NORTHWEST HEALTHCARE PROPERTIES
REAL ESTATE INVESTMENT TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS
OF OPERATIONS AND FINANCIAL CONDITION
FOR THE PERIOD FROM MARCH 25, 2010
TO DECEMBER 31, 2010

March 9, 2011

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This Management's Discussion and Analysis ("MD&A") sets out NorthWest Healthcare Properties Real Estate Investment Trust's (the "REIT") operating strategies, risk profile considerations, business outlook and analysis of its financial performance and financial condition for the three month period from October 1, 2010 to December 31, 2010 and the period from March 25, 2010 to December 31, 2010. The analysis provides a comparison to the REIT's quarterly forecast provided in its initial public offering ("IPO") Prospectus (the "IPO Prospectus") dated March 16, 2010.

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

This MD&A should be read in conjunction with the REIT's consolidated financial statements and accompanying notes for the period from March 25, 2010 to December 31, 2010, and with the unaudited pro forma income statements of the acquired real estate properties and the forecast contained in the IPO Prospectus.

Information about the REIT, including the IPO Prospectus and the two Short Form Prospectus dated October 22, 2010 and March 2, 2011 (each a "Short Form Prospectus" and collectively the "Prospectus"), can be found on SEDAR at www.sedar.com.

PART I

FORWARD-LOOKING INFORMATION

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

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

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

NON-GAAP FINANCIAL MEASURES

Certain terms used such as "**Funds from Operations" ("FFO"), "Adjusted Funds from Operations" ("AFFO"), "Net Operating Income" ("NOI"), "Gross Book Value" ("GBV"), "Payout Ratio", "Interest Coverage" and any related per Unit amounts** used by management to measure, compare and explain the operating results and financial performance of the REIT are not recognized terms under Canadian GAAP, and therefore should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with Canadian GAAP. Management believes that these terms are relevant measures in comparing the REIT's performance to industry data and the REIT's ability to earn and distribute cash returns to holders of the REIT's Units. These terms are defined in this MD&A and reconciled to the consolidated financial statements of the REIT for the period from March 25, 2010 to December 31, 2010. Such terms do not have a standardized meaning prescribed by Canadian GAAP and may not be comparable to similarly titled measures presented by other publicly traded entities.

PART II

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

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

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

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

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

DECLARATION OF TRUST

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

Investment Guidelines

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

Operating Policies

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

At December 31, 2010, the REIT was in material compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

2010 HIGHLIGHTS

Our REIT had a very active and productive 2010, its first year as a public company, as we pursued our strategic objectives of continued consolidation of the Canadian healthcare real estate market and improvement of the initial portfolio in terms of occupancy and healthcare tenancies. We achieved success in all aspects of the plan.

Since the closing of our public offering March 25, 2010 we have completed the acquisition of seven properties (in six transactions) totaling $276 million. This has resulted in a 50% increase in our portfolio value. We also continue to have an active pipeline of acquisition opportunities, including the announcement of another $17 million property scheduled to close in the second quarter of 2011.

This acquisition activity not only resulted in the growth of the company, it also resulted in the improvement of the portfolio. Two of the acquisitions, which were completed in the first quarter of 2011, were strategic assets representing the largest such properties in their respective markets and so furthered our dominance in each of Toronto (Dundas-Edward Centre) and Edmonton (Hys Centre), both core markets for the REIT. Four of the acquired properties were constructed within the last four years, and each is fully occupied, resulting in improved portfolio quality in terms of building age and occupancy. In total another 995,000 square feet and 164 tenants were added to the portfolio, further increasing our healthcare relationships while also enhancing revenue stability through increased diversification.

In support of this external growth, in October 2010 we completed an equity offering for gross proceeds of $86.3 million, issuing approximately 7.5 million units at a price of $11.55 per unit. Having deployed these proceeds into accretive acquisitions, in early 2011 we closed another equity offering for gross proceeds of $75.0 million, with the possibility of another $11.2 million being raised if the over-allotment is exercised. The units associated with this raise were issued at a price of $11.75 per unit.

The combination of acquisitions, equity raises and unit price appreciation has increased the REIT's market capitalization by approximately 80%, to approximately $475 million. This has also enhanced the liquidity of the units, resulting in increased trading volumes.

In addition to this external growth success we have continued to focus on improving the initial portfolio. While we were not able to increase actual occupancy as much as planned, we did end the year with current occupancy of 91.5% and contracted occupancy of 91.9%. This improvement was despite the unexpected loss of a significant tenant in Calgary that reduced contracted occupancy by 42 basis points. In addition to increasing occupancy, we were also successful in extending the REIT's average lease term to maturity from 4.0 years to 4.4 years through both acquisitions and the seeking of longer term lease terms on both new and renewal leasing within the portfolio. Further, we were successful in intensifying the healthcare nature of our tenancies, with approximately 88% of our new leasing being to healthcare-oriented tenancies. This is important to strengthen the tenant synergies found in multi-tenant medical office buildings as well as to provide the patient traffic important for the success of support service tenants such as pharmacies, laboratories and diagnostic imaging clinics.

In 2010 we renewed, or expect to renew in early 2011, 110% of our budgeted renewals, representing a 90% retention rate against expiries. We also leased 88% of our new leasing target, although approximately one-third of this space will not take occupancy until 2011. Both renewal and new leasing rents were generally in line with budget. Leasing of the head lease space within the portfolio was also successful, with 46% of the space leased to third parties and the stabilization of one property, Rockyview Health Centre II in Calgary, almost complete with 74% of space leased to third parties and additional prospects under negotiation for the leasing of the remaining head lease area.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	As at December 31, 2010
Operational information	(Unaudited)
Number of properties	50
Gross Leasable Area ("GLA")	3,065,815
Occupancy % (current) (1)	91.5%
Occupancy % (contracted) (2)	91.9%
Average lease term to maturity	4.4 years
Weighted average in place net rental rate (psf)	$15.37
Summary of Financial information	(Unaudited)
Gross Book Value	$746,343,621
Debt (3)	$372,051,861
Debt to Gross Book Value (4)	49.8%
Weighted average mortgage interest rate (5)	5.54%
Units outstanding – period-end:	
Basic	35,266,537
Diluted	35,277,343

Notes:

(1) As at December 31, 2010
(2) As at December 31, 2010, adjusting for contracted move-ins and known move-outs as at March 9, 2011. On an initial property basis, contracted occupancy ,which includes contracted move-ins and known move-outs as at March 9, 2011 is 90.9%.
(3) Debt is presented net of a Mark to Market premium of $2,445,647 and unamortized financing costs of $123,848.
(4) Defined as total debt divided by total assets incl. accumulated depreciation and amortization of income properties.
(5) Current market weighted average mortgage interest rate = approximately 4.8%

	For the 3 months ended December 31, 2010	For the period from March 25, 2010 to December 31, 2010
Summary of Financial information	(Unaudited)	(Unaudited)
Revenue	$22,370,634	$64,973,645
NOI (6)(8)	$12,432,373	$37,030,125
FFO (6)	$7,076,649	$21,840,042
FFO per unit (Fully diluted) (7)	$0.22	$0.78
AFFO (7)	$5,405,152	$16,573,494
AFFO per unit (Fully diluted) (7)	$0.17	$0.59
Distributions per unit	$0.20	$0.62
AFFO Payout ratio	117.6%	104.5%
Interest coverage (9)	2.53x	2.58x
Weighted average units outstanding for the period:		
Basic	31,770,981	28,161,895
Diluted	31,777,332	28,165,235

Notes:

(6) NOI, FFO and AFFO are not measures recognized under Canadian GAAP and do not have standardized meanings prescribed by Canadian GAAP. NOI, FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to NOI, FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.
(7) Per unit amounts based on fully diluted weighted average number of units for the three months ended December 31, 2010 and period from March 25, 2010 to December 31, 2010. AFFO amounts calculated utilizing the same leasing and capital reserves as the IPO Prospectus.
(8) NOI excludes the accelerated amortization of a $145,966 above market lease intangible related to the Networc lease termination.
(9) Defined as net income plus amortization and interest expense divided by interest expense.

SUMMARY OF SIGNIFICANT EVENTS

- AFFO for the quarter of $0.17 was, against the forecasted AFFO of $0.21, unfavourable by $0.04, primarily as a result of the issuance of additional units associated with the October 2010 follow-on equity offering.
- Occupancy improved to 91.5% at December 31, 2010 from 90.4% at September 30, 2010.
- During the quarter the REIT raised net proceeds of $82.3 million from the October 2010 follow-on equity offering (including over-allotment option) of 7,469,250 trust units at a price of $11.55 per unit.
- The REIT acquired Alexander Medical Building, located in Peterborough, Ontario on December 1, 2010 for $8.6 million. Alexander Medical Building is prominent in its market with a location near the recently-built Peterborough Regional Hospital. It is a 30,500 square foot, multi-tenant medical building that is 95% occupied with a strong tenancy mix which includes: specialist physicians, general practitioners, a diagnostic imaging facility, a blood laboratory, a pharmacy and other medically-related tenants. The property was acquired free and clear of mortgages using cash on hand from the October 2010 follow-on equity offering.
- On December 24, 2010 the REIT closed the acquisition of Glenmore Professional Centre located in Calgary, Alberta. Glenmore Professional Centre is a modern 137,800 square foot class A suburban office building completed in 2007. The REIT acquired 100% of the shares/units of the registered and beneficial owners of Glenmore Professional Centre for a purchase price of approximately $29.45 million, subject to the usual adjustments, which values the building at approximately $65.5 million (which represents approximately a 7% capitalization rate applied to the in-place annual net operating income) and an adjacent development parcel at $2.95 million, net of an existing mortgage of approximately $39 million at 5.65% which matures March 31, 2011. The purchase price was settled 50% in cash and 50% in REIT units.
- Concurrent with the closing of Glenmore the REIT collected a $13.8 million outstanding receivable from NorthWest Operating Trust ("NW Trust").
- The REIT paid distributions of $0.06667 per unit on October 15, 2010, November 15, 2010 and December 15, 2010 consistent with its annualized target of $0.80 cents per unit.
- Subsequent to the quarter, on January 25, 2011, the REIT completed the acquisition of the prominent medical and professional office complex known as The Dundas-Edward Centre, in Toronto, Ontario for $103 million. The acquisition was funded by a combination of cash on hand and $60 million drawn on a new interim bridge facility to fund the purchase. The REIT is arranging permanent long term fixed rate financing, which is expected to fund in the second quarter of 2011. Located in the Discovery District of downtown Toronto, one block from University Avenue, The Dundas-Edward Centre is a 410,000 square foot two-tower office complex with an eight-level parking facility. The complex is located in close proximity to several hospitals including SickKids, Princess Margaret, Toronto General, and Mount Sinai. The complex is currently 97% leased to primarily medical, professional and government tenancies including the following healthcare tenants: SickKids, Medisys Diagnostic Imaging, a pharmacy, labs, clinics and numerous specialist physicians and general practitioners. The balance of the tenancy is comprised of tenants who value the close proximity to the Provincial Legislature (Queen's Park), the Provincial Courts, Toronto City Hall and the City's financial core.
- Subsequent to the quarter, on February 1, 2011, the REIT completed the acquisition of Hys Centre, the premiere medical office complex in Edmonton, Alberta. Hys Centre is strategically located on and connected by pedway access to the Royal Alexandra Hospital campus. Hys Centre is a Class "A" medical office complex composed of a 147,000 square foot medical office building, 50 residential apartments and a 384-stall pay parking facility. It has a long history of low vacancy, strong tenant retention, and the provision of integrated healthcare services to the community. The REIT acquired Hys Centre for a price of $53 million. The acquisition was funded by a combination of cash on hand and debt, including a $25 million drawn on the interim bridge facility, and a draw of $23 million on

the revolving credit facility. The REIT in due course will be arranging permanent long term fixed rate financing to replace this interim loan.

- On March 1, 2011 the REIT entered into an agreement to acquire the Malvern Medical Arts Building, a prominent medical office building anchored by the Malvern Medical Clinic, one of the busiest medical clinics in the Greater Toronto Area. The purchase is expected to close in the first half of 2011, subject to customary closing conditions, and further advance the REIT's presence in the Toronto medical office building market. The Malvern Medical Arts Building is a Class "A" office complex located at 1333 Neilson Road, in the former city of Scarborough portion of Toronto, approximately 3.7 kilometres from the Rouge Valley Centenary Hospital. The property consists of a 40,974 square foot medical office building and is currently 99% occupied. The purchase price will be approximately $16.75 million, subject to adjustments, which represents a 7.9% capitalization rate applied to in-place annual net operating income (reflecting the going forward year one projected net operating income expected by the REIT). The Malvern Medical Arts Building will be acquired free and clear of mortgages. The equity portion of the REIT's investment will be funded from existing resources.
- Subsequent to the quarter, on March 9, 2011 the REIT issued 6,400,000 trust units at a price of $11.75, pursuant to the March 2011 follow-on equity offering, for gross proceeds of $75.2 million. The REIT also granted the underwriters an over-allotment option to acquire up to an additional 960,000 units at the same offering price at any time up to 30 days following closing of the base offering. The net proceeds of the equity offering were utilized to pay down the interim bridge facility by approximately $70 million.

OUTLOOK AND CURRENT BUSINESS ENVIRONMENT

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

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

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

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

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

PART III

RESULTS OF OPERATIONS

Comparison to Forecast

Results for the three months ended December 31, 2010, and the period from March 25, 2010 to December 31, 2010, have been prepared in accordance with Canadian GAAP and are presented on a consistent basis with the forecast three months ended December 31, 2010, and the pro-rated forecast for the twelve months ended December 31, 2010, included in the IPO Prospectus. The REIT's results of operations for the three months ended December 31, 2010 and the period from March 25, 2010 to December 31, 2010 are summarized below:

	Actual results for the three months ended December 31, 2010	Forecast results for the three months ended December 31, 2010 [(1)]	Variance	Actual results for the period from March 25, 2010 to December 31, 2010	Forecast results for the period from March 25, 2010 to December 31, 2010 [(2)]	Variance
Revenue	(Unaudited)			(Unaudited)		
Base rent	10,635,869	10,264,529	371,340	31,999,835	31,320,661	679,174
Property operating cost recoveries	8,774,097	7,951,141	822,956	24,603,826	24,314,130	289,696
Parking and other	2,805,333	2,263,561	541,772	7,776,837	7,028,792	748,045
Property management recovery fees	155,335	184,027	(28,692)	593,147	566,395	26,752
Total property and property related revenue	**22,370,634**	**20,663,258**	**1,707,376**	**64,973,645**	**63,229,978**	**1,743,667**
Expenses						
Operating	9,742,943	8,497,723	1,245,220	27,525,318	26,529,214	996,104
Interest expense	4,624,863	4,275,917	348,946	13,788,126	13,228,208	559,918
Depreciation and amortization	7,573,304	6,997,896	575,408	20,788,801	21,067,634	(278,833)
Trust expenses	926,179	888,125	38,054	1,820,159	1,725,146	95,013
Total expenses	**22,867,289**	**20,659,661**	**2,207,628**	**63,922,404**	**62,550,202**	**1,372,202**
Net income / (loss)	**(496,655)**	**3,597**	**(500,252)**	**1,051,241**	**679,776**	**371,465**
Calculation of NOI						
Property and property related revenue (excluding interest income)	22,175,316	20,663,258	1,512,058	64,555,443	63,229,978	1,325,465
Operating expenses	9,742,943	8,497,723	1,245,220	27,525,318	26,529,214	996,104
NOI [(3) (4)]	**12,432,373**	**12,165,535**	**266,838**	**37,030,125**	**36,700,764**	**329,361**
NOI margin	*56.1%*	*58.9%*	*(2.8%)*	*57.4%*	*58.0%*	*(0.6%)*
NOI						
Initial properties (same property)	11,628,692	12,165,535	(536,843)	35,731,915	36,700,764	(968,849)
Subsequent acquisitions	803,681	-	803,681	1,298,210	-	1,298,210
Total NOI	**12,432,373**	**12,165,535**	**266,838**	**37,030,125**	**36,700,764**	**329,361**

Notes:

(1) Represents the forecast contained in the IPO Prospectus on page 16 for the 3 months ended December 31, 2010. These figures have been prepared by management and are unaudited.
(2) Represents the forecast contained in the IPO Prospectus on page 16 for the 3 months ended March 31, 2010 pro-rated on a straight-line basis for 7 days and combined with the forecasts for the 3 months ended June 30, 2010, September 30, 2010 and December 31, 2010. These figures have been prepared by management and are unaudited.
(3) NOI is a non-GAAP measure of a REIT's operating performance, defined as property and property related revenue less operating expenses, inclusive of Property management recovery fees, above/below market rent amortization and amortization of straight line rent. The REIT uses NOI to assess its property operating performance on an unleveraged basis.
(4) NOI excludes the accelerated amortization of a $145,966 above market lease intangible related to Networc lease termination.

Property and Property Related Revenue

Total property and property related revenue is $1,707,376 greater than forecast for the three months ended December 31, 2010, primarily as a result of acquired properties that contributed $1,333,435 to revenue for the quarter and a favourable variance on interest revenue of $340,762. For the period from March 25, 2010 to December 31, 2010 property and property related revenue is $1,743,667 above forecast as acquisitions and interest revenue offset lower than forecast occupancy.

The favourable variance in base rent of $371,340 and $679,174, respectively, for the three months ended December 31, 2010, and the period from March 25, 2010 to December 31, 2010, is a result of the recent acquisitions that contributed $791,585 and $1,289,428, during the quarter and period to date, respectively. The contribution to base rent from acquisitions offset unfavourable same property variances in base rent of $420,245 and $610,254, during the quarter and period to date, respectively. The unfavourable same property base rent variances were primarily due to lower than forecast occupancy as result of delayed starts for new leasing at certain properties where local market conditions and/or the recent repositioning of the property has contributed to weaker tenant demand and slower space absorption. The unfavourable impact of lower same property occupancy was partially offset by favourable variances in above and below market rent amortization of $65,556 and $333,394, respectively, before the accelerated amortization of $116,873 of above and below market lease intangibles on the early termination of various leases, including Networc, during the quarter.

Property operating cost recovery revenue was $822,956 and $289,696, favourable relative to forecast for the three months ended December 31, 2010, and the period from March 25, 2010 to December 31, 2010, respectively. The favourable variance during the quarter was due to $471,642 contributed by recent acquisitions and $351,314 contributed on a same property basis. The same property contribution reflects higher property operating costs during the quarter related to general repairs and maintenance and electrical and HVAC costs. The favourable variance during the period from March 25, 2010 to December 31, 2010 reflects $686,659 contributed by acquisitions offsetting an unfavourable same property variance of $396,963. The unfavourable same property variance is primarily due to occupancy improving at a slower rate than forecast.

Parking and other revenue for the three months ended December 31, 2010, and the period from March 25, 2010 to December 31, 2010, is $541,772 and $748,045, respectively, favourable against the forecast. A favourable variance in parking revenue of $111,595 during the quarter, including $25,386 contributed by acquisitions, improved the unfavourable period to date variance to $78,416. The unfavourable variance in parking revenue for the period from March 25, 2010 to December 31, 2010 is offset by a favourable variance in non-recoverable parking expense of $74,561. Other revenue includes interest revenue on the outstanding related party receivable that contributed $240,386 and $457,241 to the favourable variance, for the quarter and period to date, respectively. The favourable variance in interest revenue also reflects interest earned on the proceeds received on the follow-on equity offering. Storage and miscellaneous income contributed

$89,143 and $263,901 to the favourable variance, for the quarter and period from March 25, 2010 to December 31, 2010, respectively.

Property management recovery fees for the three months ended December 31, 2010, and the period from March 25, 2010 to December 31, 2010, were not significantly different than forecast.

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

Operating expenses were $1,245,220 and $996,104 higher than forecast for the three months ended December 31, 2010, and the period from March 25, 2010 to December 31, 2010, respectively. The unfavourable variance during the quarter was due to $529,754 of operating costs related to recent acquisitions and same property operating costs that were greater than forecast during the quarter by $715,466. The higher than forecast same property operating costs during the quarter reflect unfavourable variances in general repairs and maintenance, electrical and HVAC. For the period from March 25, 2010 to December 31, 2010 recent acquisitions increased operating costs $763,911 and same property operating costs were $232,193 greater than forecast. The unfavourable same property variance reflects higher than forecast general repairs and maintenance and electrical costs which were partially offset by lower than forecast property taxes, utility costs and non-recoverable costs.

Interest Expense
Interest expense for the three months ended December 31, 2010, and the period from March 25, 2010 to December 31, 2010, was unfavourable against forecast by $348,946 and $559,918, respectively. The unfavourable variance was due to incremental interest expense related to recent acquisitions, as well as, the utilization of the REIT's revolving credit facility, which was drawn upon during the quarter to fund the related party receivable; however, as noted above, interest was charged to the related party in excess of the corresponding interest expense.

Depreciation and Amortization Expense
The unfavourable variance in depreciation and amortization expense for the three months ended December 31, 2010, of $575,408, relates primarily to the write-off of $796,018 of in-place lease and customer relationship intangibles on the early termination of leases, including Networc, during the quarter. The favourable of $278,833 for the period from March 25, 2010 to December 31, 2010, relates primarily to a favourable variance on the amortization of leasing costs and intangibles on a same property basis, partially offset by amortization related to recent acquisitions and the write-off of in-place lease and customer relationship intangibles.

Trust Expenses
The IPO Prospectus forecast of trust expenses reflected management's best estimate at the time of legal fees, trustee fees, annual report costs, transfer agent fees, insurance costs, salaries, benefits and incentive compensation for the REIT. Trust expenses for the three months ended December 31, 2010, and the period from March 25, 2010 to December 31, 2010, exceeded management's estimates slightly.

Comparison to Prior Year

Results for the three months ended December 31, 2010 and the period from March 25, 2010 to December 31, 2010 are not directly comparable to the actual results for the three months ended December 31, 2009 and the pro-rated period from March 25, 2009 to December 31, 2009 as a result of the REIT's IPO which effected changes in capital and management structure. As such, Pro Forma results for the three months ended December 31, 2009 and the pro-rated period from March 25, 2009 to December 31, 2009 have been estimated based on the REIT's Pro Forma Consolidated Statement of Operations for the nine months ended September 30, 2009, which was disclosed in the IPO Prospectus on page F-4. The Pro Forma nine month figures have been pro-rated on a straight-line basis to derive the estimated three months ended December 31, 2009 and the estimated period from March 25, 2009 to December 31, 2009. The REIT's results of operations for the three months ended December 31, 2010 and the period from March 25, 2010 to December 31, 2010 are summarized below:

	Actual results for the three months ended December 31, 2010	Pro Forma results for the three months ended December 31, 2009 (1)	Variance	Actual results for the period from March 25, 2010 to December 31, 2010	Pro Forma results for the period from March 25, 2009 December 31, 2009 (2)	Variance
Revenue	(Unaudited)			(Unaudited)		
Base rent	10,635,869	9,905,354	730,515	31,999,835	30,486,478	1,513,357
Property operating cost recoveries	8,774,097	7,037,924	1,736,173	24,603,826	21,661,166	2,942,660
Parking and other	2,805,333	2,147,878	657,455	7,776,837	6,610,691	1,166,146
Property management recovery fees	155,335	109,034	46,301	593,147	335,583	257,564
Total property and property related revenue	**22,370,634**	**19,200,190**	**3,170,444**	**64,973,645**	**59,093,918**	**5,879,727**
Expenses						
Operating	9,742,943	8,232,806	1,510,137	27,525,318	25,338,746	2,186,572
Interest expense	4,624,863	4,101,787	523,076	13,788,126	12,624,390	1,163,736
Depreciation and amortization	7,573,304	6,606,533	966,771	20,788,801	20,333,441	455,360
Trust expenses	926,179	512,050	414,129	1,820,159	1,575,976	244,183
Total expenses	**22,867,289**	**19,453,176**	**3,414,113**	**63,922,404**	**59,872,553**	**4,049,851**
Net income / (loss)	**(496,655)**	**(252,986)**	**(243,670)**	**1,051,241**	**(778,635)**	**1,829,875**
Calculation of NOI						
Property and property related revenue (excluding interest income)	22,175,316	19,200,190	2,975,126	64,555,443	59,093,918	5,461,525
Operating expenses	9,742,943	8,232,806	1,510,137	27,525,318	25,338,746	2,186,572
NOI (3) (4)	**12,432,373**	**10,967,384**	**1,464,989**	**37,030,125**	**33,755,172**	**3,274,953**
NOI margin	*56.1%*	*57.1%*	*(1.0%)*	*57.4%*	*57.1%*	*0.3%*
NOI						
Initial properties (same property)	11,628,692	10,967,384	661,308	35,731,915	33,755,172	1,976,743
Subsequent acquisitions	803,681	-	803,681	1,298,210	-	1,298,210
Total NOI	**12,432,373**	**10,967,384**	**1,464,989**	**37,030,125**	**33,755,172**	**3,274,953**

Notes:

(1) Represents Pro Forma figures for the nine months ended September 30, 2009 contained in the IPO Prospectus on page F-4 pro rated on a straight-line basis for the 3 months ended December 31, 2009. These figures have been prepared by management and are unaudited.
(2) Represents Pro Forma figures for the nine months ended September 30, 2009 contained in the IPO Prospectus on page F-4 pro rated on a straight-line basis for the period from March 25, 2009 to December 31, 2009. These figures have been prepared by management and are unaudited.
(3) NOI is a non-GAAP measure of a REIT's operating performance, defined as property and property related revenue less operating expenses, inclusive of Property management recovery fees, above/below market rent amortization and amortization of straight line rent. Property revenue excludes interest income. The REIT uses NOI to assess its property operating performance on an unleveraged basis.
(4) NOI excludes the accelerated amortization of a $145,966 above market lease intangible related to Networc lease termination.

Property and Property Related Revenue

For the three months ended December 31, 2010, and for the period from March 25, 2010 to December 31, 2010, total property and property related revenue is $3,170,444 and $5,879,727, respectively, greater than the pro-rated Pro Forma. This is primarily because of acquisitions which contributed $1,333,435 and $2,062,121, respectively, for the three months ended December 31, 2010, and for the period from March 25, 2010 to December 31, 2010, as well as, increased operating cost recoveries, parking income and interest revenue on the outstanding related party receivable and interest earned on the proceeds received on the follow-on equity offering.

The year over year increase in base rent of $730,515 and $1,513,357, for the three months ended December 31, 2010, and for the period from March 25, 2010 to December 31, 2010, respectively, is primarily because of acquisitions which contributed $791,585 and $1,289,428, respectively.

Property operating cost recoveries for the three months ended December 31, 2010, and for the period from March 25, 2010 to December 31, 2010, were $1,736,173 and $2,942,660, respectively, greater than the pro-rated Pro Forma. This is a result of the acquisitions, as well as, an increase in operating costs and an increase in the proportion of net tenants, as management has focused on converting gross tenants to the REIT's standard net terms.

The increase for the three months ended December 31, 2010, and for the period from March 25, 2010 to December 31, 2010, in parking and other revenues of $657,455 and $1,166,146, respectively, relates to increased parking revenues and interest revenue earned on the related party receivable and the proceeds received on the follow-on equity offering. The increased parking revenue is driven by the active management of paid parking lots as well as one additional paid parking location.

Property management recovery fees were greater than the pro-rated Pro Forma by $46,301 and $257,564, for the three months ended December 31, 2010 and for the period from March 25, 2010 to December 31, 2010, respectively, because of an increase in management and supervision fees charged to ROFO assets and Head Lease properties.

Operating Expenses

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

Operating expenses were $1,510,137 greater than the pro-rated 2009 Pro forma during the quarter because of $529,754 in operating costs related to recent acquisitions, as well as, unfavourable variances in general repairs and maintenance, electrical and HVAC. For the period from March 25, 2010 to December 31, 2010 operating expenses were $2,186,572 greater than the pro-rated 2009 Pro forma as a result of the recent acquisitions which contributed $763,911 to operating costs, as well as, an increase in same property operating costs.

Interest Expense
Interest expense for the three months ended December 31, 2010, and for the period from March 25, 2010 to December 31, 2010, was $523,076 and $1,163,736, respectively, greater than the pro-rata 2009 Pro Forma. This is a result of interest and standby charges related to the REIT's Revolving Credit Facility, as well as, mortgage interest related to recent acquisitions of $318,696 and $432,759, respectively.

Depreciation and Amortization Expense
Depreciation and amortization expense had an unfavourable variance of $966,771, for the three months ended December 31, 2010, as compared to the pro-rated Pro Forma. This is attributable to depreciation and amortization related to recent acquisitions and the write-off of $796,018 of in-place lease and customer relationship intangibles on the early termination of leases, including Networc, during the quarter. During the period from March 25, 2010 to December 31, 2010 depreciation and amortization expense had an unfavourable variance of $455,360 compared to the pro-rated Pro Forma due to favourable variances in the amortization of leasing costs and in-place leases following finalization of the purchase price allocation, offset by the accelerated amortization of in-place lease and customer relationship intangibles on the early termination of leases, including Networc, during the quarter.

Trust Expenses
Pro Forma trust expenses reflect management's then best estimate of legal fees, trustee fees, annual report costs, transfer agent fees, insurance costs, salaries, benefits and incentive compensation for the REIT. Trust expenses were $414,129 and $244,183, respectively, greater than the pro-rated 2009 Pro Forma for the three months ended December 31, 2010, and for the period from March 25, 2010 to December 31, 2010. For the fourth quarter this is partially a result of timing differences as the pro-rated 2009 Pro Forma assumed that trust expenses would be incurred evenly throughout the year. It also impacts the period from March 25, 2010 to December 31, 2010 as the pro-rated 2009 Pro Forma does not reflect that pattern of an increase in fourth quarter costs.

FUNDS FROM OPERATIONS

FFO is a supplemental non-GAAP industry wide financial measure of a REIT's operating performance. The REIT calculates FFO as net income (computed in accordance with Canadian GAAP), plus property depreciation and amortization. The REIT's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. A reconciliation of Canadian GAAP net income to FFO for the three months ended December 31, 2010 and the period from March 25, 2010 to December 31, 2010 is set out below:

	Actual results for the three months ended December 31, 2010	**Forecast for the three months ended December 31, 2010 (1)**	**Variance**	**Actual results for the period from March 25, 2010 to December 31, 2010**	**Forecast for the period from March 25, 2010 to December 31, 2010 (2)**	**Variance**
	(Unaudited)			(Unaudited)		
Net income / (loss) (per Canadian GAAP)	**(496,655)**	**3,597**	**(500,252)**	**1,051,241**	**679,776**	**371,465**
Add / (Deduct):						
Depreciation and amortization	7,573,304	6,997,896	575,408	20,788,801	21,067,634	(278,833)
FFO(3)	**7,076,649**	**7,001,493**	**75,156**	**21,840,042**	**21,747,410**	**92,632**
Basic FFO per unit	$0.22	$0.28	$(0.06)	$0.78	$0.86	$(0.08)
Fully diluted FFO per unit	$0.22	$0.28	$(0.06)	$0.78	$0.86	$(0.08)
FFO						
Initial properties (same property)	6,670,503	7,001,493	(330,990)	21,246,696	21,747,410	(500,714)
Subsequent acquisitions	406,146	-	406,146	593,346	-	593,346
Total FFO	**7,076,649**	**7,001,493**	**75,156**	**21,840,042**	**21,747,410**	**92,632**
Weighted average units outstanding:						
Basic	31,770,981	25,249,772	6,521,209	28,161,895	25,249,772	2,912,123
Fully diluted	31,777,332	25,249,772	6,527,560	28,165,235	25,249,772	2,915,463

Notes:

(1) Represents the forecast contained in the IPO Prospectus on page 16 for the 3 months ended December 31, 2010. These figures have been prepared by management and are unaudited.

(2) Represents the forecast contained in the IPO Prospectus on page 16 for the 3 months ended March 31, 2010 pro-rated on a straight-line basis for 7 days and combined with the forecasts for the 3 months ended June 30, 2010, September 30, 2010 and December 31, 2010. These figures have been prepared by management and are unaudited.

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

ACQUISITONS

Pursuant to the right of first offer with NW Trust, the REIT closed the acquisition of Glenmore Professional Centre located in Calgary, Alberta, on December 24, 2010. The acquisition is expected to be immediately accretive. Glenmore Professional Centre is a modern 137,800 square foot class A suburban office building completed in 2007. The REIT acquired 100% of the shares/units of the registered and beneficial owners of Glenmore Professional Centre for a purchase price of approximately $29.45 million, subject to the usual adjustments, which values the building at approximately $65.5 million (which represents approximately a 7% capitalization rate applied to the in-place annual net operating income) and an adjacent development parcel at $2.95 million, net of an existing mortgage of approximately $39 million at 5.65% which matures March 31, 2011. The purchase price was settled 50% in cash and 50% in REIT units.

The REIT acquired Alexander Medical Building, located in Peterborough, Ontario on December 1, 2010 for $8.6 million, which represents approximately an 8.0% capitalization rate applied to the in-place annual net operating income from the property. The purchase is expected to be immediately accretive. Alexander Medical Building is prominent in its market with a location near the recently-built Peterborough Regional Hospital. It is a 30,500 square foot, multi-tenant medical building that is 95% occupied with a strong tenancy mix which includes specialist physicians, general practitioners, a diagnostic imaging facility, a blood laboratory, a pharmacy and other medically-related tenants. The property was acquired free and clear of mortgages.

During the fourth quarter the vendor of the 117,000 square foot CSSS Portfolio in Quebec that closed on September 1, 2010, for a total purchase price of approximately $21.7 million, met certain conditions and the purchase price was increased by an additional $600,000.

Prior to the fourth quarter the REIT also acquired a newly constructed, multi-tenant medical office building, Queen Street Place, in Spruce Grove, just outside of Edmonton for approximately $21.2 million.

During the three months ended December 31, 2010 and the period from March 25, 2010 to December 31, 2010 the above acquisitions contributed $803,681 and 1,298,210, respectively, to NOI.

PORTFOLIO PROFILE

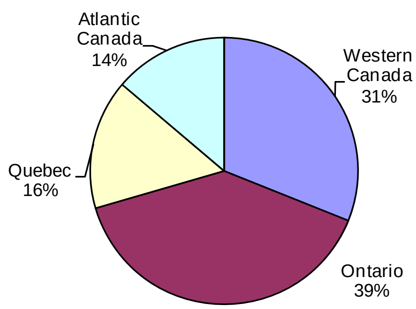
As of December 31, 2010, the REIT's portfolio consisted of 50 Healthcare Real Estate properties, located in six provinces. The properties had a total GLA of approximately 3.1 million square feet encompassing approximately 1,170 individual tenancies.

Geographic Diversification

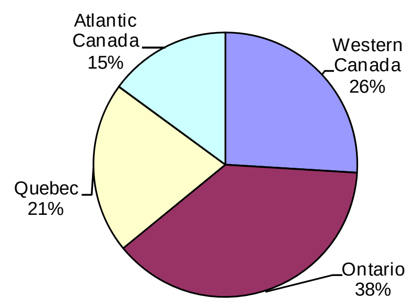
The properties are well diversified throughout Canada, with 70% of annualized NOI derived from the four major markets of the Greater Toronto Area (28%), Calgary (21%), the greater Montreal Area (13%), and the Halifax Regional Municipality (8%) for the three months ended December 31, 2010. The following charts and graphs set out the regional diversification of the portfolio by annualized NOI and GLA.

Region	# of properties	Total GLA	Current Occupancy rate (1)	Avg. in- place net rent (psf)
Western Canada	10	796,083	98.0%	$19.59
Ontario	20	1,169,636	86.0%	14.64
Quebec	13	641,712	93.1%	12.83
Atlantic Canada	7	458,384	92.0%	13.10
Total	**50**	**3,065,815**	**91.5%**	**$15.37**

Geographic diversification by annualized NOI (2)



Geographic diversification By GLA



Notes:

(1) As at December 31, 2010

(2) Based on NOI for the 3 months ended December 31, 2010 annualized for a 12 month period, excluding Property management recovery fees

Leasing Activity

Renewal leasing:

During the quarter the REIT completed 88,529 square feet of renewal leasing against a budget of 102,203 square feet. Tenants occupying an additional 14,161 square feet remained in occupancy and are expected to renew. Including these tenants, the overall renewal rate for the quarter is 100% against budget and 92% against expiries. Renewal rents were in line with budget.

For year to date 2010 (all year to date references are from January 1), the REIT has completed a total of 297,709 square feet of renewal leasing versus a budget of 304,651 square feet out of the 369,475 square feet expiring during the year. Tenants occupying an additional 36,995 square feet of tenants remain in occupancy and are expected to renew. Including this square footage the overall renewal rate is 110% against budget and 90% against expiries, year-to-date.

New leasing:

During the quarter the REIT completed 37,287 square feet of new leasing against a budget (adjusted for unbudgeted renewals) of 48,173 square feet.

For year to date, the REIT completed 113,667 square feet of new leasing against a budget (adjusted for unbudgeted renewals) of 172,115. As at quarter end, an additional 38,657 square feet has been leased with occupancy occurring after December 31, 2010.

Tenant Mix

The portfolio has a well diversified tenant profile, reflecting an attractive mix of healthcare-related tenants, including regional health authorities, primary care networks, family health teams, medical and diagnostic imaging clinics, medical practitioners, pharmacies and laboratories, as well as institutional and non-healthcare tenants. The average tenant occupies approximately 2,397 square feet of GLA. The primary source of revenue for a large portion of the REIT's tenants is government funding, either directly or indirectly, through medical practitioners, which supports the credit quality of the REIT's tenants. The weighted average in place net rent per square foot for the properties is approximately $15.37.

The following table summarizes the REIT's 10 largest tenants by percentage of annual minimum net rent:

	Tenant	**# of locations**	**% of annual min. net rent**	**Remaining term [1]**
1	Bantrel Corporation	1	8.9%	6.6
2	NW Trust [2]	5	5.1%	2.6
3	CLSC/CSSS	5	5.0%	9.3
4	Alberta Health Services [3]	7	4.1%	2.9
5	Shoppers Drug Mart	3	2.5%	10.8
6	Lawtons Drugs	4	2.2%	8.6
7	CML Healthcare	7	2.2%	3.5
8	University of Toronto	1	2.0%	3.3
9	Sunnyhill Wellness Centre [4]	1	1.5%	7.9
10	Charles-Lemoyne Hospital	1	1.2%	9.8
Total / Weighted averages		**35**	**34.8%**	**5.8**

Notes:

(1) Remaining term as of December 31, 2010, weighted by GLA

(2) Includes head leases

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

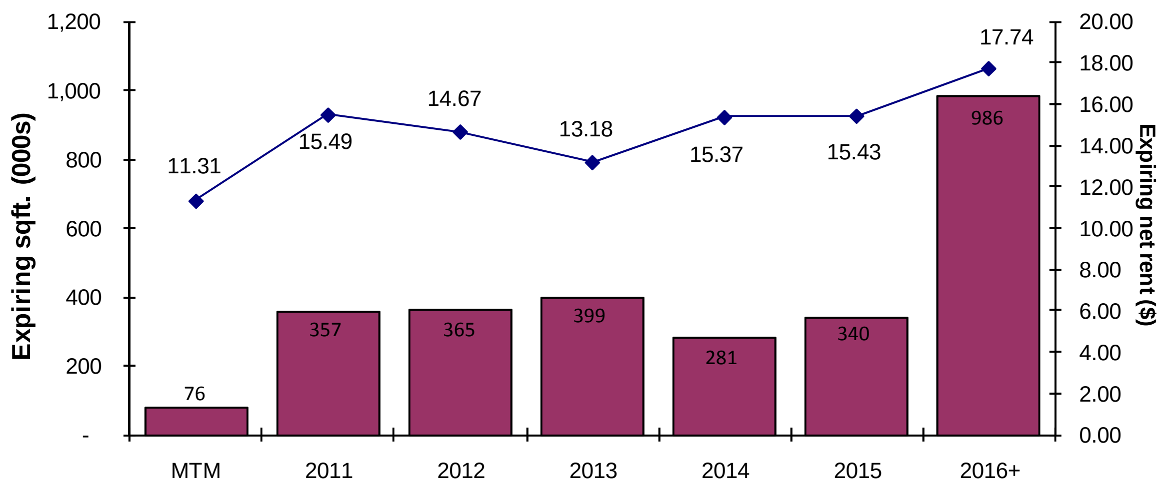
(4) Sunnyhill Wellness Centre is an assisted living centre owned and operated by an affiliate of NW Trust. While the affiliate has only owned the business since 2005, it has operated since 2002, and its residents receive approximately 60% reimbursement from Alberta Health Services

During the quarter, Bantrel Corporation, a subsidiary of Bechtel Corporation, a premier international engineering and construction firm, became the REIT's largest tenant through the acquisition of Glenmore Professional Centre. The company occupies 137,800 square feet of GLA with a remaining lease term of 6.6 years.

Lease Expiry Profile

The REIT's diverse tenant base is complemented by a balanced lease maturity profile, with an average of 12% of GLA maturing each year between 2011 and 2015, as illustrated by the chart below, and, as of December 31, 2010, a weighted average term to maturity of 4.4 years. The increase from 4.2 years in the previous quarter of the weighted average term to maturity reflects the long term lease acquired in the Glenmore Professional Centre acquisition, as well as the REIT's ongoing strategy to lengthen lease terms, especially for core medical and healthcare tenancies throughout the portfolio.

Lease Maturity Profile



Note: Gross rents have been reduced to reflect CAM and tax recoveries as an estimate of an equivalent net rent.
MTM – month to month

PART IV

LIQUIDITY AND CAPITAL RESOURCES

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

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

	Actual results for the three months ended December 31, 2010	**Actual results for the period from March 25, 2010 to December 31, 2010**
Cash provided by / (used in):	(Unaudited)	
Operating activities	$16,741,622	$18,553,110
Financing activities	58,043,227	196,927,086
Investing activities	(31,692,168)	(169,168,474)
Increase / (Decrease) in cash and cash equivalents during the period	**$43,092,681**	**$46,311,722**
Cash and cash equivalents, beginning of period	$3,219,041	$-
Cash and cash equivalents, end of period	**$46,311,722**	**$46,311,722**

Cash flow activity for the three month period ended December 31, 2010 and period from March 25, 2010 to December 31, 2010 primarily related to the results of the REIT's operations, distributions to Unitholders, the October 2010 follow-on equity raise and the acquisition of five new properties. Additional commentary on these events can be found in the notes to the financial statements as well as earlier in this MD&A.

CAPITALIZATION AND DEBT PROFILE

	As at December 31, 2010
Indebtedness	
Mortgages Payable	$369,730,062
Mark-to-Market premium on Mortgages	2,445,647
Unamortized financing costs	(123,848)
	372,051,861
Unitholders' Equity	
Units (Authorized – unlimited; Issued – 27,585,791)	$289,438,133
Class B LP Units (Authorized – unlimited ; Issued – 7,680,746)	76,807,460
Less: Issue costs	(19,781,366)
	346,464,227
Cumulative net income	1,051,241
Less: Cumulative distributions	(17,815,639)
	329,699,829
Total capitalization (at book value)	**$701,751,690**

As at December 31, 2010, the REIT had a market capitalization of approximately $412.3 million based on a closing unit price of $11.69 on the Toronto Stock Exchange.

Follow-on Equity Offering

On October 29, 2010 the REIT completed a follow-on equity offering of 6,495,000 trust units at a price of $11.55 per unit representing gross proceeds of approximately $75.0 million. The net proceeds after underwriting and other fees were $71.5 million. The REIT also granted the underwriters an over-allotment option to purchase up to an additional 974,250 units at the same offering price, which over-allotment option was exercised and then closed on November 5, 2010 generating additional net proceeds of $10.8 million.

Glenmore Acquisition

As part of the acquisition of Glenmore Professional Centre the REIT issued 1,274,891 trust units at a price of $11.55, representing consideration of $14.7 million on the acquisition of Glenmore Professional Centre, to NorthWest Value Partners Inc. ("Value Partners"), an affiliate of NW Trust.

Conversion of Class B LP Units

On December 23, 2010, pursuant to the Exchange Agreement, NW Trust exchanged 69,026 Class B LP Units for 69,026 units of the REIT.

The following table sets out, as at December 31, 2010, scheduled principal payments, debt maturity amounts and weighted average interest rate of maturing mortgages.

Year ending December 31st	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Weighted average interest rate of maturing mortgages	Percentage of total mortgages payable
2011	7,243,928	39,822,261	47,066,189	5.62%	12.7%
2012	7,189,645	10,028,231	17,217,876	5.42%	4.7%
2013	7,323,163	17,228,511	24,551,674	6.15%	6.6%
2014	6,476,907	47,594,815	54,071,722	5.49%	14.6%
2015	5,185,732	49,630,869	54,816,601	5.64%	14.8%
2016	4,509,674	94,029,878	98,539,552	5.51%	26.7%
2017+	2,218,971	71,247,476	73,466,448	5.41%	19.9%
Sub-total	40,148,021	329,582,041	369,730,062	5.54%	100.0%
MTM adjustment			2,445,647	(0.44%)	
			372,175,709	5.10%	
Unamortized financing costs			(123,848)		
Total			372,051,861		

Mortgage Financing

During the three months ended December 31, 2010, the REIT assumed an approximately $39 million first mortgage on the acquisition of Glenmore Professional Centre. The assumed mortgage interest rate is 5.65% and it matures April 1, 2011. The REIT believes it will likely extend this mortgage.

Revolving Bank Credit Facility

During the quarter the REIT repaid the outstanding balance of its Revolving Credit Facility using $16.5 million of the proceeds of the October 2010 follow-on equity offering.

The Revolving Credit Facility has a maximum principal amount of $35 million, which may be increased to $50 million, subject to standard conditions including lender consent. The Revolving Credit Facility bears interest at a rate equal to the bank's prime rate plus 250 basis points or Bankers' Acceptances plus 350 basis points, with an initial term of one year, maturing on March 25, 2011. The Revolving Credit Facility is secured by a pool of first ranking mortgages on certain properties (the ''Borrowing Base''). The properties within the Borrowing Base, subject to a right of substitution under certain standard conditions, are Riley Park Health Centre, Rockyview Professional Centre II, Collingwood Health Centre, Wharncliffe Health Centre and CLSC La Presqu'Ile. The REIT is entitled to borrow a maximum of 60% of the appraised value of the properties in the Borrowing Base subject to occupancy requirements and the debt service capacity of the Borrowing Base. The REIT is currently in negotiations with the lender to renew the Revolving Credit Facility and expects to renew the facility at more favourable financial terms.

Ratios / Covenants

Pursuant to the Declaration of Trust the REIT may not incur or assume any indebtedness if, after giving effect to the incurring or assumption of such indebtedness, the total indebtedness of the REIT would be more than 65% of the GBV of its assets. The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with a term to maturity that is appropriate having regard to the lease maturity profile for each property and which allows the REIT to (i) achieve and maintain staggered debt maturities to lessen exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix the rates and extend loan terms as long as possible when borrowing conditions are favourable. Subject to market conditions and the growth of the REIT, management of the REIT currently intends to maintain indebtedness in a range of 55% to 60% of GBV. The following summarizes the status of these key ratios as at and for the three months ended December 31, 2010:

	As at / For the three months ended December 31, 2010
	(Unaudited)
Gross Book Value	746,343,621
Debt	372,051,861
Debt to Gross Book Value (1)	49.8%
Amount of debt at fixed rates	372,051,861
Interest coverage (2)	2.53x
Debt Service coverage (3)	1.80x
Weighted average mortgage interest rate (at contract) (4)	5.54%

Notes:

(1) Defined as total debt divided by total assets plus accumulated depreciation and amortization of income properties

(2) Defined as net income plus depreciation & amortization and interest expense divided by interest expense. Interest coverage for the period from March 25, 2010 to December 31, 2010 was 2.58x.

(3) Defined as EBITDA divided by interest expense and scheduled principal repayments during the period. EBITDA represents AFFO, excluding reserves for stabilized CAPEX and LC/TI's and adding back interest expense. Debt Service coverage for the period from March 25, 2010 to December 31, 2010 was 1.85x.

(4) Current market weighted average mortgage interest rate = approximately 4.80%

The ratio of Debt to GBV decreased in the quarter to 49.8% at December 31, 2010 from 56.0% as at September 30, 2010, primarily as a result of the October 2010 follow-on equity offering and repayment of the outstanding balance of the Revolving Credit Facility.

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

The REIT is targeting to distribute 90% of its AFFO to Unitholders, based on utilizing the stabilized leasing and capital reserves of 4% and 2% of gross revenues respectively, which is consistent with the methodology in the IPO. As such, the REIT does not retain a material amount of operating cash flow to finance its capital requirements including loan principal payments, acquisitions, redevelopments, and portfolio capital expenditures. Capital requirements for loan principal payments, acquisitions and redevelopment are generally sourced by financing for each project through mortgages and/or the Revolving Credit Facility.

LEASING COSTS AND CAPITAL EXPENDITURES

Leasing costs

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

As noted below, actual leasing costs have been higher than the applicable reserve for the period March 25, 2010 to December 31, 2010, primarily as a result of the following steps which we have been taking to improve the quality of our portfolio and enhance long term value:

1) increasing medical uses, which tend to create synergies within buildings and have higher retention rates, with 88% of our new leasing being for medical uses,
2) extending the average lease term, with primary medical new leasing deals having an average lease term of approximately 7.4 years, and
3) one-time repositioning and/or re-stacking of certain properties to achieve stability and optimal tenant mix, costs related to which represented 28% of total leasing costs (net of costs associated with the previously disclosed 2924 Taschereau refurbishment to accommodate the new 10 year lease with Charles LeMoyne Hospital).

For the three months ended December 31, 2010, and the period from March 25, 2010 to December 31, 2010, the REIT incurred $2,874,813 and $6,834,603, respectively, of leasing costs. Included within these costs were $406,794 and $1,647,735 respectively, of recoverable tenant improvements related to 2924 Taschereau Boulevard. 2924 Taschereau Boulevard is a Montreal area property that has been redeveloped to accommodate a new 10-year lease with the neighbouring Charles-Lemoyne Hospital, which now occupies the entire building. During the quarter the REIT spent $585,338 at Bathurst Medical Centre as it completed the repositioning of this property with additional healthcare tenancies, including a walk-in clinic, and improved the occupancy at the property during the quarter from 90.9% to 91.6%. This repositioning is also expected to result in improved pharmacy contributions and parking revenues since paid parking was introduced at the property during the quarter. Also included in total leasing costs for the three months ended December 31, 2010, and the period from March 25, 2010 to December 31, 2010 is $610,793 and $1,654,245, respectively, related to directly attributable internal costs of obtaining and renewing leases and external leasing commissions.

Capital Expenditures

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

For the three months ended December 31, 2010, and the period from March 25, 2010 to December 31, 2010, the REIT incurred $1,079,176 and $4,037,241, respectively, in capital expenditures, of which $536,638 and $2,329,543, respectively, are considered to be growth related and $542,537 and $1,707,698, respectively, are considered to be maintenance related.

Growth capital expenditures for the quarter represent additions to income-producing properties and primarily relate to the one-time repositioning and development of certain properties within the portfolio. These capital expenditures are not directly recoverable from tenants.

ADJUSTED FUNDS FROM OPERATIONS AND DISTRIBUTIONS

AFFO

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

The REIT's method of calculating AFFO may differ from other issuers' methods and accordingly may not be directly comparable to AFFO reported by other issuers. A reconciliation of Canadian GAAP net income to AFFO for the three months ended December 31, 2010 and the period from March 25, 2010 to December 31, 2010 is set out below:

	Actual results for the three months ended December 31, 2010	**Forecast for the three months ended December 31, 2010 (1)**	**Variance**	**Actual results for the period from March 25, 2010 to December 31, 2010**	**Forecast for the period from March 25, 2010 to December 31, 2010 (2)**	**Variance**
	(Unaudited)			(Unaudited)		
Net income / (loss) (per Canadian GAAP)	**(496,655)**	**3,597**	**(500,252)**	**1,051,241**	**679,776**	**371,465**
Add / (Deduct):						
Depreciation and amortization	7,573,304	6,997,896	575,408	20,788,801	21,067,634	(278,833)
FFO	**7,076,649**	**7,001,493**	**75,156**	**21,840,042**	**21,747,410**	**92,632**
Add / (Deduct):						
Amortization of Mark to Market adjustment	(195,544)	(136,003)	(59,541)	(535,873)	(416,336)	(119,537)
Amortization of finance fees (4)	139,800	143,750	(3,950)	420,731	442,431	(21,700)
Amortization of above/below market rent	(172,597)	(245,858)	73,261	(941,663)	(756,696)	(184,967)
Amortization of straight line rent	(172,508)	(145,853)	(26,655)	(502,361)	(448,903)	(53,458)
Head office free rent(5)	51,113	-	51,113	157,187	-	157,187
Reserve for stabilized capital expenditures (6)	(440,587)	(413,265)	(27,322)	(1,288,190)	(1,264,599)	(23,591)
Reserve for stabilized leasing commissions and tenant inducements (7)	(881,174)	(826,530)	(54,644)	(2,576,379)	(2,529,199)	(47,180)
AFFO (3)	**5,405,152**	**5,377,734**	**27,418**	**16,573,494**	**16,774,108**	**(200,614)**
Basic AFFO per unit	$0.17	$0.21	$(0.04)	$0.59	$0.66	$(0.07)

Fully diluted AFFO per unit	$0.17	$0.21	$(0.04)	$0.59	$0.66	$(0.07)
AFFO						
Initial properties (same property)	5,108,129	5,377,734	(269,605)	16,159,091	16,774,108	(615,017)
Subsequent acquisitions	297,023	-	297,023	414,403	-	414,403
Total AFFO	**5,405,152**	**5,377,734**	**27,418**	**16,573,494**	**16,774,108**	**(200,614)**
Weighted average units outstanding:						
Basic	31,770,981	25,249,772	6,521,209	28,161,895	25,249,772	2,912,123
Fully diluted	31,777,332	25,249,772	6,527,560	28,165,235	25,249,772	2,915,463

Notes:

(1) Represents the forecast contained in the IPO Prospectus on page 16 for 3 months of operations ended December 31, 2010. These figures have been prepared by management and are unaudited

(2) Represents the forecast contained in the IPO Prospectus on page 16 for the 3 months ended March 31, 2010 pro-rated on a straight-line basis for 7 days and combined with the forecasts for the 3 months ended June 30, 2010, September 30, 2010 and December 31, 2010. These figures have been prepared by management and are unaudited.

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

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

(5) Represents non-cash rent expense recognized on head office lease

(6) Based on an estimate of 2.0% of property revenue as reflected in the IPO Prospectus

(7) Based on an estimate of 4.0% of property revenue as reflected in the IPO Prospectus

AFFO for the three months ended December 31, 2010, was $27,418 favourable relative to the forecast due to fourth quarter acquisitions, as well as the full quarter contribution of third quarter acquisitions, offsetting lower than forecast same property occupancy. AFFO for the period from March 25, 2010 to December 31, 2010, was $200,614 less than forecasted AFFO, primarily due to lower same property occupancy as a result of delays in new leasing; although this was partially offset by acquisitions.

AFFO for the three months ended December 31, 2010, and the period from March 25, 2010 to December 31, 2010, of $5,405,152 and $16,573,494, respectively, is calculated after deducting $1,321,761 and $3,864,569, respectively, of stabilized reserves for leasing costs and capital expenditures.

During the three months ending December 31, 2010, and the period from March 25, 2010 to December 31, 2010, the REIT incurred $3,953,989 and $10,871,844, respectively in actual leasing costs and capital expenditures, resulting in an unfavourable variance of $2,632,228 and $7,007,275, respectively, relative to the reserves. $406,794 and $1,647,735, respectively, of the variance relates to recoverable tenant improvements at 2924 Taschereau Boulevard. During the quarter the REIT also spent $585,338 on leasing costs at Bathurst Medical Centre as it improved the occupancy and tenant mix of the property. In addition $536,638 and $2,329,543, respectively of the variance is considered growth related. Excluding these items actual leasing costs and capital expenditures are $1,103,458 and $2,335,996 unfavourable, for the quarter and period from March 25, 2010 to December 31, 2010, respectively, relative to reserves.

Distributions

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

The REIT's AFFO payout ratio based on reserves for the three months ended December 31, 2010 and the period from March 25, 2010 to December 31, 2010 is calculated below:

	For the three months ended December 31, 2010	For the period from March 25, 2010 to December 31, 2010
	(Unaudited)	(Unaudited)
Fully diluted AFFO per unit	$0.17	$0.59
Distributions per unit	$0.20	$0.62
Payout Ratio	**117.6%**	**104.5%**

The REIT payout ratio increased during the quarter because of the dilutive effects of the October 2010 follow-on equity offering prior to the REIT completing acquisitions which closed at or subsequent to quarter-end.

Distribution Reinvestment Plan

The Distribution Reinvestment Plan ("DRIP") continues to build momentum. Participants in the DRIP have their cash distributions used to purchase units of the REIT and also receive a "bonus distribution" of units equal in value to 3% of each distribution. During the quarter and period from March 25, 2010 to December 31, 2010, 21,525 and 22,624 units, respectively, were issued pursuant to the DRIP.

PART V

RELATED PARTY TRANSACTIONS

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

Subsequent to the October 2010 follow-on equity offering and over-allotment option, conversion of Class B LP Units and the sale of Glenmore Professional Centre to the REIT, the combined economic interest of Value Partners and NW Trust in the REIT is approximately 25.6% as at December 31, 2010.

Information on the agreements governing the relationship with NW Trust are discussed under ''Retained Interests'' in the IPO Prospectus. In addition to disclosures elsewhere in this MD&A, related party transactions are disclosed in Notes 2 and 13 of the consolidated financial statements for the period from March 25, 2010 to December 31, 2010.

HEAD LEASES

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

Head Lease Summary

	At December 31, 2010			Sub-Leased to Third Parties[1]		
Property	**GLA**	**Min. rent (psf)** [2]	**Lease expiry**	**GLA**	**Min. rent (psf)** [2]	**Lease expiry**
Rockyview Professional Centre II	51,177	$21.00	Mar-15	39,579	$16.11	Jul-25 [3]
HealthPark	29,932	16.25	Mar-15	7,346	13.11	Mar-21[4]
Riley Park Health Centre	20,271	30.00	Mar-15	-	-	
Total / Weighted averages	**101,380**	**$21.40**		**46,925**	**$15.64**	

Notes:

(1) As at March 9, 2011

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

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

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

During the quarter the REIT contracted an additional 3,946 square feet of head lease space bring total third-party commitments to 46,925 square feet, or 46.3%, of head lease space. While the average in place rent at the Rockyview Professional Centre II is below the head lease rent, management believes that all of the sub-leases represent good tenants for the property, as:

- there are rental rate escalations throughout the respective lease terms, some of which are during the Head Lease term and are reflected in the minimum rent psf presented above on a straight line basis;
- two of the leases are considered “anchor” healthcare tenancies that have already assisted in the lease-up of the building and will continue to do so as the building nears stabilized third-party occupancy; and,
- the sub-tenants are expected to drive significant parking demand for the property, resulting in paid parking revenue beyond the Head Lease term.

In addition to the in-place third-party commitments, negotiations continue for approximately 16,000 square feet or 29% of the uncommitted space.

PART VI

SUMMARY OF QUARTERLY RESULTS

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

	Q4 2010	Q3 2010	Q2 2010	Q1 2010[1]
Revenue	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Base rent	10,635,869	10,494,565	10,091,090	778,311
Property operating cost recoveries	8,774,097	8,106,758	7,139,499	583,472
Parking and other	2,805,333	2,423,438	2,355,809	192,257
Property management recovery fees	155,335	209,072	214,592	14,148
Total property and property related revenue	**22,370,634**	**21,233,833**	**19,800,990**	**1,568,188**
Expenses				
Operating	9,742,943	9,033,308	8,076,157	672,910
Interest expense	4,624,863	4,530,491	4,296,796	335,976
Depreciation and amortization	7,573,304	6,595,974	6,150,558	468,965
Trust expenses	926,179	435,546	429,598	28,836
Total expenses	**22,867,289**	**20,595,319**	**18,953,109**	**1,506,687**
Net income / (loss)	**(496,655)**	**638,514**	**847,881**	**61,501**
Basic net income per unit	($0.02)	$0.02	$0.03	$0.00
Fully diluted income per unit	($0.02)	$0.02	$0.03	$0.00
NOI				
Property and property related revenue	22,175,316	21,010,949	19,800,990	1,568,188
Operating expenses	9,742,943	9,033,308	8,076,157	672,910
	12,432,373	**11,977,642**	**11,724,833**	**895,278**
NOI margin	*56.1%*	*57.0%*	*59.2%*	*57.1%*
FFO	**7,076,649**	**7,234,488**	**6,998,439**	**530,466**
Basic FFO per unit	$0.22	$0.27	$0.27	$0.02
Fully diluted FFO per unit	$0.22	$0.27	$0.27	$0.02
AFFO	**5,405,152**	**5,565,656**	**5,211,779**	**390,907**
Basic AFFO per unit	$0.17	$0.21	$0.20	$0.02
Fully diluted AFFO per unit	$0.17	$0.21	$0.20	$0.02
AFFO payout ratio	117.6%	95.2%	107.5%	0.0%
Distributions	6,816,173	5,300,293	5,699,173	-
Distributions per unit	.20001	.20001	.21507[2]	-
Total Assets	724,731,337	612,908,607	575,878,979	571,568,004
Gross Book Value	746,343,621	626,674,552	582,749,309	572,057,671
Debt	372,051,861	351,230,233	308,430,660	309,923,719
Debt to Gross Book Value	49.8%	56.0%	52.9%	54.2%
Number of properties	50	48	45	45
Leasable area	3,065,815	2,893,825	2,701,708	2,697,791
Occupancy % (current) – period end	91.5%	90.4%	90.3%	90.7%
Number of employees	104	103	104	100

Notes:

(1) Seven day period ended March 31, 2010

(2) Includes proportionate increase in distribution for seven day period from March 25, 2010 to March 31, 2010

PART VII

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The REIT allocates the purchase price based on the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The fair values of the REIT's mortgages payable approximate as at December 31, 2010 is $375,872,767. The fair values have been estimated based on the current market rates for mortgages with similar terms and conditions.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards (''IFRS'') will, for public entities, replace Canadian GAAP effective for fiscal periods beginning on or after January 1, 2011, with comparative figures presented on the same basis. The Canadian Securities Administrators have provided issuers with the option of early adopting IFRS for Canadian reporting purposes. The REIT does not intend to early adopt IFRS.

IFRS implementation continues and is progressing in accordance with the plan to ensure that the interim consolidated financial statements are IFRS compliant by March 31, 2011, the REIT's first interim reporting date under IFRS. The REIT has completed Phase 1 of its IFRS conversion, which includes identifying major accounting differences and their relevance to the REIT and formulating its response to key IFRS conversion issues to be dealt with in Phase 2 of the project. Phase 2 of the project is almost complete. It includes determining IFRS differences and effecting required changes to business and accounting processes and systems. The REIT has developed an investment property valuation strategy and ongoing process and the REIT is in the process of determining the fair value of investment properties at December 31, 2010 and will complete this for disclosure in the REIT's first IFRS interim financial statements as at March 31, 2011. The REIT will continue to assess the impact of the transition to IFRS and to review all of the proposed and ongoing projects of the International Accounting Standards Board to determine their impact on the REIT.

Significant Differences

IFRS is based on a conceptual framework similar to Canadian GAAP; however, significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not have a material impact on the REIT's reported cash flows, it may have a material impact on the REIT's consolidated balance sheet and statement of net income. The REIT has completed an initial assessment of the impact of IFRS and has identified significant accounting policy differences between IFRS and current Canadian GAAP as follows:

Investment Properties

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

The REIT will use the fair value model to account for investment properties. The REIT commenced operations on March 25, 2010, subsequent to the transition date to IFRS (January 1, 2010), and pursuant to the commencement of its operations the REIT investment properties were fair valued by management. As a result, there is no fair value adjustment, related to investment properties, upon adoption of IFRS.

Lease Incentives

Under Canadian GAAP, tenant improvements and certain other leasing costs are capitalized and expensed to income as amortization over the lease term. Under IFRS, these incentives or a portion thereof may be viewed as incentives provided to the tenant that must be recognized as a reduction in rental income over the lease term.

REIT Units

Under Canadian GAAP, the REIT's Units are presented as equity on the consolidated balance sheet. However, under IFRS a liability arises where a financial instrument contains a contractual obligation to deliver cash or another financial asset to another entity subject to certain exclusions for subordinated instruments. Although the REIT's Units are redeemable at the option of the holder, the REIT believes its Units meet the exclusion, for certain subordinated instruments, from treatment as a liability. In addition, under the REIT's Declaration of Trust the REIT has full discretion over distributions and as a result believes it Units will continue to be classified as equity under IFRS.

Class B LP Units

Under Canadian GAAP, the REIT's Class B LP Units are presented as equity on the consolidated balance sheet. However, under IFRS the Class B LP Units in their current form will likely be presented as a liability at their fair value. Changes in value will be recognized in income in the period in which they arise and distributions on the Class B LP Units will be recorded as interest expense rather than distributions. The REIT is currently exploring possible solutions that will allow it to continue to classify the Class B LP Units as equity under IFRS.

Business Combinations

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

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

Income Tax

The *Income Tax Act* (Canada) contains rules (the "SIFT Rules"), which tax certain publicly traded or listed trusts in a manner similar to corporations and taxes certain distributions from such trusts as taxable dividends from a taxable Canadian corporation. Distributions paid by a SIFT as returns of capital will generally not be subject to the tax. The SIFT Rules are not applicable to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Exception").

Under Canadian GAAP and IFRS, REITs that qualify for the REIT Exception are not required to recognize future income tax assets or liabilities on temporary differences when there is an intention by management to distribute its taxable income to unitholders.

IFRS 1
In general, IFRS 1 "First-time Adoption of International Financial Reporting Standards" requires an entity to retrospectively apply IFRS standards at the date of transition to IFRS. IFRS 1 provides certain exemptions and exceptions to the retrospective application of IFRS standards. The REIT commenced operations on March 25, 2010 subsequent to the transition date to IFRS (January 1, 2010) and as a result will not utilize any IFRS 1 exemptions.

PART VIII

RISKS AND UNCERTAINTIES

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

Risk Factors Related to the Real Estate Industry

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

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

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which the REIT has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the disclaimer and termination of such tenant's lease, any of which events could have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. Certain of the REIT's tenants may require licences to operate their business, such as laboratories. To the extent these businesses are unable to obtain licences or maintain existing licences, the REIT's operations may be adversely impacted. The ability to rent unleased space in the properties in which the REIT will have an interest will be affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises and various other factors, many of which are beyond the REIT's control.

Fixed Costs
The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders. Certain significant expenditures, including property taxes, ground rent, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the REIT is unable to meet

mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale or the landlord's exercise of remedies. Costs may also be incurred in making improvements or repairs to property required by a new tenant and income may be lost as a result of any prolonged delay in attracting suitable tenants to the vacant space.

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

Liquidity

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

Competition

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

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

Current Economic Environment

Continued concerns about the uncertainty over whether the economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of increased unemployment, volatile energy costs, geopolitical issues, the availability and cost of credit, the Canadian mortgage market and a distressed commercial real estate market have contributed to increased market volatility and weakened business and consumer confidence. Although the Healthcare Real Estate industry is an asset class that is not typically impacted by recessions or economic slowdowns, this difficult operating environment could adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the REIT's tenants and operators to maintain occupancy rates in the REIT's properties, which could harm the REIT's financial condition. If these economic conditions continue, the REIT's tenants and operators may be unable to meet their rental payments and other obligations due to the REIT, which could have a material adverse effect on the REIT.

Risk Factors Related to the Business of the REIT

Acquisitions

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

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

Access to Capital

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

Financing Risks

As at December 31, 2010 the REIT had outstanding indebtedness of approximately $372.1 million. Although a portion of the cash flow generated by income-producing properties will be devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

The REIT will be subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce AFFO. In order to minimize this risk, the REIT will attempt to diversify the term structure of its debt so that in no one year a disproportionate amount of its debt matures. As at December 31, 2010 none of the REIT's total indebtedness, pursuant to the Revolving Credit Facility, is at variable rates. To the extent the REIT incurs variable rate indebtedness, including pursuant to the Revolving Credit Facility, this will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise, the REIT's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution. In addition, the REIT has conduit loans outstanding as at December 31, 2010. Due to the current economic climate, access to this type of financing has diminished significantly. Although substantially all of the amounts outstanding under the REIT's conduit loans mature in 2014 or later, there is a risk that the REIT may not be able to refinance such loans on similar terms, although, based upon the REIT's current loan-to-value ratios and loan amortizations, the REIT expects to be able to refinance such conduit loans as they come due.

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

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

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

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

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

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

the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters.

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

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

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

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

Land Leases

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

Specific Lease Considerations

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

Reliance on Key Personnel

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

Limit on Activities

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

Occupancy by Tenants

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

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

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

Lease Renewals and Rental Increases

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

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

Phase II Development Agreement
There can be no assurances that the prospective future development of the additional parcel at the Glenmore Professional Centre (the "Phase II Development Agreement") will be achieved, in which case the vendor has the right after June 24, 2011 (or such other period as may be agreed) to require the REIT to obtain a severance of the development parcel and re-convey such parcel to the vendor or as it may direct for $2,950,000. In such event, the vendor will be obligated to replace any existing parking stalls lost as a result with on-site (except during construction) surface or underground parking stalls. There exist certain costs (which may be substantial) and certain risks traditionally associated with land severances including the availability of, or conditions to, municipal consent and accordingly, there is no guarantee that the REIT will be able to secure such land severance. Even if the Phase II Development Agreement is achieved, there exist certain risks traditionally associated with real estate development. The Phase II development would be subject to construction risks attributable to construction projects, including construction delays, the availability and timing of municipal approvals, and cost overruns.

Risk Factors Related to the Units

Cash Distributions are Not Guaranteed
There can be no assurance regarding the amount of income to be generated by the REIT's properties. The ability of the REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT, and will be subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from the tenant profile of the REIT's properties and capital expenditure requirements. The market value of the Units will deteriorate if the REIT is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

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

The *Income Tax Act* (Canada) contains rules, which tax certain publicly traded or listed trusts in a manner similar to corporations and taxes certain distributions from such trusts as taxable dividends from a taxable

Canadian corporation. Distributions paid by a SIFT as returns of capital will generally not be subject to the tax.

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

Management of the REIT has determined that the REIT is not subject to the SIFT tax as it meets the REIT Exception at December 31, 2010, and plans to continue to do so in the future. Accordingly, no current income tax expense or future income tax assets or liabilities have been recorded in the December 31, 2010, consolidated financial statements.

The REIT Exception is applied on an annual basis. As such, it will not be possible to determine if the REIT will satisfy the conditions of the REIT Exception for 2011 or any subsequent year until the end of the particular year.

Restrictions on Redemptions

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

Potential Volatility of Unit Prices

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

Nature of Investment

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

Availability of Cash Flow

AFFO may exceed actual cash available to the REIT from time to time because of items such as principal repayments, and tenant allowances, leasing costs and capital expenditures in excess of stipulated reserves identified by the REIT in its calculation of AFFO and redemptions of Units, if any. The REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. The REIT anticipates temporarily funding such items, if necessary, through the Revolving Credit Facility in expectation of refinancing long-term debt on its maturity.

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

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

Indirect Ownership of Units by NW Trust
NW Trust and its affiliates hold an estimated 25.6% economic interest in the REIT at December 31, 2010, through the ownership of REIT units and Class B LP Units, each of which are exchangeable at the option of the holder for one Unit of the REIT and will be attached to a Special Voting Unit of the REIT, providing for voting rights in the REIT. Furthermore, pursuant to the Declaration of Trust, NW Trust will be entitled to appoint a certain number of Trustees based on the percentage of Units held by it. Thus, NW Trust will be in a position to exercise a certain influence with respect to the affairs of the REIT. If NW Trust reduces its ownership interest in the REIT, the market price of the Units could fall. The perception among the public that these sales may occur could also produce such effect.

PART IX

CONTROLS AND PROCEDURES

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

As of December 31, 2010, an evaluation was carried out, under the supervision of the REIT's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the REIT's disclosure controls and procedures (as defined by National Instrument 52-109 – Certification of Disclosure in Issuers'Annual and Interim Filings). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the REIT's disclosure controls and procedures were effective as at December 31, 2010.

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

preparation of financial statements for external purposes in accordance with Canadian GAAP. The Chief Executive Officer and Chief Financial Officer assessed, or caused an assessment under their direct supervision of the design and operating effectiveness of the REIT's internal controls over financial reporting as at December 31, 2010, and based on that assessment determined that the REIT's internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the COSO framework, published by the Committee of Sponsoring Organizations of the Treadway Commission.

Changes in Internal Controls Over Financial Reporting

There were no significant changes made in internal controls over financial reporting during the 3 month period ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

Inherent Limitation

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

PART X

SUBSEQUENT EVENTS

- On January 13, 2011 the REIT arranged an $85 million non-revolving (unless lender agrees at its sole discretion to any re-advance) senior secured interim bridge facility to fund the acquisition of Dundas-Edward Centre and Hys Centre (the "Acquired Properties"). The interim bridge facility bears interest at the banker's acceptance rate plus 350 basis points or prime plus 250 basis points and is secured by the Acquired Properties. This facility was fully drawn on February 1, 2011 and subsequently paid down by $70 million following the March 2011 follow-on equity offering. The interim bridge facility shall be repaid on the earlier of: i) placement or replacement of first mortgage financing on the Acquired Properties; ii) the sale of the Acquired Properties; or iii) nine months from closing, subject to a three month extension.
- On January 25, 2011 the REIT completed the acquisition of the prominent medical and professional office complex known as The Dundas-Edward Centre, in Toronto, Ontario for $103 million. The acquisition has been funded by a combination of existing resources and a $60 million draw on the interim bridge facility.
- On February 1, 2011 the REIT completed the acquisition of Hys Centre, the premiere medical office complex in Edmonton, Alberta, for a price of $53 million. The acquisition has been funded by a combination of cash on hand and a $25 million draw on the interim bridge facility.
- On March 1, 2011 the REIT entered into an agreement to acquire the Malvern Medical Arts Building, a prominent medical office building containing 40,974 square feet of rentable area that is currently 99% occupied. The purchase is expected to close in the first half of 2011, subject to customary closing conditions. The purchase price will be approximately $16.75 million, subject to adjustments and will be acquired free and clear of any existing mortgages. The equity portion of the REIT's investment will be funded from existing resources.
- Subsequent to quarter end, the REIT issued an additional 6,400,000 units at a price of $11.75 per unit representing gross proceeds of $75,200,000 pursuant to the March 2011 follow-on equity offering. In

addition, the REIT has granted the underwriters an over-allotment option to acquire up to an additional 960,000 units, on the same terms, which must be exercised within 30 days of closing.

- Subsequent to December 31, 2010 the REIT declared distributions of $0.06667 per unit and $0.06667 per unit, respectively, to unitholders of record as at January 31, 2011 and February 28, 2011, respectively.

PART XI

FINANCIAL OUTLOOK AND MARKET GUIDANCE

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

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

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

Apart from the sometimes significant difference between vendor and purchaser pricing, the current market for acquisitions is favourable for the REIT's expansion plans, with both debt and equity markets accessible and the market of Healthcare Real Estate fragmented in terms of current ownership. Since the IPO to date, the REIT has completed or announced the acquisition of approximately $293 million of healthcare assets. The REIT will continue to actively pursue acquisitions, with a focus on properties within markets the REIT already operates, and a preference for well-occupied and well-located properties in order to consistently improve the REIT's portfolio quality.