**	**Australia REIT**	**Total**
Additions to investment properties						
Leasing costs [1]	$ 263	$ —	$ —	$ —	$ 29	$ 292
Tenant improvements [2]	1,641	—	223	—	189	2,053
Maintenance capital expenditures	2,350	—	351	380	490	3,571
Other capital expenditures	1,285	40	1,709	—	—	3,034
	5,539	40	2,283	380	708	8,950
Internal leasing costs expensed	367	—	127	—	—	494
	5,906	40	2,410	380	708	9,444
Less:						
Recoverable maintenance capital expenditures	(2,350)	—	(104)	—	—	(2,454)
Other value enhancing and non-recurring capital expenditures	(628)	(40)	(1,431)	—	—	(2,099)
Leasing costs and non-recoverable maintenance capital expenditures	**$ 2,928**	**$ —**	**$ 875**	**$ 380**	**$ 708**	**$ 4,891**
AFFO adjustment for leasing costs and and non-recoverable maintenance capital expenditures [3]	**$ 1,795**	**$ —**	**$ 756**	**$ 380**	**$ 708**	**$ 3,639**
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	**$ 1,133**	**$ —**	**$ 119**	**$ —**	**$ —**	**$ 1,252**

	Nine months ended September 30, 2019					
	Canada[4]	**Brazil**	**Europe**	**Vital Trust**	**Australia REIT**	**Total**
Additions to investment properties						
Leasing costs [1]	$ 838	$ —	$ —	$ —	$ 61	$ 899
Tenant improvements [2]	4,573	—	194	99	790	5,656
Maintenance capital expenditures	4,264	—	660	1,584	907	7,415
Other capital expenditures	2,545	153	4,552	(1)	90	7,339
	12,220	153	5,406	1,682	1,848	21,309
Internal leasing costs expensed	1,038	—	386	—	—	1,424
	13,258	153	5,792	1,682	1,848	22,733
Less:						
Recoverable maintenance capital expenditures	(4,264)	—	(328)	—	—	(4,592)
Other value enhancing and non-recurring capital expenditures	(1,251)	(153)	(4,127)	—	—	(5,531)
Leasing costs and non-recoverable maintenance capital expenditures	**$ 7,743**	**$ —**	**$ 1,337**	**$ 1,682**	**$ 1,848**	**$ 12,610**
AFFO adjustment for leasing costs and and non-recoverable maintenance capital expenditures [3]	**$ 5,483**	**$ —**	**$ 2,195**	**$ 1,682**	**$ 1,848**	**$ 11,208**
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	**$ 2,260**	**$ —**	**$ (858)**	**$ —**	**$ —**	**$ 1,402**

Notes

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

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

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

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

Canada

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

During the three months ended September 30, 2019 additions for the Canadian investment properties totaled $5.5 million, of which, $2.4 million (42%) relates to recoverable maintenance expenditures. During the quarter leasing costs included costs attributable to twelve transactions, of which six were lease renewal and expansion, with an aggregate WALE of 9 years.

Included in other value enhancing and non-recurring capital expenditures for the quarter were primarily costs incurred for conversion of a single-tenant building into a multi-tenant property.

Brazil

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

Europe

On a quarterly basis leasing costs, tenant improvements and capital expenditures can fluctuate and as such, should not be regarded as stabilized. Additions to the European investment properties for the three months ended September 30, 2019 were $2.3 million. Included in the value enhancing and non-recurring capital expenditures for the quarter were primarily costs incurred in relation to the Berlin, Hamburg and Leipzig portfolios.

Vital Trust and Australia REIT

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

During the three months ended September 30, 2019 additions for the Vital Trust and Australia REIT investment properties totaled $1.1 million. These costs were mainly attributable to fit-out of rentable spaces at Epping Medical Centre in Victoria and various other repair works.

PART III – RESULTS FROM OPERATIONS

NET INCOME (LOSS)

The following is a summary of selected financial information from the condensed consolidated interim statements of income (loss) and comprehensive income (loss) for the three and nine months ended September 30, 2019 and 2018:

RESULTS FROM OPERATIONS

Expressed in thousands of Canadian dollars	Three months ended September 30,			Nine months ended September 30,		
	2019	**2018**	**Variance**	**2019**	**2018**	**Variance**
Net Operating Income [1]						
Revenue from investment properties	$ 91,106	$ 87,044	$ 4,062	$ 274,448	$ 260,449	$ 13,999
Property operating costs	(21,319)	(21,831)	512	(65,112)	(63,805)	(1,307)
	69,787	**65,213**	**4,574**	**209,336**	**196,644**	**12,692**
Other income						
Share of profit (loss) from equity accounted investments	2,716	—	2,716	(19,002)	—	(19,002)
Management fees	2,231	2,485	(254)	10,020	3,142	6,878
Interest and other	2,452	3,183	(731)	5,123	10,133	(5,010)
	7,399	**5,668**	**1,731**	**(3,859)**	**13,275**	**(17,134)**
	77,186	**70,881**	**6,305**	**205,477**	**209,919**	**(4,442)**
Other expenses						
Mortgage and loan interest expense	(33,804)	(31,435)	(2,369)	(98,396)	(92,127)	(6,269)
General and administrative expenses	(8,053)	(5,137)	(2,916)	(25,098)	(19,801)	(5,297)
Transaction costs	(1,419)	(4,140)	2,721	(11,116)	(9,103)	(2,013)
Other finance costs	(9,357)	(10,096)	739	(88,194)	(30,886)	(57,308)
Foreign exchange gain (loss)	44	783	(739)	3,162	(2,272)	5,434
Income (Loss) before the under noted items	**24,597**	**20,856**	**3,741**	**(14,165)**	**55,730**	**(69,895)**
Fair value adjustment of DUP Liability	(135)	4	(139)	(3,139)	290	(3,429)
Fair value adjustment of investment properties	3,069	43,451	(40,382)	140,050	89,916	50,134
Net loss on disposal of investment properties	—	(917)	917	(139)	(2,688)	2,549
Goodwill impairment loss	—	(50,096)	50,096	—	(50,096)	50,096
Gain (Loss) on derivative financial instruments	(11,359)	(12,727)	1,368	(28,216)	(17,339)	(10,877)
Income (Loss) before taxes	**16,172**	**571**	**15,601**	**94,391**	**75,813**	**18,578**
Income tax expense	1,501	(29,040)	30,541	(47,050)	(50,680)	3,630
Net income (loss)	**$ 17,673**	**$ (28,469)**	**$ 46,142**	**$ 47,341**	**$ 25,133**	**$ 22,208**
Net income (loss) attributable to:						
Unitholders	$ 18,562	$ (29,290)	$ 47,852	$ 10,187	$ (7,029)	$ 17,216
Non-controlling interest	(889)	821	(1,710)	37,154	32,162	4,992
	$ 17,673	**$ (28,469)**	**$ 46,142**	**$ 47,341**	**$ 25,133**	**$ 22,208**

Notes

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

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

Revenue from investment properties

Revenue from investment properties for the three months ended September 30, 2019 was $91.1 million which is $4.1 million higher than the three months ended September 30, 2018. The increase is primarily due to $2.1 million additional European revenue from acquisitions; a $2.0 million increase in Brazilian revenue driven primarily by acquisitions and rent inflation; a $0.6 million increase in Canada driven by an acquisition; and a $0.7 million increase in Vital Trust revenue primarily as a result of rent escalations and rents from completed developments. These increases were partially offset by revenue decrease in Australia of $1.3 million that was mainly driven by sale of 70% interest in three investment properties to the JV with an institutional investor.

Revenue from investment properties for the nine months ended September 30, 2019 was $274.4 million as compared to $260.4 million for the nine months ended September 30, 2018. The increase of $14.0 million is primarily driven by $13.0 million increase in European source currency rents from acquisition activity, partially offset by slight weakening of the Euro; increase in Brazilian revenues of $3.8 million driven by full period impact of an acquisition that was completed during the third quarter of 2018 and partially offset by weakening of the Brazilian Real; and Vital Trust revenue improvements of $1.1 million primarily a result of acquisition and development activity. These improvements were partially offset by a decrease in revenue in the Canadian region of $0.6 million, driven by the disposition of the Dundas Edward Centre in the first quarter of 2018; and a decrease in Australia REIT revenue of approximately $3.3 million driven by sale of partial interest in three investment properties in third quarter of 2018 and weakening of Australian dollar.

See also **NET OPERATING INCOME**.

Property operating costs

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

Property operating costs for the three months ended September 30, 2019 were $21.3 million as compared to $21.8 million for the three months ended September 30, 2018. The $0.5 million decrease is primarily driven by decrease in foreign currency rates relative to Canadian dollar across all currencies, partially offset by increases driven by acquisitions and development completions.

Property operating costs for the nine months ended September 30, 2019 were $65.1 million as compared to $63.8 million for the nine months ended September 30, 2018. Of the increase of $1.3 million, operating cost increases in Europe of $2.4 million was driven by acquisitions; and $0.6 million increase driven in Australasia primarily driven by acquisition and development activity, net of disposition of partial interest in certain properties. This increase was partially offset by a decrease in Canadian operation costs by $1.7 million driven by property dispositions in first quarter of 2018.

See also **NET OPERATING INCOME**.

Share of profit (loss) of equity accounted investments

SHARE OF PROFIT/LOSS IN EQUITY ACCOUNTED INVESTMENTS						
Expressed in thousands of Canadian dollars	For the three months ended September 30,			For the nine months ended September 30,		
	2019	2018	Variance	2019	2018	Variance
Total revenue	**18,606**	—	**18,606**	**24,126**	—	**24,126**
Expenses						
Operating costs	**(525)**	—	(525)	**(874)**	—	(874)
Mortgage and loan interest expense	**(5,004)**	—	(5,004)	**(7,032)**	—	(7,032)
General and administrative expenses	**(1,343)**	—	(1,343)	**(1,374)**	—	(1,374)
Other	**(94)**	—	(94)	**(124)**	—	(124)
Fair value adjustments	**(3,986)**	—	(3,986)	**(85,726)**	—	(85,726)
Net income (loss)	**$ 7,654**	**$ —**	**$ 7,654**	**$ (71,004)**	**$ —**	**$ (71,004)**
Net profit attributable to unitholders	**7,654**	**—**	**7,654**	**(71,004)**	**—**	**(71,004)**
Weighted average share of profits	30%	n/a		30%	n/a	
REIT's share of profits	**$ 2,296**	**$ —**	**$ 2,296**	**$ (21,301)**	**$ —**	**$ (21,301)**
Intercompany amounts	420	—	420	2,299	—	2,299
REIT's adjusted share of profits	**$ 2,716**	**$ —**	**$ 2,716**	**$ (19,002)**	**$ —**	**$ (19,002)**

Share of profit (loss) of associate for the three and nine months ended September 30, 2019 represents the REIT's share of profit (loss) in the Australasian JV with a institutional partner, including the HSO Portfolio that was acquired in the current quarter. Share of profit (loss) of associate for the nine months ended September 30, 2019 includes the REIT's share of the revaluation loss of $22 million on the HSO Portfolio. HSO Portfolio revaluation loss primarily reflects write off of transaction costs that were capitalized at the time of the acquisition.

Interest expense for the three and nine months ended September 30, 2019 relates to unsecured debt facilities for approximately $749 million which bears interest at 3.0% and line fees for the JV established in 2018.

Management Fees

In exchange for its services, the ANZ Manager earns management fees, activity-based fees for acquisitions and development activity, as well as an incentive fee from both Vital Trust and the JV.

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

On April 1, 2019 the REIT reached a conditional agreement on a new governance and fees structure for Vital Trust. The REIT has agreed to procure that its fees in the current year will not exceed those that would have been charged if the amendments had been effective from 1 April 2019 (other than in respect of the incentive fee, for which it needs to be 1 July 2019 given the financial year based formulation). Under the new fee structure, base management fees will be calculated on tiered basis as follows:

- .65% up to $1bn of Vital's gross asset value ('GAV');
- .55% from $1bn to $2bn of GAV;
- .45% from $2bn to $3bn of GAV;
- .40% over $3bn of GAV.

Under the new structure, Incentive fee is calculated as 10% of the average annual increase in Vital Trust net tangible assets, as defined in Vital Trust's fee schedule, over the respective financial year and the two preceding financial years. The new fee structure also prescribes in detail various activity based fees, including a acquisition fee of 1.5% of purchase price and development fee 4% of committed spend.

With respect to investment and property management services rendered to the JV, the REIT is entitled to various market-based fees.

The new governance and fees structure was approved October 31, 2019. The REIT does not expect any material impact to the management fees earned by ANZ manager as a result of the governance review and amended Vital Trust deed.

The following table summarizes the management fees earned by ANZ Manager for the three and nine months ended September 30, 2019 and 2018:

ANZ MANAGER MANAGEMENT FEES

Expressed in thousands of Canadian dollars	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	Variance	2019	2018	Variance
Base fee	$ 4,803	$ 3,098	$ 1,705	$ 12,264	$ 8,915	$ 3,349
Incentive and performance fee	1,937	3,043	(1,106)	6,500	8,793	(2,293)
Trustee fees	185	185	—	559	553	6
Project and Acquisition fees	528	1,416	(888)	7,231	8,449	(1,218)
Other fees	—	106	(106)	—	287	(287)
Total Management Fees	**$ 7,453**	**$ 7,848**	**$ (395)**	**$ 26,554**	**$ 26,997**	**$ (443)**
less: inter-company elimination (1)	(5,222)	(5,363)	141	(16,534)	(23,855)	7,321
Consolidated Management Fees (2)	**$ 2,231**	**$ 2,485**	**$ (254)**	**$ 10,020**	**$ 3,142**	**$ 6,878**
add: fees charged to non-controlling interest	3,920	3,668	252	3,920	17,536	(13,616)
Proportionate Management Fees (3)	**$ 6,151**	**$ 6,153**	**$ (2)**	**$ 13,940**	**$ 20,678**	**$ (6,738)**

Notes

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

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

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

Consolidated management fees for the three months ended September 30, 2019 decreased by $0.3 million to $2.2 million. The decrease is primarily driven by activity-based fees and incentive fees, partially offset by higher base fees earned from third-parties. Incentive and performance fee decrease of $1.1 million compared to the three months ended September 30, 2018 was result of smaller investment property valuation uplift. Third-party base management fees for the three months ended September 30, 2019 include fees earned on management of HSO Portfolio. Consolidated management fees for the nine months ended September 30, 2019, increased $6.9 million partially driven by base management fees from third-parties, including acquisition fee earned on the HSO

Portfolio, offset by incentive and activity based fees recorded which are lower compared to the nine months ended September 30, 2018.

The ANZ Manager fees charged to Vital Trust are eliminated on consolidation as inter-company transactions but the REIT receives the benefit of approximately 75% of the fees; representing the non-controlling interest ownership in Vital Trust. The ANZ Manager fees charged to the JV are eliminated to the extent of the REIT's 30% interest in the JV.

Interest and other

For the three months ended September 30, 2019 and 2018, the REIT recorded interest and other income of $2.5 million and $3.2 million, respectively. Of the decrease, $1.6 million relates to a commitment fee earned on acquisition of investment property of in Brazil during the third quarter of 2018, partially offset by $1.3 million interest income earned during the current quarter cash proceeds from financing; and $0.6 million relates to decrease in interest earned on loans receivable at Australia REIT due to the exercise of an option to convert a loan to a 50% interest in the investment property during fourth quarter of 2018. The decreases are partially offset by interest income earned by Vital Trust of $0.2 million on cash proceeds received from the REIT for settlement of outstanding arrangements.

For the nine months ended September 30, 2019 and 2018, the REIT recorded interest and other income of $5.1 million and $10.1 million, respectively. The decrease from the comparable prior year period is attributable to $4.4 commitment fee earned in Brazil related to acquisition of Hospital Morumbi, which closed in the third quarter of 2018; and $1.4 million relates to decrease in interest earned on loans receivable at Australia REIT due to the exercise of an option to convert a loan to a 50% interest in the investment property during fourth quarter of 2018. The decreases are partially offset by interest income earned by ANZ Manager, Vital Trust and Europe of $0.4 million, $0.1 million and $0.3 million respectively on cash balances on hand.

Mortgage and loan interest expense

The mortgage and loan interest expense for the three months ended September 30, 2019 was $33.8 million, an increase of $2.4 million over the prior year period. The mortgage and loan interest expense for the nine months ended September 30, 2019 was $98.4 million, an increase of $6.3 million over the prior year period.

The composition of mortgage and loan interest expense for the three and nine months ended September 30, 2019 and 2018 is as follows:

MORTGAGE AND LOAN INTEREST EXPENSE

Expressed in thousands of Canadian dollars	Three months ended September 30,			Nine months ended September 30,		
	2019	**2018**	**Variance**	**2019**	**2018**	**Variance**
Canada						
Mortgages[1]	$ 4,788	$ 5,092	$ 304	$ 14,443	$ 15,791	$ 1,348
Brazil						
Brazil debt	3,796	3,210	(586)	10,417	10,689	272
Europe						
Mortgages	2,189	1,574	(615)	6,359	3,566	(2,793)
Australasia						
Term loans	10,574	12,644	2,070	33,870	36,228	2,358
Corporate						
Australasian Secured Financing	1,194	1,652	458	4,401	4,966	565
Corporate credit facilities	2,821	4,003	1,182	10,212	8,525	(1,687)
Convertible Debentures	5,551	4,027	(1,524)	16,881	11,953	(4,928)
	9,566	9,682	116	31,494	25,444	(6,050)
less: capitalized interest	(551)	(767)	(216)	(1,629)	(2,097)	(468)
add: prepayment penalties	3,442	—	(3,442)	3,442	2,506	(936)
Total mortgage and loan interest expense	**$ 33,804**	**$ 31,435**	**$ (2,369)**	**$ 98,396**	**$ 92,127**	**$ (6,269)**

Notes

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

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

Canada

Mortgage interest expense for the three and nine months ended September 30, 2019 has decreased $0.3 million and $1.3 million respectively over the three and nine months ended months ended September 30, 2018. The decrease in mortgage interest expense over the comparable prior year periods primarily reflects a lower average mortgage balance. The decrease in mortgage balance includes sale of a investment property during first quarter of 2018 and related repayment of a $43.0 million maturing first mortgage during the fourth quarter of 2018. The weighted average interest rate of the Canadian mortgage portfolio as at September 30, 2019 increased slightly to 3.77% compared to 3.71% as at September 30, 2018.

Brazil

The increase in interest expense for the three months ended September 30, 2019 over the comparable prior year periods is primarily due to timing difference during to quarter between raise of new financing and repayment of old higher cost debt. For the nine months ended September 30, 2019, the decrease in interest expense over comparable prior year periods is primarily due to decrease in the weighted average interest rate of the Brazilian debt from September 30, 2018 (7.28%) to September 30, 2019 (4.54%).

Europe

Mortgage interest expense increased for the three and nine months ended September 30, 2019 over the comparable prior year periods due to interest on the mortgage associated with property acquisitions that occurred throughout 2018 and 2019, partially offset by a weakening of the Euro by approximately 3.5% against the Canadian dollar over the prior period.

The weighted average interest rate of the German mortgages was 2.19% as at September 30, 2019, which is a decrease from 2.23% as at September 30, 2018.

Australasia

The interest expense over the comparable prior year periods decreased by $2.1 million and $2.4 million for the three and nine months ended September 30, 2019. The decrease is attributable to the repayment of Vital Trust term loans and term loans related the sale of 70% interest in three investment properties to the JV as well as a slight decrease in weighted average interest rates. The weighted average interest rate as at September 30, 2019 decreased to 4.04% compared to 4.55% as at September 30, 2018.

Corporate

The decrease in the interest expense for the three months ended September 30, 2019 over the comparable prior year period is primarily due repayment of a convertible debenture series, refinancing of New Zealand dollar facility secured by Vital Trust units and partial repayment of corporate facility. The increase in interest expense for the nine months ended September 30, 2019 over the comparable prior year period is primarily due to the issuance of a new Convertible Debenture series in the fourth quarter of 2018, and refinancing and expansion in corporate credit facilities to fund acquisition and investment activities.

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

General and administrative expenses ("G&A")

G&A expenses for the three months ended September 30, 2019 were $8.1 million as compared to $5.1 million in the prior year quarter. G&A for the three months ended September 30, 2019 includes DUP Compensation Expense (as defined under ADJUSTED FUNDS FROM OPERATIONS ("AFFO") - DUP Compensation Expense) of $1.9 million (three months ended September 30, 2018 - $0.6 million). G&A, excluding amounts associated with DUP Compensation Expenses, increased by approximately $1.6 million over the prior year quarter primarily as a result of the growth of the portfolio and related platform costs.

G&A expenses for the nine months ended September 30, 2019 were $25.1 million as compared to $19.8 million for the nine months ended September 30, 2018. G&A for the nine months ended September 30, 2019 includes DUP Compensation Expense (as defined under **ADJUSTED FUNDS FROM OPERATIONS ("AFFO") - DUP Compensation Expense**) of $6.3 million (nine months ended September 30, 2018 - $3.6 million). G&A, excluding amounts associated with DUP Compensation Expenses, increased $2.6 million over the prior year period primarily as a result of the growth of the portfolio and related platform costs.

DUP expense for the three and nine months ended September 30, 2019 has increased over the prior year period; which is primarily a result of inclusion of additional employees to the DUP plan resulting in higher amortization expense during the three and nine months ended September 30, 2019.

Transaction costs

For the three and nine months ended September 30, 2019, the REIT incurred transaction costs of $1.4 million and $11.1 million (three and nine months ended months ended September 30, 2018 - $4.1 million and $9.1) and primarily consisted of costs related to acquisition opportunities being explored by the REIT.

Other Finance costs

Other finance costs for the three and nine months ended September 30, 2019 and 2018 consisted of the following:

OTHER FINANCE COSTS

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	Variance	2019	2018	Variance
Distributions on Exchangeable Units	$ 3,541	$ 3,541	$ —	$ 10,625	$ 10,625	$ —
Loss on revaluation of financial liabilities	130	2,740	2,610	3,978	17,504	13,526
Amortization of deferred financing costs	5,453	3,800	(1,653)	9,591	8,454	(1,137)
Amortization of marked to market adjustment	(330)	(500)	(170)	(1,020)	(1,590)	(570)
Fair value adjustment of Convertible Debentures	740	1,932	1,192	24,468	(1,480)	(25,948)
Fair value adjustment of Exchangeable Units	(177)	(1,417)	(1,240)	40,552	(2,627)	(43,179)
Total Finance Costs	**$ 9,357**	**$ 10,096**	**$ 739**	**$ 88,194**	**$ 30,886**	**$ (57,308)**

Loss on revaluation of financial liabilities

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

For the three and nine months ended September 30, 2019, accretion expense of $0.1 million and $4.0 million (for the three and nine months ended months ended September 30, 2018 - $2.7 million and $17.5 million) was recorded to account for the related IPCA adjustments on the Brazil debt and deferred consideration. The annual inflation rate for September 30, 2019 was 2.89% as compared to 4.53% for September 30, 2018.

During the three and nine months ended months ended September 30, 2018, the REIT repurchased the rental stream from its Hospital Sabara property that was securitized (the "Sabara Securitization Facility") which had a fair value at the time of payment of $19.7 million (R$50.4 million). The unamortized accounting balance of the securitized rental stream recorded at the time of repayment was $8.3 million (R$21.1 million), which resulted in a revaluation adjustment of $11.4 million (R$29.2 million) being recorded upon repayment.

Amortization of deferred financing costs

For the three and nine months ended September 30, 2019, the REIT recorded amortization of deferred financing fees of $5.5 million and $9.6 million (for the three and nine months ended September 30, 2018 - $3.8 million and $8.5 million). The slight increase in amortization during the three and nine months ended September 30, 2019 was primarily attributable to accelerated amortization of deferred financing fees in 2019 related to refinancing of Brazil CRI.

Fair value adjustment of Convertible Debentures

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

CLOSING PRICE OF CONVERTIBLE DEBENTURES						
	Sept-19	**Jun-19**	**Mar-19**	**Dec-18**	**Sept-18**	**Jun-18**
Month-end closing price (Canadian $)						
NWH.DB	1,010.00	1,015.00	1,010.10	980.00	1,015.80	1,000.50
NWH.DB.C	N/A	1,005.00	1,010.00	1,000.00	1,011.00	1,020.00
NWH.DB.D	1,065.80	1,074.70	1,065.20	980.00	1,040.00	1,054.80
NWH.DB.E	1,040.00	1,027.50	1,030.00	990.00	1,030.80	1,015.30
NWH.DB.F	1,030.40	1,030.00	1,030.00	980.00	1,035.00	1,019.00
NWH.DB.G	1,035.00	1,029.90	1,015.00	947.50	N/A	N/A

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

Foreign exchange gain (loss)

The REIT's financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. For the three and nine months ended September 30, 2019, the REIT recorded a foreign exchange gain of nil and $3.2 million, which includes unrealized exchange gain of one hundred and $1.3 million. The REIT's unrealized foreign exchange gain (loss) for the period relates primarily to the revaluation of intercompany loans between subsidiaries of the REIT that are denominated in foreign currencies. For the three and nine months ended September 30, 2019, the REIT recorded a realized foreign exchange gain of nil and gain of $1.9 million respectively, related to settlement of certain intercompany loans.

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

Fair value adjustment of DUP Liability

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

The fair value adjustment on revaluation of the DUP Liability for the three and nine months ended September 30, 2019 was a loss of $0.1 million and $3.1 respectively, as compared to a gain of nil and $0.3 for the three and nine months ended September 30, 2018. The decrease in the fair value adjustment related to the DUP liability over the comparable prior year periods reflects changes in the trading price of the REIT's Trust Units and Vital Trust's units during the period.

Fair value adjustment of investment properties

For the three months ended September 30, 2019, the REIT recorded a fair value gain on investment properties of $3.1 million consisting of a $3.1 million revaluation gain related to the Canadian portfolio, a $2.0 million revaluation increase of the Brazil portfolio, a $3.2 million increase in the Vital Trust investment properties, a $0.7 million revaluation loss in the Australia REIT portfolio and a $4.6 million revaluation loss of the European portfolio. The revaluation of the Brazil portfolio during the three months ended September 30, 2019 relates to the actual and estimated increases in rents for inflation and tightening of valuation parameters. The increase in the Vital Trust reflects improvements in valuation parameters. The revaluation loss on the European portfolio during the three months ended September 30, 2019 primarily reflects write off of non-recoverable capital and transaction costs. The valuation parameters remained relatively consistent during the quarter in Australia which is reflected in Australia REIT's revaluation which had minimal movement during the quarter.

For the nine months ended September 30, 2019, the REIT recorded a fair value gain on investment properties of $140.1 million consisting of a $6.0 million revaluation gain related to the Canadian properties, a $70.8 million revaluation increase of the Brazil portfolio, a $11.9 million revaluation loss of the European portfolio, a $56.4 million increase in the Vital Trust investment properties and a $17.9 million revaluation increase in the Australia REIT portfolio. The revaluation of the Canadian portfolio during the nine months ended September 30, 2019 is primarily driven revaluation of an asset sold to its sale price and changes in market leasing assumptions. The revaluation of the Brazil portfolio during the nine months ended September 30, 2019 is driven by rent growth resulting from the change in the IPCA index across all assets and tightening of valuation parameters. The revaluation loss on the European portfolio during the nine months ended September 30, 2019 resulted from the write off of transaction costs related to acquisition activity. The increase in the Vital Trust and Australia REIT assets reflect compression in capitalization rate in both the New Zealand and Australian markets during the year to date period. For the nine months ended September 30, 2019, included in share of profit (loss) of associate is the REIT's share of the revaluation loss of $24.0 million on the HSO Portfolio driven primarily by write off of transaction costs that were capitalized at the time of the acquisition. See **Share of profit (loss) of associate.**

See also **INVESTMENT PROPERTIES**.

Net loss on disposal of investment properties

During the three and nine months ended September 30, 2019. the REIT recognized a loss on sale of nil and $0.1 million, respectively (for the three and nine months ended September 30, 2018 - $0.9 and $2.7 million, respectively) related to the sale of investment properties in the Canadian portfolio.

Gain/Loss on derivative financial instruments

Gain/loss on derivative financial instruments for the three and nine months ended September 30, 2019 and 2018 consisted of the following:

GAIN (LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS						
Expressed in thousands of Canadian dollars	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	Variance	2019	2018	Variance
Canada						
Interest rate swaps	$ 156	$ 493	$ (337)	$ (818)	$ 2,561	$ (3,379)
Europe						
Interest rate swaps	(961)	645	(1,606)	(3,725)	78	(3,803)
Australasia						
Interest rate swaps	(10,464)	324	(10,788)	(37,837)	(2,426)	(35,411)
Foreign exchange contracts	(90)	76	(166)	185	288	(103)
Gain (loss) on HSO derivative	—	(14,265)	14,265	13,979	(17,840)	31,819
Total gain (loss) on derivative financial instruments	**$ (11,359)**	**$ (12,727)**	**$ 1,368**	**$ (28,216)**	**$ (17,339)**	**$ (10,877)**

The REIT had entered into a forward contract to acquire HSO shares and an option contract (the terms of which minimize the underlying margin requirements associated with the forward contract). During the nine months ended September 30, 2019, the REIT net settled forward contract and and utilized proceeds from the sale of its investment in HSO towards acquisition of the HSO Portfolio.

Income tax expense

The combined current tax and deferred tax expense of the REIT for the three months ended September 30, 2019 was $1.5 million.

For the three months ended September 30, 2019, the REIT recognized current income tax income of $1.4 million (for the three and nine months ended September 30, 2018 - expense of $2.3 million). The current taxes during the quarter primarily relate to adjustment recognized during the current quarter upon final filing of 2018 tax returns by ANZ Manager, partially offset by income tax expense generated on management fees earned. Vital Trust current taxes can fluctuate period over period depending on the settlement of foreign currency derivatives utilized in Vital Trust's hedging program.

For the nine months ended September 30, 2019, the REIT recognized current income tax expense of $4.4 million (nine months ended September 30, 2018 - $6.0 million). The current taxes relate primarily to the income taxes payable by the ANZ Manager on management fees earned and capital gain on disposition of investment in HSO shares. Current taxes payable by Vital Trust reflect taxes on foreign currency derivatives utilized in Vital Trust's hedging program.

The REIT records deferred tax liabilities in Europe, Brazil, Vital Trust and the Australia REIT arising primarily due to the difference between the carrying value and tax cost of its investment properties. The deferred tax expense of the REIT for the three months ended September 30, 2019 of nil (for the three and nine months ended September 30, 2018 - $26.7 million) was primarily comprised of the deferred tax expense of Australia REIT of nil, deferred tax expense of Brazil of $1.3 million, and deferred tax expense for ANZ Manager of $1.1 million, partially offset by deferred tax recovery related to Vital Trust of $2.0 million and Europe of $0.5 million,. The deferred tax expense of the REIT for the nine months ended September 30, 2019 of $42.7 million (nine months ended September 30, 2018 - $44.7 million) was comprised of deferred tax expense of Australia REIT of $5.3 million, deferred tax expense of Brazil of $35.3 million, and deferred tax expense of ANZ Manager of $3.5 million, partially offset by deferred tax recovery related to Vital Trust and Europe $0.8 million, respectively.

NET OPERATING INCOME

NOI is an additional IFRS measure of the REIT's operating performance. NOI is defined as income from properties after operating expenses have been deducted, computed in accordance with IFRS, but before deducting interest expense, finance costs, depreciation and amortization expense, general and administrative expenses, income taxes, leasehold improvement and leasing costs, and unrecoverable capital costs. The REIT uses NOI to assess its property operating performance on an unleveraged basis. Same Property NOI for the three and nine months ended September 30, 2019 represents income from currently owned investment properties, excluding properties held for redevelopment, acquired prior to January 1, 2018.

The REIT's same property NOI for the three and nine months ended September 30, 2019 and 2018 is summarized in the tables below in Canadian dollars and in source currency:

SAME PROPERTY NOI

In thousands of CAD	Three months ended September 30,			Nine months ended September 30,		
	2019	**2018**	**Var %**	**2019**	**2018**	**Var %**
Same property NOI (1)						
Canada	$ 16,616	$ 15,642	6.2 %	$ 49,857	$ 47,620	4.7 %
Brazil	11,964	11,455	4.4 %	36,936	37,884	(2.5)%
Europe	7,371	7,205	2.3 %	11,052	11,000	0.5 %
Vital Trust	21,086	21,285	(0.9)%	64,438	64,518	(0.1)%
Australia REIT	6,145	5,981	2.7 %	19,286	18,354	5.1 %
Same property NOI (1)	**$ 63,182**	**$ 61,568**	**2.6 %**	**$ 181,569**	**$ 179,376**	**1.2 %**
Developments	501	118		1,334	318	
Acquisitions	4,860	34		22,893	5,928	
Dispositions (2)	1,244	3,911		3,862	12,307	
Intercompany/Elimination	—	(418)		(322)	(1,285)	
NOI (1)	**$ 69,787**	**$ 65,213**	**7.0 %**	**$ 209,336**	**$ 196,644**	**6.5 %**

Notes:
(1) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A.
(2) Includes $10.7 million NOI related to seed assets ("Seed Portfolio") sold to an institutional investor as part of a Joint Venture Agreement ("JV") which closed on September 21, 2018. The REIT owns 30% interest in the JV.

ADJUSTED SAME PROPERTY NOI

In thousands of CAD	Three months ended September 30,				Nine months ended September 30,			
	2019	**2018**	**Var $**	**Var %**	**2019**	**2018**	**Var $**	**Var %**
Same property NOI (1)	$63,182	$61,568	$ 1,614	2.6%	$181,569	$179,376	$ 2,193	1.2%
Adjustments								
Straight-line rental revenue recognition	(202)	(142)	(60)		(1,477)	(612)	(865)	
Amortization of operating leases	238	248	(10)		722	738	(16)	
Lease termination fees	(82)	(2)	(80)		(160)	(48)	(112)	
Other transactions	(558)	(320)	(238)		(484)	(979)	495	
Adjusted same property NOI (2)	**$62,578**	**$61,352**	**$ 1,226**	**2.0%**	**$180,170**	**$178,475**	**$ 1,695**	**0.9%**

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

CONSTANT CURRENCY ADJUSTED SAME PROPERTY NOI						
In constant currency (000s)	Three months ended September 30,			Nine months ended September 30,		
	2019	**2018**	**Var %**	**2019**	**2018**	**Var %**
Adjusted same property NOI (1)						
Canada	$ 16,323	$ 16,049	1.7%	$ 48,754	$ 47,805	2.0%
Brazil	11,964	11,506	4.0%	36,904	35,472	4.0%
Europe	6,515	6,330	2.9%	10,691	10,335	3.4%
Vital Trust	21,694	20,721	4.7%	65,714	63,464	3.5%
Australia REIT	6,084	5,793	5.0%	18,108	17,130	5.7%
Constant currency Adjusted SPNOI (2)	**$ 62,580**	**$ 60,399**	**3.6%**	**$ 180,171**	**$ 174,206**	**3.4%**

Notes:
(1) These include adjustment for straight-line rental revenue recognition, amortization of operating leases, lease termination fees and other one time transactions that are not expected to recur.
(2) The constant currency adjusted same property NOI change is calculated by converting the comparative same property NOI at current FX rates.

Canada

Same Property NOI for the three months ended September 30, 2019 increased by 6.2% over the comparable prior year period, mainly due to improved occupancy, lower bad debt expenses, and accounting adjustments related to IFRS 16.

Same Property NOI for the nine months ended September 30, 2019 increased by 4.7% over the comparable prior year period, mainly due to improvement in occupancy, lower bad debt expenses, and accounting adjustments related to IFRS 16.

Adjusted Same Property NOI for the three months ended September 30, 2019, increased by 1.7% over the comparable prior year period due to improvement in occupancy.

Adjusted Same Property NOI for the nine months ended September 30, 2019 increased by 2.0% over the comparable prior year period primarily attributable to increase in occupancy.

Brazil

Same Property NOI for the three months ended September 30, 2019 in BRL increased by 4.0% (increased by 4.4% in C$) over the comparable prior year period mainly due to inflationary adjustment on rents of approximately 4.0%.

Same Property NOI for the nine months ended September 30, 2019 in BRL increased by 2.6% (decreased by 2.5% in C$) over the comparable prior year period, mainly driven by inflationary adjustment on rents of approximately 4.0% partially offset by a catchup on Sabara's rents received in March 2018 as a result of the CRI repayment.

Adjusted Same Property NOI for the three months ended September 30, 2019 in BRL increased by 4.0% (increased by 4.5% in C$) over the comparable prior year period mainly due to inflationary adjustment on rents of approximately 4.0%.

Adjusted same property NOI for the nine months ended September 30, 2019 in BRL increased by 4.0% (decreased by 1.1% in C$) over the comparable prior year period mainly driven by higher Sabara rents and inflationary adjustment on rents of approximately 4.0%.

Europe

Same Property NOI for the three months ended September 30, 2019 in Euros increased by 6.0% (increased by 2.3% in C$) over the comparable prior year period, mainly driven by impact of understated prior year recovery adjustment and higher rents due to CPI adjustments.

Same Property NOI for the nine months ended September 30, 2019 in Euros decreased by 3.3% (increased by 0.5% in C$) over the comparable prior year period, mainly due to prior year recovery adjustments and CPI.

Adjusted Same Property NOI, in Euros, for the three months ended September 30, 2019 increased by 2.9% (decreased by 0.5% in C$) over the comparable prior year period.

Adjusted Same Property NOI for the nine months ended September 30, 2019 in Euros, increased by 3.4% (increased by 0.5% in C$) over the comparable prior year period.

Vital Trust

Same Property NOI for the three months ended September 30, 2019 in New Zealand dollars increased by 1.2% (decreased by 0.9% in C$) over the comparable prior year period, mainly driven by development led rent increases, Ascot hospital fitout rent amortization ceasing, prior years land tax provision and negative forex movement.

Same Property NOI for the nine months ended September 30, 2019 in New Zealand dollars increased by 1.9% (decreased by 0.1% in C$) over the comparable prior year period, mainly due to development led rent increases, Ascot hospital deferred rents related to fitout fully amortized, prior years land tax provision and negative forex movement.

Adjusted Same Property NOI, in New Zealand dollars, for the three months ended September 30, 2019 increased by 4.7% (increased by 2.5% in C$ due to the weakening of the New Zealand dollar relative to Canadian Dollar) over the comparable prior year period.

Adjusted Same Property NOI for the nine months ended September 30, 2019 in New Zealand dollars over the comparable prior year period increased by 3.5% (decreased by 1.4% in C$ due to the weakening of the New Zealand dollar relative to Canadian Dollar) over the comparable prior year period.

Australia REIT

Same Property NOI for the three months ended September 30, 2019 in Australian dollars increased by 8.7% (increased by 2.7% in C$) over the comparable prior year period, mainly driven by timing of direct recoveries and recharges.

Same property NOI for the nine months ended September 30, 2019 increased by 10.0% (increased by 5.1% in C$) over the comparable prior year period, mainly driven by straight line rent adjustment as a result of a retroactive rent review, timing of direct recoveries and recharges.

Adjusted Same Property NOI, in Australian dollars, for the three months ended September 30, 2019 increased by 5.0% (decreased by 0.8% in C$ due to the weakening of the Australian dollar relative to the Canadian Dollar) over the comparable prior year period.

Adjusted Same Property NOI for the nine months ended September 30, 2019 in AU$ over the comparable prior year period increased by 5.7% (increased by 0.9% in C$ due to the weakening Australian dollar relative to the Canadian Dollar).

LEASING

Lease Maturities

The REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 13.7 years as at September 30, 2019. Below is a table of the percentage of leases of expiring by year by region.

	2019	2020	2021	2022	2023	2024	2025	2026	Thereafter	**Total**
Canada	1.8%	11.0%	9.5%	12.4%	14.0%	10.3%	6.5%	5.1%	29.4%	**100.0%**
Brazil	—%	—%	—%	—%	6.1%	—%	—%	—%	93.9%	**100.0%**
Europe	6.5%	9.7%	4.1%	4.3%	2.8%	4.1%	2.5%	1.7%	64.3%	**100.0%**
Australasia	1.1%	1.5%	2.0%	4.8%	4.6%	1.3%	5.7%	4.0%	75.0%	**100.0%**
Total Portfolio	2.4%	5.5%	4.1%	5.9%	6.7%	4.0%	4.4%	3.2%	63.8%	**100.0%**

Notes:
- As at September 30, 2019.
- Australia REIT is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30% interest in the JV.

The REIT's expiry profile benefits from its Australian and Brazilian properties which are subject to long term leases. The eight Brazil hospitals are each occupied by single tenants that are leading hospital operators, and have leases expiring between September 30, 2024 and November 14, 2043. The expiry profile also reflects the longer term nature of many of the hospital tenants within the Vital Trust portfolio which has a WALE of 18.2 years and the Australia REIT which has a WALE of 15.9 years, which benefited from the acquisition of the 11 hospitals as part of the JV transaction.

The below table summarizes the REIT's WALE allocated by asset type as at September 30, 2019:

	Asset Mix		**WALE**		
	MOB	**Hospitals & Healthcare Facilities**	**MOB**	**Hospitals & Healthcare Facilities**	**Total**
Canada[1]	100%	—%	5.0	—	**5.0**
Brazil	—%	100%	—	19.6	**19.6**
Europe	86%	14%	6.0	25.4	**14.8**
Vital[1]	21%	79%	6.2	19.8	**18.2**
Australia REIT[1,2]	23%	77%	7.7	17.8	**15.9**

Notes

1 Excluding development projects.

2 Australia REIT is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30% interest in the JV.

Lease Indexation

As at September 30, 2019, over 72.2% of the REIT's revenue (95.1% of the International Portfolio) is subject to inflationary adjustments and market reviews. The below table summarizes the percentage of revenue by region which receives the benefit of regular inflationary adjustments:

Revenue Subject to Inflationary/Market Based Adjustments	
As at September 30, 2019	**% of Revenue** [1]
Canada	—%
Brazil	100.0%
Europe	92.3%
Vital	92.3%
Australia REIT [2]	97.5%
International Total/Weighted Average	**95.1%**
Portfolio Total / Weighted Average	**72.2%**

Notes

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

(2) Australia REIT is shown at proportionate share ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30% interest in the JV.

Leasing Activity

LEASING ACTIVITY

	Three months ended September 30, 2019					
in thousands of square feet	**Canada**	**Brazil**	**Europe**	**Vital Trust** (1)	**Australia REIT** (2)	**Total**
Opening Occupancy	92.7%	100.0%	97.2%	99.5%	98.9%	97.2%
Opening Balance	3,171	1,723	3,062	2,571	2,825	13,352
Acquisition	145	—	96	—	—	241
Disposition	—	—	—	—	—	—
Transfers to Properties under Development	—	—	(52)	—	—	(52)
Expiries and Early Terminations	(101)	—	(23)	(3)	(13)	(140)
Renewal	76	—	17	—	12	105
New Leasing	40	—	2	11	5	58
Other (3)	(20)	—	—	—	—	(20)
Closing Balance	3,311	1,723	3,102	2,579	2,829	13,544
Closing Occupancy	**92.2%**	**100.0%**	**97.1%**	**99.9%**	**99.1%**	**97.1%**

	Nine months ended September 30, 2019					
in thousands of square feet	**Canada**	**Brazil**	**Europe**	**Vital Trust** (1)	**Australia REIT** (2)	**Total**
Opening Occupancy	93.2%	100.0%	96.4%	99.4%	96.8%	96.7%
Opening Balance	3,187	1,723	2,035	2,566	1,318	10,829
Acquisition	145	—	1,130	—	1,501	2,776
Disposition	—	—	—	—	—	—
Transfers to Properties under Development	—	—	(52)	—	—	(52)
Expiries and Early Terminations	(293)	—	(168)	(74)	(28)	(563)
Renewal	188	—	104	71	27	390
New Leasing	81	—	53	16	11	161
Other (3)	3	—	—	—	—	3
Closing Balance	3,311	1,723	3,102	2,579	2,829	13,544
Closing Occupancy	**92.2%**	**100.0%**	**97.1%**	**99.9%**	**99.1%**	**97.1%**

Notes

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

(2) Australia REIT is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30% interest in the JV.

(3) Other includes remeasurements and month-to-month leases.

Canada

During the quarter, the REIT completed 76 thousand square feet of renewal leasing representing a 92% renewal rate. The REIT completed the renewals at an initial net rent of $13.23 per square foot versus an expiring net rent per square foot of $12.71 per square foot, an increase of $0.52 per square foot or 4.1%.

During the quarter, the REIT also completed 40 thousand square feet of new leasing at an initial net rent of $14.39 per square foot.

Year to date, the REIT completed 188 thousand square feet of renewal leasing representing a 72% renewal rate. The REIT completed the renewals at an initial net rent of $16.29 per square foot versus an expiring net rent per square foot of $15.50, an increase of $0.79 per square foot or 5.1%.

Year to date, the REIT completed 81 thousand square feet of new leasing at an initial net rent of $14.77 per square foot.

As at September 30, 2019, the REIT had 104 thousand square feet of committed leasing against future expiries at an initial net rent of $17.68 per square foot versus expiring net rent per square foot of $18.32, a decrease of $0.64 per square foot or 3.5%. The decrease was mainly attributable to two renewals in the West region. The REIT also had 33 thousand square feet of committed leasing against vacant space at an initial net rent of $16.22 per square foot.

Expiring net rent increased to $18.23 per square foot in the third quarter 2019, from $17.98 per square foot in the second quarter mainly due to the newly acquired property in the Western region.

EXPIRING NET RENT ($PSF)		
September 30, 2019		
	Canada	
Month-to-Month	$	12.18
2019	$	17.22
2020	$	16.89
2021	$	18.15
2022	$	16.18
2023	$	14.91
2024+	$	20.34
Total Expires	$	18.23

Brazil

The REIT's Brazil properties are subject to long term leases (portfolio WALE of 19.6 years). There was no leasing activity during the quarter.

Europe

During the quarter, the REIT completed 17 thousand square feet of renewal leasing representing a 73% renewal rate. These renewals were completed at an initial net rent of €14.18 per square foot versus an expiring net rent per square foot of €13.96, a 1.6% increase. The below average renewal rate is due to lease terminations in Hamburg and Berlin portfolio to allow for tenant expansion as well as transfer from office to medical use.

During the quarter, the REIT completed 2 thousand square feet of new leasing at an initial average net rent of €14.39 per square foot, which is above the posted rate due to the high weighting of activity in the Berlin and Hamburg regions of the portfolio.

Year to date, the REIT completed 104 thousand square feet of renewal leasing representing an 82% renewal rate. The REIT completed the renewals at an initial net rent of €9.93 per square foot versus an expiring net rent per square foot of €9.65, a 2.9% increase.

Year to date, the REIT also completed 53 thousand square feet of new leasing at an initial net rent of €9.84 per square foot, which is lower than the renewal leasing because of a high weighting of leasing in the Leipzig region.

EXPIRING NET RENT (€PSF)	
September 30, 2019	
	Europe
Month-to-Month	€ 8.24
2019	€ 9.59
2020	€ 12.15
2021	€ 12.64
2022	€ 12.09
2023	€ 11.74
2024+	€ 7.03
Total Expires	€ 8.38

Vital Trust

Vital Trust's properties are generally subject to long term leases, and as such there was no material leasing activity. During the quarter, there were no renewals.

During the quarter, Vital Trust also completed 11 thousand square feet of new leasing at an initial net rent of A$33.51.

Year to date, Vital Trust completed 71 thousand square feet of renewal leasing representing a 96% renewal rate. These renewals were completed at an initial rent of NZ$42.32 versus an expiring rent of NZ$40.73 per square foot, a 3.9% increase.

Year to date, Vital Trust completed 15 thousand square feet of new leasing at an initial net rent of NZ$31.86.

Australia REIT

Australia REIT properties are generally subject to long term leases, and as such there was no material leasing activity.

During the quarter, Australia REIT 12 thousand square feet representing 94% renewal rate. These renewals were completed at an initial rent of A$48.73 per square foot versus an expiring rent of A$43.40 per square foot, an increase of 12%.

During the quarter REIT completed 5 thousand square feet of new leases at an initial net rent of A$34.39.

Year to date, Australia REIT completed 27 thousand square feet of renewal leasing representing 97% renewal rate. These renewals were completed at an initial rent of A$42.77 versus an expiring rent of A$42.43 per square foot, a decrease of 0.8% decrease. The decrease is due to a strategic retention at a lower rate in our Spring Hill Medical Office Building in Queensland.

Year to date, the REIT also completed 11 thousand square feet of new leasing at an initial net rent of A$35.16.

FUNDS FROM OPERATIONS ("FFO")

FFO is a supplemental non-IFRS industry wide financial measure of a REIT's operating performance. The REIT calculates FFO based on certain adjustments to net income (computed in accordance with IFRS) as detailed below. Other adjustments may be made to FFO as determined by management at their discretion. REALpac has established a standardized definition of FFO in a White Paper dated February 2019 ("**REALpac Guidance**"). The REIT's FFO definition differs from the REALpac Guidance in that the REIT excludes the revaluation of financial liabilities and convertible debenture issuance cost in its calculation of FFO.

FUNDS FROM OPERATIONS

Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	Variance	2019	2018	Variance
Net income (loss) attributable to unitholders	**$ 18,562**	**$ (29,290)**	**$ 47,852**	**$ 10,187**	**$ (7,029)**	**$ 17,216**
Add / (Deduct):						
(i) Fair market value losses (gains)	8,988	(30,213)	39,201	(43,675)	(76,974)	33,299
Less: Non-controlling interests' share of fair market value losses (gains)	(5,867)	(2,935)	(2,932)	22,281	21,119	1,162
(ii) Finance cost - Exchangeable Unit distributions	3,541	3,541	—	10,625	10,625	—
(iii) Revaluation of financial liabilities	130	2,740	(2,610)	3,978	17,504	(13,526)
(iv) Unrealized foreign exchange loss (gain)	(50)	(913)	863	(1,264)	2,182	(3,446)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	(3,117)	55	(3,172)	(3,337)	57	(3,394)
(v) Deferred taxes	(52)	26,728	(26,780)	42,660	44,727	(2,067)
Less: Non-controlling interests' share of deferred taxes	1,501	(113)	1,614	579	(5,952)	6,531
(vi) Transaction costs	1,419	4,140	(2,721)	11,116	9,103	2,013
Less: Non-controlling interests' share of transaction costs	(152)	(1,788)	1,636	(656)	(3,229)	2,573
(vii) Net adjustments for equity accounted investments	1,196	—	1,196	23,952	—	23,952
(viii) Internal leasing costs	494	467	27	1,424	1,602	(178)
(ix) Net loss on disposal of investment properties	—	917	(917)	139	2,688	(2,549)
(x) Goodwill impairment loss	—	50,096	(50,096)	—	50,096	(50,096)
(xi) Net adjustment for lease amortization	(99)	(70)	(29)	(391)	(226)	(165)
(xii) Other FFO adjustments	—	1,142	(1,142)	6,779	5,999	780
Funds From Operations ("FFO") (1)	**$ 26,494**	**$ 24,504**	**$ 1,990**	**$ 84,397**	**$ 72,292**	**$ 12,105**
FFO per Unit - Basic	$ 0.18	$ 0.20	$ (0.02)	$ 0.62	$ 0.60	$ 0.02
FFO per Unit - fully diluted (3)	$ 0.18	$ 0.20	$ (0.02)	$ 0.60	$ 0.58	$ 0.02
Adjusted weighted average units outstanding (2)						
Basic	145,301,905	120,955,418	24,346,487	135,744,585	120,345,879	15,398,706
Diluted (3)	163,056,940	141,337,742	21,719,198	165,567,499	140,957,349	24,610,150

Notes

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

(2) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 17,708,065 Class B LP Units outstanding as at September 30, 2019 and 17,708,065 outstanding as at December 31, 2018.

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

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

(i) Fair market value losses (gains)

FAIR MARKET VALUE LOSSES (GAINS)						
Expressed in thousands of Canadian dollars	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	Variance	2019	2018	Variance
Fair market value losses (gains)						
Fair value adjustment of Convertible Debentures	$ 740	$ 1,932	$ (1,192)	$ 24,468	$ (1,480)	$ 25,948
Fair value adjustment of Exchangeable Units	(177)	(1,417)	1,240	40,552	(2,627)	43,179
Fair value adjustment of investment properties	(3,069)	(43,451)	40,382	(140,050)	(89,916)	(50,134)
Loss (Gain) on derivative financial instruments	11,359	12,727	(1,368)	28,216	17,339	10,877
Fair value adjustment of DUP liability	135	(4)	139	3,139	(290)	3,429
Total	**$ 8,988**	**$ (30,213)**	**$ 39,201**	**$ (43,675)**	**$ (76,974)**	**$ 33,299**

Additional details are below:

a. Convertible Debentures

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

b. Exchangeable Units and DUP Liability

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

c. Investment properties

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

d. Derivative financial instruments

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

(ii) Finance cost - Exchangeable Unit distributions

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

(iii) **Revaluation of financial liabilities**

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

During the three and nine months ended months ended September 30, 2018, the REIT repurchased the rental stream from its Hospital Sabara property that was securitized (the "Sabara Securitization Facility") which had a fair value at the time of payment of $19.7 million (R$50.4 million). The unamortized accounting balance of the securitized rental stream recorded at the time of repayment was $8.3 million (R$21.1 million), which resulted in a revaluation adjustment of $11.4 million (R$29.2 million) being recorded upon repayment.

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

Under IFRS, financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. The REIT's unrealized foreign exchange movements for the periods relate primarily to the revaluation of the Australasian debt which are denominated in Australian and/or New Zealand dollars and held by a Canadian and/or New Zealand subsidiary of the REIT, and revaluation of short-term loans with subsidiaries of the REIT that are denominated in a different source currency than the functional currency of the subsidiary. Consistent with REALpac Guidance, the foreign exchange movements on the indebtedness and intercompany transactions have been added back to the REIT's net income.

(v) **Deferred taxes**

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

(vi) **Transaction costs**

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

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

Under IFRS the REIT's investment in JV and HSO Portfolio are accounted for using the equity method of accounting. As such, the REIT's share of post acquisition net income (loss) was recognized in its net income (loss), and its share of post-acquisition movements in other comprehensive income (loss) was recognized in other comprehensive income (loss). Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, the REIT's share of its equity accounted investment's post-acquisition net income (loss) is added/(deducted) to/(from) net income and FFO is presented after including the REIT's proportionate share of the equity accounted investment's FFO.

Funds From Operations of Equity Accounted Investments						
Expressed in thousands of Canadian dollars	**Three months ended June 30,**			**Six months ended June 30,**		
	2019	**2018**	**Variance**	**2019**	**2018**	**Variance**
Share of profit (loss) of Equity Accounted Investments	2,716	—	2,716	(19,002)	—	$ (19,002)
Add/(Deduct):						
Fair market value losses (gains)	1,196	—	1,196	23,952	—	23,952
Net FFO Adjustment for Equity Accounted Investments	**$ 1,196**	**$ —**	**$ 1,196**	**$ 23,952**	**$ —**	**$ 23,952**
Proportionate share of Equity Accounted Investments FFO	**$ 3,912**	**$ —**	**$ 3,912**	**$ 4,950**	**$ —**	**$ 4,950**

(viii) Internal leasing costs

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

(ix) Net loss on disposal of investment properties

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

(x) Goodwill impairment loss

Consistent with REALpac Guidance the REIT has adjusted FFO for the goodwill impairment loss.

(xi) Amortization of finance leases

Consistent with REALpac Guidance, where the REIT is accounting for operating leases under IFRS 16, the REIT has adjusted FFO to reflect the principal payments that are amortized against the lease liability. For Right of Use ("ROU") assets that are being measured at cost and amortized, the amortization is added back as prescribed by the REALpac Guidance.

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

(xii) Other FFO adjustments

Other FFO adjustments include the amortization of the free rent asset associated with the sale and lease back of the mid-town Toronto parking garage and realized portion of the gain on the net settlement of HSO forward contract. Upon settlement of the forward contract and resulting investment in HSO, the REIT and Vital Trust realized a gain of $3.3 million for the nine months ended September 30, 2019, net of non-controlling interest, and net of carrying costs and dividends accrued during the entire period of the derivative investment.

Also included in other FFO adjustments are amounts that represent the impact of certain ANZ Manager fees that are capitalized by Vital Trust. The adjustments reflect the cash flow benefit to the REIT of the capitalized fees funded by the non-controlling interest of Vital Trust.

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

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

In February 2019, REALpac issued an amended White Paper with recommendations for the calculation of AFFO. The REIT's AFFO definition differs from the recently-issued REALpac Guidance in that the REIT excludes the revaluation of financial liabilities, amortization of transactional deferred financing charges, debt mark-to-market adjustments, DUP compensation expense, and debt repayment costs in its AFFO calculations.

ADJUSTED FUNDS FROM OPERATIONS

Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	Variance	2019	2018	Variance
Funds From Operations ("FFO") (1)	**$ 26,494**	**$ 24,504**	**$ 1,990**	**$ 84,397**	**$ 72,292**	**$ 12,105**
Add / (Deduct):						
(i) Amortization of marked to market adjustment	(330)	(500)	170	(1,020)	(1,590)	570
(ii) Amortization of transactional deferred financing charges	4,399	2,673	1,726	6,582	5,384	1,198
Less: Non-controlling interests' share of amortization of transactional deferred financing	7	—	7	14	—	14
(iii) Straight-line revenue	500	(157)	657	(1,087)	84	(1,171)
Less: non-controlling interests' share of straight-line revenue	(618)	(112)	(506)	(529)	(421)	(108)
(iv) Leasing costs and non-recoverable maintenance capital expenditures	(3,640)	(3,067)	(573)	(11,209)	(8,541)	(2,668)
Less: non-controlling interests' share of actual capex and leasing costs	291	306	(15)	1,267	438	829
(v) DUP Compensation Expense	1,937	647	1,290	6,348	3,603	2,745
(vi) Debt repayment costs	3,442	—	3,442	3,442	2,506	936
(vii) Net adjustments for equity accounted investments	(1,196)	—	(1,196)	(1,512)	—	(1,512)
Adjusted Funds From Operations ("AFFO") (1)	**$ 31,286**	**$ 24,294**	**$ 6,992**	**$ 86,693**	**$ 73,755**	**$ 12,938**
AFFO per Unit - Basic	$ 0.22	$ 0.20	$ 0.02	$ 0.64	$ 0.61	$ 0.03
AFFO per Unit - fully diluted (3)	$ 0.21	$ 0.20	$ 0.01	$ 0.61	$ 0.59	$ 0.02
Distributions per Unit - Basic	$ 0.20	$ 0.20	$ —	$ 0.60	$ 0.60	$ —
Adjusted weighted average units outstanding: (2)						
Basic	145,301,905	120,955,418	24,346,487	135,744,585	120,345,879	15,398,706
Diluted (3)	175,254,743	141,337,742	33,917,001	165,567,499	140,957,349	24,610,150

Notes

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

(2) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 17,708,065 Class B LP Units outstanding as at September 30, 2019 and 17,708,065 outstanding as at December 31, 2018.

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

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

(i) **Amortization marked to market adjustment**

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

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

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

(iii) **Straight-line revenue**

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

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

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

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

(v) **DUP Compensation Expense**

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

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

(vi) **Debt repayment costs**

For the three and nine months ended September 30, 2019, the REIT did incurred debt repayment costs of $3.4 million related to the repayment of Brazilian term debt. During the nine months ended September 30, 2018 the REIT incurred debt repayment costs of $2.5 million related to the early repayment of the mortgage related to a Canadian investment property which was sold in the first quarter as well as prepayment costs related to the redemption of the two series of Convertible Debentures.

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

Under IFRS the REIT's investment in associate is accounted for using the equity method of accounting. As such, the REIT's share of its associate's post acquisition net income (loss) was recognized in its net income (loss), and its share of post-acquisition movements in other comprehensive income (loss) was recognized in other comprehensive income (loss). In order to enhance the usefulness and comparability of AFFO as a supplemental measure of the operating performance of the REIT, the REIT's share of its equity accounted investment's post acquisition net income (loss) is added/(deducted) to/(from) net income and AFFO is presented after including the REIT's proportionate share of the equity accounted investment's AFFO.

Adjusted Funds From Operations of Equity Accounted Investments

Expressed in thousands of Canadian dollars	**Three months ended September 30,**			**Nine months ended September 30,**		
	2019	**2018**	**Variance**	**2019**	**2018**	**Variance**
Proportionate share of Equity Accounted Investments FFO	**$ 3,912**	**$ —**	**$ 3,912**	**$ 4,950**	**$ —**	**$ 4,950**
Add / (Deduct):						
Straight-line revenue	(1,196)	—	(1,196)	(1,512)	—	(1,512)
Net AFFO adjustment	**$ (1,196)**	**$ —**	**$ (1,196)**	**$ (1,512)**	**$ —**	**$ (1,512)**
Proportionate share of Equity Accounted Investments AFFO	**$ 2,716**	**$ —**	**$ 2,716**	**$ 3,438**	**$ —**	**$ 3,438**

NORMALIZED AFFO

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

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

Expressed in thousands of Canadian dollars, except per unit amounts		Q3 2019	Q3 2019 Per Unit	Q3 2019 Annualized	Annualized Per Unit
AFFO as reported		**$ 31,286**	**$ 0.22**	**$ 125,144**	
Normalization adjustments [1]:					
(1)	Acquisition and disposition activities			5,690	
(2)	Accrued indexation related to Brazil and HSO leases			1,289	
(3)	ANZ manager base management fee			1,685	
(4)	Interest expenses on completed financing activities during the quarter			5,068	
(5)	Potential debt optimization post quarter			11,553	
(6)	Non-recurring fees and transactions			(15,531)	
(7)	On-going developments			2,707	
Normalized AFFO on an annualized basis				**$ 137,605**	**$ 0.92**
Weighted average units outstanding for the Q3 2019 period (000s)					145,302
(8)	Normalization adjustment				4,928
Normalized Units Outstanding (000s) - September 30, 2019					150,230

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

(1) To reflect the impact of the REIT's net investment activity completed during and post quarter as disclosed in **HIGHLIGHTS FOR THE QUARTER**, **SUBSEQUENT EVENTS** and **INVESTMENT PROPERTIES,** and investments activity for which close was still pending at reporting date.

(2) To reflect the estimated impact of contracted inflation (IPCA) indexation on current net rents of Brazilian leases based on the actual YTD IPCA of 2.1% and Q3 2019 average exchange rates and the impact of contractual rent growth from HSO.

(3) To annualize the impact of recurring asset management and property management fees recorded at the ANZ Manager and to reflect Vital Trust's new fee structure approved by Vital's unitholders at its October 31, 2019 annual general meeting. Fees also reflect recurring base fees on acquisitions still pending at reporting date.

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

Expressed in thousands of Canadian dollars	Value	Interest Rate %	Normalized interest expense	Reported interest expense	Quarterly interest savings	Annualized interest savings
Adjustments to reflect full quarter activity:						
Corporate credit facility repayment	(128,400)	7.23%	(2,321)	(2,063)	258	1,033
Repayment of Convertible Debenture	(38,750)	7.25%	(702)	(470)	232	929
New Corporate ANZ facility	109,850	4.30%	1,181	1,152	(29)	(114)
Net Brazilian refinancing	77,700	3.88%	(358)	447	805	3,220
Total	**$ 20,400**	**$ 0.2266**	**$ (2,200)**	**$ (934)**	**$ 1,266**	**$ 5,068**

(5) To reflect the estimated impact of debt optimization that occurred post-quarter and potential future debt optimization as summarized below:

Debt Optimization Expressed in thousands of Canadian dollars	Value	Interest Rate %	Normalized interest expense	Reported interest expense	Quarterly interest savings	Annualized interest savings
Adjustments to reflect potential debt optimization post quarter:						
Repayment of high cost debt	(467,163)	4.57%	—	5,338	5,338	21,352
Potential debt optimization - refinancing (incl. transaction costs)	417,264	2.35%	2,450	—	(2,450)	(9,799)
Total	**$ (49,899)**		**$ 2,450**	**$ 5,338**	**$ 2,888**	**$ 11,553**

(6) To eliminate the annualized impact of non-recurring items during the quarter related to reversal of current tax provision as result of final filings.

(7) To reflect the estimated impact of the completion of Canadian and Australia REIT's development activity as discussed under **DEVELOPMENT ACTIVITY.**

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

DISTRIBUTIONS

For the three and nine months ended September 30, 2019, the REIT declared a total of $30.0 million and $83.2 million, respectively, in distributions, including distributions on Exchangeable Units (For the three and nine months ended months ended September 30, 2018 - $24.2 million and $72.4 million, respectively) . These distributions reflect an annualized distribution rate of $0.80 per unit per annum (For the three and nine months ended months ended September 30, 2018 - $0.80 per unit per annum).

Distribution Reinvestment Plan

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

During the three and nine months ended September 30, 2019, a total of 266,418 and 707,236 trust units respectively units were issued under the DRIP (three and nine months ended September 30, 2018, a total of 0 and 363,620 trust units, respectively).

For the three and nine months ended September 30, 2019 the REIT's DRIP participation rate was 11.9% and 11.2%, respectively (For the three and nine months ended months ended September 30, 2018 - 10.3% and 10.0%, respectively).

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

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

Expressed in thousands of Canadian dollars	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net income (loss) attributable to unitholders	$ 18,562	$ (29,290)	$ 10,187	$ (7,029)
Add: Finance cost - Exchangeable Unit distributions	3,541	3,541	10,625	10,625
Adjusted net income (loss)	$ 22,103	$ (25,749)	$ 20,812	$ 3,596
Cash flow from operating activities attributable to unitholders	$ (1,008)	$ 35,250	$ 56,668	$ 72,576
Distributions paid and payable				
Trust Units	$ 26,484	$ 20,655	$ 72,544	$ 61,737
Exchangeable Units	3,541	3,541	10,625	10,625
	$ 30,025	$ 24,196	$ 83,169	$ 72,362
Surplus (shortfall) of adjusted net income (loss) attributable to unitholders over distributions paid and payable	$ (7,922)	$ (49,945)	$ (62,357)	$ (68,766)
Surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	$ (31,033)	$ 11,054	$ (26,501)	$ 214
Value of Trust Units issued pursuant to the DRIP	$ 3,022	$ 2,130	$ 7,862	$ 6,065

For the three and nine months ended September 30, 2019, the table above identifies a $31.0 million and $26.5 million, respectively, of distributions that were financed from other sources being primarily draws on the REIT's Revolving Credit Facility and the DRIP. For the three and nine months ended September 30, 2019, a significant driver of the shortfall relates to changes in non-cash working capital balances, which for the three and nine months ended September 30, 2019 were a use of operating cash flow of $27.7 million and $11.5 million, respectively. Working capital can fluctuate from quarter to quarter depending on timing of cash receipts/ payments. During the three months ended September 30, 2019, working capital included $13.1 million prepaid deposit towards acquisition of investment property in Europe that was completed subsequently. During the three and nine months ended September 30, 2019, the REIT paid income taxes of $7.7 million and $13.2 million, respectively. Income tax payments fluctuate quarter to quarter as payments are typically made upon assessment of tax.

For the three months ended September 30, 2019 the REIT had a shortfall between adjusted net income and distributions paid to unitholders of $7.9 million. For the nine months ended September 30, 2019 the REIT had a shortfall between adjusted net income and distributions paid to unitholders of $62.4 million. Adjusted net income attributable to unitholders for the period reflects material non-cash items such as fair value adjustments to investment properties, financial instruments and deferred taxes, which do not impact cash flows and are not considered in the REIT's distribution policy. In establishing distribution payments, the REIT does not take fluctuations in working capital into consideration.

Participants in the REIT's DRIP have their distribution entitlement used to purchase Trust Units and also receive a "bonus distribution" of Trust Units equal in value to 3% of each distribution. During the three and nine months ended September 30, 2019, there was $3.0 million and $7.9 million respectively in value of Trust Units issued under the DRIP (three and nine months ended September 30, 2018, there was $2.1 million and $6.1 million respectively). While reducing the cash required to settle the REIT's distributions, the Trust Units issued, pursuant to the DRIP, may in future result in additional cash distributions, should the holders of these Trust Units opt out of the DRIP.

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

In assessing its distribution policy, the REIT considers not only cash flows from operating activities (attributable to unitholders) but also AFFO. Due to the timing of cash receipts relating to certain adjustments affecting AFFO and the fact that certain AFFO adjustments are non-cash, a portion of the 2019 distributions were funded by financing activities. The REIT believes that it is able to sustain distributions in the near term as the REIT measures distributions in relation to AFFO and the REIT believes it will be able to obtain new financing to meet its cash flow requirements due to the timing of cash receipts relating to certain adjustments affecting AFFO.

REIT's distributions during 2018 were deemed a 55% return of capital and 45% capital gain for tax purposes. The composition for tax purposes may change over time thus affecting the after-tax return to a Unitholder. The REIT has chosen to make distributions partly representing an economic return on capital for tax purposes as its distribution policy is based on AFFO earned rather than the expected tax attributes of the distributions.

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

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

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

RECONCILIATION OF CASH FLOW FROM OPERATIONS TO AFFO

Expressed in thousands of Canadian dollars	Three months ended September 30			Nine months ended September 30,		
	2019	**2018**	**Variance**	**2019**	**2018**	**Variance**
Cash flow from operating activities	**$ (2,959)**	**$38,537**	**$(41,496)**	**$ 71,780**	**$ 75,604**	**$ (3,824)**
Add (deduct):						
Non-cash interest expense	(2,112)	(5,130)	3,018	(5,738)	(9,296)	3,558
Non-cash current taxes	9,117	1,225	7,892	8,836	6,684	2,152
Changes in non-cash working capital balances	27,721	(9,124)	36,845	11,533	5,713	5,820
AFFO of equity accounted entities	—	—	—	22,440	—	22,440
Other FFO adjustments	—	1,142	(1,142)	6,779	5,999	780
Internal leasing costs	494	467	27	1,424	1,602	(178)
Amortization of recurring financing charges	(1,054)	(1,127)	73	(3,009)	(3,070)	61
Non-recurring transaction costs	1,419	4,140	(2,721)	11,116	9,103	2,013
Leasing costs and non-recoverable maintenance capital expenditures	(3,640)	(3,067)	(573)	(11,209)	(8,541)	(2,668)
Amortization of lease liabilities	(99)	—	(99)	(391)	—	(391)
Interest income and other	2,452	3,183	(731)	5,123	6,627	(1,504)
Amortization of deferred revenue	—	—	—	42	—	42
Straight-line revenue	500	(157)	657	(1,087)	84	(1,171)
Redemption of units issued under the DUP	689	2	687	3,800	2,133	1,667
Amortization of furniture and office equipment	(493)	(312)	(181)	(1,619)	(938)	(681)
Foreign exchange	159	(77)	236	(32)	(305)	273
Debt repayment costs	3,442	—	3,442	3,442	2,506	936
Share of profit (loss) from equity accounted investments	2,716	—	2,716	(19,002)	—	(19,002)
AFFO attributable to non-controlling interest	(7,066)	(5,408)	(1,658)	(17,535)	(20,150)	2,615
	$34,245	$(14,243)	$ 48,488	$ 14,913	$ (1,849)	$ 16,762
AFFO	**$31,286**	**$24,294**	**$ 6,992**	**$ 86,693**	**$ 73,755**	**$ 12,938**

QUARTERLY PERFORMANCE

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

QUARTERLY PERFORMANCE								
Expressed in thousands of Canadian dollars except per unit amounts	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17
Summary of Financial Information								
Gross Book Value ("GBV") (1)	$ 5,201,319	$ 5,170,776	$ 5,142,828	$ 5,071,648	$ 4,679,638	$ 4,940,139	$ 4,758,598	$ 4,684,028
Debt - Declaration of Trust (2)	$ 2,360,477	$ 2,353,433	$ 2,378,676	$ 2,423,137	$ 2,311,377	$ 2,478,536	$ 2,230,749	$ 2,190,179
Debt to GBV - Declaration of Trust	45.4%	45.5%	46.3%	47.8%	49.4%	50.2%	46.9%	46.8%
Debt - Including Convertible Debentures (2)	$ 2,747,403	$ 2,778,369	$ 2,801,459	$ 2,824,372	$ 2,606,685	$ 2,771,924	$ 2,524,660	$ 2,487,036
Debt to GBV - Incl. Convertible Debentures	52.8%	53.7%	54.5%	55.7%	55.7%	56.1%	53.1%	53.1%
Operating Results								
Revenue from investment properties	$ 91,106	$ 91,409	$ 91,933	$ 89,143	$ 87,044	$ 85,157	$ 88,248	$ 84,436
Net income (loss)	$ 17,673	$ 83,696	$ (54,028)	$ 103,607	$ (28,469)	$ 39,139	$ 14,463	$ 60,119
NOI (3)	$ 69,787	$ 70,457	$ 69,092	$ 66,802	$ 65,213	$ 65,254	$ 66,177	$ 63,229
FFO (3)	$ 26,494	$ 31,147	$ 26,756	$ 26,525	$ 24,504	$ 24,601	$ 23,187	$ 23,009
AFFO (3)	$ 31,286	$ 30,360	$ 25,045	$ 24,569	$ 24,294	$ 24,392	$ 25,070	$ 22,403
Distributions (4)	$ 30,025	$ 27,045	$ 26,099	$ 24,244	$ 24,196	$ 24,128	$ 24,038	$ 23,990
Per Unit Amounts (5)								
FFO per unit - Basic	$ 0.18	$ 0.23	$ 0.21	$ 0.22	$ 0.20	$ 0.20	$ 0.19	$ 0.19
AFFO per unit - Basic	$ 0.22	$ 0.22	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.21	$ 0.19
Distributions	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Adjusted Weighted Average Units Outstanding (5)								
Basic	145,301,905	135,178,069	126,547,692	121,169,117	120,955,418	120,551,483	120,137,990	118,191,998

Notes

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

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

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

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

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

PART IV – CAPITALIZATION AND LIQUIDITY

CAPITAL STRUCTURE

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

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

The following table shows the REIT's total capital as at September 30, 2019 and December 31, 2018:

CAPITAL STRUCTURE		
Expressed in thousands of Canadian dollars	**As at September 30, 2019**	**As at December 31, 2018**
Debt - Declaration of Trust [1]	**2,360,477**	**2,423,137**
Convertible Debentures at Fair Value	386,926	401,235
Debt - Including Convertible Debentures [1]	**2,747,403**	**2,824,372**
Mortgages and loans payable - marked to market	2,296	3,316
Mortgages and loans payable - unamortized financing costs	(15,661)	(16,791)
Total Debt	2,734,038	2,810,897
DUP Liability	17,488	13,030
Class B LP Exchangeable Units	208,424	167,872
Unitholders' equity	1,032,458	947,722
Total Capitalization	**$ 3,992,408**	**$ 3,939,521**

Notes

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

Unitholders' Equity

The following table reconciles the movements in the units outstanding for the three and nine months ended September 30, 2019:

UNITS OUTSTANDING	
Trust Units outstanding, December 31, 2018	**103,570,247**
Issuance of Trust Units pursuant to equity offering	13,501,000
Issuance of Trust Units under the DRIP	219,522
Issuance of Trust Units under the DUP	56,726
Issuance of Trust Units pursuant to conversion of Convertible Debentures	622
Trust Units outstanding, March 31, 2019	**117,348,117**
Issuance of Trust Units under the DRIP	221,296
Issuance of Trust Units under the DUP	26,147
Issuance of Trust Units pursuant to conversion of Exchangeable Units	1,600
Trust Units outstanding, June 30, 2019	**117,597,160**
Issuance of Trust Units pursuant to equity offering	14,628,000
Issuance of Trust Units under the DRIP	266,418
Issuance of Trust Units under the DUP	17,500
Issuance of Trust Units pursuant to conversion of Convertible Debentures	13,200
Trust Units outstanding, September 30, 2019	**132,522,278**

Class B LP Units

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

On January 31, 2018, the REIT converted 1,290,000 Class B units to Trust units. There were 17,708,065 Exchangeable Units outstanding as at September 30, 2019 (December 31, 2018 - 17,708,065).

Debt

DEBT

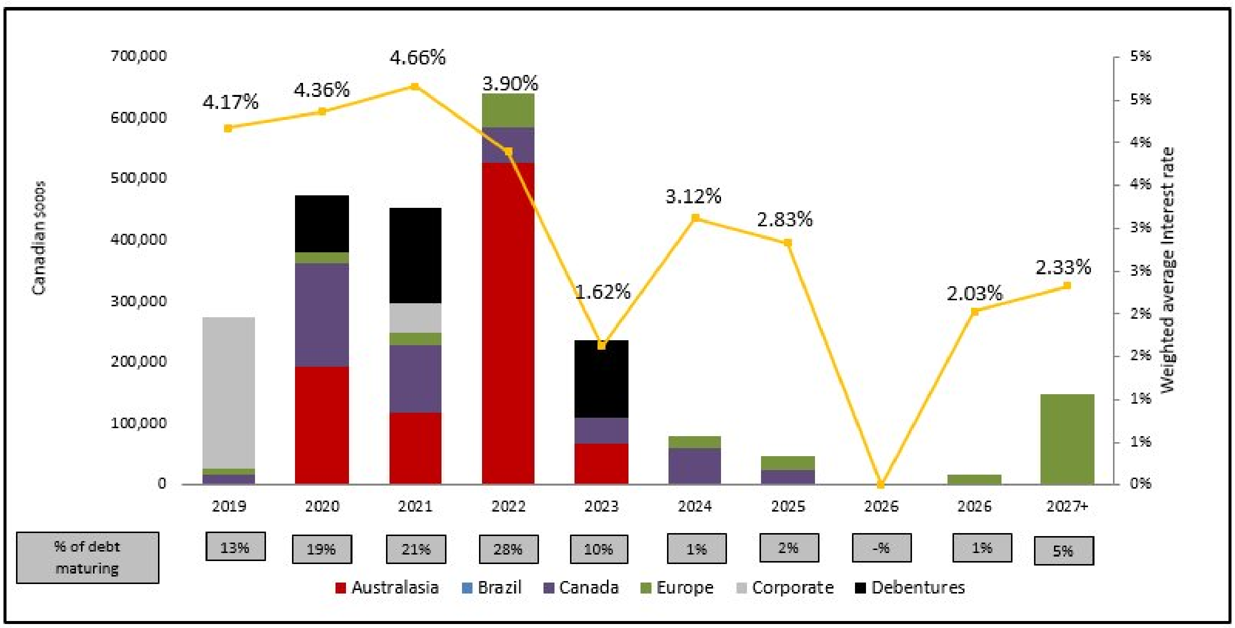
Expressed in thousands of Canadian dollars

	As at September 30, 2019					
	Weighted Average Interest Rate (1)	**Outstanding Balance**	**Marked to Market**	**Unamortized Financing Costs**	**Balance**	**Maturity**
Canada mortgages	3.77% $	533,655 $	2,296 $	(964) $	534,987	November 2019 - January 2029
Brazil debt (2)	4.54%	239,977	—	(8,169)	231,808	November 2027 - June 2031
Europe mortgages	2.19%	374,867	—	(2,539)	372,328	August 2020 - December 2029
Australasia term loans	4.04%	906,130	—	(2,700)	903,430	March 2021 - September 2023
Corporate debt	4.97%	294,162	—	(1,289)	292,873	November 2019 - January 2021
	3.85% $	**2,348,791 $**	**2,296 $**	**(15,661) $**	**2,335,426**	
Finance Lease		11,686	—	—	11,686	
Total Mortgages and Loans Payable	**3.83% $**	**2,360,477 $**	**2,296 $**	**(15,661) $**	**2,347,112**	
Deferred consideration	n/a	—	—	—	—	n/a
Total Debt excluding Convertible Debentures	**3.83% $**	**2,360,477 $**	**2,296 $**	**(15,661) $**	**2,347,112**	
Convertible Debentures (Corporate)	5.37%	373,242	13,684	—	386,926	September 2020 - December 2023
Total Debt	**4.04% $**	**2,733,719 $**	**15,980 $**	**(15,661) $**	**2,734,038**	

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

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

The following chart summarizes, as at September 30, 2019, the REIT's debt maturities:



On November 1, 2019, the REIT amended and refinanced the terms of its existing revolving and non-revolving credit facilities. The REIT new revolving term facility has total availability of $218.0 million and matures on November 1, 2022. Draws under the new revolving term facility are permitted in Canadian dollars, Euros, British pound, Australian dollars and US dollars at floating interest rate based on CDOR, EURIBOR, LIBOR, BBSY, and Federal Fund Effective Rate, respectively, with a 0% floor and a margin ranging from 0.7% to 1.7%. The revolving credit facility is secured by 15 Canadian investment properties.

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

DEBT MATURITIES

	Canada		Brazil		Europe		Australasia		Corporate	
Expressed in thousands of Canadian dollars	**Total debt payable**	**WAIR**	**Total debt payable**	**WAIR**	**Total debt payable**	**WAIR**	**Total debt payable**	**WAIR**	**Total debt payable**	**WAIR**
2019	$ 20,967	3.38%	$ 841	—%	$ 13,308	1.75%	$ —	—%	$ 247,162	4.33%
2020	183,862	4.20%	18,951	—%	25,174	1.42%	193,940	4.19%	—	—%
2021	121,059	3.20%	19,845	—%	31,003	2.46%	117,118	4.19%	47,000	8.34%
2022	66,462	3.81%	20,778	—%	61,688	2.10%	527,583	4.09%	—	—%
2023	49,029	4.16%	21,799	—%	7,673	—%	67,489	2.99%	—	—%
2024	63,876	3.52%	22,741	—%	25,765	1.80%	—	—%	—	—%
2025	26,627	3.50%	23,849	—%	27,885	2.02%	—	—%	—	—%
2026	541	—%	25,031	—%	6,624	—%	—	—%	—	—%
2027	573	—%	23,671	—%	24,673	2.03%	—	—%	—	—%
2028 and thereafter	659	—%	62,471	—%	151,074	2.44%	—	—%	—	—%
	$ 533,655	3.77%	$ 239,977	4.54%	$ 374,867	2.19%	$ 906,130	4.04%	$ 294,162	4.98%
Marked to market premium	2,296	(0.84)%	—	—	—	—	—	—	—	—
	$ 535,951	2.93%	$ 239,977	4.54%	$ 374,867	2.19%	$ 906,130	4.04%	$ 294,162	4.98%
Unamortized financings costs	(964)		(8,169)		(2,539)		(2,700)		(1,289)	
Total	$ 534,987		$ 231,808		$ 372,328		$ 903,430		$ 292,873	

The table below summarizes the movements in the REIT's mortgages and loans during the three and nine months ended September 30, 2019:

DEBT CONTINUITY

	Canada Mortgages	Brazil Debt	Europe Mortgages	Australasia Term Loans	Corporate Debt	Total [1]
Opening balance, July 1, 2019	**$ 488,465**	**$ 176,786**	**$ 358,660**	**$ 980,784**	**$ 324,300**	**$ 2,328,995**
Principal amortization	(3,435)	—	(2,704)	—	—	(6,139)
Repayments	—	(107,886)	—	(69,030)	(129,498)	(306,414)
Advances	50,252	182,871	26,813	20,712	103,663	384,311
Additional financing fees incurred	(183)	(6,071)	—	4	(591)	(6,841)
Amortization of finance fees	218	4,536	104	272	432	5,562
Amortization of mark-to-market	(330)	—	—	—	—	(330)
Inflation adjustment	—	197	—	—	—	197
Foreign exchange adjustment	—	(18,625)	(10,545)	(29,312)	(5,433)	(63,915)
Ending balance, September 30, 2019	**$ 534,987**	**$ 231,808**	**$ 372,328**	**$ 903,430**	**$ 292,873**	**$ 2,335,426**

DEBT CONTINUITY	Canada Mortgages	Brazil Debt	Europe Mortgages	Australasia Term Loans	Corporate Debt	Total (1)
Opening balance, January 1, 2019	**$ 494,485**	**$ 186,902**	**$ 327,870**	**$ 974,557**	**$ 422,886**	**$ 2,406,700**
Principal amortization	(10,354)	—	(7,583)	—	—	(17,937)
Repayments	1,616	(122,048)	—	(191,153)	(413,763)	(725,348)
Refinancing	—	—	5,262	—	—	5,262
Advances	50,252	175,871	73,548	193,625	293,411	786,707
Additional financing fees incurred	(526)	(6,071)	(708)	(538)	(1,851)	(9,694)
Amortization of finance fees	534	5,334	226	1,731	1,249	9,074
Amortization of mark-to-market	(1,020)	—	—	—	—	(1,020)
Inflation adjustment	—	4,044	—	—	—	4,044
Foreign exchange adjustment	—	(12,224)	(26,287)	(74,792)	(9,059)	(122,362)
Ending balance, September 30, 2019	**$ 534,987**	**$ 231,808**	**$ 372,328**	**$ 903,430**	**$ 292,873**	**$ 2,335,426**

(1) Total debt excluding finance lease

During the three months ended September 30, 2019, the REIT entered into a new Canadian mortgage and refinanced existing mortgages for a total of $50.3 million to fund acquisitions (see **Highlights for the Quarter**). The REIT also closed new Brazilian term debt of approximately $182.9 million at 3.88%, the proceeds were used to partially repayment existing debt which carried a rate of 7.84% (see **Highlights for the Quarter**). The REIT entered into a new German mortgage and credit facility of $26.8 million, to fund the purchase of a German property and a deposit on a future acquisition (see **Highlights for the Quarter**). Lastly, the REIT entered into a new New Zealand Dollar denominated facility of approximately $109.5 million at 4.30%, the proceeds were used to pay the outstanding balance of the existing Australasian facility of approximately $96.4 million which carried a rate of 6.91% (see **Highlights for the Quarter**).

Finance Lease Payable

The lease of land on which one of Australia REIT's investment properties is built is accounted for as a finance lease. The remaining term of the lease at September 30, 2019 was 68 years. There is no purchase option.

Convertible Debentures

The following table summarizes, as at September 30, 2019, the REIT's Convertible Debentures:

CONVERTIBLE DEBENTURES Expressed in thousands of Canadian dollars	Fair Value (1)	Face Value	Interest Rate	Conversion Price per Unit	Maturity Date	Interest Payment Dates
As at September 30, 2019						
Series NWH.DB	40,653	40,250	5.25%	$ 14.20	**September 30, 2020**	**March 31, September 30**
Series NWH.DB.D	56,212	52,760	5.50%	$ 11.25	**October 31, 2020**	**April 30, October 31**
Series NWH.DB.E	77,740	74,750	5.25%	$ 12.75	**July 31, 2021**	**January 31, July 31**
Series NWH.DB.F	82,947	80,500	5.25%	$ 12.80	**December 31, 2021**	**June 30, December 31**
Series NWH.DB.G	129,374	125,000	5.50%	13.35	**December 31, 2023**	**June 30, December 31**
	$ 386,926	**$ 373,260**	**5.37%**			

Notes

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

DUP Liability

Under IFRS, the REIT's DUP Liability is measured at fair value each reporting period. The fair value of the DUP Liability mirrors the trading price of the REIT Trust Units. As at September 30, 2019 the DUP Liability is $17.5 million (December 31, 2018 - $13.0 million) representing 2,922,035 deferred units of which 1,191,026 are vested but not exercised (December 31, 2018 -3,411,243 deferred units of which 1,120,702 are vested but not exercised).

RATIOS AND COVENANTS

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

The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with a term to maturity that is appropriate having regard to the lease maturity profile for each property and which allows the REIT to (i) achieve and maintain staggered debt maturities to lessen exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix the rates and extend loan terms as long as possible when borrowing conditions are favourable. The following summarizes the status of these key ratios as at and for the three and nine months ended September 30, 2019 and 2018:

RATIOS [1]

Expressed in thousands of Canadian dollars	As at September 30, 2019	As at December 31, 2018
Gross book value [1]	$ 5,201,319	$ 5,071,648
Debt - declaration of trust [1]	$ 2,360,477	$ 2,423,137
Debt to Gross Book Value - Declaration of Trust	**45.4%**	**47.8%**
Debt - including convertible debentures [1]	$ 2,747,403	$ 2,824,372
Debt to Gross Book Value - Including Convertible Debentures	**52.8%**	**55.7%**

	Three months ended September 30,			Nine months ended September 30,		
	2019	**2018**	**Variance**	**2019**	**2018**	**Variance**
Income (Loss) before taxes	$ 16,172	$ 571	$ 15,601	$ 94,391	$ 75,813	$ 18,578
Add (deduct):						
Mortgage and loan interest expense	33,804	31,435	2,369	98,396	92,127	6,269
Distributions on Exchangeable Units	3,541	3,541	—	10,625	10,625	—
Amortization of deferred financing costs	5,453	3,800	1,653	9,591	8,454	1,137
Amortization of marked to market adjustment	(330)	(500)	170	(1,020)	(1,590)	570
EBITDA	$ 58,640	$ 38,847	$ 19,793	$ 211,983	$ 185,429	$ 26,554
Loss on revaluation of financial liabilities	130	2,740	(2,610)	3,978	17,504	(13,526)
Fair market value losses (gains)	8,988	(30,213)	39,201	(43,675)	(76,974)	33,299
DUP compensation expense	1,937	647	1,290	6,348	3,603	2,745
Foreign exchange loss (gain)	(44)	(783)	739	(3,162)	2,272	(5,434)
Net loss on disposal of investment properties	—	917	(917)	139	2,688	(2,549)
Transaction costs	1,419	4,140	(2,721)	11,116	9,103	2,013
Impairment loss on Goodwill	—	50,096	(50,096)	—	50,096	(50,096)
Less: share of (profit) loss of equity accounted investments	(2,716)	—	(2,716)	19,002	—	19,002
Add: distribution income from equity accounted investments	2,374	—	2,374	4,253	—	4,253
Adjusted EBITDA	$ 70,728	$ 66,391	$ 4,337	$ 209,982	$ 193,721	$ 16,261
Mortgage and loan interest expense	$ 33,804	$ 31,435	$ (2,369)	$ 98,396	$ 92,127	$ (6,269)
Less: debt repayment costs	(3,442)	—	3,442	(3,442)	(2,506)	936
Adjusted mortgage and loan interest expense	$ 30,362	$ 31,435	$ 1,073	$ 94,954	$ 89,621	$ (5,333)
Interest coverage	**2.33**	**2.11**	**0.22**	**2.21**	**2.16**	**0.05**

Notes

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

LIQUIDITY AND CASH RESOURCES

Cash Resources and Liquidity

CASH AND LIQUIDITY		
Expressed in thousands of Canadian dollars	**As at September 30, 2019**	**As at December 31, 2018**
Cash	$ 85,917	$ 45,808
Restricted Cash	55	351
Total	**$ 85,972**	**$ 46,159**

The REIT also has Credit Facilities that provides for additional liquidity. As at September 30, 2019, the drawn balance on the Credit Facilities was $143.5 million of the $151.5 million available to be drawn. The liquidity of the Australasian secured financing fluctuates based on the market price (as defined in the agreement) of the pledged units securing the facilities and is currently fully drawn.

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

Contractual cash flows

Liquidity risk arises from the REIT's financial obligations and in the management of its assets, liabilities and capital structure. This risk is managed by regularly evaluating the liquid financial resources available to fund current and long-term obligations and to meet the REIT's capital commitments in a cost-effective manner. The REIT expects to be able to meet all of its obligations as they become due and have sufficient liquidity from the following sources: (i) cash flow from operating activities; (ii) distribution income received from its investment in Vital Trust; (iii) financing available through both conventional mortgage debt secured by income producing properties, as well as unsecured debt; (iv) the issuance of new equity and debt securities; and (v) to the extent necessary, the sale of assets.
The following table sets out the REIT's contractual cash flows as at September 30, 2019:

CONTRACTUAL CASH FLOWS								
Expressed in thousands of Canadian dollars	**Carrying amount**	**Contractual cash flow**	**2019**	**2020**	**2021**	**2022**	**2023**	**Thereafter**
Accounts payable and accrued liabilities	$ 76,140	$ 76,140	$ 76,140	$ —	$ —	$ —	$ —	$ —
Distributions payable	8,835	8,835	8,835	—	—	—	—	—
Income tax payable	4,934	4,934	4,934	—	—	—	—	—
Convertible debentures	386,926	427,734	5,677	113,032	170,276	6,875	131,874	—
Finance lease payable	11,686	11,686	460	1,623	1,417	1,351	1,270	5,565
Mortgages and loans payable	2,335,426	2,502,644	344,774	403,692	361,283	698,034	163,093	531,768
Total	**$2,823,947**	**$ 3,031,973**	**$440,820**	**$518,347**	**$532,976**	**$706,260**	**$296,237**	**$ 537,333**

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

The REIT's current liabilities totaled $460.0 million, exceeding current assets of $142.1 million, resulting in a working capital deficiency of $318.0 million as at September 30, 2019. Subsequent to the quarter, the REIT plans to reduce current working capital deficiency to approximate $90.0 million through refinancing and committed debt repayments.

Current liabilities include:

- Canadian dollar denominated revolving and non-revolving credit facilities with balances outstanding of $143.5 million and $51.2 million, respectively. On November 1, 2019, the REIT amended and refinanced the terms of both facilities whereby the facilities were combined into a single revolving facility (see **Subsequent Events**). The new combined facility is revolving with a term to maturity of three years. The availability on the new combined revolving credit facility was increased to $218.0 million.

- $98.8 million of Canadian mortgage maturities that the REIT expects to refinance in the normal course as they mature.

- Convertible debenture series NWH.DB with fair value of $40.7 million mature September 30, 2020. The REIT expects to repay the debenture series on or before their maturity.

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

Changes in Cash

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

NET CHANGE IN CASH (1)

Expressed in thousands of Canadian dollars	Three months ended September 30, 2019			Nine months ended September 30, 2019		
	2019	**2018**	**Variance**	**2019**	**2018**	**Variance**
Cash provided by / (used in):						
Operating activities	$ (2,959)	$ 38,537	$ (41,496)	$ 71,780	$ 75,604	$ (3,824)
Investing activities	(116,637)	82,843	(199,480)	(236,746)	(156,528)	(80,218)
Financing activities	155,882	(128,141)	284,023	216,501	63,536	152,965
Net increase / (decrease) in cash during the period	**36,286**	**(6,761)**	**43,047**	**51,535**	**(17,388)**	**68,923**
Effect of foreign currency translation	(1,514)	1,187	(2,701)	(11,426)	(190)	(11,236)
Net increase / (decrease) in cash during the period	**$ 34,772**	**$ (5,574)**	**$ 40,346**	**$ 40,109**	**$ (17,578)**	**$ 57,687**

Operating activities

Cash used by operating activities totaled $3.0 million for the three months ended September 30, 2019 as compared to cash generated by operating activities of $38.5 million for the three months ended September 30, 2018, an decrease of $41.5 million. This decrease is primarily related to a negative working capital movement of $36.8 million, a $4.1 million increase income taxes paid, and increase in mortgage and loan interest paid of $5.4 million, partially offset by a $4.6 million increase in NOI.

Cash generated by operating activities totaled $71.8 million for the nine months ended September 30, 2019 as compared to $75.6 million for the nine months ended September 30, 2018, an decrease of $3.8 million. This decrease is primarily related to a $5.8 million negative working capital movement, and an increase to taxes paid of $0.6 million, and $9.8 million increase in mortgage and loan interest paid, partially offset a $12.7 million improvement in NOI.

Investing activities

Cash used by investing activities totaled $116.6 million for the three months ended September 30, 2019, which is primarily related to acquisitions of investment properties of $91.8 million, and additions to investment properties of $29.5 million, net of interest income and distributions received contract settlement of $1.9 million and $2.4 million, respectively.

Cash used by investing activities totaled $236.7 million for the nine months ended September 30, 2019, which is primarily due to $188.3 million related to acquisitions of investment properties, $66.4 million of additions to investment properties, and investment in HSO portfolio of $152.5 million, net of proceeds from financing and settlement of HSO forward contract of $156.5 million.

Financing activities

Cash provided by financing activities totaled $155.9 million for the three months ended September 30, 2019 as compared to cash used by financing activities totaling $128.1 million during the three months ended September 30, 2018.

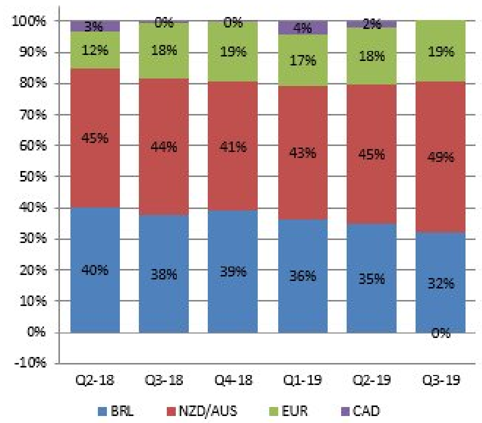
During the three months ended September 30, 2019, the REIT generated net proceeds from issuance of equity of $164.6 million and net mortgages, loans payable and credit facilities proceeds of $71.5 million, partially offset by financing fees of $10.2 million, distributions paid to REIT unitholders of $26.0 million and distributions paid to non-controlling unitholders of $5.7 million.

For the nine months ended September 30, 2019, financing activities generated cash of $216.5 million as compared to cash provided by financing activities of $63.5 million during the nine months ended September 30, 2019. The REIT received net proceeds from issuance of trust units of $301.5 million and net mortgages, loans payable and credit facilities proceeds of $60.1 million, paid financing fees of $13.0 million, paid distributions to REIT unitholders of $62.7 million and paid distributions to non-controlling unitholders of $17.3 million.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months ended September 30, 2019, approximately 100% of the REIT's AFFO, including Corporate costs such as certain general and administrative expenses, interest expenses and interest income that were denominated in Canadian dollars, was conducted in currencies other than Canadian dollars while its distributions to Unitholders were denominated only in Canadian dollars. A summary of the REIT's currency exposure by quarter for the last five quarters is presented below:

AFFO by Currency by Quarter [1]



Trading Range

(Against CAD)	BRL	EUR	NZD	AUD
Three months ended September 30, 2019:				
High	0.3496	1.4910	0.8858	0.9214
Low	0.3180	1.4453	0.8293	0.8940
Average	0.3325	1.4676	0.8559	0.9047
Balance Sheet:				
September 30, 2019	0.3182	1.4453	0.8293	0.8940
December 31, 2018	0.3511	1.5598	0.9146	0.9613
Profit & Loss:				
Q3 2019 Average Rate	0.3325	1.4676	0.8559	0.9047
Q2 2019 Average Rate	0.3413	1.5028	0.8857	0.9361
Q1 2019 Average Rate	0.3528	1.5102	0.9059	0.9469
Q4 2018 Average Rate	0.3465	1.5078	0.8863	0.9479
Q3 2018 Average Rate	0.3310	1.5203	0.8737	0.9555

Notes

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

For the three months ended September 30, 2019, a portion of the AFFO generated in foreign currencies was retained in those foreign currencies to provide funds for operations, future investments in those foreign jurisdictions and to minimize currency conversion costs, while a portion has been repatriated back to Canada to fund distributions, interest payments and other corporate expenses.

For the three months ended September 30, 2019, Canadian dollar AFFO was $0.2 million while Canadian dollar distributions paid in cash to unitholders totaled $30.0 million. Deficiencies were funded from cash repatriated to Canada from Brazil, Europe, Australia, and New Zealand and the draws on Corporate credit facilities.

As at September 30, 2019, the REIT held approximately $3.1 million of cash and receivables denominated in Canadian Dollars.

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

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

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

Among the REIT's global currencies, compared to December 31, 2018, the BRL, Euro, NZD and AUD were down relative to Canadian dollar by 9.4%, 7.3%, 9.3% and 7.0%, respectively.

PART V – RELATED PARTY TRANSACTIONS

a) As at September 30, 2019, NWVP indirectly owned approximately 17% of the outstanding Trust Units (approximately 14% on a fully-diluted basis assuming conversion of the REIT's Convertible Debentures and redemption of its deferred units) of the REIT through a combination of Trust Units of the REIT and Class B LP Units. Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer ("**CEO**") of the REIT, is the sole shareholder, sole director and President of NWVP.

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

RELATED PARTY TRANSACTIONS

Expressed in thousands of Canadian dollars	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	Variance	2019	2018	Variance
Out-of-pocket costs	$ 164	$ 335	$ (171)	$ 668	$ 492	$ 176
Cost-sharing and sublease amounts	2	(10)	12	7	(10)	17

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

RELATED PARTY BALANCE SHEET AMOUNTS

Expressed in thousands of Canadian dollars	As at September 30, 2019	As at December 31, 2018	Variance
Amounts receivable (payable)			
Out-of-pocket costs advanced (paid)	$ 3,023	$ 184	$ 2,839
Amounts payable			
Class B Exchangeable Unit distributions	$ 1,181	$ 1,181	$ —

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

PART VI – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

All significant accounting policies have been applied on a basis consistent with those followed in the most recent audited annual consolidated financial statements of the REIT for the year ended December 31, 2018 with the exception of the accounting standards implemented in 2019, which are described in note 2 of the REIT's condensed consolidated interim financial statements for the three and nine months ended September 30, 2019.

The preparation of financial statements in conformity with IFRS requires the REIT to make judgments, estimates, and assumptions that affect the reported amounts recognized in the financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the financial statements. Actual results could differ from estimates. Please refer to note 1 in the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2018.

PART VII – RISKS AND UNCERTAINTIES

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

PART VIII – CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's disclosure controls and procedures (as defined by National Instrument 52 ‐ 109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators ("NI 52 ‐ 109") to provide reasonable assurance that: (i) material information relating to the REIT, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the filings are being prepared; and (ii) material information required to be disclosed in the fillings or other reports filed or submitted by the REIT under securities legislation is recorded, processed, summarized and reported on a timely basis and within the time period specified by securities legislation.

Changes in Internal Controls Over Financial Reporting

There were no significant changes made in internal controls over financial reporting during the three and nine months ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

PART IX – OUTLOOK

For remainder of 2019, the REIT will continue to focus on (i) lowering leverage as well as its overall cost of capital through accretive debt refinancing and establishing new capital relationships through joint ventures; (ii) pursuing accretive acquisition and development opportunities in existing and adjacent markets; (iii) growing third party assets under management along with related management fees; and, (iv) executing a global investor relations outreach program.

Looking forward, the REIT remains committed to its long-term strategic initiatives as outlined below:

1. Leveraging a best-in class global management platform to drive strategic relationships and being the healthcare industry's real estate partner of choice;
2. Accretively growing the portfolio through reinvestment in existing assets and acquiring new assets with a focus on long-term, triple net, indexed leases with major healthcare operators in global gateway cities;
3. Achieving maximum risk-adjusted returns and driving unitholder value through optimal capital allocation within the REIT's global markets;
4. Optimizing its capital structure and reducing overall leverage;
5. Growing third party management fees by leveraging existing and driving new capital relationships and joint ventures;
6. Increasing investor liquidity by raising new capital and broadening its investor base through a global investor relations outreach program.

PART X – PROPERTY TABLE

As at September 30, 2019

PROPERTY TABLE

	Property	Location	Date Acquired	Year Built [1]	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE[2]
	Canada							
1	Glenmore Professional Centre	Calgary, AB	Dec 31, 2010	2007	137,821	5	90.9%	5.1
2	Sunridge Professional Centre	Calgary, AB	Mar 25, 2010	1985	132,940	35	95.1%	3.8
3	Riley Park Health Centre (6)	Calgary, AB	Mar 25, 2010	1956	72,801	11	100.0%	3.4
4	Rockyview Health Centre I	Calgary, AB	Mar 25, 2010	1977	68,401	29	91.8%	3.9
5	Foothills Professional Building	Calgary, AB	Mar 25, 2010	1980	58,295	21	97.9%	4.0
6	Sunpark Plaza	Calgary, AB	Dec 7, 2011	2005	53,237	9	71.2%	2.4
7	Rockyview Health Centre II	Calgary, AB	Mar 25, 2010	1975	53,126	6	85.5%	6.7
8	Willow Brook Medical Centre	Airdrie, AB	Apr 10, 2012	2010	34,680	5	100.0%	4.0
9	Hys Centre	Edmonton, AB	Feb 1, 2011	1978	183,135	35	79.6%	4.4
10	Tawa Centre	Edmonton, AB	May 31, 2011	1986	87,899	24	80.8%	4.3
11	Mira Health Centre	Edmonton, AB	Mar 25, 2010	1992	69,548	17	89.3%	5.3
12	Garneau Professional Building	Edmonton, AB	Mar 25, 2010	1980	58,543	15	67.3%	3.4
13	Queen Street Place	Spruce Grove, AB	Jul 7, 2010	2007	75,403	14	85.2%	4.7
14	WRHA Downtown West Community	Winnipeg, MB	May 16, 2013	1974	43,685	2	95.8%	8.9
15	Hargrave Place	Winnipeg, MB	Jul 31, 2013	1977	71,154	3	100.0%	9.8
16	Davisville Medical Dental Centre	Toronto, ON	Mar 25, 2010	1964	95,820	82	93.3%	4.4
17	Fairview Health Centre	Toronto, ON	Mar 25, 2010	1971	87,262	55	98.9%	5.9
18	North York Medical Arts Building	Toronto, ON	Mar 25, 2010	1969	75,867	60	100.0%	3.8
19	The Stewart Building	Toronto, ON	Mar 25, 2010	1892	43,118	1	100.0%	9.6
20	Malvern Medical Arts	Toronto, ON	Apr 1, 2011	1987	40,696	17	96.9%	6.3
21	Albany Medical Clinic	Toronto, ON	Sep 27, 2012	2010	42,582	1	100.0%	10.6
22	One Medical Place	Toronto, ON	Mar 25, 2010	1964	41,160	21	88.5%	5.7
23	Danforth Health Centre	Toronto, ON	Mar 25, 2010	1991	29,496	10	100.0%	2.8
24	Bathurst Health Centre	Toronto, ON	Mar 25, 2010	1984	29,101	14	92.4%	8.1
25	81 The East Mall (6)	Toronto, ON	Jan 16, 2015	1975	37,251	7	100.0%	13.1
	85 The East Mall (6)	Toronto, ON	Jan 16, 2015	2016	46,448	8	93.2%	12.6
26	Queensway Professional Centre	Mississauga, ON	Mar 25, 2010	1977	169,894	66	90.8%	5.9
27	Trafalgar Professional Centre	Oakville, ON	Mar 25, 2010	1985	66,085	32	95.2%	3.8
28	Dundas-Centre Medical	Whitby, ON	Oct 1, 2012	1987	34,514	23	96.2%	4.6
29	Wentworth-Limeridge Medical Centre	Hamilton, ON	Mar 25, 2010	1989	40,715	22	96.8%	3.4
30	Queenston Medical-Dental Centre	Hamilton, ON	Oct 1, 2012	1992	18,677	15	90.8%	2.7
31	Oxford Health Centre	London, ON	Mar 25, 2010	1994	39,184	22	79.5%	2.4
32	Springbank Medical Centre	London, ON	Mar 30, 2012	2011	53,822	30	93.5%	4.1
33	Canamera Medical Centre	Cambridge, ON	Sep 15, 2011	2007	86,283	20	100.0%	4.7
34	Guelph Medical Place I	Guelph, ON	Oct 1, 2012	1991	36,063	16	100.0%	3.7
35	Guelph Medical Place II	Guelph, ON	Oct 1, 2012	2011	27,950	15	100.0%	4.3
36	Collingwood Health Centre	Collingwood, ON	Mar 25, 2010	1989	26,354	13	93.7%	3.5
37	Owen Sound Family Health Centre	Owen Sound, ON	Feb 9, 2015	2011	77,542	13	94.2%	4.2
38	Smyth Medical Centre	Ottawa, ON	Sep 10, 2012	1983	24,391	17	84.8%	2.4
39	Barrie Primary Care Campus	Barrie, ON	Feb 9, 2015	2016	79,229	12	84.2%	10.9
40	CSSS Haut-Richelieu	Richelieu, QC	Sep 1, 2010	2009	54,659	1	100.0%	4.3
41	Le Carrefour Medical	Laval, QC	Mar 25, 2010	1990	117,615	32	89.1%	4.2
42	Clinique Bleue	Longueuil, QC	Mar 25, 2010	1988	25,633	6	100.0%	4.9
43	2924 Taschereau Boulevard	Longueuil, QC	Mar 25, 2010	1988	24,644	1	100.0%	1.0

PROPERTY TABLE

	Property	Location	Date Acquired	Year Built [1]	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE [2]
44	CLSC Saint-Hubert	Saint Hubert, QC	Mar 25, 2010	1991	49,323	2	100.0%	7.9
45	950 Montee des Pionniers	Lachenaie, QC	Mar 25, 2010	2004	64,722	15	98.0%	4.7
46	Agence Lanaudiere	Joliette, QC	Dec 20, 2012	1994	53,771	1	100.0%	3.8
47	CSSS Grand Littoral	Levis, QC	Sep 1, 2010	2008	64,563	2	100.0%	3.2
48	Polyclinique Val-Belair	Quebec City, QC	Jul 22, 2011	2009	46,050	12	100.0%	2.9
49	Centre Medicale de L'Hetriere	Quebec City, QC	Jan 19, 2012	2007	36,636	6	90.5%	3.9
50	Fredericton Medical Centre	Fredericton, NB	Mar 25, 2010	1985	70,570	41	96.9%	3.7
51	Moncton Medical Clinic	Moncton, NB	Jan 23, 2012	1984	40,570	16	100.0%	5.1
52	Cobequid Centre	Lower Sackville, NS	Mar 25, 2010	2006	30,009	1	100.0%	2.9
53	Halifax Professional Centre	Halifax, NS	Mar 25, 2010	1969	115,831	79	86.8%	4.0
54	Gladstone Professional Centre	Halifax, NS	Mar 25, 2010	1985	41,859	11	100.0%	1.4
55	New Glasgow Medical Centre	New Glasgow, NS	Dec 21, 2011	2009	33,800	1	100.0%	5.1
56	South Peel Medical-Dental Building	Mississauga, ON	Aug 8, 2019	1970	21,885	12	62.3%	2.3
57	Cambrian Centre	Calgary, AB	Sep 16, 2019	2010	148,929	5	88.3%	5.7
					3,591,241	**1,067**	**92.2%**	**5.0**
	Redevelopment Properties:							
	Parkwood (6)	Calgary, AB	Mar 25, 2010	1956	20,271	n/a	—%	n/a
					20,271	**n/a**	**n/a**	**n/a**
	Development Land:							
	St. Albert Land	St. Albert, AB	Feb 9, 2015	n/a	n/a	n/a	n/a	n/a
	479 Hume	Collingwood, ON	Jan 26, 2017	n/a	n/a	n/a	n/a	n/a

PART X – PROPERTY TABLE (CON'T.)

PROPERTY TABLE

	Property	Location	Date Acquired	Year Built [1]	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE [2]
	Brazil							
58	Sabará Children's Hospital	São Paulo	Nov 16, 2012	2010	104,915	1	100.0%	5.0
	Rede D'Or Hospital Portfolio:							
59	Hospital e Maternidade Brasil ("HMB")	São Paulo	Dec 27, 2012	1970 - 2007	342,000	1	100.0%	18.3
60	Hospital Santa Luzia	Brasilia's South Wing	Dec 24, 2013	2003	185,139	1	100.0%	19.3
61	Hospital Do Coracao	Brasilia's South Wing	Dec 24, 2013	2007	96,875	1	100.0%	19.3
62	Hospital Caxias	Rio de Janeiro	Dec 24, 2013	2013	290,626	1	100.0%	19.3
63	Hospital IFOR	São Paulo	Jul 29, 2016	2001	150,000	1	100.0%	21.8
64	Hospital Santa Helena	Brasilia - DF	Oct 24, 2016	2006	323,774	1	100.0%	22.1
65	Hospital São Luiz Morumbi	São Paulo	Sep 28, 2018	2000	230,374	1	100.0%	24.1
					1,723,703	**8**	**100.0%**	**19.6**
	Europe							
	Germany							
66	Adlershof 1	Berlin	Nov 16, 2012	2004	55,395	54	98.1%	4.4
67	Adlershof 2	Berlin	Nov 16, 2012	2010	47,507	46	100.0%	2.7
68	Berlin Neukölln	Berlin	Nov 16, 2012	2000	33,991	16	99.8%	3.6
69	Königs Wusterhausen 1	Königs Wusterhausen	Nov 16, 2012	2001	35,693	24	85.4%	2.4
70	Fulda - 3-5flem	Fulda	Mar 31, 2013	2010	111,205	29	89.1%	1.7
71	Polimedica Centre	Berlin	Jun 25, 2014	2007	114,179	36	99.0%	7.3
72	Hollis Centre	Ingolstadt	Jun 25, 2014	1996	99,421	33	92.8%	3.2
73	Leipzig am Park	Leipzig	Jun 25, 2014	1977	19,048	10	100.0%	7.6
74	Leipzig Baestlein	Leipzig	Jun 25, 2014	1975	19,163	11	93.4%	5.0
75	Leipzig Gruenauer	Leipzig	Jun 25, 2014	1980	15,932	10	96.8%	8.5
76	Leipzig Karlsruher	Leipzig	Jun 25, 2014	1982	19,013	7	91.4%	6.1
77	Leipzig Lidicestrasse	Leipzig	Jun 25, 2014	1975	19,201	13	100.0%	5.3
78	Leipzig Pfaffensteinstrasse	Leipzig	Jun 25, 2014	1985	18,277	8	79.5%	3.3
79	Leipzig Plovdiver	Leipzig	Jun 25, 2014	1975	17,833	4	93.5%	4.7
80	Leipzig Schlehenweg	Leipzig	Jun 25, 2014	1989	18,625	11	92.5%	2.4
81	Leipzig Stuttgarter	Leipzig	Jun 25, 2014	1978	18,047	10	87.4%	3.0
82	Leipzig Tauchaer Strasse	Leipzig	Jun 25, 2014	1982	18,877	11	100.0%	5.7
83	Leipzig Yorckstrasse	Leipzig	Jun 25, 2014	1975	11,644	9	99.1%	3.4
84	Hohenschonhausen	Berlin	Aug 30, 2014	1996	64,640	36	91.1%	2.1
85	Mehrower Allee	Berlin	Apr 14, 2016	2006	82,243	60	97.0%	3.5
86	Alstadt-Caree Fulda Medical Centre	Fulda	Feb 1, 2017	2017	31,025	12	100.0%	6.0
87	Medical Care Centre Hamburg-Bergedorf	Hamburg	Feb 1, 2017	1989	60,776	30	87.3%	5.6
88	Praxis-Klinik Bergedorf	Hamburg	Dec 18, 2017	1994	65,583	28	97.8%	
89	Clinic Bismarkstr68	Bad Kissingen	Feb 22, 2018	1996	79,502	1	100.0%	25.4
90	Clinic Bremerstr2	Wilhelmshaven	Mar 15, 2018	1994	151,254	1	100.0%	25.5
91	Fritz-Lang-Platz 6	Berlin	Feb 1, 2018	2005	59,664	10	100.0%	5.1
92	Landsberger Allee 44	Berlin	Apr 27, 2018	1994	33,172	24	96.0%	6.4
93	Matthiasstr. 7	Berlin	Apr 27, 2018	1995	34,892	32	87.2%	6.2
94	Allee der Kosmonauten 47	Berlin	Dec 28, 2018	1980	58,700	50	91.8%	3.1
95	Klinik Bernkastel & Moselhohe	Berlin	Dec 21, 2018	1975/1973	238,453	1	100.0%	26.3
96	Schmilauer Str. 108 & Röpersberg 45/47	Schleswig-Holstein	Jan 31, 2019	1974	623,596	1	100.0%	24.4
97	Günter-Hartenstein-Str. 25	Bad Wildungen	Apr 15, 2019	1978/1982	358,793	1	100.0%	26.6
98	Paul-Ehrlich-Straße 1 - 3	Lübeck	Jul 1, 2019	2008	95,624	38	99.2%	4.0
					2,730,968	**667**	**97.5%**	**15.4**

PROPERTY TABLE

	Property	Location	Date Acquired	Year Built [1]	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE [2]
	Development Land:							
	Rubensstr Land	Berlin	Apr 1, 2015	n/a	n/a	n/a	n/a	n/a
	Mehrower Land	Berlin	Jan 30, 2017	n/a	n/a	n/a	n/a	n/a
	Demmeringstr. 47-49	Leipzig	Mar 7, 2019	n/a	52,443	n/a	n/a	n/a
	Netherlands							
99	Maastadweg 2-144	Rotterdam	June 29, 2018	2011	346,807	30	93.1%	8.0
100	Prins Berhardplein 200	Brunssum	June 29, 2018	2016	117,234	1	100.0%	17.5
					464,041	**31**	**94.8%**	**10.4**
	Europe Total				**3,195,009**	**698**	**97.1%**	**14.7**

PART X – PROPERTY TABLE (CON'T)

PROPERTY TABLE

	Property	Location	Date Acquired	Year Built [(1)]	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE [(2)]
	Vital Trust							
	Australia							
101	The Southport Private Hospital	Southport, Queensland	Dec 22, 2010	1979	318,776	1	100.0%	18.4
102	Belmont Private Hospital	Carina, Queensland	Dec 22, 2010	1973/2015	94,024	1	100.0%	16.4
103	Clover-Lea Residential Aged Care	Sydney, New South Wales	Mar 1, 2016	1919/1960/2003	16,146	1	100.0%	16.4
104	Dubbo Private Hospital	Dubbo, New South Wales	Dec 22, 2010	1994	60,144	1	100.0%	12.3
105	Epworth Eastern Hospital	Melbourne, Victoria	Mar 30, 1999	2005	136,610	6	100.0%	20.9
106	Epworth Eastern Medical Centre	Melbourne, Victoria	Mar 30, 1999	1986	33,421	24	100.0%	8.3
107	Epworth Rehabilitation	Melbourne, Victoria	Feb 1, 1999	1971	37,136	1	100.0%	4.4
108	Fairfield Residential Aged Care	Sydney, New South Wales	Mar 1, 2016	1968/2009	31,000	1	100.0%	16.4
109	Gold Coast Surgery Centre	Southport, Queensland	Dec 22, 2010	1999	29,506	8	100.0%	4.0
110	Hamersley Residential Aged Care	Perth, Western Australia	Mar 1, 2016	1971	20,279	1	100.0%	16.4
111	Hurstville Private Hospital	Sydney, New South Wales	Apr 30, 2012	1894/2015	135,239	1	100.0%	22.6
112	Lingard Private Hospital	Merewether, New South Wales	Dec 22, 2010	1975/2015	99,567	1	100.0%	26.4
113	Maitland Private Hospital	Maitland, New South Wales	Dec 22, 2010	2001/2015	127,435	2	100.0%	18.3
114	Marian Centre	Perth, Western Australia	Aug 12, 2014	1965	38,212	1	100.0%	14.9
115	Mayo Private Hospital	Taree, New South Wales	Dec 16, 2011	1997	62,700	1	100.0%	12.2
116	North West Private Hospital	Burnie, Tasmania	Dec 22, 2010	1988	87,361	2	100.0%	17.1
117	Palm Beach Currumbin Clinic	Currumbin, Queensland	Dec 22, 2010	1980	53,443	1	100.0%	12.4
118	Rockingham Residential Aged Care	Perth, Western Australia	Mar 1, 2016	1968/1992	14,596	1	100.0%	16.4
119	South Eastern Private Hospital	Melbourne, Victoria	Dec 22, 2010	1970	91,462	1	100.0%	21.4
120	Sportsmed Private Hospital	Adelaide, South Australia	Dec 3, 2012	1990/2008	56,608	2	100.0%	15.7
121	Sportsmed Consulting (8)	Adelaide, South Australia	Jan 20, 2016	1990	9,074	1	100.0%	16.3
122	Sportsmed Office (8)	Adelaide, South Australia	Jan 20, 2016	1988	15,253	1	100.0%	16.3
123	Toronto Private Hospital	Toronto, New South Wales	Dec 22, 2010	1988	55,682	2	100.0%	23.3
124	Mons Road	Westmead, New South Wales	Sep 30, 2016	2010	31,179	6	100.0%	3.4
125	Ekera Medical Centre	Box Hill, Victoria	Nov 17, 2016	2014	31,111	18	96.1%	4.5
126	Abbotsford Private Hospital	West Leederville, WA	Feb 24, 2017	2012	16,695	1	100.0%	22.4
127	Grafton Aged Care Home	South Grafton, NSW	Mar 31, 2017	1940	37,674	1	100.0%	17.5
128	Hirondelle Private Hospital	Chatswood, NSW	May 31, 2017	2013	34,402	1	100.0%	22.7
129	The Hills Clinic	Kellyville, NSW	Jul 31, 2017	2011	31,797	1	100.0%	27.8
130	Eden Rehabilitation Hospital	Cooroy, Queensland	Dec 8, 2017	1979	40,171	1	100.0%	18.2
					1,846,703	**91**	**99.9%**	**17.7**
	Development Land:							
131	25 Nelson Road(9)	Box Hill, Victoria	Nov 28, 2014	n/a	n/a	n/a	n/a	n/a
132	142 Brighton Avenue(10)	Toronto, New South Wales	Jul 22, 2015	n/a	n/a	n/a	n/a	n/a
133	27 Hopkins Street (11)	Merewether, New South Wales	Nov 25, 2015	n/a	n/a	n/a	n/a	n/a
134	6 Lingard Street (11)	Merewether, New South Wales	Dec 4, 2015	n/a	n/a	n/a	n/a	n/a
	New Zealand							
135	Apollo Health and Wellness Centre	Albany, Auckland	Sep 1, 2008	2005	52,807	24	96.2%	7.1
136	Ascot Central	Greenlane East, Auckland	May 1, 2008	2008	51,437	17	100.0%	4.5
137	Ascot Central Car Park	Greenlane East, Auckland	ground lease	1999	4,833	16	100.0%	12.3
138	Ascot Hospital	Greenlane East, Auckland	Mar 25, 1999	1999	122,497	21	100.0%	18.6
139	Kensington Hospital	Whangarei, Northland	Mar 12, 2001	2001	25,371	1	100.0%	26.8
140	Napier Health Centre	Napier, Hawke's Bay	Dec 23, 1999	1999	46,231	1	100.0%	4.2
141	Boulcott Private Hospital	Lower Hutt	Jul 1, 2016	1985	45,672	1	100.0%	18.8
142	Ormiston Hospital	Flatbush, South Auckland	Apr 4, 2017	2008	53,805	8	100.0%	3.9
143	Royston Hospital	Hastings, Hawke's Bay	Dec 12, 2017	1931	63,723	1	100.0%	28.2
144	Wakefield Hospital	Newtown, Wellington	Dec 12, 2017	1910	155,626	1	100.0%	28.2
145	Bowen Hospital	Crofton Downs, Wellington	Dec 12, 2017	1971	114,777	1	100.0%	28.2
					736,779	**92**	**99.7%**	**19.4**
	Development Land:							
	678 High Street	Lower Hutt	Jul 1, 2016	n/a	n/a	n/a	n/a	n/a
	Australasia - Vital Trust (3)				**2,583,482**	**183**	**99.9%**	**18.2**

PART X – PROPERTY TABLE (CON'T.)

PROPERTY TABLE

	Property	Location	Date Acquired	Year Built (1)	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE(2)
	Australia REIT							
146	Epworth Freemasons Private Hospital(13)	East Melbourne,Victoria	Jun 1, 2006	1935/1950/1960 /1970/1990/ 2007/2014/2015	150,587	1	100.0%	14.7
147	Epworth Freemasons Private Hospital and Medical Centre(13)	East Melbourne, Victoria	Jun 1, 2006	1980	92,397	31	100.0%	5.3
148	Pacific Private Clinic	Southport ,Queensland	Jun 1, 2007	2000	85,547	25	83.0%	0.9
149	Frankston Private Hospital	Frankston,Victoria	Jun 1, 2007	2006	127,664	9	100.0%	14.4
150	ARCBS (Australian Red Cross Blood Service) Facility(13)	Brisbane, Queensland	Jun 1, 2008	2008	217,958	11	100.0%	10.8
151	Westmead Rehabilitation Hospital	Merrylands ,New South Wales	Apr 19, 2013	2005	30,699	1	100.0%	18.7
152	Spring Hill	Brisbane ,Queensland	May 23, 2014	1988	90,320	12	98.0%	3.6
153	Frankston Specialist Centre	Frankston ,Victoria	Nov 3, 2014	1989	6,458	1	100.0%	5.1
154	St John Of God Berwick Specialist Centre	Berwick,Victoria	Jun 1, 2015	2015	38,501	13	100.0%	4.8
155	Bolton Clarke Tantula Rise Aged Care Facility	Alexandra Headland, Queensland	Jun 25, 2015	2005/2007	83,614	1	100.0%	16.8
156	Bolton Clarke Baycrest Aged Care Facility	Pialba, Queensland	Jun 25, 2015	1990/2006	71,860	1	100.0%	16.7
157	Bolton Clarke Darlington Aged Care Facility	Banora Point, New South Wales	Jun 25, 2015	2005/2007	67,694	1	100.0%	17.1
158	Waratah Private Hospital Ground Floor Suites	Hurstville,New South Wales	Sep 11, 2015	2010	7,933	1	100.0%	16.3
159	St John of God Private Hospital (Casey Stage 2)	Berwick,Victoria	Mar 21, 2013	2017	180,726	1	100.0%	15.3
160	Epping Medical Centre (14)	Epping, Victoria	Oct 1, 2018	2009	111,348	17	85.0%	11.4
161	Norwest Private Hospital (15)	Bella Vista	Jun 7, 2019	2009	215,278	1	100.0%	19.6
162	The Hills Private Hospital (15)	Baulkham Hills	Jun 7, 2019	1970	119,059	1	100.0%	18.6
163	Darwin Private Hospital (15)	Tiwi	Jun 7, 2019	1988	163,062	1	100.0%	20.6
164	Griffith Rehabilitation Hospital (15)	Hove	Jun 7, 2019	1930	28,944	1	100.0%	20.6
165	The Melbourne Clinic (15)	Richmond	Jun 7, 2019	1978	161,459	1	100.0%	19.6
166	John Fawkner Private Hospital (15)	Coburg	Jun 7, 2019	1945	161,771	1	100.0%	20.6
167	Brisbane Private Hospital (15)	Brisbane	Jun 7, 2019	1978	237,366	1	100.0%	19.6
168	Lady Davidson Private Hospital (15)	North Turramurra	Jun 7, 2019	1920	99,588	1	100.0%	18.6
169	Hunter Valley Private Hospital (15)	Shortland	Jun 7, 2019	1965	101,461	1	100.0%	19.6
170	The Sydney Clinic (15)	Sydney	Jun 7, 2019	1970	21,086	1	100.0%	18.6
171	Newcastle Private Hospital (15)	New Lambton Heights	Jun 7, 2019	1994	191,856	1	100.0%	19.6
	Development Property:							
	Gray Street Centre and Albert Street Car Park (12) (13)	East Melbourne,Victoria	Jun 1, 2006	n/a	n/a	n/a	n/a	n/a
	St John of God Private Hospital (Casey Stage 3)	Berwick,Victoria	Mar 21, 2013	n/a	n/a	n/a	n/a	n/a
					2,864,236	**137**	**98.9%**	**15.9**
	Portfolio Totals / Weighted Averages (5)				**13,977,942**	**2,093**	**97.1%**	**13.7**
	Portfolio Totals / Weighted Averages-at ownership interest (4)(5)				**12,036,210**		**96.9%**	**13.0**

Notes

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

(2) As at September 30, 2019 weighted average lease expiry in years.

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

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

(5) Weighted Average Occupancy and WALE excluding Redevelopment Properties.

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

(7) Adjacent to South Eastern Private Hospital.

(8) Adjacent Sportsmed Private Hospital.

(9) Adjacent to Epworth Eastern Hospital.

(10) Adjacent to Toronto Private Hospital.

(11) Adjacent Lingard Private Hospital.

(12) Adjoining the Epworth Freemasons Private Hospital.

(13) Assets sold to an institutional investor as part of a Joint Venture Agreement ("JV") which closed on September 21, 2018. The REIT retains 30% interest in the assets.

(14) On October 1, 2018, the REIT exercised an option to convert a loan receivable to a 50% interest in the related investment property located in Melbourne, Australia.

(15) On June 6, 2019, the REIT closed acquisition of 11 freehold hospitals ("HSO Portfolio") in Australia from Healthscope Ltd in a sale and leaseback transaction. The REIT owns 30% interest in the JV.

SUPPLEMENTAL DISCLOSURE

Unaudited	Three months ended September 30, 2019									
Expressed in thousands of Canadian dollars	Canada	Brazil	Europe	Australia/New Zealand					Corporate(3)	Consolidated
				Vital Trust	Australia REIT	ANZ Manager	Elimination	Total		
Net Operating Income [1]										
Revenue from investment properties	$ 29,923	$ 13,523	$ 12,604	$ 25,109	$ 9,947	$ —	$ —	$ 35,056	$ —	$ 91,106
Property operating costs	$ (13,154)	—	(2,836)	(3,719)	(1,610)	—	—	(5,329)	—	(21,319)
	16,769	**13,523**	**9,768**	**21,390**	**8,337**	**—**	**—**	**29,727**	**—**	**69,787**
Other income										
Share of profit (loss) from equity accounted investments	—	—	—	—	2,716	2,189	(2,189)	2,716	—	2,716
Management fees	—	—	—	—	—	7,453	(5,222)	2,231	—	2,231
Interest income	23	1,339	132	161	725	7	—	893	65	2,452
	23	**1,339**	**132**	**161**	**3,441**	**9,649**	**(7,411)**	**5,840**	**65**	**7,399**
	16,792	**14,862**	**9,900**	**21,551**	**11,778**	**9,649**	**(7,411)**	**35,567**	**65**	**77,186**
Other expenses										
Mortgage and loan interest expense	(4,754)	(7,238)	(2,189)	(6,727)	(3,316)	(30)	—	(10,073)	(9,550)	(33,804)
General and administrative expenses	(485)	(595)	(929)	(5,885)	(186)	(3,391)	6,412	(3,050)	(2,994)	(8,053)
Transaction costs	(38)	(970)	—	(202)	(133)	(77)	—	(412)	1	(1,419)
Other Finance costs	220	(4,666)	(103)	(121)	(151)	—	—	(272)	(4,536)	(9,357)
Foreign exchange gain (loss)	(78)	20	22	(4,149)	—	76	—	(4,073)	4,153	44
Income / (Loss) before the under noted items	**11,657**	**1,413**	**6,701**	**4,467**	**7,992**	**6,227**	**(999)**	**17,687**	**(12,861)**	**24,597**
Fair value adjustment of DUP liability	—	—	—	—	—	(110)	—	(110)	(25)	(135)
Fair value adjustment of investment properties	3,138	2,008	(4,627)	3,228	(678)	—	—	2,550	—	3,069
Gain / (Loss) on derivative financial instruments	156	—	(959)	(11,012)	(145)	601	—	(10,556)	—	(11,359)
Income / (Loss) before taxes	**14,951**	**3,421**	1,115	**(3,317)**	**7,169**	**6,718**	**(999)**	**9,571**	**(12,886)**	**16,172**
Income tax expense	—	(1,322)	508	1,229	(10)	1,218	—	2,437	(122)	1,501
Net income (loss)	**$ 14,951**	**$ 2,099**	**$ 1,623**	**$ (2,088)**	**$ 7,159**	**$ 7,936**	**$ (999)**	**$ 12,008**	**$ (13,008)**	**$ 17,673**
Non-Controlling Interest	—	—	10	(1,574)	677	—	(2)	(899)	—	(889)
Income attributable to Unitholders	**$ 14,951**	**$ 2,099**	**$ 1,613**	**$ (514)**	**$ 6,482**	**$ 7,936**	**$ (997)**	**$ 12,907**	**$ (13,008)**	**$ 18,562**
Add / (Deduct):										
Fair market value losses (gains)	(3,294)	(2,008)	5,586	7,784	823	(491)	—	8,116	588	8,988
Less: Non-controlling interests' share of fair market value losses (gains)	—	—	—	(5,844)	(23)	—	—	(5,867)	—	(5,867)
Finance cost - Exchangeable Unit distributions	—	—	—	—	—	—	—	—	3,541	3,541
Revaluation of financial liabilities	—	130	—	—	—	—	—	—	—	130
Unrealized foreign exchange loss (gain)	78	—	—	4,151	—	(64)	—	4,087	(4,215)	(50)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	—	—	—	(3,117)	—	—	—	(3,117)	—	(3,117)
Deferred taxes	—	1,324	(511)	(1,999)	10	1,124	—	(865)	—	(52)
Less: Non-controlling interests' share of deferred taxes	—	—	—	1,501	—	—	—	1,501	—	1,501
Non-recurring transaction costs	38	970	—	202	133	76	—	411	—	1,419
Less: Non-controlling interests' share of non-recurring transaction costs	—	—	—	(152)	—	—	—	(152)	—	(152)
Net adjustments for equity accounted entities	—	—		—	1,196	—	—	1,196	—	1,196
Internal leasing costs	367		127	—	—	—	—	—	—	494
Amortization of finance leases	(83)	1	2	(39)	1	19	—	(19)	—	(99)
Funds From Operations ("FFO") [2]	**$ 12,057**	**$ 2,516**	**$ 6,817**	**$ 1,973**	**$ 8,622**	**$ 8,600**	**$ (997)**	**$ 18,198**	**$ (13,094)**	**$ 26,494**

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited	**Three months ended September 30, 2019**									
Expressed in thousands of Canadian dollars	**Canada**	**Brazil**	**Europe**	**Australia/New Zealand**					**Corporate[3]**	**Consolidated**
				Vital Trust	**Australia REIT**	**ANZ Manager**	**Elimination**	**Total**		
Funds From Operations ("FFO") [2]	**$ 12,057**	**$ 2,516**	**$ 6,817**	**$ 1,973**	**$ 8,622**	**$ 8,600**	**$ (997)**	**$ 18,198**	**$ (13,094)**	**$ 26,494**
Add / (Deduct):										
Amortization of marked to market adjustment	(330)	—	—	—	—	—	—	—	—	(330)
Amortization of deferred financing charges	—	4,096	—	—	—	—	—	—	303	4,399
Less: Non-controlling interests' share of amortization of deferred financing charges	—		—	—	—	—	7	7	—	7
Straight line revenue	226	—	—	776	(502)	—	—	274	—	500
Less: non-controlling interests' share of straight-line revenue	—	—	—	(600)	(18)	—	—	(618)	—	(618)
Leasing costs and non-recoverable maintenance capital expenditures	(1,795)	—	(756)	(381)	(708)	—	—	(1,089)	—	(3,640)
Less: non-controlling interests' share of actual capex and leasing costs	—	—	—	285	6	—	—	291	—	291
DUP Compensation Expense	—	—	—	—	—	301	—	301	1,636	1,937
Debt repayment costs	—	3,442	—	—	—	—	—	—	—	3,442
Net adjustments for equity accounted entities	—	—	—	—	(1,196)	—	—	(1,196)	—	(1,196)
Adjusted Funds From Operations ("AFFO") [2]	**$ 10,158**	**$ 10,054**	**$ 6,061**	**$ 2,053**	**$ 6,204**	**$ 8,901**	**$ (990)**	**$ 16,168**	**$ (11,155)**	**$ 31,286**

Expressed in thousands of Canadian dollars	As at September 30, 2019									
	Canada	Brazil	Europe	Australia/New Zealand					Corporate [3]	Consolidated
				Vital Trust	Australia REIT	ANZ Manager	Elimination	Total		
Assets										
Investment properties	$ 1,187,687	$ 755,671	$ 674,377	$ 1,578,577	$ 568,103	$ —	$ 6,262	$ 2,152,942	$ —	$ 4,770,677
Investment in associate	—	—	—	—	123,562	—	—	123,562	—	123,562
Intangible asset	—	—	—	—	—	47,253	—	47,253	—	47,253
Goodwill	—	—	—	—	36,950	—	—	36,950	41,671	78,621
Financial instruments	—	—	—	1	1	—	—	2	—	2
Other assets	9,708	52,637	24,708	6,923	48,915	18,616	(276)	74,178	11,552	172,783
	$ 1,197,395	**$ 808,308**	**$ 699,085**	**$ 1,585,501**	**$ 785,952**	**$ 65,869**	**$ 5,986**	**$ 2,443,308**	**$ 53,223**	**$ 5,201,319**
Liabilities										
Mortgages and loans payable	540,072	231,949	373,001	572,158	334,082	2,375	—	908,615	293,475	2,347,112
Convertible debentures	—	—	—	—	—	—	—	—	386,926	386,926
Deferred tax liability	—	124,366	14,190	79,823	72,103	(1,628)	—	150,298	—	288,854
Financial instruments	283	—	5,390	51,919	2,877	—	—	54,796	—	60,469
Exchangeable Units	65,321	—	—	—	—	—	—	—	143,103	208,424
Other liabilities	23,921	2,806	16,901	13,725	4,142	10,900	(863)	27,904	35,865	107,397
	$ 629,597	**$ 359,121**	**$ 409,482**	**$ 717,625**	**$ 413,204**	**$ 11,647**	**$ (863)**	**$ 1,141,613**	**$ 859,369**	**$ 3,399,182**
Net assets	**567,798**	**449,187**	**289,603**	**867,876**	**372,748**	**54,222**	**6,849**	**1,301,695**	**(806,146)**	**1,802,137**
Less: Non-controlling interest	—	—	(467)	(707,887)	(51,626)	—	(9,699)	(769,212)	—	(769,679)
Unitholders' Equity	**$ 567,798**	**$ 449,187**	**$ 289,136**	**$ 159,989**	**$ 321,122**	**$ 54,222**	**$ (2,850)**	**$ 532,483**	**$ (806,146)**	**$ 1,032,458**

Notes

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

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

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

SUPPLEMENTAL DISCLOSURE

Expressed in thousands of Canadian dollars	Nine months ended September 30, 2019									
	Canada	Brazil	Europe	Australia/New Zealand					Corporate [3]	Consolidated
				Vital Trust	Australia REIT	ANZ Manager	Elimination	Total		
Net Operating Income [1]										
Revenue from investment properties	$ 91,398	$ 41,749	$ 36,587	$ 74,866	$ 30,278	$ —	$ (430)	$ 104,714	$ —	$ 274,448
Property operating costs	(41,386)	—	(9,133)	(9,714)	(4,984)	—	105	(14,593)	—	(65,112)
	$ 50,012	**$ 41,749**	**$ 27,454**	**$ 65,152**	**$ 25,294**	**$ —**	**$ (325)**	**$ 90,121**	**$ —**	**$ 209,336**
Other Income										
Share of profit (loss) from equity accounted investments	—	—	—	—	(19,002)	5,187	(5,187)	(19,002)	—	(19,002)
Management fees	—	—	—	—	—	26,554	(16,534)	10,020	—	10,020
Interest and other	48	1,508	283	228	2,468	435	—	3,131	153	5,123
	48	**1,508**	**283**	**228**	**(16,534)**	**32,176**	**(21,721)**	**(5,851)**	**153**	**(3,859)**
	50,060	**43,257**	**27,737**	**65,380**	**8,760**	**32,176**	**(22,046)**	**84,270**	**153**	**205,477**
Other Expenses										
Mortgage and loan interest expense	(14,151)	(13,860)	(6,359)	(21,462)	(11,024)	(106)	—	(32,592)	(31,434)	(98,396)
General and administrative expenses	(1,530)	(1,750)	(2,939)	(18,766)	(602)	(8,652)	19,417	(8,603)	(10,276)	(25,098)
Transaction costs	(216)	(985)	—	(7,894)	(7,354)	(994)	7,022	(9,220)	(695)	(11,116)
Other finance costs	593	(9,365)	(224)	(290)	(1,441)	—	—	(1,731)	(77,467)	(88,194)
Foreign exchange gain (loss)	(225)	1,197	23	(3,692)	—	19	—	(3,673)	5,840	3,162
Income / (Loss) before the undernoted items	**34,531**	**18,494**	**18,238**	**13,276**	**(11,661)**	**22,443**	**4,393**	**28,451**	**(113,879)**	**(14,165)**
Fair value adjustment of DUP liability	—	—	—	—	—	(434)	—	(434)	(2,705)	(3,139)
Fair value adjustment of investment properties	6,039	70,806	(11,917)	56,426	17,869	—	827	75,122	—	140,050
Net loss on disposal of investment properties	(139)	—	—	—	—	—	—	—	—	(139)
Gain / (Loss) on derivative financial instruments	(818)	—	(3,725)	(28,507)	(2,150)	6,984	—	(23,673)	—	(28,216)
Income / (Loss) before taxes	**39,613**	**89,300**	**2,596**	**41,195**	**4,058**	**28,993**	**5,220**	**79,466**	**(116,584)**	**94,391**
Income tax expense	—	(35,341)	818	(2,750)	(5,308)	(4,197)	—	(12,255)	(272)	(47,050)
Net Income (loss)	**$ 39,613**	**$ 53,959**	**$ 3,414**	**$ 38,445**	**$ (1,250)**	**$ 24,796**	**$ 5,220**	**$ 67,211**	**$ (116,856)**	**$ 47,341**
Non-Controlling Interest	—	—	18	28,874	2,691	—	5,571	37,136	—	37,154
Income attributable to Unitholders	**$ 39,613**	**$ 53,959**	**$ 3,396**	**$ 9,571**	**$ (3,941)**	**$ 24,796**	**$ (351)**	**$ 30,075**	**$ (116,856)**	**$ 10,187**
Add / (Deduct):										
Fair market value losses (gains)	(5,221)	(70,806)	15,642	(27,919)	(15,719)	(6,550)	(827)	(51,015)	67,725	(43,675)
Less: Non-controlling interests' share of fair market value losses (gains)	—	—	—	20,962	698	—	621	22,281	—	22,281
Finance cost - Exchangeable Unit distributions	—	—	—	—	—	—	—	—	10,625	10,625
Revaluation of financial liabilities	—	3,978	—	—	—	—	—	—	—	3,978
Unrealized foreign exchange loss (gain)	225	(25)	—	4,444	—	(7)	—	4,437	(5,901)	(1,264)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	—	—	—	(3,337)	—	—	—	(3,337)	—	(3,337)
Deferred taxes	—	35,340	(812)	(772)	5,306	3,598	—	8,132	—	42,660
Less: Non-controlling interests' share of deferred taxes	—	—	—	579	—	—	—	579	—	579
Transaction costs	216	985	—	7,894	7,354	994	(7,022)	9,220	695	11,116
Less: Non-controlling interests' share of transaction costs	—	—	—	(5,929)	—	—	5,273	(656)	—	(656)
Net adjustments for equity accounted entities	—	—	—	—	23,952		—	23,952	—	23,952
Internal leasing costs	1,038	—	386	—	—	—	—	—	—	1,424
Net loss on disposal of investment properties	139	—	—	—	—	—	—	—	—	139
Amortization of finance leases	(258)	4	5	(39)	(160)	57	—	(142)	—	(391)
Other FFO adjustments	288	—	—	—	—	—	6,491	6,491	—	6,779
Funds From Operations ("FFO") [2]	**$ 36,040**	**$ 23,435**	**$ 18,617**	**$ 5,454**	**$ 17,490**	**$ 22,888**	**$ 4,185**	**$ 50,017**	**$ (43,712)**	**$ 84,397**

SUPPLEMENTAL DISCLOSURE (CON'T)

Expressed in thousands of Canadian dollars	Nine months ended September 30, 2019									
	Canada	Brazil	Europe	Australia/New Zealand					Corporate [3]	Consolidated
				Vital Trust	Australia REIT	ANZ Manager	Elimination	Total		
Funds From Operations ("FFO") [2]	$ 36,040	$ 23,435	$ 18,617	$ 5,454	$ 17,490	$ 22,888	$ 4,185	$ 50,017	$ (43,712)	$ 84,397
Add / (Deduct):										
Amortization of marked to market adjustment	(1,020)	—	—	—	—	—	—	—	—	(1,020)
Amortization of transactional deferred financing charges	—	4,096	—	—	974	—	—	974	1,512	6,582
Less: Non-controlling interests' share of amortization of deferred financing charges	—	—	—	7	7	—	—	14	—	14
Straight-line revenue	468	—	—	613	(2,168)	—	—	(1,555)	—	(1,087)
Less: Non-controlling interests' share of straight-line revenue	—	—	—	(496)	(33)	—	—	(529)	—	(529)
Leasing costs and non-recoverable maintenance capital expenditures	(5,483)	—	(2,195)	(1,682)	(1,849)	—	—	(3,531)	—	(11,209)
Less: Non-controlling interests' share of actual capex and leasing costs	—	—	—	1,263	4	—	—	1,267	—	1,267
DUP compensation expense	—	—	—	—	—	123	—	123	6,225	6,348
Debt repayment costs	—	3,442	—	—	—	—	—	—	—	3,442
Net adjustments for equity accounted entities	—	—	—	—	(1,512)	—	—	(1,512)	—	(1,512)
Adjusted Funds From Operations ("AFFO") [2]	$ 30,005	$ 30,973	$ 16,422	$ 5,159	$ 12,913	$ 23,011	$ 4,185	$ 45,268	$ (35,975)	$ 86,693

PART XII – NET ASSET VALUE

Expressed in thousands of Canadian dollars, except per unit amounts		Q3 2019
Total Assets		**$ 5,201,319**
less Total Liabilities		(3,399,182)
less Non-controlling interest		(769,679)
Unitholders' equity		**1,032,458**
Add/(deduct):		
Goodwill		(78,621)
Deferred unit plan liability		17,488
Deferred tax liability	288,854	
less NCI	(59,907)	228,947
Financial instruments - net	60,467	
less NCI	(38,964)	21,503
Exchangeable Units		208,424
ANZ Manager valuation adjustment		347,035
Other		1,337
Net Asset Value ("NAV")		**$ 1,778,571**
Adjusted Units Outstanding (000s)- period end [1]		150,230
NAV per Unit		**$ 11.84**

Notes

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

CORPORATE INFORMATION

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

Distribution Reinvestment Plan

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

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