

**Northwest Healthcare
Properties Real Estate
Investment Trust**
Management Discussion
and Analysis

For the three and nine months
ended September 30, 2021

November 11, 2021



FINANCIAL AND OPERATIONAL SUMMARY

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS			
	As at		As at
Expressed in thousands of Canadian dollars, except per unit amounts (unaudited)	September 30, 2021		December 31, 2020
Operational Information ⁽¹⁾			
Number of Properties	192		188
Gross Leasable Area (sf)	16,153,200		15,498,485
Occupancy %	96.9 %		97.1 %
WALE (Years)	14.1		14.5
Summary of Financial Information			
Assets Under Management ⁽³⁾	\$	8,470,756	\$ 7,847,121
Gross Book Value ⁽²⁾	\$	6,674,397	\$ 5,845,238
Debt - Declaration of Trust ⁽³⁾	\$	2,706,955	\$ 2,510,310
Debt to Gross Book Value - Declaration of Trust ⁽³⁾		40.6 %	42.9 %
Debt - Including Convertible Debentures ⁽³⁾	\$	2,921,659	\$ 2,803,131
Debt to Gross Book Value - Including Convertible Debentures ⁽³⁾		43.8 %	48.0 %
Percentage of Mortgages and Loans Payable at Fixed Rates ⁽⁹⁾		52.7 %	62.6 %
Weighted Average Interest Rate on Fixed Rate Mortgages and Loans Payable ⁽⁹⁾		3.52 %	3.54 %
Adjusted Units Outstanding - period end ⁽⁵⁾			
Basic		219,611,075	177,687,780
		For the three months ended September 30, 2021	For the three months ended September 30, 2020
		For the three months ended September 30, 2021	For the three months ended June 30, 2021
Operating Results			
Revenue from investment properties	\$	95,554	\$ 95,086
Net Income / (Loss)	\$	173,293	\$ 26,556
NOI ⁽⁶⁾	\$	74,694	\$ 72,239
Funds From Operations ("FFO") ⁽⁶⁾	\$	47,645	\$ 39,779
Adjusted Funds From Operations ("AFFO") ⁽⁶⁾	\$	47,264	\$ 39,953
Distributions ⁽⁷⁾	\$	43,881	\$ 35,489
Interest Coverage ⁽⁴⁾		3.45	2.90
Per Unit Amounts ⁽⁵⁾			
FFO per unit - Basic ⁽⁸⁾	\$	0.22	\$ 0.22
FFO per unit - diluted ⁽⁸⁾	\$	0.21	\$ 0.22
AFFO per unit - Basic	\$	0.22	\$ 0.23
AFFO per unit - diluted ⁽⁸⁾	\$	0.21	\$ 0.22
Distributions per unit	\$	0.20	\$ 0.20
AFFO Payout Ratio		93 %	89 %
AFFO Payout Ratio - fully diluted ⁽⁸⁾		95 %	92 %
Adjusted Weighted Average Units Outstanding ⁽⁵⁾			
Basic		218,843,204	177,438,398
Diluted - FFO ⁽⁸⁾		237,163,092	201,292,040
Diluted - AFFO ⁽⁸⁾		237,163,092	219,242,308

FINANCIAL AND OPERATIONAL HIGHLIGHTS CONT.

Notes

- (1) Operational information includes 100% of Vital Trust and joint venture ("JV") investments. The REIT has an exposure to an approximate 26.7% interest in Vital Trust and 30% - 33.57% of the JV investments.
 - (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 1,710,000 Class B LP Units outstanding as at September 30, 2021 (December 31, 2020 - 1,710,000 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.
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HIGHLIGHTS FOR THE QUARTER

Premium Cash Offer to AUHPT Unitholders

On June 15, 2021, the REIT together with its capital partner offered to acquire up to \$375.0 million of AUHPT units at A\$2.70 per wholesale unit, A\$2.76 per retail unit and A\$1.69 per Class A unit (the "Premium Cash Offer").

As at the Premium Cash Offer closing date of July 23, 2021, the REIT received applications for 16.5 million AUHPT equivalent wholesale units which were settled during the three months ended September 30, 2021 for consideration of \$41.2 million. The REIT also participated in AUHPT's DRP program and reinvested 0.5 million units for consideration of \$1.0 million.

Incrementally, the REIT entered into put and call arrangements to acquire approximately \$10.0 million units at A\$2.70 per wholesale unit (or A\$2.76 per retail unit and A\$1.69 per Class A unit) for total consideration of \$22.5 million. The put and call arrangements can be exercised from July 19, 2021 to January 31, 2022. As of the reporting date, approximately 1.6 million units have been acquired for consideration of \$3.9 million.

As at September 30, 2021, the REIT's direct investment represented approximately a 6.5% stake in AUHPT (5.1% prior to AUHPT entitlement offer) with a fair value of \$159.9 million. Through a combination of units tendered under the Premium Cash Offer, additional put/call options, the remaining Hume option as well as AUHPT's entitlement offer, the REIT along with its JV partner will be one of AUHPT's largest unitholder with an ownership interest of 17.3%.

Completion of \$25.0 million Private Placement of Trust Units

In connection with a public offering of units in June 18, 2021, the REIT closed a private placement of 1,985,000 Trust Units to NWVP on July 22, 2021, for gross proceeds of approximately \$25.0 million (see **Related Party Transactions**).

Acquisition of UK Hospital Operator

As previously disclosed, on August 6, 2021, the REIT completed the acquisition of Aspen Healthcare UK Limited ("Aspen Group") for the purchase price of approximately \$38.8 million. The Aspen Group is an independent healthcare provider situated in the UK and was tenant of the REIT at four of its UK investment properties immediately prior to the acquisition. The acquisition was funded using existing liquidity.

As result of the transaction, the REIT recognized a bargain purchase gain of \$21.3 million and assumed Aspen Group's interest in two hospital properties located in Sheffield and Edinburgh valued at \$41.3 million. The REIT also obtain control over the operations of eight hospitals located throughout the UK ("OpCos"), which it intends to sell.

During the quarter, The REIT completed the sale of six of the eight OpCos for gross proceeds of \$37.2 million, consisting of cash consideration of \$20.1 million and transfer of an investment property with a fair value of \$17.1 million which resulted in an additional gain upon disposition totaling \$11.2 million. The two remaining OpCos have been classified as held for sale on the REIT's condensed consolidated interim balance sheets, of which one was committed for sale as at September 30, 2021 and is expected to be completed by end of the year. The operating results between the date of acquisition and the date of sale have been presented as discontinued operations in the condensed consolidated interim statements of income and comprehensive income.

As a result of the transactions above, and revised leasing arrangements with third parties for its portfolio leased to Aspen, including investment properties that the REIT owned prior to acquisition of the Aspen Group, the REIT recognized during the three months ended September 30, 2021, a fair value gain in investment properties of \$126.0 million.

The REIT recorded total gains of 158.5 million for the three months ended September 30, 2021, including acquisition of the Aspen Group, disposal of the OpCos, and investment properties valuations with respect to the REIT's entire portfolio leased to Aspen.

Financing Activity

During Q3 2021, the REIT amended and financed Canadian mortgages totaling of \$3.2 million maturing in the upcoming year, bearing weighted average interest rate of 4.14% with new mortgages of \$3.1 million, bearing weighted average interest rate of 3.03% with weighted average term to maturity extended by 9 years.

SUBSEQUENT EVENTS

Vital Trust's Equity Raise

On October 20, 2021, Vital Trust completed an equity placement of 39,655,172 units at a price of \$2.5 (NZ\$2.9) per unit for gross proceeds of approximately \$100.6 million (NZ\$115.0 million). The REIT participated in the equity placement by buying 16,551,724 units of Vital Trust for a total of \$42.0 million (NZ\$48.0 million), increasing the REITs investment interest in Vital Trust to approximately 27.7%. The REIT partially funded its investment through \$21.9 million (NZ\$25.0 million) draw on corporate facilities and using cash on hand.

Sale AUHPT of units

On November 3, 2021, the REIT sold 26,743,006 AUHPT units to an institutional partner for total proceeds of \$57.3 million (A\$62.5 million), which represents approximately 2.8% of the investment in AUHPT, held by the REIT at period end.

Financing activity

- i. On October 12, 2021, subsidiaries of the REIT amended the New Zealand Dollar denominated secured term credit facility and increased it by \$21.9 million (NZ\$25.0 million) from a total of \$153.1 million (NZ \$175.0 million) to \$175.0 million (NZ\$200.0 million) by securing additional 16,551,724 units of Vital Trust owned indirectly by the REIT. All other terms remained unchanged.
- ii. On November 11, 2021, the REIT amended and refinanced the terms of one of its revolving credit facility tranches by \$60.0 million from a total of \$336.0 million to \$396.0 million.

Other

On October 15, 2021, the REIT announced a distribution of \$0.06667 per REIT unit to unitholders of record on October 29, 2021, to be paid and settled on November 15, 2021.

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PART I - BASIS OF PRESENTATION

This interim 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 unaudited condensed interim financial statements and accompanying notes for the three and nine months ended September 30, 2021, prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are presented in thousands of Canadian dollars, except where otherwise stated. Per unit amounts are presented in Canadian dollars, and are calculated using an aggregate of REIT Units and 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 29, 2021 (the "**Annual Information Form**") and the REIT's Management Information Circular dated May 31, 2021 (the "**Circular**"). This MD&A is current as of November 11, 2021 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 series NWH.DB.F and 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 duration and impact of the COVID-19 pandemic on the business, operations and financial condition of the REIT
- 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.

MARKET AND INDUSTRY DATA

This MD&A includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information.

Although the third-party sources believe it to be reliable, we have not independently verified any of the data from third-party sources referred to in this MD&A, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

PERFORMANCE MEASUREMENT

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

- Net income (loss);
- 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 flows 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) fair value adjustments and other effects of redeemable units classified as liabilities; (iv) revaluation adjustments of financial liabilities; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vi) deferred income tax expense; (vii) convertible debentures issuance costs; (viii) Results of discontinued operations; (ix) internal leasing costs; (x) transaction costs; (xi) 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 interests, 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) differences, if any, resulting from recognizing property revenues on a straight line basis as opposed to contractual rental amounts; (iv) stabilized amounts for tenant inducements, leasing costs, and sustaining capital expenditures; (v) compensation expense related to deferred unit incentive plans; and (vi) debt repayment costs; and (vii) net adjustments for equity accounted investments, 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 in PART III - RESULTS FROM OPERATIONS. 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")**.

"AFFO Payout Ratio" is a non-IFRS ratio used by Management to assess the sustainability of the REIT's distribution payments. The ratio is calculated using cash distributions declared divided by AFFO. The REIT's method of calculating AFFO Payout Ratio may differ from other issuers' methods and accordingly may not be comparable to measures used by other issuers.

"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 judgment and 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, including variable rate debt hedged with fixed rate swaps, 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. As such, the REIT's method of calculating Adjusted EBITDA will differ from other issuers' methods, and accordingly, will not be comparable to such amounts reported by other issuers.

"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 (except financial instruments related to investment interest in real estate assets), 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 IX - NET ASSET VALUE**.

"Adjusted Liabilities" is a non-IFRS measure, defined by the REIT as, total liabilities and non-controlling interests, 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. There is no standard industry-defined measure of Adjusted Same Property NOI. As such, the REIT's method of calculating Adjusted Same Property NOI will differ from other issuers' methods, and accordingly, will not be comparable to such amounts reported by other issuers.

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, including mortgages, credit facilities, and term 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.F and NWH.DB.G.

The REIT’s strategic objectives are to:

- provide sustainable and growing cash distributions through investment in healthcare real estate globally;
- build a diversified global portfolio of healthcare properties concentrated 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, 2021, the REIT was in compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The REIT's Board of Trustees and its management are committed to sustainability through the environment, social, and governance policies and practices of the organization. In support of this commitment, the REIT will issue its inaugural Sustainability report in 2021. The REIT's 10-person steering committee, consisting of members of its global management team, together with working groups of between five and seven members for each of the environmental, social, and governance categories are collaborating with external consultants in formalizing the REIT's practices and reporting of same.

In 2021 the REIT participated in the GRESB (formerly Global Real Estate Sustainability Benchmark) Assessment and will look to build on the previous year's submission, on behalf of Vital Healthcare Trust ("Vital Trust") to CDP (formerly Carbon Disclosure Project).

RELATIONSHIP WITH NWVP

As at September 30, 2021, NorthWest Value Partners Inc. and affiliates ("NWVP") indirectly owned approximately 12.6% (approximately 11.6% 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 Chairman 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 192 income-producing properties and 16.2 million square feet of gross leasable area located throughout major markets in Canada, Brazil, Europe, 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 Janeiro delivering stable cash flow with long-term, triple-net, inflation-indexed leases, providing consistent organic growth.

Europe: The REIT's investment in Europe consists of:

- i. 30% interest in a joint venture ("European JV") with a third party institutional partner that is equity accounted for under IFRS and has initial seed investments in hospitals and rehabilitation clinics located in the major markets.
- ii. Direct interest in high quality MOBs, hospitals, medical clinics and life sciences assets located in the major markets including Berlin, and Frankfurt in Germany; Netherlands; and Greater London and Birmingham in the United Kingdom.
- iii. On August 6, 2021, the REIT acquired Aspen, an UK based hospital operator. As result of the transaction, the REIT assumed Aspen Group's interest in two hospital properties located in Sheffield and Edinburgh, and obtained control over the operations of eight hospitals located throughout the UK. As at September 30, 2021, the REIT completed the sale of six of the eight hospital operations and classified the remaining operators as assets and liabilities held for sale (see **Highlights for the Quarter**).

The assets are supported by fully integrated property management and asset management capabilities allowing for efficient operation and deal sourcing.

Australia/New Zealand: The REIT has exposure to a portfolio of hospitals, medical centers, life sciences assets and aged care facilities through:

- i. an approximate 26% interest in New Zealand Stock Exchange ("NZX") listed Vital Healthcare Properties Trust ("Vital Trust") which is consolidated by the REIT for financial reporting purposes,
- ii. 30% interest in joint ventures ("JV") with a third party institutional investor that is equity accounted for under IFRS (certain investments proportionately consolidated).

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.

Global Asset Manager:

The REIT's Global Asset Manager is a fully integrated operation comprised of leading investment, development, asset management and property operations professionals, with offices located in Canada, Brazil, Europe, Australia and New Zealand. The Global Asset Manager derives fees from \$5.0 billion of third-party assets under management (December 31, 2020 - \$4.8 billion), and is scaled to support the over \$3.7 billion of further capital commitments.

Below summarizes the REIT's managed funds as at September 30, 2021:

FUNDS UNDER MANAGEMENT AND CAPITAL COMMITMENTS					
Cdn\$ Billions	Total Commitment	Capital Deployed	Available Capacity	REIT Ownership	Term
Australian Core Hospital JV	3.4	2.1	1.3	30%	Perpetuity
Vital Trust	2.4	2.4	Open	26%	Perpetuity
European JV	2.9	0.5	2.4	30%	12 Years
Total	8.7	5.0	3.7		

The following table summarizes the REIT's assets by region as at September 30, 2021:

SUMMARY OF ASSETS						
	Canada	Brazil	Europe ⁽¹⁾	Vital Trust ⁽²⁾ (Australasia)	Australia ⁽³⁾ (Australasia)	Consolidated Total ⁽⁴⁾
Number of Properties	57	8	62	42	23	192
Asset Mix	100% MOB	100% Hospital	56% MOB & 44% Hospitals & Healthcare Facilities	26% MOB & 74% Hospitals & Healthcare Facilities	26% MOB & 74% Hospitals & Healthcare Facilities	47% MOB & 53% Hospitals & Healthcare Facilities
Gross Leaseable Area ("GLA") (million sf)	3.6	1.9	4.8	2.9	3.0	16.2
Total Assets (Cdn\$ millions)	\$1,229	\$667	\$1,635	\$2,362	\$614	\$6,674
Occupancy	91.4%	100.0%	97.4%	98.5%	99.4%	96.9%
WALE (Years)	5.0	18.9	14.9	18.8	16.5	14.1
Average Building Age (Years)	33	16	25	16	15	22
Weighted Average Implied Cap Rate	6.4%	6.8%	4.6%	4.9%	5.1%	5.4%

Notes

(1) Shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 33.57% and 30% interest, respectively in these JV portfolios.

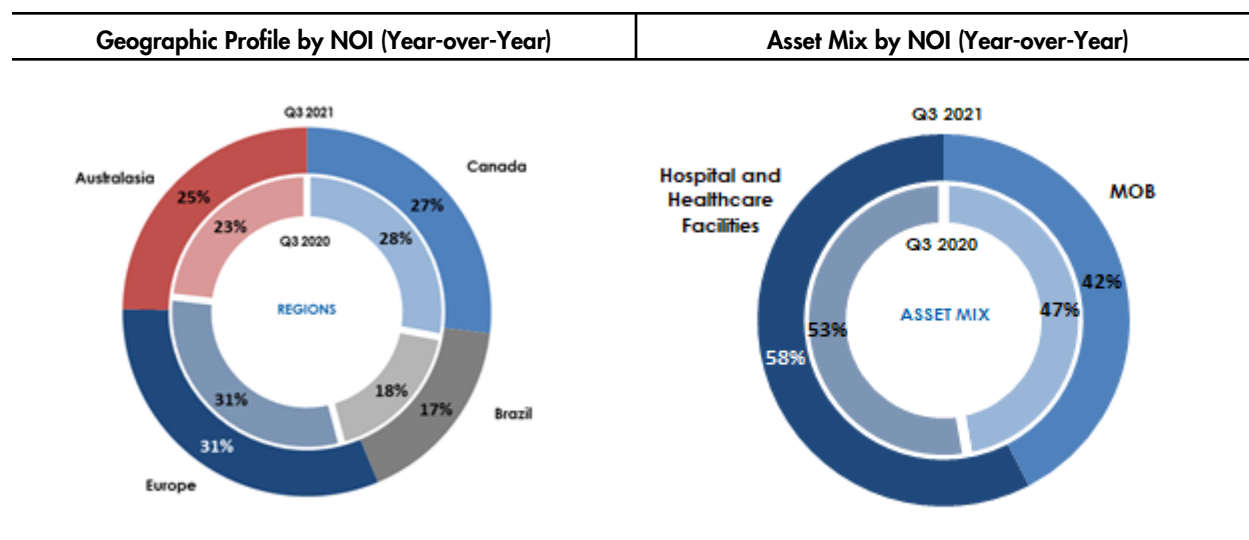
(2) Shown on a 100% basis. The REIT has an approximate 26.7% interest in Vital Trust and consolidates its investment in Vital Trust.

(3) Shown at 100% ownership for assets held as part of Joint venture Agreements ("JV"). The REIT owns 30% interest in these JV portfolios.

(4) Consolidated Total includes corporate assets, and Global Manager.

Diversification of Assets

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



Notes

- (1) Based on Q3 2021 and Q3 2020 actual NOI.
- (2) Vital Trust shown on a proportionate basis. The REIT has an approximate 26.7% ownership interest in Vital Trust and consolidates its investment in Vital Trust.
- (3) Australia REIT is shown at proportionate ownership. 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 or hospital operator 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 proportionate revenue for the three months ended September 30, 2021:

10 LARGEST TENANTS BY PERCENTAGE OF RENT				
	Tenant	Region	%	# of locations
1	Rede D'Or	Brazil	9.4 %	7
2	Aspen Group ⁽²⁾	Europe	6.8 %	6
3	Healthscope Limited ⁽¹⁾	Australia	5.4 %	14
4	BMI Healthcare	Europe	3.0 %	6
5	Healthe Care ⁽¹⁾	Australia	2.7 %	15
6	Epworth Foundation ⁽¹⁾	Australia	1.8 %	9
7	CISSS / CIUSSS	Canada	1.3 %	5
8	Stichting Albert Schweitzer Ziekenhuis	Europe	1.2 %	4
9	Alberta Health Services	Canada	0.8 %	5
10	Hospital Sabara	Brazil	0.8 %	1
			33.2 %	72

Notes:

(1) Australia and Europe are shown at proportionate ownership basis for assets held as part of Joint Venture Agreements ("JV"). The REIT owns a 30% interest in the JV within Australia and Europe, which are reflected on a proportionate ownership basis. The REIT has an approximate 26.7% interest in Vital Trust and consolidates its investment in Vital Trust.

(2) As at September 30, 2021, five of the eight operating businesses were sold to Nuffield Health.

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

Rede D'Or is the largest private hospital operator in Brazil. The company operates 52 hospitals, with 32 under construction, and more than 40 specialized oncology outpatient clinics, comprising over 7,200 inpatient beds - an average of 153 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. Rede D'or was valued at 112.5 billion reais (\$22 billion) in an initial public offering priced on December 8 2020, placing it among Brazil's 10 biggest companies by market capitalization.

Aspen Group is the REIT's second largest tenant in six directly held properties, accounting in total for 6.8% of the REIT's proportionate revenues. As at September 30, 2021, five of the eight operating businesses of the Aspen Group were sold to Nuffield Health. Nuffield Health, the UK's largest healthcare charity, was formed in 1957 and is a leading corporate healthcare services provider in the UK and thorough a network of 36 hospitals, 113 fitness & well-being centers and healthcare clinics, Nuffield Health is able to offer a complete range of private healthcare and clinical services.

Healthscope Limited ("HSO") is currently the REIT's third largest tenant in three directly held properties and occupying the HSO Portfolio, accounting in total for 5.4% of the REIT's proportionate revenues, consistent with the REIT's ownership level of 30%. 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 24 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 through 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.

BMI Healthcare is the largest independent acute hospital operator in the UK measured by bed-count (~2,400) and 3rd largest measured by revenue, representing 15.8% share of the independent acute market. BMI operates 51 hospitals throughout the UK, and provides surgical, diagnostic and rehabilitative care on an in-patient and out-patient basis to self-payors, those with private medical insurance and those whose treatments are publicly funded by the National Health Service ("NHS"). BMI's revenues are split roughly 50/50 between private (self-pay and PMI) and public funding (NHS).

Health Care Australia is currently the REIT's fifth largest tenant accounting in total for 2.7% of the REIT's proportionate revenues, consistent with the REIT's ownership level of approximately 25%. Health 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. Health Care Australia operates a network of 34 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. Health Care is one of the largest private providers of mental health services, with more than 800 mental health beds.

INVESTMENT PROPERTIES

The estimated fair value of investment properties as at September 30, 2021 was \$5.8 billion (December 31, 2020 - \$5.3 billion) representing an implied weighted average capitalization rate of 5.4% (December 31, 2020 - 5.8%).

INVESTMENT PROPERTIES						
Expressed in thousands of Canadian dollars	Three months ended September 30, 2021					
Unaudited	Income Properties					
	Canada	Brazil	Europe	Vital Trust	Australia	Total
Opening Balance	\$1,188,073	\$ 683,606	\$1,285,538	\$2,075,766	\$ 165,817	\$5,398,800
Acquisitions of investment properties	—	—	61,916	22	—	61,938
Addition to investment properties	6,300	(2,052)	1,151	3,143	102	8,644
Increase in straight-line rents	(33)	—	—	—	485	452
Transfers from (to) properties under development	—	—	—	1,316	—	1,316
Transfers from (to) assets held for sale	—	—	—	(10,594)	—	(10,594)
Fair value gain (loss)	(2,573)	21,999	125,266	6,546	1,538	152,776
Foreign currency translation	—	(41,978)	(4,069)	(16,319)	(2,515)	(64,881)
Closing Balance	\$1,191,766	\$ 661,575	\$1,469,803	\$2,059,880	\$ 165,427	\$5,548,451
	Properties Under Development					
	Canada	Brazil	Europe	Vital Trust	Australia	Total
Opening Balance	\$ 19,896	\$ —	\$ 30,690	\$ 206,316	\$ —	\$ 256,902
Acquisitions of investment properties	—	—	—	25,562	—	25,562
Addition to investment properties	3,220	—	1,418	9,123	—	13,761
Transfers from (to) income properties	—	—	—	(1,316)	—	(1,316)
Fair value gain (loss)	—	—	(454)	350	—	(104)
Foreign currency translation	—	—	2	(2,805)	—	(2,803)
Closing Balance	\$ 23,116	\$ —	\$ 31,656	\$ 237,230	\$ —	\$ 292,002
	Total					
	Canada	Brazil	Europe	Vital Trust	Australia	Total
Opening Balance	\$1,207,969	\$ 683,606	\$1,316,228	\$2,282,082	\$ 165,817	\$5,655,702
Acquisitions of investment properties	—	—	61,916	25,584	—	87,500
Addition to investment properties	9,520	(2,052)	2,569	12,266	102	22,405
Increase in straight-line rents	(33)	—	—	—	485	452
Transfers from (to) assets held for sale	—	—	—	(10,594)	—	(10,594)
Fair value gain (loss)	(2,573)	21,999	124,812	6,896	1,538	152,672
Foreign currency translation	—	(41,978)	(4,067)	(19,124)	(2,513)	(67,682)
Closing Balance	\$1,214,882	\$ 661,575	\$1,501,459	\$2,297,110	\$ 165,429	\$5,840,455

INVESTMENT PROPERTIES

Expressed in thousands of Canadian dollars

Nine months ended September 30, 2021

	Income Properties					
	Canada	Brazil	Europe	Vital Trust	Australia	Total
Opening Balance	\$1,189,145	\$ 648,226	\$1,132,055	\$1,943,553	\$ 170,226	\$5,083,205
Acquisitions of investment properties	15,588	—	275,482	74,234	—	365,304
Right of use asset	108	—	—	—	—	108
Disposition of investment properties	(19,120)	—	(16,657)	—	—	(35,777)
Addition to investment properties	13,189	(2,003)	3,910	9,890	552	25,538
Increase in straight-line rents	272	—	—	—	1,552	1,824
Transfers from (to) properties under development	—	—	—	11,371	—	11,371
Transfers from (to) assets held for sale	—	—	—	(10,594)	—	(10,594)
Fair value gain (loss)	(7,416)	45,025	117,881	160,530	4,636	320,656
Foreign currency translation	—	(29,673)	(42,868)	(129,104)	(11,537)	(213,182)
Closing Balance	\$1,191,766	\$ 661,575	\$1,469,803	\$2,059,880	\$ 165,429	\$5,548,453
	Properties Under Development					
	Canada	Brazil	Europe	Vital Trust	Australia	Total
Opening Balance	\$ 15,712	\$ —	\$ 40,421	\$ 122,725	\$ —	\$ 178,858
Acquisitions of investment properties	—	—	—	66,612	—	66,612
Disposition of investment properties	—	—	(9,131)	—	—	(9,131)
Addition to investment properties	7,404	—	2,863	65,259	—	75,526
Transfers from (to) income properties	—	—	—	(11,371)	—	(11,371)
Fair value gain (loss)	—	—	(537)	3,202	—	2,665
Foreign currency translation	—	—	(1,960)	(9,197)	—	(11,157)
Closing Balance	\$ 23,116	\$ —	\$ 31,656	\$ 237,230	\$ —	\$ 292,002
	Total					
	Canada	Brazil	Europe	Vital Trust	Australia	Total
Opening Balance	\$1,204,857	\$ 648,226	\$1,172,476	\$2,066,278	\$ 170,226	\$5,262,063
Acquisitions of investment properties	15,588	—	275,482	140,846	—	431,916
Right of use asset	108	—	—	—	—	108
Disposition of investment properties	(19,120)	—	(25,788)	—	—	(44,908)
Addition to investment properties	20,593	(2,003)	6,773	75,149	552	101,064
Increase in straight-line rents	272	—	—	—	1,552	1,824
Transfers from (to) assets held for sale	—	—	—	(10,594)	—	(10,594)
Fair value gain (loss)	(7,416)	45,025	117,344	163,732	4,636	323,321
Foreign currency translation	—	(29,673)	(44,828)	(138,301)	(11,537)	(224,339)
Closing Balance	\$1,214,882	\$ 661,575	\$1,501,459	\$2,297,110	\$ 165,429	\$5,840,455

Investment Properties on Proportionate Basis⁽¹⁾	
	September 30, 2021
Expressed in thousands of Canadian dollars	
Total reported investment properties	5,840,455
Proportionate share of the JV investments ⁽²⁾	713,555
NCI share of investment properties	(1,702,431)
Total investment properties at proportionate share	4,851,579

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 are accounted both on a proportionate basis and using equity accounting method.

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

2021 Acquisitions

During the nine months ended September 30, 2021, the following investment property acquisitions were completed by the REIT including properties interest acquired in joint ventures with third-parties:

ACQUISITIONS					
Region	Quarter	Ownership Interest	GLA	Acquisition Cost (in millions)⁽¹⁾	
Australasia ⁽²⁾	Q1	26 %	—	\$	30.2
Europe	Q1	100 %	58,970	\$	27.0
Europe	Q2	100 %	316,073	\$	186.6
Europe ⁽³⁾	Q3	100 %	118,036	\$	61.9
Canada	Q2	100 %	40,918	\$	15.6
Australasia ⁽⁴⁾	Q2	26 %	161,459	\$	85.0
Australasia	Q3	26 %	—	\$	25.6
Total			695,456	\$	431.9

(1) Acquisition costs includes purchase price of properties and related transaction costs.

(2) On February 2, 2021, Vital Trust completed an acquisition of a strategic development site located in Australia.

(3) During Q3, the REIT assumed interest in three hospital properties as part of the Aspen Group acquisition and the disposal of six of eight OpCos (see Highlights for the Quarter).

(4) Acquisitions in Australasia for Q2 includes development lands for approximately \$11.0 million located in Australia.

2021 Dispositions

During the nine months ended September 30, 2021, the following dispositions of investment properties were completed by the REIT including properties interests that were sold to joint ventures the REIT has with institutional partners that are third-parties:

DISPOSITIONS				
Region	Quarter	Disposition Proceeds (in millions)		Property Specific Debt (in millions)
Europe	Q1	\$	25.8	\$ —
Canada	Q1	\$	12.0	\$ —
Canada	Q2	\$	7.1	\$ 2.1
Total		\$	44.9	\$ 2.1

Valuation of Investment Properties

The estimated fair values of the investment properties at September 30, 2021 were determined either on internal valuation models incorporating available market evidence or on valuations performed by independent third party appraisers. As at September 30, 2021, the weighted average capitalization rate remained steady at 5.4% for the consolidated portfolio as compared to 5.8% as at December 31, 2020.

During the three and nine months ended September 30, 2021, the REIT recorded a fair value gain on income producing property of \$152.7 and \$323.3 million, respectively. The fair value gains for the three and nine months ended September 30, 2021, were mainly attributable to rental growth and improvement in valuation based on appraised values at Vital Trust, inflation indexation of rents in Brazil and a revaluation of the UK portfolio driven primarily by rental growth, which were partially offset by transaction costs incurred related to European acquisitions.

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 projects 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	10	Q4 2021 - Q4 2023	264,305	100,212	97 %	6.1 %	16,048	95,125
Europe	3	Q4 2021 - Q1 2022	24,974	12,329	92 %	5.2 %	1,299	1,006
Brazil	2	Q4 2021 - Q4 2022	25,751	25,751	100 %	7.5 %	1,931	2,762
Canada	1	Q1 2022	24,000	16,200	53 %	7.1 %	1,704	3,264
	<u>16</u>		<u>\$ 339,030</u>	<u>\$ 154,492</u>	<u>94 %</u>	<u>6.2 %</u>	<u>\$ 20,982</u>	<u>\$ 102,157</u>

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 accretion 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**.

Australasia

The REIT currently has a total of ten active expansion projects in Australasia with completion dates ranging from the fourth quarter of 2021 to the fourth quarter of 2023. Projects include a mix of modernisation and expansion projects at acute surgical and mental health facilities to meet the growing demand for healthcare services. Expansion projects are with Vital Trust's existing tenants, Health Care, Acuity and Epworth and Australian JV tenant Healthscope and Evolution. The developments are expected to be funded through existing resources. Expansion projects are over 97% 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.

Europe

Europe currently has one German project and two Netherlands projects. The Netherlands projects are being developed in conjunction with a developer. The properties are held under the European JV, 100% pre-leased and development overages, if any, will be the responsibility of the property developer. The REIT is responsible for completion of the development projects and accordingly has recognized development income from the European JV and expenses paid to property developer as development costs.

Brazil

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.

Canada

The Canadian development is located in Pickering, Ontario and commenced in the fourth quarter of 2020. The development is financed with an at-market construction loan.

LEASING COSTS AND CAPITAL EXPENDITURES

LEASING COSTS AND CAPITAL EXPENDITURES						
Expressed in thousands of Canadian dollars						
Three months ended September 30, 2021						
	Canada	Brazil	Europe	Vital Trust	Australia	Total
Additions to investment properties						
Leasing costs ⁽¹⁾	\$ 207	\$ —	\$ —	\$ 720	\$ 3	\$ 930
Tenant improvements ⁽²⁾	1,708	—	486	2,160	44	4,398
Maintenance capital expenditures	1,853	—	450	275	54	2,632
Other capital expenditures	2,532	—	215	(12)	—	2,735
	6,300	—	1,151	3,143	101	10,695
Internal leasing costs expensed	476	—	170	—	—	646
	6,776	—	1,321	3,143	101	11,341
Less:						
Recoverable maintenance capital expenditures	(1,853)	—	(201)	—	—	(2,054)
Other value enhancing and non-recurring capital expenditures	(1,019)	—	(777)	(2,880)	(47)	(4,723)
Leasing costs and non-recoverable maintenance capital expenditures	\$ 3,904	\$ —	\$ 343	\$ 263	\$ 54	\$ 4,564
AFFO adjustment for leasing costs and non-recoverable maintenance capital expenditures ⁽³⁾	\$ 1,856	\$ —	\$ 627	\$ 263	\$ 54	\$ 2,800
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	\$ 2,048	\$ —	\$ (284)	\$ —	\$ —	\$ 1,764
Nine months ended September 30, 2021						
	Canada	Brazil	Europe	Vital Trust	Australia	Total
Additions to investment properties						
Leasing costs ⁽¹⁾	\$ 622	\$ —	\$ —	\$ 2,805	\$ 17	\$ 3,444
Tenant improvements ⁽²⁾	3,814	—	1,930	6,132	87	11,963
Maintenance capital expenditures	3,847	—	1,239	869	447	6,402
Other capital expenditures	4,906	49	741	84	—	5,780
	13,189	49	3,910	9,890	551	27,589
Internal leasing costs expensed	1,483	—	666	—	—	2,149
	14,672	49	4,576	9,890	551	29,738
Less:						
Recoverable maintenance capital expenditures	(3,847)	—	(209)	—	—	(4,056)
Other value enhancing and non-recurring capital expenditures	(1,784)	(49)	(2,144)	(8,937)	(438)	(13,352)
Leasing costs and non-recoverable maintenance capital expenditures	\$ 9,041	\$ —	\$ 2,223	\$ 953	\$ 113	\$ 12,330
AFFO adjustment for leasing costs and non-recoverable maintenance capital expenditures ⁽³⁾	\$ 5,613	\$ —	\$ 1,611	\$ 953	\$ 113	\$ 8,290
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	\$ 3,428	\$ —	\$ 612	\$ —	\$ —	\$ 4,040

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 MOBs 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% per annum 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.

For the three months ended September 30, 2021 additions for the Canadian investment properties totaled \$6.3 million. During the quarter leasing costs of \$1.9 million included costs attributable to eight transactions, of which six were lease renewals and expansions with an aggregate WALE of 11.4 years.

Included in other value enhancing and non-recurring capital expenditures for the quarter were one-time capital expenditures incurred and leasing costs to lease up never-before-occupied space at developed buildings.

Brazil

All of the REIT's hospitals in Brazil are leased to single tenant, 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 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, 2021 were \$1.2 million.

Included in the value enhancing and non-recurring capital expenditures for the quarter were primarily (i) tenant fit-out in the Brandenburg, Hamburg and Berlin MOB-portfolios and (ii) non-recurring capex in the Berlin, Hamburg and Luebeck portfolio for fire safety systems

Australasia

The majority of Australasian assets, including Vital Trust, represent hospitals leased to single tenant, hospital operators under long-term, inflation indexed, triple net lease structures. As a result, Australasian portfolio does not incur significant leasing or maintenance capital expenditures. For Australasian 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 in determining AFFO due to the significant proportion of Australasian portfolio comprised of triple net leased hospitals.

During the three months ended September 30, 2021, additions to the Australasian investment properties totaled \$3.2 million which were largely attributable to updating façades, exterior cladding and control upgrades, at various properties.

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, 2021 and 2020:

RESULTS FROM OPERATIONS						
Expressed in thousands of Canadian dollars	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Net Operating Income ⁽¹⁾						
Revenue from investment properties	\$ 95,554	\$ 95,086	\$ 468	\$ 278,245	\$ 280,973	\$ (2,728)
Property operating costs	(20,860)	(22,847)	1,987	(63,161)	(66,186)	3,025
	74,694	72,239	2,455	215,084	214,787	297
Other income						
Share of profit (loss) from equity accounted investments	8,066	5,642	2,424	55,553	17,260	38,293
Management fees	4,097	3,656	441	13,149	7,425	5,724
Development revenue	2,577	—	2,577	5,742	—	5,742
Interest and other	1,773	513	1,260	3,529	1,645	1,884
	16,513	9,811	6,702	77,973	26,330	51,643
	91,207	82,050	9,157	293,057	241,117	51,940
Expenses and Other						
Mortgage and loan interest expense	(22,404)	(25,205)	2,801	(68,162)	(73,855)	5,693
General and administrative expenses	(8,381)	(7,080)	(1,301)	(29,777)	(21,923)	(7,854)
Transaction costs	(16,899)	(4,451)	(12,448)	(30,332)	(31,624)	1,292
Other finance costs	(4,820)	(10,166)	5,346	(17,778)	81,326	(99,104)
Foreign exchange gain (loss)	(4,628)	(382)	(4,246)	9,019	(13,636)	22,655
Development costs	(2,775)	—	(2,775)	(5,004)	—	(5,004)
Income (loss) before the under noted items	31,300	34,766	(3,466)	151,023	181,405	(30,382)
Fair value adjustment of DUP Liability	(62)	(1,386)	1,324	(612)	700	(1,312)
Fair value adjustment of investment properties	152,672	8,209	144,463	323,321	(4,931)	328,252
Gain (loss) on derivative financial instruments	(1,577)	(3,879)	2,302	12,973	(18,715)	31,688
Income (loss) before taxes	182,333	37,710	144,623	486,705	158,459	328,246
Income tax expense	(34,698)	(11,154)	(23,544)	(82,228)	22,706	(104,934)
Net income (loss)	\$ 147,635	\$ 26,556	\$ 121,079	\$ 404,477	\$ 181,165	\$ 223,312
Net income from discontinued operations	\$ 25,658	\$ —	\$ 25,658	\$ 25,658	\$ —	\$ 25,658
Total net income (loss)	\$ 173,293	\$ 26,556	\$ 146,737	\$ 430,135	\$ 181,165	\$ 248,970
Net income (loss) attributable to:						
Unitholders	\$ 161,380	\$ 19,913	\$ 141,467	\$ 295,427	\$ 170,592	\$ 124,835
Non-controlling interests	11,913	6,643	5,270	134,708	10,573	124,135
	\$ 173,293	\$ 26,556	\$ 146,737	\$ 430,135	\$ 181,165	\$ 248,970

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".

Revenue from investment properties

Revenue from investment properties for the three months ended September 30, 2021 was \$95.6 million which is \$0.5 million higher than the three months ended September 30, 2020. The increase is primarily due to a \$1.3 million increase in revenue at Vital Trust as a result of acquisition and leasing activity, which partially offset by a net \$0.7 million decrease in Europe attributable to properties vended into the European JV, partially offset by increased rents for the Netherlands and UK acquisitions.

Revenue from investment properties for the nine months ended September 30, 2021 was \$278.2 million as compared to \$281.0 million for the nine months ended September 30, 2020. The decrease of \$2.7 million is primarily attributable to a \$3.2 million decrease in Brazilian revenues as a result of the weakening of the Brazilian Real, and a decrease in Australian revenues of \$10.7 million as a result of disposition activity. These were partially offset by an increase in Canadian and Vital Trust revenues of \$0.5 million and 7.8 million, respectively, as a result of acquisitions, developments and leasing activities and by net increase of \$2.4 million for the European portfolio attributable to increased rents for the Netherlands and UK acquisitions partially offset by properties vended into the European JV.

The REIT has chosen to reflect the transactions between the REIT and its segment classified as discontinued operations, Aspen Group, on the basis of continuance as the REIT will continue to own and lease the investment properties after hospital operations have been sold. Accordingly, the REIT recorded \$5.3 million of rents charged to the Aspen group for the period of August 6, 2021 to September 30, 2021, as rental income and the related rent expense is presented within income from discontinued operations.

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, 2021 were \$20.9 million as compared to \$22.8 million for the three months ended September 30, 2020. The \$2.0 million decrease is primarily the result of decreases in operating costs related to the European portfolio due to properties sold to the European JV, partially offset by acquisitions and development completions.

Property operating costs for the nine months ended September 30, 2021 were \$63.2 million as compared to \$66.2 million for the nine months ended September 30, 2020. The \$3.0 million decrease in operating costs is mainly related to Australasian portfolio due to the sale of 70% interest in Northwest Healthcare Properties Australia REIT ("AREIT"), and a decrease in European portfolio due to property dispositions to the European JV, partially offset by acquisitions and development completions.

See also **NET OPERATING INCOME**.

Share of profit (loss) of equity accounted investments

SHARE OF PROFIT/LOSS IN EQUITY ACCOUNTED INVESTMENTS							
three months ended September 30,	2021			2020			Variance
	Australia	Europe	Total	Australia	Europe	Total	
Total revenues	\$ 24,532	\$ 7,607	\$ 32,139	\$24,384	\$ —	\$ 24,384	\$ 7,755
Expenses							
Operating costs	1,678	1,324	3,002	1,708	—	1,708	1,294
Mortgage and loan interest expense	3,363	1,370	4,733	3,720	—	3,720	1,013
General and administrative expenses	249	535	784	183	—	183	601
Other	146	—	146	144	—	144	2
Fair value (gain) loss adjustments and transaction costs	(4,451)	335	(4,116)	(1,905)	—	(1,905)	(2,211)
Income tax expense	—	438	438	—	—	—	438
Net income (loss)	\$ 23,547	\$ 3,605	\$ 27,152	20,534	—	20,534	6,618
Non-controlling interest	850	—	850	1,728	—	1,728	(878)
Net profit attributable to unitholders	\$ 22,697	\$ 3,605	\$ 26,302	18,806	—	18,806	7,496
Weighted average share of profits (loss)	30.0%	30% to 33.6%		30.0%	N/A		
REIT's share of income (loss)	\$ 6,809	\$ 1,257	\$ 8,066	5,642	—	5,642	2,424

For the nine months ended September 30,	2021			2020			Variance
	Australia	Europe	Total	Australia	Europe	Total	
Total revenues	\$ 77,610	\$ 23,194	\$100,804	\$60,727	\$ —	\$ 60,727	\$ 40,077
Expenses							
Operating costs	7,654	3,839	11,493	4,235	—	4,235	7,258
Mortgage and loan interest expense	10,225	3,764	13,989	11,736	—	11,736	2,253
General and administrative expenses	458	2,801	3,259	289	—	289	2,970
Other	485	—	485	379	—	379	106
Fair value (gain) loss adjustments and transaction costs	(109,512)	(9,494)	(119,006)	(15,173)	—	(15,173)	(103,833)
Income tax expense	—	4,311	4,311	—	—	—	4,311
Net income (loss)	\$168,300	\$ 17,973	\$186,273	\$59,261	\$ —	\$ 59,261	\$127,012
Non-controlling interest	2,862	—	2,862	1,728	—	1,728	1,134
Net profit attributable to unitholders	\$165,438	\$ 17,973	\$183,411	\$57,533	\$ —	\$ 57,533	\$125,878
Weighted average share of profits (loss)	30.0%	30% to 33.6%		30.0%	N/A		
REIT's share of income (loss)	\$ 49,631	\$ 5,922	\$ 55,553	\$17,260	\$ —	\$ 17,260	\$ 38,293

Share of profit (loss) of associate for the three and nine months ended September 30, 2021 represents the REIT's share of profit (loss) in the Australasian and European JVs with an institutional partner. The REIT's share of profit (loss) of associate increased by \$2.4 million and \$38.3 million for the three and nine months ended September 30, 2021, compare to the respective period in 2020. The increases were mainly attributable to the formation of the European JV on September 30, 2020, a higher revaluation of investment properties related to changes in valuation parameters and an increase in rents in the Australian joint ventures during the three and nine months ended September 30, 2021.

Management Fees

In exchange for its services, the Global Asset Manager earns management fees, activity-based fees for acquisitions and development activity, as well as an incentive fee from Vital Trust and joint arrangements.

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

The following table summarizes the management fees earned by Global Asset Manager for the three and nine months ended September 30, 2021 and 2020:

GLOBAL MANAGER FEES						
Expressed in thousands of Canadian dollars	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	Variance	2021	2020	Variance
	Base fee	\$ 7,103	\$ 6,595	\$ 508	\$ 20,502	\$ 16,743
Incentive and performance fee	3,520	1,820	1,700	10,819	3,494	7,325
Trustee fees	242	216	26	691	607	84
Project and Acquisition fees	3,548	2,388	1,160	10,144	5,153	4,991
Other fees	1,395	—	1,395	4,221	—	4,221
Total Management Fees	\$ 15,808	\$ 11,019	\$ 4,789	\$ 46,377	\$ 25,997	\$ 20,380
less: inter-company elimination ⁽¹⁾	(11,711)	(7,363)	(4,348)	(33,228)	(18,572)	(14,656)
Consolidated Management Fees ⁽²⁾	\$ 4,097	\$ 3,656	\$ 441	\$ 13,149	\$ 7,425	\$ 5,724
add: fees charged to non-controlling interests	7,827	4,914	2,913	22,202	12,363	9,839
Proportionate Management Fees ⁽³⁾	\$ 11,924	\$ 8,570	\$ 3,354	\$ 35,351	\$ 19,788	\$ 15,563

Notes

(1) Management fees charged to Vital Trust and to the JVs are eliminated on consolidation as an inter-company transaction.

(2) Represents the reported consolidated management fees.

(3) Represents the REIT's total management fees earned from third parties

Consolidated management fees for the three and nine months ended September 30, 2021, increased by \$0.4 million and \$5.7 million, respectively. The increase for the three and nine months ended September 30, 2021, is mainly driven by base fees from the REIT's joint venture agreements, acquisition fees (including cost reimbursements related to investment activity) with a third party JV partner compared to the three months ended September 30, 2020.

Incentive and performance fees for the three and nine months ended September 30, 2021, increased by \$1.7 million and \$7.3 million, respectively. The increases in both periods were driven by net tangible asset growth at Vital Trust.

The Global Asset Manager fees to Vital Trust are eliminated on consolidation as inter-company transactions but the REIT receives the benefit of approximately 74% of the fees; representing the non-controlling interest ownership in Vital Trust. Management fees charged to the JV are eliminated to the extent of the REIT's 30% interest in the JV.

Development Revenue and Costs

During the first quarter of 2021, the REIT entered into an agreement with the European JV partner to develop for two investment properties for the European JV. For the three and nine months ended September 30, 2021, the REIT has recognized development loss of \$0.2 million and development profit of \$0.7 million, respectively, net of its 30% interest in the European JV.

Interest and other

For the three months ended September 30, 2021 and 2020, the REIT recorded interest and other income of \$1.8 million and \$0.5 million, respectively.

For the nine months ended September 30, 2021 and 2020, the REIT recorded interest and other income of \$3.5 million and \$1.6 million, respectively.

The increase during the three and nine months ended September 30, 2021 period mainly relates to distribution income earned on the REIT's approximate 6.5% stake in AUHPT units.

Mortgage and loan interest expense

The mortgage and loan interest expense for the three months ended September 30, 2021 was \$22.4 million, a decrease of \$2.8 million over the prior year period. The mortgage and loan interest expense for the nine months ended September 30, 2021 was \$68.2 million, a decrease of \$5.7 million over the prior year period.

The composition of mortgage and loan interest expense for the three and nine months ended September 30, 2021 and 2020 is as follows:

MORTGAGE AND LOAN INTEREST EXPENSE						
Expressed in thousands of Canadian dollars	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Canada						
Mortgages ⁽¹⁾	\$ 3,968	\$ 4,361	\$ 393	\$ 12,171	\$ 13,302	\$ 1,131
Brazil						
Brazil debt	1,880	2,031	151	5,471	6,628	1,157
Europe						
Mortgages	1,231	3,654	2,423	7,159	8,526	1,367
Australasia						
Term loans	7,502	7,793	291	23,221	26,565	3,344
Corporate						
Australasian Secured Financing	1,232	881	(351)	3,444	2,843	(601)
Corporate credit facilities	5,095	3,489	(1,606)	10,783	7,821	(2,962)
Convertible Debentures	2,775	3,777	1,002	9,656	11,502	1,846
	<u>9,102</u>	<u>8,147</u>	<u>(955)</u>	<u>23,883</u>	<u>22,166</u>	<u>(1,717)</u>
less: capitalized interest	(1,279)	(781)	498	(3,773)	(3,351)	422
add: prepayment penalties	—	—	—	30	19	(11)
Total mortgage and loan interest expense	\$ 22,404	\$ 25,205	\$ 2,801	\$ 68,162	\$ 73,855	\$ 5,693

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, 2021 has decreased \$0.4 million and \$1.1 million over the three and nine months ended months ended September 30, 2020, respectively. The decrease in mortgage interest expense over the comparable prior year periods primarily reflects a lower weighted average interest rate. The weighted average interest rate of the Canadian mortgage portfolio as at September 30, 2021 decreased to 3.20% compared to 3.26% as at September 30, 2020.

Brazil

Mortgage interest expense for the three and nine months ended September 30, 2021 decreased by \$0.2 million and \$1.2 million compare to prior periods, respectively. The decrease in interest expense over comparable prior year period is primarily due to the weakening of the BRL relative to the Canadian dollar by approximately 3% as compared to the prior period.

Europe

Mortgage interest expense for the three and nine months ended September 30, 2021 has decreased by \$2.4 million and \$1.4 million compare to prior periods, respectively. The decrease over the comparable prior year periods is mainly due to a lower weighted average interest rate, property dispositions to the European JV and by the weakening of the Euro by approximately 4.7% against the Canadian dollar compare to prior periods which was partially offset by the acquisition activity of four properties in the UK in the second half of 2020.

The weighted average interest rate of the European mortgages was 1.96% as at September 30, 2021, which is a decrease from 2.31% as at September 30, 2020.

Australasia

Mortgage interest expense for the three and nine months ended September 30, 2021 has decreased by \$0.3 million and \$3.3 million over the three and nine months ended months ended September 30, 2020, respectively. The decrease over the comparable prior year periods is attributable to the repayment of term loans related to the sale of investment properties as well as a decrease in weighted average interest rates. The weighted average interest rate as at September 30, 2021 decreased to 3.18% compared to 3.23% as at September 30, 2020.

Corporate

The increase in the interest expense for the three and nine months ended September 30, 2021, over the comparable prior year period is primarily due to refinancing and expansion in corporate credit facilities to fund acquisition and investment activities, partially offset by redemption and conversion of NWH.DB.E convertible debentures series.

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, 2021 were \$8.4 million as compared to \$7.1 million in the prior year quarter. G&A for the three months ended September 30, 2021 includes DUP Compensation Expense (as defined under **ADJUSTED FUNDS FROM OPERATIONS ("AFFO") - DUP Compensation Expense**) of \$2.2 million (three months ended September 30, 2020 - \$1.3 million). G&A, excluding amounts associated with DUP Compensation Expenses, increased by approximately \$0.4 million over the prior year quarter.

G&A expenses for the nine months ended September 30, 2021 were \$29.8 million as compared to \$21.9 million for the nine months ended September 30, 2020. G&A for the nine months ended September 30, 2021 includes DUP Compensation Expense (as defined under **ADJUSTED FUNDS FROM OPERATIONS ("AFFO") - DUP Compensation Expense**) of \$7.2 million (nine months ended September 30, 2020 - \$6.3 million). G&A, excluding amounts associated with DUP Compensation Expenses, increased \$7.0 million over the prior year period. The increase in G&A for the three and nine months ended September 30, 2021 was primarily as a result of growth and scaling of the REIT's platform.

Transaction costs

For the three and nine months ended September 30, 2021, the REIT incurred transaction costs of \$16.9 million and \$30.3 million, respectively, (three and nine months ended months ended September 30, 2020 - \$4.5 million and \$31.6 million respectively). For the three and nine months ended September 30, 2021, transaction costs includes \$8.5 million relating to the acquisition of the Aspen Group and subsequent disposals of the OpCos. Transaction costs also include third party costs and internal allocations, including associated DUP, related to acquisition and disposition activities, investment opportunities, capital raising initiatives, and JV formation, being explored by the REIT. Included in transaction cost for nine months ended September 30, 2021 are CEO management services (See **RELATED PARTY TRANSACTIONS**) as well as cost reimbursements in relation to exploring investment opportunities, capital raising initiatives, and formation of new JVs.

Other finance costs

Other finance costs for the three and nine months ended September 30, 2021 and 2020 consisted of the following:

	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Distributions on Exchangeable Units	\$ 342	\$ 342	\$ —	\$ 1,026	\$ 3,159	\$ 2,133
Loss (gain) on revaluation of financial liabilities	2,445	759	(1,686)	7,431	3,321	(4,110)
Amortization of deferred financing costs	1,314	2,991	1,677	10,054	6,872	(3,182)
Amortization of marked to market adjustment	(105)	(252)	(147)	(314)	(760)	(446)
Fair value adjustment of Convertible Debentures	516	5,368	4,852	(949)	(8,474)	(7,525)
Fair value adjustment of Exchangeable Units	308	958	650	530	(85,444)	(85,974)
Total Finance Costs	\$ 4,820	\$ 10,166	\$ 5,346	\$ 17,778	\$ (81,326)	\$ (99,104)

Loss on revaluation of financial liabilities

The outstanding balances of the Brazilian term debt 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, 2021, accretion expense of \$2.4 million and \$7.4 million, respectively, (for the three and nine months ended months ended September 30, 2020 - expense of \$0.8 million and \$3.3 million, respectively). The increase in accretion expense for the three and nine months ended September 30, 2021, is related to the increase in the annual inflation rates in Brazil. The annual inflation rate for September 30, 2021 was 6.90% as compared to 3.14% for September 30, 2020.

Amortization of deferred financing costs

For the three and nine months ended September 30, 2021, the REIT recorded amortization of deferred financing fees of \$1.3 million and \$10.1 million, respectively (for the three and nine months ended months ended September 30, 2020 - \$3.0 million and \$6.9 million, respectively). The decrease in amortization during the three months ended September 30, 2021, is mainly attributable to European debt assumed by the European JV. The increase in amortization during the nine months ended September 30, 2021, is primarily attributable to amortization on the UK debt which was assumed in August 2020 and was repaid by the REIT on June 23, 2021.

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-21	Jun-21	Mar-21	Dec-20	Sept-20	Jun-20
Month-end closing price (Canadian \$)						
NWH.DB.F	1,019.1	1,020.8	1,018.0	1,040.0	1,015.0	1,000.2
NWH.DB.G	1,075.0	1,069.8	1,055.0	1,060.0	1,030.0	1,002.5

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 and its subsidiaries 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 months ended September 30, the REIT recorded a foreign exchange loss of \$4.6 million. For the nine months ended September 30, 2021, the REIT recorded a foreign exchange gain of \$9.0 million, which is net of a realized exchange loss of \$3.0 million related to refinancing activities in Vital Trust. The REIT's unrealized foreign exchange gain (loss) for the three and nine months ended September 30, 2021, relates primarily to revaluation of third-party debt and intercompany loans between subsidiaries of the REIT that are denominated in foreign currencies.

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, 2021 was \$nil and a loss of \$0.6 million, respectively, as compared to a loss of \$1.4 million and \$0.7 million for the three and nine months ended months ended September 30, 2020, respectively. The change 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, 2021, the REIT recorded a fair value gain on investment properties of \$152.7 million consisting of a \$124.8 million revaluation gain of the UK portfolio driven primarily by asset management initiatives resulting in improved operator covenants and related decrease in capitalization rates, a \$22.0 million revaluation gain in the Brazil portfolio due to the estimated changes to prospective rents based on positive inflation rates during the period, a \$6.9 million and a \$1.5 million revaluation increase, respectively, in both Vital Trust's investment properties and the Australian portfolio mainly attributable to rental growth and improvement in valuation parameters. These gains were partially offset by a \$2.6 million revaluation loss related to the Canadian portfolio primarily driven by changes in market leasing assumptions.

For the nine months ended September 30, 2021, the REIT recorded a fair value gain on investment properties of \$323.3 million consisting of a \$117.3 million revaluation gain of the UK portfolio driven primarily by rental growth, change in valuation parameter and leasing initiatives, a \$45.0 million revaluation increase of the Brazil portfolio driven by rental growth resulting from the change in the IPCA index across the portfolio, a \$163.7 million increase in the Vital Trust investment properties and a revaluation gain of \$4.6 million in the Australian portfolio both mainly attributable to improvement in valuation parameters. These gains were partially offset by and a \$7.4 million loss related to the Canadian portfolio primarily driven by changes in market leasing assumptions.

See also **INVESTMENT PROPERTIES**.

Gain/Loss on derivative financial instruments

Gain/loss on derivative financial instruments for the three and nine months ended September 30, 2021 and 2020 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,		
	2021	2020	Variance	2021	2020	Variance
Canada						
Interest rate swaps	\$ 180	\$ 190	\$ (10)	\$ 698	\$ (1,481)	\$ 2,179
Europe						
Interest rate swaps	318	(75)	393	1,946	(1,544)	3,490
Australasia						
Interest rate swaps	2,592	(4,073)	6,665	19,924	(15,702)	35,626
Option contracts	(4,964)	—	(4,964)	(9,895)	—	(9,895)
Foreign exchange contracts	297	79	218	300	12	288
Total gain (loss) on derivative financial instruments	\$ (1,577)	\$ (3,879)	\$ 2,302	\$ 12,973	\$ (18,715)	\$ 31,688

The REIT recognized fair value losses on option contract related to units in Australian Unity Healthcare Property Trust ("AUHPT") for the three and nine months ended September 30, 2021, were \$5.0 million and \$9.9 million, respectively. On December 24, 2020, the REIT together with a capital partner, has entered into option agreements to acquire a strategic interest of approximately 16% of the units in AUHPT. During the nine months ended September 30, 2021, the derivative agreement was revised to reduce the underlying investment stake to 11.1% and to reflect a price per unit at A\$2.55 and the REIT has entered into a unit purchase agreement to directly acquire units in AUHPT, thus reducing the number of units under the option contract.

As at September 30, 2021, the REIT had made a premium cash offer ("PCO") at AUD\$2.70 per unit to unitholders of AUHPT. Accordingly, all option arrangements per the existing terms to acquire additional AUHPT units were escalated to reflect the indicative market price of A\$2.70 per unit.

The derivative financial instruments were recognized during the nine months ended September 30, 2021, upon exchange of consideration with arms-length party. The arrangement between the REIT and its Australian JV partner has been recognized as a separate derivative under financial liabilities from the call/put option.

Income tax expense

The combined current tax and deferred tax expense of the REIT for the three and nine months ended September 30, 2021, was \$34.7 million and \$82.2 million, respectively.

For the three months ended September 30, 2021, the REIT recognized a current income tax expense of \$4.4 million (for the three months ended September 30, 2020 - recovery of \$7.1 million). The current taxes during the quarter primarily relate to tax expense of \$3.4 million recorded in the Global Asset Manager due to management fees earned, \$1.3 million at Vital Trust primarily related to normal course income taxes payable, \$1.3 million in Europe primarily related to the UK portfolio and withholding tax in Brazil of \$0.8 million. These were partially offset by an income tax recovery of \$1.3 million for the Australian portfolio primarily related to the finalization of the 2020 tax returns with respect to the AREIT sale and a current tax benefit of \$1.1 million in connection with a reversal of a current tax provision pertaining to a tax uncertainty which has since become statute barred.

For the nine months ended September 30, 2021, the REIT recognized current income tax expense of \$10.6 million (nine months ended September 30, 2020 - expense of \$12.3 million). The current taxes relate primarily to \$4.2 million in Europe related to the UK portfolio and \$5.3 million by Global Asset Manager on management fees earned.

The REIT records deferred tax liabilities in Europe, Brazil, Vital Trust and Australia arising primarily due to the difference between the carrying value for accounting purposes and tax cost of its investment properties. The deferred tax expense for the three months ended September 30, 2021, of \$30.3 million (for the three months ended September 30, 2020 - an expense of \$4.1 million) was primarily comprised of the deferred tax expenses in Europe of \$22.8 million, \$8.1 million related to Brazil and \$1.7 million related to Vital Trust partially as a result of fair value adjustments, partially offset by a deferred tax recovery of \$2.0 million related to the Global Asset Manager.

The deferred tax expense for the nine months ended September 30, 2021, of \$71.7 million (for the nine months ended September 30, 2020 - a recovery of \$35.0 million) was primarily comprised of the deferred tax expense in Australia of \$6.2 million and \$26.6 million at Vital Trust as a result of fair value adjustments and movement in interest rate derivatives and a deferred tax expense related to Europe and Brazil \$20.5 million and \$18.6 million, respectively, related to fair value adjustments.

Discontinued operations

The REIT acquired the Aspen Group's OpCos exclusively with a view of subsequent sale. Accordingly, upon acquisition of the Aspen Group on August 6, 2021, all assets and liabilities relating to the acquired OpCos were reclassified as assets and associated liabilities as held for sale, respectively, and operating results were presented as part of discontinued operations. During the three and nine months ended September 30, 2021, the REIT recorded a net loss from discontinued operations of \$25.7 million related to the Aspen Group (See **Highlights for the Quarter**).

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, 2021 represents income from currently owned investment properties, excluding properties held for redevelopment, acquired prior to January 1, 2020.

The REIT's same property NOI for the three and nine months ended September 30, 2021 and 2020 is summarized in the tables below in Canadian dollars and in constant currency:

SAME PROPERTY NOI						
In thousands of CAD	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	Var %	2021	2020	Var %
Same property NOI ⁽¹⁾						
Canada	\$ 16,625	\$ 16,185	2.7 %	\$ 48,583	\$ 48,384	0.4 %
Brazil	10,677	10,535	1.3 %	31,192	34,342	(9.2)%
Europe	8,039	8,244	(2.5)%	15,238	15,801	(3.6)%
Vital Trust - New Zealand	23,141	22,695	2.0 %	67,371	61,338	9.8 %
Australia	2,586	2,643	(2.2)%	7,936	7,361	7.8 %
Same property NOI ⁽¹⁾	\$ 61,068	\$ 60,302	1.3 %	\$ 170,320	\$ 167,226	1.9 %
Developments	288	222		809	583	
Acquisitions	12,894	4,282		42,335	16,476	
Dispositions	38	7,040		339	29,438	
Intercompany/Elimination	406	393		1,281	1,064	
NOI ⁽²⁾	\$ 74,694	\$ 72,239	3.4 %	\$ 215,084	\$ 214,787	0.1 %

Notes:

(1) Same property NOI is a non-IFRS measure, defined in this MD&A.

(2) NOI is an additional IFRS measure presented on the consolidated statement of income (loss) and comprehensive income (loss). NOI is defined in this MD&A.

CONSTANT CURRENCY SAME PROPERTY NOI

In thousands of CAD, in constant currency	Three months ended September 30,			Six months ended September 30,		
	2021	2020	Var %	2021	2020	Var %
	Same property NOI ⁽¹⁾					
Canada	\$ 16,624	\$ 16,185	2.7 %	\$ 48,583	\$ 48,384	0.4 %
Brazil	10,677	10,238	4.3 %	31,192	29,949	4.1 %
Europe	8,040	8,032	0.1 %	15,238	15,555	(2.0)%
Vital Trust - New Zealand	23,141	22,708	1.9 %	67,371	63,274	6.5 %
Australia	2,586	2,568	0.7 %	7,936	7,642	3.8 %
Constant currency same property NOI ⁽²⁾	\$ 61,068	\$ 59,731	2.2 %	\$ 170,320	\$ 164,804	3.3 %

Notes:

(1) Constant currency same property NOI is a non-IFRS measure, defined in this MD&A.

(2) The constant currency same property NOI change is calculated by converting the comparative same property NOI at current fx rates.

ADJUSTED SAME PROPERTY NOI

In thousands of CAD	Three months ended September 30,				Nine months ended September 30,			
	2021	2020	Var \$	Var %	2021	2020	Var \$	Var %
	Same property NOI ⁽¹⁾	\$ 61,068	\$ 60,302	\$ 766	1.3 %	\$ 170,320	\$ 167,226	\$ 3,094
Adjustments								
Straight-line rental revenue recognition	(249)	(672)	423		(857)	(2,031)	1,174	
Amortization of operating leases	456	334	122		1,266	836	430	
Lease termination fees	(575)	(52)	(523)		(605)	(145)	(460)	
Other transactions	1,547	1,445	102		2,725	3,799	(1,074)	
Adjusted same property NOI ⁽²⁾	\$ 62,247	\$ 61,357	\$ 890	1.5 %	\$ 172,849	\$ 169,685	\$ 3,164	1.9 %

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 thousands of CAD, in constant currency	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	Var %	2021	2020	Var %
	Adjusted same property NOI ⁽¹⁾					
Canada	\$ 17,254	\$ 17,432	(1.0)%	\$ 51,742	\$ 51,634	0.2 %
Brazil	10,677	10,238	4.3 %	31,160	29,931	4.1 %
Europe	8,239	8,025	2.7 %	15,806	15,321	3.2 %
Vital Trust - New Zealand	23,982	23,071	4.0 %	67,767	64,134	5.7 %
Australia	2,095	2,036	2.9 %	6,373	6,224	2.4 %
Constant currency Adjusted SPNOI ⁽²⁾	\$ 62,247	\$ 60,802	2.4 %	\$ 172,848	\$ 167,244	3.4 %

Notes:

(1) These include adjustment for straight-line rental revenue recognition, lease termination fees and allowance for doubtful accounts.

(2) The constant currency adjusted same property NOI change is calculated by converting the comparative same property NOI at current FX rates.

Consolidated

The REIT's Adjusted Same Property NOI in constant currency for the three and nine months ended September 30, 2021 increased by 2.4% and 3.4% respectively over the comparable prior year period mainly due to inflationary adjustments on rents and rentalization of development activity reflecting a steady growth in our underlying lease rentals additionally supported by a long term wale of 14.1 years.

The REIT's Same Property NOI in constant currency for the three and nine months ended September 30, 2021 were at 2.2% and 3.3% respectively over the comparable prior year period mainly due to inflationary adjustments on rents and rentalization of development activity offset by impact of COVID-19 related transient parking, cost, prior period recovery adjustments and straight-line rent adjustments.

Canada

Canadian Adjusted same property NOI (adjustments include COVID-19 impact relating to transient parking) for the three months ended September 30, 2021 decreased by 1.0% over the comparable prior year period mainly driven by higher non-recoverable payroll & operating costs in the quarter. Canada Adjusted same property NOI for the nine months ended September 30, 2021 increased slightly by 0.2% over the comparable prior year period mainly driven by higher rental income, offset partially by higher non-recoverable expenses.

Same Property NOI for the three months ended September 30, 2021 increased by 2.7% over the comparable prior year period, primarily due to recovery in transient parking income and a one-time termination fee earned in the quarter; offset partially by higher non-recoverable costs. Same Property NOI for the nine months ended September 30, 2021 increased by 0.4% over the comparable prior year period due to recovery in transient parking income, higher rental and termination fee income; offset partially by free rent & straight-lining rent adjustments and higher non-recoverable expenses.

Brazil

Adjusted Same Property and Same Property NOI on a constant currency basis for the three months and nine months ended September 30, 2021 increased by 4.3% (increased by 1.3% in Canadian dollar after including impact of currency conversion) and increased by 4.1% (decreased by 9.2% in Canadian dollar including impact of currency conversion) respectively over the comparable prior year period mainly due to inflationary adjustment on rents and Sabara prior year rent increase received in Q1 2021.

Europe

Adjusted Same Property NOI on a constant currency basis for the three and nine months ended September 30, 2021, increased by 2.7% (remained as 0.0% in C\$) and 3.2% (increased by 1.6% in Canadian dollar after including impact of currency conversion) over the comparable prior year period reflecting growth in rental revenue and indexation increases.

Same Property NOI on a constant currency basis for the three and nine months ended September 30, 2021 increased by 0.1% (decreased by 2.5% in Canadian dollar after including impact of currency conversion) and decreased by 2.0% (decreased by 3.6% in Canadian dollar after including impact of currency conversion) over the comparable prior year period mainly driven by timing of direct charge billing and true up of tenant recovery.

Vital Trust

Adjusted Same Property NOI on a constant currency basis for the three and nine months ended September 30, 2021 over the comparable prior year period increased by 4.0% (increased by 4.0% in Canadian dollar after including impact of currency conversion) and 5.7% (increased by 9.0% in Canadian dollar after including impact of currency conversion) respectively over the comparable prior year period driven by indexed rental increases, development rentalization and impact of exchange movements Australia dollar to New Zealand dollar.

Same Property NOI on a constant currency basis for the three and nine months ended September 30, 2021 increased by 1.9% (increased by 2.0% in Canadian dollar after including impact of currency conversion) and 6.5% (increased by 9.8% in Canadian dollar after including impact of currency conversion) respectively over the comparable prior year period, driven by indexed rental increases, leasing, development rentalization, impact of exchange movements Australia dollar to New Zealand dollar partly offset by Vacancies (Ascot Central, Apollo & Gold Coast Surgical) and Southport renewal reversion.

Australia

Adjusted Same Property NOI on a constant currency basis for the three and nine months ended September 30, 2021 over the comparable prior year period increased by 2.9% (decreased by 0.1% in Canadian dollar after including impact of currency conversion) and 2.4% (increased by 6.3% in Canadian dollar after including impact of currency conversion) driven mainly by leasing of long term vacancies (Epping) and indexed rental increases.

Same property NOI on a constant currency basis for the three and nine months ended September 30, 2021 increased by 0.7% (decreased by 2.2% in Canadian dollar after including impact of currency conversion) and 3.8% (increased by 7.8% in Canadian dollar after including impact of currency conversion) respectively over the comparable prior year period, driven by leasing of long term vacancies (Epping) and indexed rental increases.

LEASING

Lease Maturities

The REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 14.1 years as at September 30, 2021. Below is a table of the percentage of leases of expiring by year by region.

	2021	2022	2023	2024	2025	2026	2027	2028	Thereafter	Total
Canada	1.8%	12.3%	14.5%	10.0%	9.0%	11.1%	8.2%	5.7%	27.4%	100.0%
Brazil	—%	—%	—%	8.4%	—%	—%	—%	—%	91.6%	100.0%
Europe ⁽¹⁾	1.0%	4.1%	4.7%	3.1%	4.4%	4.9%	1.7%	1.5%	74.6%	100.0%
Australasia ⁽²⁾	0.3%	1.0%	3.9%	1.7%	1.7%	5.0%	0.3%	3.0%	83.1%	100.0%
Total Portfolio	0.8%	4.2%	5.9%	4.6%	3.8%	5.6%	2.3%	2.8%	70.0%	100.0%

(1) Europe is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30%-33.57% interest in the JV.

(2) Australia 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 Brazilian Hospitals, Australian Hospitals and European Clinic 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 January 5, 2045. The European Clinic properties are occupied by single tenants with an average WALE of 12.5 years. 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 18.8 years and the Australian portfolio which has a WALE of 16.5 years.

The below table summarizes the REIT's WALE allocated by asset type as at September 30, 2021:

	Asset Mix		WALE (in years)		Total
	MOB	Hospitals & Healthcare Facilities	MOB	Hospitals & Healthcare Facilities	
Canada ¹	100 %	— %	5.0	—	5.0
Brazil	— %	100 %	—	18.9	18.9
Europe ²	56 %	44 %	6.6	13.2	14.9
Vital ¹	26 %	74 %	8.2	19.8	18.8
Australia ³	26 %	74 %	12.0	17.7	16.5

Notes

- 1 Excluding development projects.
- 2 Europe is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30%-33.57% interest in the JV.
- 3 Australia 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, 2021, over 76.4% of the REIT's rental income (98.0% of the International Portfolio) is subject to inflationary adjustments, certain of which are fixed or capped, 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, 2021	% of Revenue ⁽¹⁾
Canada	3.9%
Brazil	100.0%
Europe ⁽²⁾	95.1%
Vital	99.1%
Australia ⁽³⁾	99.5%
International Total/Weighted Average	98.0%
Portfolio Total / Weighted Average	76.4%

Notes

- (1) Includes revenue which is subject to inflationary adjustments and market reviews.
- (2) Europe is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30%-33.57% interest in the JV.
- (3) Australia 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, 2021						
in thousands of square feet	Canada	Brazil	Europe ⁽⁴⁾	Vital Trust ⁽¹⁾	Australia ⁽³⁾	Total
Opening Occupancy	91.7%	100.0%	96.9%	98.7%	99.4%	96.9%
Opening Balance	3,298	1,879	4,529	2,869	2,977	15,552
Acquisition	—	—	—	—	—	—
Disposition	—	—	—	—	—	—
Transfers to Properties under Development	—	—	(23)	—	—	(23)
Expiries and Early Terminations	(67)	—	(31)	(29)	(5)	(132)
Renewal	53	—	29	2	1	85
New Leasing	24	—	138	11	8	181
Other ⁽²⁾	(19)	—	—	—	(3)	(22)
Closing Balance	<u>3,289</u>	<u>1,879</u>	<u>4,642</u>	<u>2,853</u>	<u>2,978</u>	<u>15,641</u>
Closing Occupancy	91.4%	100.0%	97.4%	98.5%	99.4%	96.9%
Nine months ended September 30, 2021						
in thousands of square feet	Canada	Brazil	Europe ⁽¹⁾	Vital Trust ⁽²⁾	Australia	Total
Opening Occupancy	91.8%	100.0%	97.6%	98.7%	99.3%	97.1%
Opening Balance	3,347	1,879	4,160	2,675	2,974	15,035
Acquisition	—	—	360	161	—	521
Disposition	(63)	—	—	—	—	(63)
Transfers from/(to) Properties under Development	41	—	—	24	—	65
Expiries and Early Terminations	(290)	—	(365)	(236)	(7)	(897)
Renewal	216	—	317	205	2	740
New Leasing	60	—	167	14	12	253
Other ⁽³⁾	(22)	—	3	9	(3)	(13)
Closing Balance	<u>3,289</u>	<u>1,879</u>	<u>4,642</u>	<u>2,853</u>	<u>2,978</u>	<u>15,641</u>
Closing Occupancy	91.4%	100.0%	97.4%	98.5%	99.4%	96.9%

Notes

(1) Europe is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"), including both German and Netherlands Seed Portfolios. The REIT owns 33.57% and 30% interest, respectively in these JV portfolios.

(2) Shown on a 100% basis. The REIT has an approximate 26.7% interest in Vital Trust and acts as manager of Vital Trust, it therefore consolidates Vital Trust.

(3) Other includes Remeasurements and Month-to-Month leases.

Canada

During the quarter, the REIT completed 53,118 square feet of renewal leasing representing a 91% renewal rate. The REIT completed the renewals at an initial net rent of \$15.80 per square foot versus an expiring net rent per square foot of \$15.78 per square foot, an increase of \$0.02 per square foot or 0.1%.

During the quarter, the REIT also completed 23,543 square feet of new leasing at an initial net rent of \$12.54 per square foot. The low rate was the result of new leases completed in lower rent market in Atlantic Canada as well as a few specific lease deals in the quarter.

Year to date, the REIT completed 216,433 square feet of renewal leasing representing a 86% renewal rate. The REIT completed the renewals at an initial net rent of \$17.40 per square foot versus an expiring net rent per square foot of \$17.21, an increase of \$0.19 per square foot or 1.1%.

Year to date, the REIT also completed 60,052 square feet of new leasing at an initial net rent of \$13.95 per square foot.

As at September 30, 2021, the REIT had 263,000 square feet of committed leasing against future expiries at an initial net rent of \$13.44 per square foot versus expiring net rent per square foot of \$12.44, an increase of \$1.00 per square foot or 8.0%. the high spread was due to conversion of a few gross leases to net leases with significant increase in net rent rate. Excluding those, the increase would have been 5.6%. The REIT also had 18 thousand square feet of committed leasing against vacant space at an initial net rent of \$13.48 per square foot.

Expiring net rent decreased to \$18.56 per square foot in the third quarter 2021, from \$18.57 per square foot in the second quarter of 2021.

EXPIRING NET RENT (\$PSF)	
September 30, 2021	
	Canada
Month-to-Month	\$ 13.78
2021	\$ 14.09
2022	\$ 15.71
2023	\$ 15.32
2024	\$ 17.64
2025	\$ 20.20
2026+	\$ 20.91
Total Expires	\$ 18.56

Brazil

The REIT's Brazil properties are subject to long term leases (portfolio WALE of 18.9 years). There was no leasing activity during the quarter.

Europe

During the quarter, the REIT completed 28,739 square feet of renewal leasing representing an 93.5% renewal rate. These renewals were completed at an initial net rent of €17.04 per square foot versus an expiring net rent per square foot of €16.59, an increase of 2.7%.

During the quarter, the REIT completed 137,914 square feet of new leasing at an initial net rent of €19.03.

Year to date, the REIT has completed 316,835 square feet of renewal leasing representing an 86.6% renewal rate. The REIT completed the renewals at an initial net rent of €12.57 per square foot versus an expiring net rent per square foot of €12.41, a 1.4% increase.

Year to date the REIT also completed 166,868 square feet of new leasing at an initial net rent of €16.46 per square foot.

EXPIRING NET RENT (€PSF)	
September 30, 2021	
	Europe
Month-to-Month	€ 5.75
2021	10.57
2022	13.15
2023	11.79
2024	12.09
2025	12.91
2026+	9.40
Total Expires	€ 10.00

Vital Trust

Vital Trust's properties are generally subject to long term leases.

During the quarter, Vital Trust completed 1,945 square feet representing a 6.7% renewal rate. The renewals were a result of tenants exercising their renewal options and were completed at an initial net rent per square foot of NZ\$45.92 versus expiring net rent of NZ\$45.18, an increase of 1.6%.

During the quarter, Vital Trust also completed 11,248 square feet of new leasing at an initial average net rent of NZ\$14.15 per square foot.

During the nine months ended September 30, 2021, Vital Trust completed 205,379 square feet representing 87.2% renewal rate. These renewals were completed at an initial rent of NZ\$62.95 versus an expiring rent of NZ\$62.36 per square foot, a 0.9% increase. Noting 191 thousand square feet related to a 5-year renewal secured with Health Care at South Eastern Private Hospital and Lingard Private Hospital.

During the nine months ended September 30, 2021, Vital Trust completed 13,654 square feet of new leasing at an initial net rent of NZ\$16.04.

Australia

The Australian portfolio is generally subject to long term leases, and as such there was no material leasing activity.

During the quarter, the REIT completed 1,055 square feet of renewal representing a 22.7% renewal rate an initial net rent of A\$71.23 per square foot with no change versus existing rent per square foot.

During the quarter, the REIT completed 7,739 square feet of new leasing at an initial net rent of A\$20.90.

During the nine months ended September 30, 2021, the REIT completed 2,147 square feet of renewal representing a 31.2% renewal rate at an initial net rent of A\$64.39 per square foot with no change versus existing rent per square foot.

During the nine months ended September 30, 2021, the REIT completed 11,683 thousand square feet of new leasing at an initial net rent of A\$25.81.

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.

FUNDS FROM OPERATIONS						
Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Net income (loss) attributable to unitholders	\$ 161,380	\$ 19,913	\$ 141,467	\$ 295,427	\$ 170,592	\$ 124,835
Add / (Deduct):						
(i) Fair market value losses (gains)	(150,209)	3,382	(153,591)	(336,101)	(70,972)	(265,129)
Less: Non-controlling interests' share of fair market value losses (gains)	8,060	(585)	8,645	138,192	(6,809)	145,001
(ii) Finance cost - Exchangeable Unit distributions	342	342	—	1,026	3,159	(2,133)
(iii) Revaluation of financial liabilities	2,445	759	1,686	7,431	3,321	4,110
(iv) Unrealized foreign exchange loss (gain)	4,430	2,422	2,008	(12,013)	15,690	(27,703)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	(4)	211	(215)	1,398	(2,134)	3,532
(v) Deferred taxes	30,320	4,097	26,223	71,658	(35,016)	106,674
Less: Non-controlling interests' share of deferred taxes	(1,226)	909	(2,135)	(19,733)	1,790	(21,523)
(vi) Transaction costs	17,678	6,771	10,907	36,926	36,779	147
Less: Non-controlling interests' share of transaction costs	—	—	—	(167)	(4,966)	4,799
(vii) Net adjustments for equity accounted investments	(1,193)	(255)	(938)	(34,039)	(4,236)	(29,803)
(viii) Internal leasing costs	646	453	193	2,149	1,867	282
(ix) Net adjustment for discontinued operations	(24,912)	—	(24,912)	(24,912)	—	(24,912)
(x) Net adjustment for lease amortization	(112)	(81)	(31)	(198)	(223)	25
(xi) Other FFO adjustments	—	1,441	(1,441)	1,224	3,197	(1,973)
Funds From Operations ("FFO")⁽¹⁾	\$ 47,645	\$ 39,779	\$ 7,866	\$ 128,268	\$ 112,039	\$ 16,229
FFO per Unit - Basic	\$ 0.22	\$ 0.22	\$ —	\$ 0.67	\$ 0.63	\$ 0.04
FFO per Unit - fully diluted ⁽³⁾	\$ 0.21	\$ 0.22	\$ (0.01)	\$ 0.65	\$ 0.61	\$ 0.04
Adjusted weighted average units outstanding⁽²⁾						
Basic	218,843,204	177,438,398	41,404,806	192,347,998	177,087,898	15,260,100
Diluted ⁽³⁾	237,163,092	201,292,040	35,871,052	210,346,094	200,657,778	9,688,316

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 1,710,000 Class B LP Units outstanding as at September 30, 2021 and 1,710,000 outstanding as at September 30, 2020.
- (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.

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, convertible debenture issuance costs, all transaction costs, and other FFO adjustments discussed in (xii) below in its calculation of FFO.

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,		
	2021	2020	Variance	2021	2020	Variance
Fair market value losses (gains)						
Fair value adjustment of Convertible Debentures	\$ 516	\$ 5,368	\$ (4,852)	\$ (949)	\$ (8,474)	\$ 7,525
Fair value adjustment of Exchangeable Units	308	958	(650)	530	(85,444)	85,974
Fair value adjustment of investment properties	(152,672)	(8,209)	(144,463)	(323,321)	4,931	(328,252)
Loss (Gain) on derivative financial instruments	1,577	3,879	(2,302)	(12,973)	18,715	(31,688)
Fair value adjustment of DUP liability	62	1,386	(1,324)	612	(700)	1,312
Total	\$ (150,209)	\$ 3,382	\$ (153,591)	\$ (336,101)	\$ (70,972)	\$ (265,129)

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.

(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 unrealized 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 taxes in Europe, Brazil, Australian and Vital Trust 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 expenses transaction costs related to acquisitions which have been determined to be business combinations and business development costs. 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 transactions have been added back to net income (loss). In addition to transaction costs related to business combinations, the REIT also adds back to net income (loss) third party transaction and internally allocated costs related to disposition activities, investment opportunities, establishment of joint arrangements, including those incurred with respect to building relationships with healthcare operators and institutional investors, tax on profits or losses on disposals of properties and other capital raising initiatives being explored by the REIT, which are not contemplated in the REALpac Guidance.

(vii) Net adjustments for equity accounted investments

Under IFRS the REIT's investment in joint ventures is 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 September 30,			Nine months ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Share of profit (loss) of Equity Accounted Investments	\$ 8,066	\$ 5,642	\$ 2,424	\$ 55,553	\$ 17,260	\$ 38,293
Add/(Deduct):						
Fair market value losses (gains)	(1,334)	(255)	(1,079)	(35,567)	(4,236)	(31,331)
Deferred taxes	141	—	141	1,329	—	1,329
Non-recurring transaction costs	—	—	—	199	—	199
Net FFO Adjustment for Equity Accounted Investments	\$ (1,193)	\$ (255)	\$ (938)	\$ (34,039)	\$ (4,236)	\$ (29,803)
Proportionate share of Equity Accounted Investments FFO	\$ 6,873	\$ 5,387	\$ 1,486	\$ 21,514	\$ 13,024	\$ 8,490

(viii) Internal leasing costs

In accordance with IFRS, internal leasing costs that are not incremental are expensed. These amounts include the base salary and benefits of the internal leasing department. Consistent with REALpac Guidance, 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) Results of discontinued operations

Consistent with REALpac Guidance, FFO related to non-cash items impacting profit or loss included in results of discontinued operations should be adjusted for in arriving at FFO. The REIT has adjusted FFO to reflect the amortization of lessee arrangements, \$11.2 million gain on disposition of the OpCos and a \$21.3 million gain on bargain purchase of the Aspen Group partially offset by \$6.5 million transaction costs included in results of discontinued operations (see **Highlights for the Quarter**).

(x) 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.

Australia 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.

(xi) Other FFO adjustments

For the nine months ended September 30, 2021, other FFO adjustments relate to non-recurring advisory and financing fees.

The above adjustments are not contemplated in the REALpac Guidance for FFO.

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.

ADJUSTED FUNDS FROM OPERATIONS						
Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	Variance	2021	2020	Variance
FFO ⁽¹⁾	\$ 47,645	\$ 39,779	\$ 7,866	\$ 128,268	\$ 112,039	\$ 16,229
Add / (Deduct):						
(i) Amortization of marked to market adjustment	(105)	(252)	147	(314)	(760)	446
(ii) Amortization of transactional deferred financing charges	217	2,052	(1,835)	1,193	3,761	(2,568)
(iii) Straight-line revenue	384	149	235	1,340	(156)	1,496
Less: non-controlling interests' share of straight-line revenue	(317)	(280)	(37)	(1,191)	(696)	(495)
(iv) Leasing costs and non-recoverable maintenance capital expenditures	(2,800)	(2,866)	66	(8,290)	(9,343)	1,053
Less: non-controlling interests' share of actual capex and leasing costs	193	227	(34)	704	715	(11)
(v) DUP Compensation Expense	2,168	1,271	897	7,209	6,311	898
(vi) Debt repayment costs	—	—	—	30	19	11
(vii) Net adjustments for equity accounted investments	(121)	(127)	6	(425)	(160)	(265)
Adjusted Funds From Operations ("AFFO") ⁽¹⁾	\$ 47,264	\$ 39,953	\$ 7,311	\$ 128,524	\$ 111,730	\$ 16,794
AFFO per Unit - Basic	\$ 0.22	\$ 0.23	\$ (0.01)	\$ 0.67	\$ 0.63	\$ 0.04
AFFO per Unit - fully diluted ⁽³⁾	\$ 0.21	\$ 0.22	\$ (0.01)	\$ 0.65	\$ 0.61	\$ 0.04
Distributions per Unit - Basic	\$ 0.20	\$ 0.20	\$ —	\$ 0.60	\$ 0.60	\$ —
Adjusted weighted average units outstanding: ⁽²⁾						
Basic	218,843,204	177,438,398	41,404,806	192,347,998	177,087,898	15,260,100
Diluted ⁽³⁾	237,163,092	201,292,040	35,871,052	210,346,094	200,657,778	9,688,316

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 1,710,000 Class B LP Units outstanding as at September 30, 2021 and 1,710,000 outstanding as at September 30, 2020.
- (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% per annum of revenue from the medical office 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, at the REIT's option, the REIT has added back DUP Compensation Expense to income when determining AFFO.

(vi) **Debt repayment costs**

Under IFRS, the REIT has recorded debt repayment costs. The REIT adds back to AFFO the write off of financing fees for which debt has been repaid in advance of its maturity to reflect a stabilized business environment. For the nine months ended September 30, 2021, the REIT incurred debt repayment costs of related to the refinancing of a corporate facility.

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

Under IFRS the REIT's investments in associate are 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,		
	2021	2020	Variance	2021	2020	Variance
Proportionate share of Equity Accounted Investments FFO	\$ 6,873	\$ 5,387	\$ 1,486	\$ 21,514	\$ 13,024	\$ 8,490
Add / (Deduct):						
Amortization of deferred financing charges	3	3	—	19	3	16
Straight-line revenue	(58)	(125)	67	(196)	(158)	(38)
Leasing costs and non-recoverable maintenance capital expenditures	(66)	(5)	(61)	(248)	(5)	(243)
Net AFFO adjustment	\$ (121)	\$ (127)	\$ 6	\$ (425)	\$ (160)	\$ (265)
Proportionate share of Equity Accounted Investments AFFO	\$ 6,752	\$ 5,260	\$ 1,492	\$ 21,089	\$ 12,864	\$ 8,225

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 2021	Q3 2021	Q3 2021	Annualized
		Per Unit	Annualized	Per Unit
AFFO as reported	\$ 47,264	\$ 0.22	\$ 189,056	
Normalization adjustments:				
(1) Acquisition and disposition activities			24,031	
(2) Accrued FX and indexation related to Brazil and HSO leases			1,708	
(3) ANZ manager base management fee			102	
(4) Potential debt optimization post quarter			8,896	
(5) On-going developments			4,188	
(6) Non-recurring fees and transactions			(20,824)	
Normalized AFFO on an annualized basis			\$ 207,157	\$ 0.92
Weighted average units outstanding during the current three month reporting period (000s)				218,843
(7) Normalization adjustment				6,159
Normalized Units Outstanding (000s)				225,002

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

- 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.
- To reflect the estimated impact of an increase in inflation (IPCA) indexation on current net rents of Brazilian leases based on the actual YTD IPCA of 6.9% and Q3 2021 average exchange rates and the impact of contractual rent growth from HSO.
- To annualize the impact of recurring asset management and property management fees recorded by the Global Manager. Fees also reflect recurring base fees on acquisitions still pending at reporting date.
- To reflect the estimated impact of debt optimization for 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	(203,819)	4.89 %	2,490	—	2,490	9,960
Draws on Corporate Facilities	90,000	6.00 %	(1,350)	—	(1,350)	(5,400)
Total	\$(113,819)		\$ 1,140	\$ —	\$ 1,140	\$ 4,560

- To reflect the estimated impact of the completion of Canadian and Australian development activity as discussed under **DEVELOPMENT ACTIVITY**.

- (6) To eliminate the annualized impact of non-recurring items during the quarter related to non-recurring transactional management and financing fees.
- (7) To adjust unit count to period end number of units outstanding.

DISTRIBUTIONS

For the three and nine months ended September 30, 2021, the REIT declared a total of \$43.9 million and \$122.7 million, respectively in distributions, including distributions on Exchangeable Units (three and nine months ended months ended September 30, 2020 - \$35.5 million and \$106.5 million, respectively). These distributions reflect an annualized distribution rate of \$0.80 per unit per annum (three and nine months ended months ended September 30, 2020 - \$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, 2021, a total of 561,884 and 1,499,239 trust units were issued under the DRIP (three and nine months ended months ended September 30, 2020, a total of nil and 522,825 Trust Units, respectively).

For the three and nine months ended September 30, 2021 the REIT's DRIP participation rate was 16.3% and 15.9%, respectively (three and nine months ended months ended September 30, 2020 - 0.0% and 13.5%, respectively).

As required by National Policy 41-201 "Income Trusts and Other Indirect Offerings", the following table outlines the differences between cash flows 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 FLOWS FROM OPERATIONS/NET INCOME AND CASH DISTRIBUTIONS				
Expressed in thousands of Canadian dollars	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net income (loss) attributable to unitholders	\$ 161,380	\$ 19,913	\$ 295,427	\$ 170,592
Add: Finance cost - Exchangeable Unit distributions	342	342	1,026	3,159
Adjusted net income (loss)	<u>\$ 161,722</u>	<u>\$ 20,255</u>	<u>\$ 296,453</u>	<u>\$ 173,751</u>
Cash flows from operating activities attributable to unitholders	\$ 40,274	\$ 48,770	\$ 97,837	\$ 120,717
Distributions paid and payable				
Trust Units	\$ 43,539	\$ 35,147	\$ 121,636	\$ 103,383
Exchangeable Units	342	342	1,026	3,159
	<u>\$ 43,881</u>	<u>\$ 35,489</u>	<u>\$ 122,662</u>	<u>\$ 106,542</u>
Surplus (shortfall) of adjusted net income (loss) attributable to unitholders over distributions paid and payable	<u>\$ 117,841</u>	<u>\$ (15,234)</u>	<u>\$ 173,791</u>	<u>\$ 67,209</u>
Surplus (shortfall) of cash flows from operating activities attributable to unitholders over distributions paid and payable	<u>\$ (3,607)</u>	<u>\$ 13,281</u>	<u>\$ (24,825)</u>	<u>\$ 14,175</u>

During the three and nine months ended September 30, 2021, there was a shortfall in cash flows from operating activities attributable to unitholders over distributions paid and payable of \$3.6 million and \$24.8 million, respectively. The shortfall is mainly as result of timing differences in working capital, interest accruals and payments for the convertible debentures which are reported under cash flows from operating activities in the financial statements. Cash flows from operating activities attributable to unitholders also excludes the distribution income from the REIT's investments in its JVs. The distributions earned from its JV investments are considered by management to be an integral part of the REIT's cash flow from operations due to the strategic nature of the equity invested. Remaining shortfall were financed by DRIP. As demonstrated in the table below, cash flows from operating activities, adjusted for the aforementioned were sufficient to fund distributions paid and payable to unitholders for the three and nine months ended September 30, 2021:

ADJUSTED CASH SURPLUS (SHORTAGE) FROM OPERATING ACTIVITIES TO DISTRIBUTIONS				
Expressed in thousands of Canadian dollars	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Surplus (shortfall) of cash flows from operating activities				
attributable to unitholders over distributions paid and payable	\$ (3,607)	\$ 13,281	\$ (24,825)	\$ 14,175
Add: Value of Trust Units issued pursuant to the DRIP	7,147	—	18,960	5,620
Add: Distribution income from equity accounted associates	3,250	2,505	16,758	7,765
Adjusted surplus (shortfall) of cash flow from operating activities attributable to unitholders over	<u>\$ 6,790</u>	<u>\$ 15,786</u>	<u>\$ 10,893</u>	<u>\$ 27,560</u>

During the three and nine months ended September 30, 2021, there was \$7.1 million and \$19.0 million, respectively, in value of Trust Units issued under the DRIP (three and nine months ended months ended September 30, 2020, there was \$0.0 million and \$5.6 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**.

For the three and nine months ended September 30, 2021, the REIT had a surplus between adjusted net income and distributions paid to unitholders of \$117.8 million and \$173.8 million, respectively. 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.

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 2021 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 2020 were deemed a 40% return of capital and 60% other income 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 and JVs, 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 and the JVs. 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, which the REIT has a demonstrated history of executing.

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, reconciles the REIT's cash flow from operations to AFFO:

RECONCILIATION OF CASH FLOWS FROM OPERATIONS TO AFFO						
Expressed in thousands of Canadian dollars	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Cash flows from operating activities	\$ 24,264	\$ 54,655	\$ (30,391)	\$ 96,093	\$ 146,081	\$ (49,988)
Add (deduct):						
Non-cash interest expense	(6,021)	(2,833)	(3,188)	(3,576)	(1,798)	(1,778)
Non-cash current taxes	10,433	2,111	8,322	19,296	6,337	12,959
Changes in non-cash working capital balances	17,105	(11,778)	28,883	18,592	(23,712)	42,304
AFFO of equity accounted entities	(1,314)	(382)	(932)	(34,464)	(4,396)	(30,068)
AFFO attributable to discontinued operations	746	—	746	746	—	746
Other FFO adjustments	—	1,441	(1,441)	1,224	3,197	(1,973)
Internal leasing costs	646	453	193	2,149	1,867	282
Amortization of recurring financing charges	(1,097)	(939)	(158)	(8,861)	(3,111)	(5,750)
Leasing costs and non-recoverable maintenance capital expenditures	(2,800)	(2,866)	66	(8,290)	(9,343)	1,053
Amortization of lease liabilities	(112)	(81)	(31)	(198)	(223)	25
Interest income and other	1,773	513	1,260	3,529	1,645	1,884
Straight-line revenue	384	149	235	1,340	(156)	1,496
Redemption of units issued under the DUP	664	404	260	1,860	1,867	(7)
Amortization of furniture and office equipment	(266)	(398)	132	(994)	(1,197)	203
Foreign exchange	—	23	(23)	—	67	(67)
Debt repayment costs	—	—	—	30	19	11
Share of profit (loss) from equity accounted investments	8,066	5,642	2,424	55,553	17,260	38,293
AFFO attributable to non-controlling interest	(5,207)	(6,161)	954	(15,505)	(22,673)	7,168
	\$ 23,000	\$ (14,702)	\$ 37,702	\$ 32,431	\$ (34,350)	\$ 66,781
AFFO	\$ 47,264	\$ 39,953	\$ 7,311	\$ 128,524	\$ 111,731	\$ 16,793

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								
	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19
Summary of Financial Information								
Assets Under Management ⁽¹⁾	\$8,260,200	\$8,260,200	\$7,706,262	\$7,847,120	\$7,360,861	\$6,831,914	\$6,627,729	\$6,462,767
Gross Book Value ("GBV") ⁽²⁾	\$6,674,397	\$6,342,457	\$5,681,585	\$5,845,238	\$5,666,577	\$5,328,095	\$5,444,457	\$5,535,304
Debt - Declaration of Trust ⁽¹⁾	\$2,706,955	\$2,516,917	\$2,224,729	\$2,510,310	\$2,695,247	\$2,361,284	\$2,428,409	\$2,354,897
Debt to GBV - Declaration of Trust	40.6 %	39.7 %	39.2 %	42.9 %	47.6 %	44.3 %	44.6 %	42.5 %
Debt - Including Convertible Debentures ⁽²⁾	\$2,921,659	\$2,731,116	\$2,514,900	\$2,803,131	\$2,981,925	\$2,642,592	\$2,697,349	\$2,746,098
Debt to GBV - Incl. Convertible Debentures	43.8 %	43.1 %	44.3 %	48.0 %	52.6 %	49.6 %	49.5 %	49.6 %
Operating Results								
Revenue from investment properties	\$ 95,554	\$ 90,092	\$ 92,599	\$ 92,845	\$ 95,086	\$ 90,293	\$ 95,594	\$ 91,608
Net income (loss)	\$ 173,293	\$ 183,253	\$ 73,589	\$ 200,249	\$ 26,556	\$ 38,549	\$ 116,060	\$ 25,909
NOI ⁽³⁾	\$ 74,694	\$ 69,826	\$ 70,564	\$ 71,007	\$ 72,239	\$ 69,902	\$ 72,646	\$ 69,494
FFO ⁽³⁾	\$ 47,645	\$ 42,293	\$ 38,330	\$ 40,252	\$ 39,779	\$ 33,910	\$ 38,351	\$ 30,352
AFFO ⁽³⁾	\$ 47,264	\$ 43,183	\$ 38,024	\$ 38,539	\$ 39,953	\$ 35,568	\$ 36,210	\$ 31,009
Distributions ⁽⁴⁾	\$ 43,881	\$ 40,912	\$ 37,869	\$ 35,520	\$ 35,489	\$ 35,489	\$ 35,564	\$ 31,474
Per Unit Amounts ⁽⁵⁾								
FFO per unit - Basic	\$ 0.22	\$ 0.21	\$ 0.21	\$ 0.23	\$ 0.22	\$ 0.19	\$ 0.22	\$ 0.20
AFFO per unit - Basic	\$ 0.22	\$ 0.22	\$ 0.21	\$ 0.22	\$ 0.23	\$ 0.20	\$ 0.21	\$ 0.20
Distributions	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20
Adjusted Weighted Average Units Outstanding ⁽⁵⁾								
Basic	218,843,204	201,034,657	184,349,757	177,563,647	177,438,398	177,421,006	176,400,438	153,331,021

Notes

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

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

(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, 2021 and December 31, 2020:

CAPITAL STRUCTURE		
Expressed in thousands of Canadian dollars	As at September 30, 2021	As at December 31, 2020
Debt - Declaration of Trust ⁽¹⁾	2,706,955	2,510,310
Convertible Debentures at Fair Value	214,704	292,821
Debt - Including Convertible Debentures ⁽¹⁾	2,921,659	2,803,131
Mortgages and loans payable - marked to market	820	1,135
Mortgages and loans payable - unamortized financing costs	(13,328)	(16,032)
Total Debt	2,909,151	2,788,234
DUP Liability	28,473	24,277
Class B LP Exchangeable Units	22,076	21,546
Unitholders' equity	2,230,473	1,638,419
Total Capitalization	\$ 5,190,173	\$ 4,472,476

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, 2021:

UNITS OUTSTANDING	
Trust Units outstanding, December 31, 2020	175,977,780
Issuance of Trust Units pursuant to equity offering	17,020,000
Issuance of Trust Units under the DRIP	443,537
Issuance of Trust Units under the DUP	3,270
Trust Units outstanding, March 31, 2021	193,444,587
Issuance of Trust Units pursuant to equity offering	16,380,257
Issuance of Trust Units under the DRIP	493,818
Issuance of Trust Units under the DUP	31,783
Issuance of Trust Units pursuant to conversion of Convertible Debentures	4,906,463
Trust Units outstanding, June 30, 2021	215,256,908
Issuance of Trust Units pursuant to equity offering	1,985,000
Issuance of Trust Units under the DRIP	561,884
Issuance of Trust Units under the DUP	96,502
Issuance of Trust Units pursuant to conversion of Convertible Debentures	781
Trust Units outstanding, September 30, 2021	217,901,075

On February 22, 2021, the REIT completed a public offering of 17,020,000 units at a price of \$12.65 per unit for gross proceeds of approximately \$215.3 million, which included partial exercise of the over-allotment option granted to the underwriters, whereby an additional 1,200,000 units were issued at a price of \$12.65 per unit. On April 9, 2021, in connection with the public offering, the REIT closed a private placement of 395,257 Trust Units to NWVP, for gross proceeds of approximately \$5.0 million.

On June 18, 2021, the REIT completed a public offering of 15,985,000 units at a price of \$12.60 per unit for gross proceeds of approximately \$201.4 million, which included the exercise of the over-allotment option granted to the underwriters, whereby an additional 2,085,000 units were issued at a price of \$12.60 per unit. In connection with a public offering of units in June 18, 2021, the REIT closed a private placement of 1,985,000 Trust Units to NWVP on July 22, 2021, for gross proceeds of approximately \$25.0 million (see **Highlights for the Quarter**).

Class B Exchangeable 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.

As at September 30, 2021 there were 1,710,000 Exchangeable Units outstanding (December 31, 2020 - 1,710,000).

Debt

DEBT

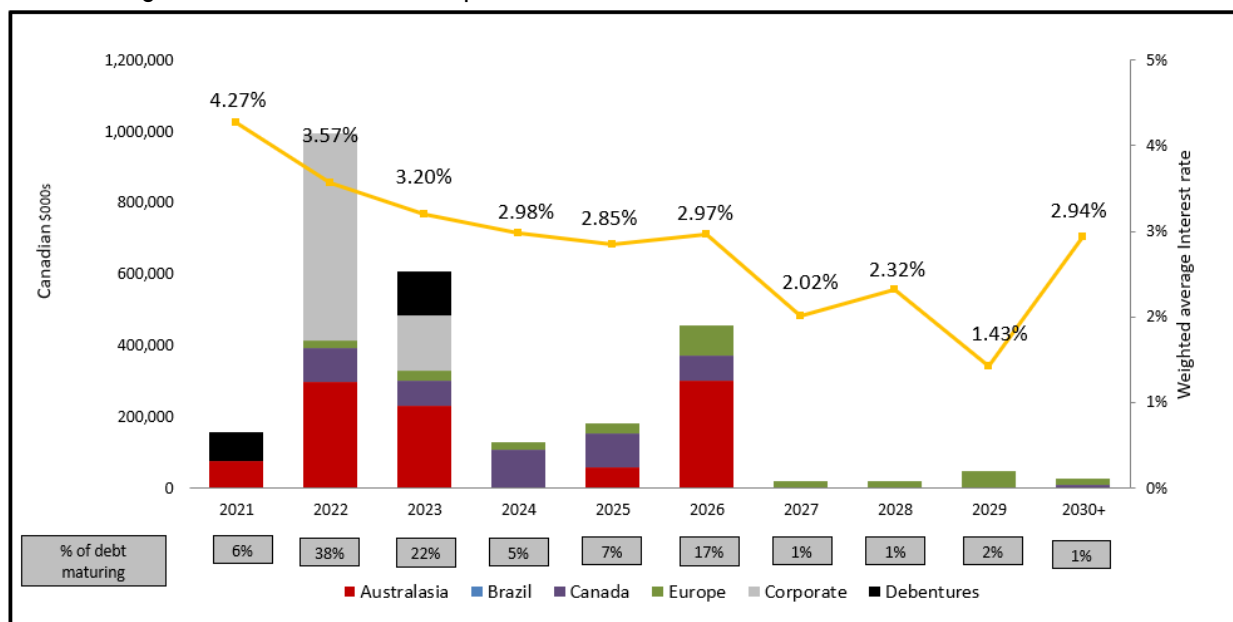
Expressed in thousands of Canadian dollars

	As at September 30, 2021					Maturity
	Weighted Average Interest Rate ⁽¹⁾	Outstanding Balance	Marked to Market	Unamortized Financing Costs	Balance	
Canada mortgages	3.20 %	\$ 503,849	\$ 820	\$ (1,524)	\$ 503,145	April 2022 - August 2031
Brazil debt ⁽²⁾	4.52 %	163,519	—	(3,789)	159,730	November 2027 - June 2031
Europe mortgages	1.98 %	330,057	—	(3,084)	326,973	May 2022 - June 2030
Australasia term loans	3.10 %	963,255	—	(3,099)	960,156	July 2022 - September 2028
Corporate debt	3.45 %	734,246	—	(1,832)	732,414	January 2022 - September 2023
	3.16 %	\$ 2,694,926	\$ 820	\$ (13,328)	\$ 2,682,418	
Finance Lease		12,029	—	—	12,029	
Total Mortgages and Loans Payable	3.15 %	\$ 2,706,955	\$ 820	\$ (13,328)	\$ 2,694,447	
Deferred consideration	n/a	—	—	—	—	n/a
Total Debt excluding Convertible Debentures	3.15 %	\$ 2,706,955	\$ 820	\$ (13,328)	\$ 2,694,447	
Convertible Debentures (Corporate)	5.40 %	205,500	9,204	—	214,704	December 2021 - December 2023
Total Debt	3.31 %	\$ 2,912,455	\$ 10,024	\$ (13,328)	\$ 2,909,151	

(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, 2021, the REIT's debt maturities:



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

DEBT MATURITIES										
Expressed in thousands of Canadian dollars	Canada		Brazil		Europe		Australasia		Corporate	
	Total debt payable	WAIR	Total debt payable	WAIR	Total debt payable	WAIR	Total debt payable	WAIR	Total debt payable	WAIR
2021	\$ 4,170	—%	\$ 5,819	—%	\$ 2,113	—%	\$ 75,805	3.23%	\$ —	—%
2022	112,366	3.40%	16,411	—%	29,544	1.77%	296,703	3.12%	581,107	3.89%
2023	81,562	3.56%	17,220	—%	38,113	2.67%	231,234	2.88%	153,141	1.76%
2024	118,707	3.19%	17,968	—%	25,943	1.80%	—	—%	—	—%
2025	103,693	2.87%	18,846	—%	32,274	1.93%	57,289	3.23%	—	—%
2026	71,061	2.73%	19,784	—%	91,051	2.25%	301,743	3.23%	—	—%
2027	981	—%	18,694	—%	21,663	2.02%	—	—%	—	—%
2028	1,028	—%	13,289	—%	20,903	2.29%	481	3.23%	—	—%
2029	489	—%	13,795	—%	51,187	1.43%	—	—%	—	—%
2030 and thereafter	9,792	5.73%	21,693	—%	17,266	1.45%	—	—%	—	—%
	\$ 503,849	3.20%	\$ 163,519	4.52%	\$ 330,057	1.96%	\$ 963,255	3.18%	\$ 734,248	3.44%
Marked to market premium	820	(1.29)%	—	—	—	—	—	—	—	—
	\$ 504,669	1.91%	\$ 163,519	4.52%	\$ 330,057	1.96%	\$ 963,255	3.18%	\$ 734,248	3.44%
Unamortized financings costs	(1,524)		(3,789)		(3,084)		(3,099)		(1,834)	
Total	\$ 503,145		\$ 159,730		\$ 326,973		\$ 960,156		\$ 732,414	

The table below summarizes the movements in the REIT's mortgages and loans during the three and nine months ended September 30, 2021:

DEBT CONTINUITY						
	Canada Mortgages	Brazil Debt	Europe Mortgages	Australasia Term Loans	Corporate Debt	Total ⁽¹⁾
Opening balance, June 30, 2021	\$ 505,381	\$ 171,408	\$ 326,689	\$ 900,890	\$ 585,610	\$ 2,489,978
Principal amortization	(4,082)	—	(2,302)	—	—	(6,384)
Repayments	—	(3,906)	—	—	—	(3,906)
Advances	1,878	—	2,262	70,688	143,700	218,528
Additional financing fees incurred	(52)	—	—	(541)	756	163
Amortization of finance fees	125	210	5	233	741	1,314
Amortization of mark-to-market	(105)	—	—	—	—	(105)
Inflation adjustment	—	2,445	—	—	—	2,445
Foreign exchange adjustment	—	(10,427)	319	(11,114)	1,607	(19,615)
Ending balance, September 30, 2021	\$ 503,145	\$ 159,730	\$ 326,973	\$ 960,156	\$ 732,414	\$ 2,682,418

DEBT CONTINUITY

	Canada Mortgages	Brazil Debt	Europe Mortgages	Australasia Term Loans	Corporate Debt	Total ⁽¹⁾
Opening balance, January 1, 2021	\$ 485,216	\$ 170,403	\$ 467,666	\$ 775,923	\$ 583,816	\$ 2,483,024
Principal amortization	(11,800)	—	(12,645)	—	—	(24,445)
Repayments	(87,968)	(11,374)	(219,809)	—	(405,256)	(724,407)
Refinancing	—	—	1,535	—	—	1,535
Advances	118,322	—	102,947	243,125	564,870	1,029,264
Additional financing fees incurred	(714)	—	(2,507)	(3,176)	(1,425)	(7,822)
Amortization of finance fees	404	1,223	5,553	781	2,094	10,055
Amortization of mark-to-market	(314)	—	—	—	—	(314)
Inflation adjustment	—	7,569	—	—	—	7,569
Foreign exchange adjustment	(1)	(8,091)	(15,767)	(56,497)	(11,685)	(92,041)
Ending balance, September 30, 2021	\$ 503,145	\$ 159,730	\$ 326,973	\$ 960,156	\$ 732,414	\$ 2,682,418

(1) Total debt excluding finance lease

Finance Lease Payable

The lease of land on which one of Australian investment properties is built is accounted for as a finance lease. The remaining term of the lease at September 30, 2021 was 67 years. There is no purchase option.

Convertible Debentures

The following table summarizes, as at September 30, 2021, 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, 2021					
Series NWH.DB.F	80,330	78,824	5.25 %	\$ 12.80	December 31, 2021	June 30, December 31
Series NWH.DB.G	134,375	125,000	5.50 %	\$ 13.35	December 31, 2023	June 30, December 31
	\$ 214,705	\$ 203,824	5.40 %			

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.

On May 10, 2021, \$60.9 million of the \$74.7 million principal amount 5.25% NWH.DB.E convertible debenture series were converted by the debenture holders into 4,818,001 Trust Units. The REIT fully repaid the remaining \$13.8 million principal balance outstanding in cash.

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, 2021 the DUP Liability is \$28.5 million (December 31, 2020 - \$24.3 million) representing 2,981,743 deferred units of which 1,562,811 are vested but not exercised (December 31, 2020 -2,845,489 deferred units of which 1,882,999 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, 2021 and 2020:

RATIOS ⁽¹⁾						
As at				September 30, 2021	December 31, 2020	
Gross book value ⁽¹⁾				\$6,674,397	\$5,845,238	
Debt - declaration of trust ⁽¹⁾				\$2,706,955	\$2,510,310	
Debt to Gross Book Value - Declaration of Trust				40.6 %	42.9 %	
Debt - including convertible debentures ⁽¹⁾				\$2,921,659	\$2,803,131	
Debt to Gross Book Value - Including Convertible Debentures				43.8 %	48.0 %	
	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Income (Loss) before taxes	\$ 182,333	\$ 37,710	\$ 144,623	\$ 486,705	\$ 158,459	\$ 328,246
Add (deduct):						
Mortgage and loan interest expense	22,404	25,205	(2,801)	68,162	73,855	(5,693)
Distributions on Exchangeable Units	342	342	—	1,026	3,159	(2,133)
Amortization of deferred financing costs	1,314	2,991	(1,677)	10,054	6,872	3,182
Amortization of marked to market adjustment	(105)	(252)	147	(314)	(760)	446
EBITDA	\$ 206,288	\$ 65,996	\$ 140,292	\$ 565,633	\$ 241,585	\$ 324,048
Loss on revaluation of financial liabilities	2,445	759	1,686	7,431	3,321	4,110
Fair market value losses (gains)	(150,209)	3,382	(153,591)	(336,101)	(70,972)	(265,129)
DUP compensation expense	2,168	1,271	897	7,209	6,311	898
Foreign exchange loss (gain)	4,628	382	4,246	(9,019)	13,636	(22,655)
Transaction costs	16,899	4,451	12,448	30,332	31,624	(1,292)
Less: share of (profit) loss of equity accounted investments	(8,066)	(5,642)	(2,424)	(55,553)	(17,260)	(38,293)
Add: distribution income from equity accounted investments	3,250	2,505	745	16,758	7,765	8,993
Adjusted EBITDA	\$ 77,403	\$ 73,104	\$ 4,299	\$ 226,690	\$ 216,010	\$ 10,680
Mortgage and loan interest expense	\$ 22,404	\$ 25,205	\$ 2,801	\$ 68,162	\$ 73,855	\$ 5,693
Less: debt repayment costs	—	—	—	(30)	(19)	11
Adjusted mortgage and loan interest expense	\$ 22,404	\$ 25,205	\$ 2,801	\$ 68,132	\$ 73,836	\$ 5,704
Interest coverage	3.45	2.90	0.55	3.33	2.93	0.40

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, 2021	As at December 31, 2020
Cash and cash equivalents	\$ 105,734	\$ 144,106
Restricted Cash	41	41
Total	\$ 105,775	\$ 144,147

The REIT also has Credit Facilities that provide for additional liquidity. As at September 30, 2021, the drawn balance on the Credit Facilities was \$502.1 million of the \$512.5 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, 2021:

CONTRACTUAL CASH FLOWS								
Expressed in thousands of Canadian dollars	Carrying amount	Contractual cash flow	2021	2022	2023	2024	2025	Thereafter
Accounts payable and accrued liabilities	\$ 101,760	\$ 101,760	\$ 101,760	\$ —	\$ —	\$ —	\$ —	\$ —
Distributions payable	14,527	14,527	14,527	—	—	—	—	—
Income tax payable	9,888	9,888	9,888	—	—	—	—	—
Liabilities associated with assets held for sale	5,488	5,488	5,488	—	—	—	—	—
Convertible debentures	214,704	224,801	86,051	6,875	131,875	—	—	—
Finance lease payable	12,029	12,028	488	1,546	1,452	1,119	736	6,687
Mortgages and loans payable	2,682,418	2,803,349	103,560	1,060,824	542,856	178,536	223,298	694,275
Total	\$3,040,814	\$3,171,841	\$ 321,762	\$1,069,245	\$ 676,183	\$ 179,655	\$ 224,034	\$ 700,962

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, which are due within the next twelve months, totaled \$1,041.8 million, exceeding current assets of \$223.2 million, resulting in a working capital deficiency of \$818.6 million as at September 30, 2021.

Current liabilities include:

1. Vital Trust term debt with an outstanding balance of \$350.8 million at a weighted average rate of 3.23%, maturing within one year. Subsequently to the quarter, Vital Trust refinanced \$167.5 million debt facilities maturing in November 2021 and January 2022, and extended the term to maturity between March 2024 to October 2028. The REIT currently expects the remainder of the term debt facilities will be refinanced on or before maturity.
2. Canadian dollar denominated revolving and non-revolving credit facilities with balances outstanding of \$308.2 million and \$79.0 million, respectively. The REIT currently expects these credit facilities will be refinanced on or before maturity.
3. Convertible debenture series NWH.DB.F with fair value of \$80.3 million matures on December 31, 2021. The REIT expects to redeem series NWH.DB.F on November 25, 2021.
4. \$57.5 million of Canadian mortgage maturities. The REIT currently expects these mortgages will be refinanced on or before 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 and cash equivalents:

NET CHANGE IN CASH ⁽¹⁾						
Expressed in thousands of Canadian dollars	Three months ended September 30, 2021			Nine months ended September 30, 2021		
	2021	2020	Variance	2021	2020	Variance
Cash provided by / (used in):						
Operating activities	\$ 24,264	\$ 54,655	\$ (30,391)	\$ 96,093	\$ 146,081	\$ (49,988)
Investing activities	(164,437)	(555,916)	391,479	(696,270)	(734,113)	37,843
Financing activities	191,299	428,128	(236,829)	563,355	467,686	95,669
Net increase / (decrease) in cash during the period	51,126	(73,133)	124,259	(36,822)	(120,346)	83,524
Effect of foreign currency translation	(1,663)	(8,052)	6,389	(1,550)	(6,955)	5,405
Net increase / (decrease) in cash during the period	\$ 49,463	\$ (81,185)	\$ 130,648	\$ (38,372)	\$ (127,301)	\$ 88,929

Operating activities

Cash generated by operating activities totaled \$24.3 million for the three months ended September 30, 2021, as compared to cash generated by operating activities of \$54.7 million for the three months ended September 30, 2020, a decrease of \$30.4 million. This decrease is primarily related to a negative working capital movement of \$28.9 million, \$7.2 million increase in cash taxes paid, partially offset by a decrease in mortgage and loan interest paid of \$6.0 million.

Cash generated by operating activities totaled \$96.1 million for the nine months ended September 30, 2021 as compared to \$146.1 million for the nine months ended September 30, 2020, a decrease of \$50.0 million. This decrease is primarily related to a \$42.3 million negative working capital movement, an increase of \$9.8 million in cash taxes paid, partially offset by \$0.3 million improvement in NOI.

Investing activities

Cash used by investing activities totaled \$164.4 million for the three months ended September 30, 2021, which is primarily related to \$49.9 million used for Investment in AUHPT units, \$33.1 million used for the acquisition activity in Europe and Australasia (see **Highlights for the Quarter**), \$27.2 million of transaction costs, additions to investment properties of \$22.4 million and \$33.3 million used for investment in the Aspen Group (see **Highlights for the Quarter**), \$2.2 million additions to investment in associates, partially offset by \$3.3 million distributions from associates.

Cash used by investing activities totaled \$696.3 million for the nine months ended September 30, 2021, which is attributable to \$178.7 million used for Investment in AUHPT units, \$377.5 million of acquisition activity, \$101.1 million of additions to investment properties, investments in joint ventures of \$9.3 million, \$57.2 million of transaction costs, \$35.1 million used for investment in the Aspen Group (see **Highlights for the Quarter**), partially offset by cash provided of \$44.9 million from dispositions of investment properties and \$16.8 million proceeds from distributions from associates.

Financing activities

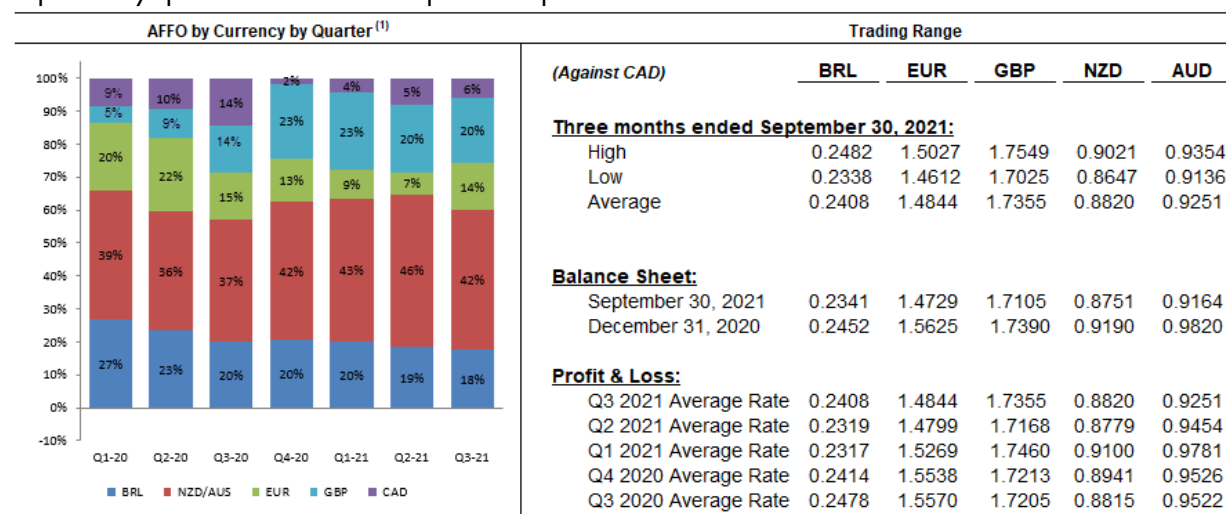
During the three months ended September 30, 2021, cash generated by financing activities totaled \$191.3 million as compared to cash generated of \$428.1 million during the three months ended September 30, 2020. The REIT received net proceeds from the issuance of Trust units of \$24.9 million, \$208.2 million of net mortgages, loans payable and credit facilities, partially offset by distributions on Exchangeable Units of \$0.3

million, distributions paid to REIT unitholders of \$36.6 million and distributions paid to non-controlling unitholders of \$5.4 million.

For the nine months ended September 30, 2021, cash generated by financing activities of \$563.4 million as compared to cash generated of \$467.7 million during the nine months ended September 30, 2020. The REIT received net proceeds from issuance of Trust units of \$429.7 million, \$281.9 million of net mortgages, loans payable and credit facilities repayments, partially offset by financing fees paid of \$16.4 million, \$13.8 million in redemptions of convertible debentures, payment of distributions to REIT unitholders of \$99.9 million, \$1.0 million payment of distributions on Exchangeable Units and payment of distributions to non-controlling unitholders of \$17.1 million.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months ended September 30, 2021, approximately 94% 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:



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, 2021, 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, 2021, Canadian dollar AFFO was \$2.8 million while Canadian dollar distributions paid in cash to unitholders totaled \$43.9 million. Deficiencies were funded from cash repatriated to Canada from Brazil, Europe, Australia, and New Zealand as well as the draws on Corporate credit facilities in the normal course of operations.

As at September 30, 2021, the REIT held approximately \$59.4 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, and Vital Trust suspended their foreign exchange hedging policy in May 2019.

The REIT may utilize currency hedges, 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 does not currently have any specific foreign currency hedging derivatives in place.

Among the REIT's global currencies, compared to December 31, 2020, the Euro, GBP, AUD, NZD and BRL were down relative to the Canadian dollar by 5.7%, 1.6%, 6.7%, 4.8% and 4.5%, respectively.

PART V – RELATED PARTY TRANSACTIONS

- (a) As at September 30, 2021, NWVP indirectly owned approximately 12.6% (approximately 11.6% on a fully diluted basis assuming conversion of the REIT's convertible debentures and redemption of its deferred units) (as at December 31, 2020 - 15.3% and 13.5%, respectively) of the REIT through a combination of Trust Units of the REIT and Class B exchangeable units of NWI LP. 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.

On April 9, 2021 and in connection with the February 22, 2021 public offering, the REIT completed a private placement of 395,257 Trust Units to NWVP for gross proceeds of approximately \$5.0 million.

On July 22, 2021, in connection with the June 18, 2021 public offering, the REIT closed a private placement of 1,985,000 Trust Units to NWVP for gross proceeds of approximately \$25.0 million (see **Highlights for the Quarter**).

As at September 30, 2021, the REIT granted total of 185,956 deferred units of which 91,765 unvested deferred units are expected to vest between 2022 and 2026.

- (b) As at September 30, 2021, the REIT had a payable owing to NWVP of \$0.1 million (December 31, 2020 - \$0.7 million) that is included in accounts payable and accrued liabilities.

The REIT incurred charges to NWVP during the three months ended September 30, 2021, of \$0.1 million, including the cost of NWVP personnel seconded and expense reimbursements which were recorded as part of general and administrative expenses and transaction costs

The REIT incurred charges to NWVP during the nine months ended September 30, 2021, of \$1.8 million, including: (i) compensation for CEO management services for the year ending December 31, 2021 of \$1.4 million that has been expensed by the REIT on a pro-rata basis over course of the period and (ii) the cost of NWVP personnel seconded to the REIT totaling \$0.2 million and expense reimbursements of \$0.2 million. The aforementioned charges were recorded as part of general and administrative expenses and transaction costs.

During the three and nine months ended September 30, 2021, the REIT made total payments to NWVP of \$0.3 million and \$2.4 million, respectively, settle outstanding and current period charges.

- (c) At September 30, 2021, included in accounts payable and accrued liabilities are Class B exchangeable unit distributions payable to NWVP and affiliates in the amount of \$0.1 million (December 31, 2020 - \$0.1 million), which were settled subsequent to period end.

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, 2020.

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, 2020.

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. In addition, the REIT has identified a new risk factor related to the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", which is further discussed below.

COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel restrictions, self-imposed quarantine periods, temporary closures or restrictions of non-essential businesses, limitations on public gatherings, and social distancing guidelines, caused material disruption to businesses globally resulting in an economic slowdown. The duration and long-term impact of COVID-19 on the REIT's business and operations is unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of the REIT.

While management currently believes that the outbreak will not have a long-term impact on the REIT's financial position, we cannot currently estimate the duration of the COVID-19 pandemic and the severity of any related impacts, which may be material. The overall severity and duration of COVID-19-related adverse impacts on our business will depend on future developments which cannot currently be predicted, including directives of government and public health authorities, the speed at which our tenants can return to operating their businesses in a profitable manner and the ability to staff our operations and facilities. Even after the COVID-19 outbreak has subsided, we may continue to experience material adverse impacts to our businesses as a result of its global economic impact, including any related recession. Certain aspects of the REIT's business and operations that could be adversely impacted by the COVID-19 pandemic include, among others, rental income, occupancy, tenant improvements, future demand for space and market rents, which all ultimately impact the underlying valuation of investment property.

As the REIT's highest priority is the health and safety of its employees and tenants, by mid-March 2020, the REIT implemented work from home measures globally, increased sanitation and health and safety measures at its properties that remained open and implemented special protocols at its office buildings for tenants operating an essential service. The REIT continues to work with its stakeholders (including employees and tenants) to address responsibly this global pandemic. The REIT continues to monitor the situation, to assess further possible implications to its business, and tenants, and to take actions in an effort to mitigate adverse consequences. The REIT cannot at this time predict the long-term impact of the COVID-19 pandemic, but it could have a sustained material adverse effect on our business, financial position and/or results of operations.

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 filings 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, 2021, that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

PART IX – NET ASSET VALUE

Expressed in thousands of Canadian dollars, except per unit amounts

	Q3 2021
Total Assets	\$ 6,674,397
less Total Liabilities	(3,479,181)
less Non-controlling interests	(964,743)
Unitholders' equity	2,230,473
Add/(deduct):	
Goodwill	(41,671)
Deferred unit plan liability	28,473
Deferred tax liability	338,107
less NCI	<u>(77,979)</u>
Financial instruments - net	36,210
less NCI	<u>(24,276)</u>
Exchangeable Units	22,076
Global Manager valuation adjustment	476,318
Other	—
Net Asset Value ("NAV")	\$ 2,987,731
Adjusted Units Outstanding (000s)- period end ⁽¹⁾	219,611
NAV per Unit	\$ 13.60

Notes

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.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.



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