



**NORTHWEST HEALTHCARE PROPERTIES  
REAL ESTATE INVESTMENT TRUST**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF RESULTS OF OPERATIONS AND  
FINANCIAL CONDITION**

**For the three months and year ended  
December 31, 2016**

**March 2, 2017**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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## CEO'S MESSAGE

The fourth quarter of 2016 concludes an exceptionally strong year for NorthWest Healthcare Properties REIT (the "REIT") and its unitholders following a transformational 2015 featuring its merger with NorthWest International Healthcare Properties REIT. Our focus in 2016 has been around completing the integration of the businesses and unlocking the full potential of the combined platform while delivering accretive growth and driving unitholder value as Canada's only global healthcare REIT. I am happy to report that we have been successful on all of these fronts; concluding the merger integration process including the sale of \$125 million non-core Canadian assets, adding \$500M of in new healthcare assets during the year, while at the same time improving the operational and financial profile of the business considerably. These initiatives have resulted in strong AFFO and NAV growth (+5.7% and 13.0% respectively as well as unit price performance, up 14% over the past 12 months.

Looking forward, building on the REIT's strong foundation and with the support of positive global healthcare industry trends, we continue to see myriad opportunities to improve and grow the business accretively.

For the three months and year ended December 31, 2016, the REIT delivered strong financial and operating results with key highlights as follows:

- AFFO per unit for the fourth quarter and fiscal year 2016 of \$0.22 and \$0.86, respectively, (\$0.92 per unit on a normalized fourth quarter annualized basis)
- AFFO payout ratio of 92% (87% normalized) for the fourth quarter and 93% for the year based on the REIT's annual distribution policy of \$0.80/unit;
- Recognition of a \$73.5 million and \$136.4 million valuation gains in the REIT's total investment property portfolio, in the fourth quarter and the year 2016, respectively, driven by valuation gains across the REIT's portfolio;
- Adjusted net asset value of \$11.66/unit, an increase of approximately 7% from Q3-2016 as a result of positive revaluations on the REIT's assets and currency appreciation;
- Reduced leverage to 41.5% (51.5 % including convertible debentures), down from 49.2% (55.5% including convertible debentures) at the end of 2015;
- Strong portfolio occupancy of 95.6%, led by the international portfolio occupancy of 98.5%;
- Weighted average lease expiry of 11.1 years, underpinned by the international portfolio with a weighted average lease expiry of 15.7 years; and
- Same property NOI growth, in source currency, for 2016 of 7.0% driven largely by inflation indexation adjustments on leases at the REIT's international assets.

During 2016, the REIT has focused on completing its merger integration priorities along with executing on committed, low-risk development and expansion projects, pursuing select accretive acquisitions and capital-recycling opportunities to improve its portfolio quality, reduce debt, and fund its growth initiatives. Key initiatives completed include:

- Completing the sale of the 13 (of 16) identified non-core Canadian properties totaling \$72.2M which generated net total proceeds of approximately \$27.8M (for all 16).
- Completing more than \$330M in corporate financing initiatives including issuing \$150.8M of equity and \$155.3M of unsecured convertible debentures in 4 separate offerings and expanding the REIT's credit facility by another \$25 million to \$125 million;
- Repaying or refinancing approximately \$150M of property level debt at significantly lower interest rates with extended maturity profile, including two new long-term financings in Brazil;
- Completing \$461M of acquisitions and \$62M of developments as follows:
  - In Australia/New Zealand – acquisitions totaling \$286M and 2 developments totaling \$18M highlighted by the REIT's strategic investment in Generation and participation in Vital's rights offering;
  - In Brazil – 2 acquisitions totaling \$156M;

- In Canada – developments totaling \$62M; and,
- In Germany – 1 acquisition totaling \$20M.

For 2017, the REIT will build on this strong platform while executing on more than \$300M in committed, low-risk development and expansion projects, and select accretive acquisitions; of which \$80M have already closed and over \$220M are under contract or negotiation. The REIT will also continue to seek capital-recycling opportunities to improve its portfolio quality, reduce debt, and fund its growth initiatives. Finally, the REIT will advance ongoing discussions with new institutional partners in each of its international markets as a means to leverage its platform in the ongoing consolidation of healthcare real estate globally.

In support of the REITs strategy, healthcare industry trends remain constructive globally. They can be summarized as a) populations growing and ageing resulting in rising demand for health services and, b.) increasing consolidation amongst healthcare providers to achieve scale, efficiency and best practices. Together these trends translate into significant opportunity for the REIT as our tenants or potential tenants are getting bigger and better, and are requiring more capital to grow or to become more efficient while at the same time often becoming less inclined to own their real estate as is not essential for their operations. For our REIT, providing long-term real estate capital to them is a perfect solution, increasingly in demand!

For these reasons, we believe the REIT is well positioned to offer unitholders stable, growing returns through a high quality portfolio of defensive international healthcare real estate. Our team looks forward to executing on this differentiated strategy as it seeks to build a leading global healthcare real estate company.

Sincerely,  
(signed) Paul Dalla Lana  
Chief Executive Officer

## PART I - BASIS OF PRESENTATION

This Management's Discussion and Analysis of the results of operations and financial condition ("**MD&A**") of NorthWest Healthcare Properties Real Estate Investment Trust ("**NorthWest**" or the "**REIT**") should be read in conjunction with the REIT's consolidated financial statements and accompanying notes for the year ended December 31, 2016, prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are presented in thousands of Canadian dollars, except where otherwise stated. Per unit amounts are presented in Canadian dollars, and are calculated including Class B LP Units (as defined hereafter), except where otherwise stated.

On May 15, 2015, the REIT completed the plan of arrangement under the Business Corporations Act (Alberta) pursuant to which the REIT and NorthWest International Healthcare Properties REIT ("**NWI**") combined to create a leading global diversified healthcare real estate investment trust with over \$2 billion of assets (the "**Combination Transaction**"). The unitholders of NWI received 0.208 of a REIT Trust Unit for each NWI trust unit held, on a tax-deferred basis. All outstanding NWI deferred units were exchanged on the same basis for REIT deferred units. In addition, NWI's exchangeable units were converted into a new class of limited partnership units using the same exchange ratio of 0.208, which are redeemable, at the option of the holder, for REIT trust units. The REIT is the legal acquirer; however, NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI and the outstanding units and weighted average unit amounts, and associated per unit amounts, for these periods, reflect the capital structure of NWI as adjusted for the exchange ratio of 0.208 (the "**Exchange Ratio**").

This MD&A should also be read in conjunction with the Annual Information Form of the REIT dated March 10, 2016 (the "**Annual Information Form**") and the REIT's Management Information Circular dated April 14, 2016 (the "**Circular**"). This MD&A is current as of March 2, 2017 unless otherwise stated. Additional information relating to the REIT, including its continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and can be accessed electronically at [www.sedar.com](http://www.sedar.com).

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

- "**Convertible Debentures**" has the meaning set out in the Section "**CAPITAL STRUCTURE– Convertible Debentures**" and includes the following series of convertible debentures:
  - a) NWH.DB;
  - b) NWH.DB.A;
  - c) NWH.DB.B;
  - d) NWH.DB.C;
  - e) NWH.DB.D;
  - f) NWH.DB.E;
  - g) NWH.DB.F.
- "**Class B LP Unit**" or "**Exchangeable Unit**" means a Class B limited partnership unit of NWI Healthcare Properties LP ("**NWI LP**"), exchangeable for Trust Units;
- "**Special Voting Unit**" means a special voting unit of the REIT attached to a Class B LP Unit;
- "**Trust Unit**" or "**REIT Trust Unit**" means a trust unit of the REIT; and
- "**Unitholder**" means a holder of Trust Units and any reference to a Unitholder in the context of such Unitholder's right to vote at a meeting of Unitholders also includes reference to a holder of Special Voting Units.

## **FORWARD-LOOKING INFORMATION ADVISORY**

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

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

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

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

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

## **MARKET AND INDUSTRY DATA**

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

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

## PERFORMANCE MEASUREMENT

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

- Funds from operations (“**FFO**”);
- Adjusted funds from operations (“**AFFO**”);
- Normalized AFFO;
- Weighted average lease expiry (“**WALE**”);
- Weighted average interest rate;
- Occupancy levels;
- Debt – Declaration of Trust;
- Debt – Including Convertible Debentures;
- Adjusted EBITDA;
- Net operating income (“**NOI**”); and
- Net Asset Value (“**NAV**”) and Net Asset Value per unit (“**NAV/unit**”);
- Adjusted Liabilities.

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

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

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

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

“**FFO**” is defined as net income (computed in accordance with IFRS), excluding: (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments and other effects of redeemable units classified as liabilities; (v) revaluation adjustments of financial liabilities; (vi) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vii) deferred income tax expense; (viii) Convertible Debentures issuance costs; (ix) goodwill impairment; (x) internal leasing costs; and (xi) strategic transaction costs, all after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties.

**“AFFO”** is defined as FFO, subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired; (ii) amortization of deferred financing charges; (iii) compensation expense related to deferred unit incentive plans; (iv) differences, if any, resulting from recognizing property revenues on a straight line basis as opposed to contractual rental amounts, (v) asset management fees, including any incentive amounts, paid through the issuance of units rather than cash; (vi) amortization and adjustments relating to assets expected to provide an economic benefit to the REIT; (vii) adjusting for differences, if any, resulting from recognizing acquired contracts at fair value rather than the contracted rate; (viii) incentive amount expense, and (viii) deducting amounts for tenant inducements, leasing costs, and sustaining capital expenditures, as determined by the REIT. Other adjustments may be made to AFFO as determined by management at their discretion.

We have provided an analysis of FFO and AFFO under **PART III – RESULTS FROM OPERATIONS** and **ADJUSTED FUNDS FROM OPERATIONS (“AFFO”)**.

**“Normalized AFFO”** is a non-IFRS measure which management believes is relevant in representing its ability to earn and distribute cash returns to Unitholders. In addition to the adjusting items to arrive at AFFO, Normalized AFFO also adjusts for the full year effect of transactions occurring in the reporting period, transactions that have occurred subsequent to the reporting period, and adjusts for other items management believes were non-recurring or seasonal in nature and estimated based on management’s expectations on a normalized level of activity. The REIT considers Normalized AFFO to be a meaningful measure because it provides, in management’s view, an estimate of AFFO on a stabilized basis. There is no standard industry-defined measure of Normalized AFFO. As such, the REIT’s method of calculating Normalized AFFO will differ from other issuers’ methods and, accordingly, will not be comparable to such amounts reported by other issuers.

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

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

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

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

may be affected by non-recurring items.

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

**“Net Asset Value”** or **“NAV”** is a non-IFRS measure, defined by the REIT as, total assets less total liabilities and less non-controlling interest, adjusted further to exclude the REIT’s proportionate share of the following: DUP Liability, deferred tax liability, accrued Ontario land transfer tax liability, derivative instruments and Class B LP Unit liability. **“NAV per Unit** or sometimes presented as **NAV/unit”** is an extension of NAV and defined as NAV divided by the number of units outstanding at the end of the period. The REIT considers NAV and NAV per Unit to be meaningful measures because it provides, in management’s view, an estimate of the underlying value of the REIT’s units. There is no standard industry-defined measure of NAV per Unit. As such, the REIT’s method of calculating NAV per Unit will differ from other issuers’ methods, and accordingly, will not be comparable to such amounts reported by other issuers.

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

#### **Explanation of additional IFRS measure used in this MD&A**

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

We have provided an analysis of NOI under **PART III – RESULTS FROM OPERATIONS**.

#### **KEY PERFORMANCE DRIVERS**

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

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

## PART II – BUSINESS OVERVIEW

### BUSINESS OVERVIEW AND STRATEGIC DIRECTION

#### The REIT

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

On May 15, 2015, pursuant to the Combination Transaction, the REIT acquired, among other things, all the assets of NWI and its subsidiaries became direct or indirect subsidiaries of the REIT, in accordance with the plan of arrangement. The unitholders of NWI received 0.208 of a REIT Trust Unit for each NWI trust unit held, other than dissenting unitholders. All outstanding NWI deferred units were exchanged on the same basis for REIT deferred units. In addition, NWI’s exchangeable units were converted into a new class of limited partnership units using the same exchange ratio of 0.208, which are redeemable, at the option of the holder, for REIT Trust Units. NWI’s trust units which were traded on the TSX Venture Exchange (“**TSXV**”) under the symbol MOB.UN ceased to trade on the TSX Venture Exchange at the close of business on May 19, 2015. NWI’s convertible debentures, previously trading under the symbols MOB.DB, MOB.DB.A and MOB.DB.B, were assumed by the REIT, ceased to trade on the TSXV at the close of business on May 19, 2015 and commenced trading on the TSX under the symbols NWH.DB.A, NWH.DB.B and NWH.DB.C, respectively, on May 20, 2015.

The REIT’s objectives are to:

- manage its investments to provide stable, sustainable and growing cash flows through investments in healthcare real estate globally;
- build a diversified, growth-oriented global portfolio of healthcare properties based on an initial portfolio of investments in Australasia, Brazil, Germany and Canada;
- capitalize on internal growth and seek accretive healthcare real estate acquisition opportunities in its target international markets, with a focus primarily on Australasia, Brazil, Germany and Canada;
- grow the value of its assets and maximize the long-term value of its Trust Units through active and efficient management; and
- provide predictable and growing cash distributions per unit, on a tax-efficient basis.

#### Declaration of Trust

The investment guidelines of the REIT are outlined in the REIT’s Declaration of Trust, a copy of which is filed on SEDAR. Further information regarding the Declaration of Trust can also be located in the REIT’s Annual Information Form under the heading “Declaration of Trust”. Some of the main investment guidelines and operating policies in the Declaration of Trust include the following:

#### *Investment Guidelines (condensed summary)*

1. The REIT may only invest directly or indirectly in interests in income-producing real estate and assets ancillary thereto necessary for the operation of such real estate;
2. Provided that the REIT may invest up to 25% of the Gross Book Value of the REIT in investments which do not comply with one or more of the specific investment guidelines set forth in Declaration of Trust; and

3. The REIT shall not hold any investment or take any action that would result in the REIT not qualifying as a “mutual fund trust” or “unit trust” both within the meaning of the Tax Act or the Units not qualifying as qualified investments for Exempt Plans.

*Operating Policies (condensed summary)*

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

At December 31, 2016, the REIT was in compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

**Strategic Direction**

Market Opportunity

The REIT provides an opportunity for investors to gain exposure to healthcare real estate internationally. The REIT intends to provide sustainable monthly cash distributions, while allowing investors to not only participate in the large stable Canadian market but also to diversify their real estate holdings beyond Canada and into the international marketplace. The REIT is the only publicly-listed real estate investment trust in Canada dedicated to investing in healthcare real estate globally.

Over the past several years, some of Canada’s largest pension funds and institutional investors have increasingly sought out investment opportunities outside of Canada in the real estate sector. These investors have increased the international component of their real estate investments for reasons that include diversification, the opportunity to enhance returns and the possibility of generating long-term, stable cash flows. Significant markets for Canadian institutional buyers of foreign real estate include the United States, Asia, Australia, and South America. The REIT believes that it is providing a unique opportunity for Canadian retail and institutional investors to diversify their real estate investments, as large Canadian pension funds and other large Canadian institutional investors have done, by investing in an entity that will pursue investment opportunities in international commercial real estate while retaining a significant interest in the Canadian market.

In particular, the REIT believes that healthcare real estate represents a compelling asset class within commercial real estate, serving as a defensive asset class with both scale and growth. The REIT believes that international markets will continue to offer attractive healthcare real estate acquisition opportunities into the future. To select international markets in which to expand, the REIT identifies key market characteristics that lead to growth in demand which may be similar to those occurring in Canada, specifically:

- Demographics: growing or aging population and increasing life expectancy, each of which are key drivers in the demand for healthcare services;
- Economics: a balance of economic growth and stability, stabilized and/or increasing GDP per capita, and increasing healthcare spending as % of GDP or on an absolute basis; and
- Real estate and healthcare trends: fragmented healthcare real estate markets, healthcare operators focusing on “core business”, demand for new infrastructure, and growing public and private healthcare services.

## Target Markets

Within the landscape of international healthcare real estate markets, the REIT has identified the following markets as the REIT's focus areas:

- **Canada:** an established market with selective, incremental growth opportunities and the stability of a government backed tenant base;
- **Brazil:** a high-growth market with experienced hospital operators, where the REIT has investments through long-term inflation indexed triple-net leases;
- **Germany:** a fragmented market with available first mover advantage, NOI growth through active management and the building of scale, which is similar to the REIT's experiences growing in Canada; and
- **Australasia:** an established market with consolidation opportunities and inflation indexed triple net rents, where the REIT has exposure through an investment in Vital Healthcare Property Trust ("**Vital Trust**") and Generation Healthcare REIT ("**GHC**").

The following table highlights certain key market data in connection with the REIT's target markets:

TABLE 1 - KEY MARKET DATA	Canada	Brazil	Germany	Australasia	
				New Zealand	Australia
Population <sup>(1)</sup>	36.0 Million	206.1 Million	82.2 Million	4.6 Million	24.1 Million
GDP Annual Growth Rate <sup>(2)</sup>	1.30%	-2.90%	1.50%	3.50%	1.80%
Inflation <sup>(3)</sup>	1.20%	6.99%	1.70%	1.30%	1.50%
5 Yr. Government Bond Yield <sup>(4)</sup>	1.16%	11.30%	-0.54%	2.70%	2.34%
Health Care System	Publicly-funded healthcare system	Hybrid public and private healthcare	Hybrid public and private healthcare	Hybrid public and private healthcare	Hybrid public and private healthcare
<b>Notes</b>					
(1) 2016 Estimate					
(2) Third quarter 2016					
(3) December 2016, except New Zealand and Australia (Q3 2016), and Canada (Nov 2016)					
(4) December 30, 2016, closing rate					
<b>Sources:</b> Statistics Canada, Bank of Canada, Trading Economics, investing.com					

## RELATIONSHIP WITH NWVP

As at December 31, 2016, NorthWest Value Partners Inc. ("**NWVP**") indirectly owned approximately 30% (approximately 23% on a fully-diluted basis assuming conversion of the REIT's Convertible Debentures and redemption of its deferred Trust Units) of the REIT through a combination of Trust Units of the REIT and Class B LP Units. Affiliates of NWVP served as the NWI's asset manager (the "**Asset Manager**"), property manager and developer up to December 31, 2014, pursuant to certain management and partnership agreements that are filed with the Canadian securities regulatory authorities and available on SEDAR at [www.sedar.com](http://www.sedar.com). Established in 1994, Toronto-based NWVP is one of Canada's leading privately owned healthcare real estate companies. The scope of its business includes real estate, ownership and management, in Canada and internationally with a significant focus on the healthcare sector. The Principal of NWVP serves as an officer and trustee of the REIT. On January 28, 2015 NWI announced that it had completed the transaction with NWVP to internalize the external management of NWI with an effective date of January 1, 2015 (the "**Internalization Transaction**").

## FINANCIAL AND OPERATIONAL SUMMARY

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

<b>TABLE 2 - FINANCIAL AND OPERATIONAL HIGHLIGHTS</b>			
Expressed in thousands of Canadian dollars, except per unit amounts	<b>As at</b>		<b>As at</b>
	<b>December 31, 2016</b>	<b>December 31, 2015</b>	<b>December 31, 2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Operational Information <sup>(1)</sup></b>			
Number of Properties - 100% of associates	138		122
Gross Leasable Area (sf) - 100% of associates	9,376,600		8,034,498
Occupancy % - 100% of associates	95.6%		94.3%
WALE (Years) - 100% of associates	11.1		9.6
<b>Summary of Financial Information</b>			
Gross Book Value <sup>(2)</sup>	\$ 3,328,533	\$	2,700,009
Debt - Declaration of Trust <sup>(3)</sup>	\$ 1,382,784	\$	1,329,514
Debt to Gross Book Value - Declaration of Trust	41.5%		49.2%
Debt - Including Convertible Debentures <sup>(3)</sup>	\$ 1,714,618	\$	1,499,608
Debt to Gross Book Value - Including Convertible Debentures	51.5%		55.5%
Percentage of Mortgages and Loans Payable at Fixed Rates <sup>(10)</sup>	82%		81%
Weighted Average Interest Rate on Fixed Rate Mortgages and Loans Payable	4.39%		4.46%
Adjusted Units Outstanding - period end <sup>(5)(6)</sup>			
Basic	88,435,233		71,690,008
	<b>For the three months ended</b>	<b>For the three months ended</b>	<b>For the three months ended</b>
	<b>December 31, 2016</b>	<b>December 31, 2015</b>	<b>September 30, 2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Operating Results</b>			
Net Income / (Loss)	\$ 100,846	\$ 43,984	\$ 3,633
NOI <sup>(7)</sup>	\$ 63,557	\$ 44,250	\$ 48,277
Funds From Operations ("FFO") <sup>(7)</sup>	\$ 21,354	\$ 13,199	\$ 21,432
Adjusted Funds From Operations ("AFFO") <sup>(7)</sup>	\$ 19,184	\$ 14,016	\$ 17,708
Distributions <sup>(8)</sup>	\$ 17,674	\$ 14,345	\$ 17,652
Interest Coverage <sup>(4)</sup>	2.99	2.30	2.46
<b>Per Unit Amounts <sup>(5)(6)</sup></b>			
FFO per unit - Basic <sup>(9)</sup>	\$ 0.24	\$ 0.18	\$ 0.25
FFO per unit - fully diluted <sup>(9)</sup>	\$ 0.23	\$ 0.18	\$ 0.24
AFFO per unit - Basic	\$ 0.22	\$ 0.20	\$ 0.21
AFFO per unit - fully diluted <sup>(9)</sup>	\$ 0.21	\$ 0.19	\$ 0.20
Distributions per unit	\$ 0.20	\$ 0.20	\$ 0.20
AFFO Payout Ratio	92%	102%	98%
AFFO Payout Ratio - fully diluted <sup>(9)</sup>	96%	104%	100%
<b>Adjusted Weighted Average Units Outstanding <sup>(5)(6)</sup></b>			
Basic	88,366,983	71,715,369	86,344,032
Diluted - FFO <sup>(9)</sup>	109,701,240	76,405,266	105,023,797
Diluted - AFFO <sup>(9)</sup>	103,435,141	79,239,773	98,757,698

**TABLE 2 - FINANCIAL AND OPERATIONAL HIGHLIGHTS CONT.****Notes**

- (1) Operational information includes 100% of Vital Trust and GHC. The REIT has an exposure to an approximate 25% interest in Vital Trust and an approximate 20% interest in GHC.
- (2) Gross Book Value is defined as total assets.
- (3) As defined in Non-IFRS measures used in this MD&A.
- (4) See Ratios and Covenants for the REIT's calculation of Interest Coverage.
- (5) Outstanding units and weighted average unit amounts, and the associated per unit amounts, for the period prior to the Combination Transaction, reflect the capital structure of NWI as adjusted for the Exchange Ratio.
- (6) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 18,998,065 Class B LP Units outstanding as at December 31, 2016 and December 31, 2015.
- (7) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to IFRS-based amounts reported in the consolidated financial statements of the REIT. NOI is an additional IFRS measure and NOI as calculated by the REIT may not be comparable to similar titled measures reported by other issuers.
- (8) Represents distributions to Unitholders and Class B LP Units on an accrual basis. Distributions are payable as at the end of the period in which they are declared by the Board of Trustees, and are paid on or around the 15th day of the following month.
- (9) Diluted units includes vested but unissued deferred trust units and the conversion of the REIT's Convertible Debentures that would have a dilutive effect upon conversion at the holders' contractual conversion price. Convertible Debentures are dilutive if the interest (net of tax and other changes in income or expense) per unit obtainable on conversion is less than the basic per unit measure.
- (10) The REIT classifies variable rate debt hedged with fixed rate swaps as fixed rate debt.

**HIGHLIGHTS FOR THE QUARTER****Convertible Debenture Raise**

On December 15, 2016, and on December 21, 2016, pursuant to the exercise of the over-allotment option, the REIT issued a combined \$80,500 principal amount of unsecured convertible subordinated debentures (the "**NWH.DB.F Convertible Debentures**"). The Series NWH.DB.F Convertible Debentures bear interest at 5.25% per annum, payable semi-annually on June 30 and December 31 each year, and mature on December 31, 2021. Each Series NWH.DB.F Convertible Debenture is convertible at any time by the debenture holder into 78.125 REIT Units per one thousand dollars of face value, representing a conversion price of \$12.80 per REIT unit. On and after December 31, 2019, and prior to December 31, 2020, the Series NWH.DB.F Convertible Debentures may be redeemed by the REIT, in whole or in part, at a price equal to the principal amount plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted average trading price for the REIT's units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is not less than 125% of the conversion price. On and after January 1, 2021 and prior to the maturity date of December 31, 2021, the Series NWH.DB.F Convertible Debentures may be redeemed by the REIT at a price equal to the principal amount plus accrued and unpaid interest.

The REIT used the net proceeds of the offering, together with existing resources, to repay its Brazilian term loans in the amount of \$69,689 (R\$172,328), including the IPCA to the term loans totaling \$4,911 (R\$12,865), maturing on December 21, 2016, and for general trust purposes.

The NWH.DB.F Convertible Debentures are listed and publicly traded on the TSX under the symbol NWH.DB.F.

**Generation Healthcare REIT**

On December 30, 2016 the REIT entered into a forward contract to purchase 6,700,000 GHC units for \$13,209 (A\$13,630), including closing adjustments. Completion of the acquisition of the GHC units will increase the REIT's interest in GHC to approximately 22.9%.

## **Vital Trust Acquisitions**

On November 21, 2016 Vital Trust announced the acquisition of a majority interest in the Ekeru Medical Centre at Box Hill in Melbourne for a purchase price of \$24,417 (A\$24,400) reflecting a yield of 6.75%.

Constructed in 2014, Ekeru is a modern, multi-tenanted four level medical office building comprising a total area of 30,752 sqft and basement parking for 133 cars. Ekeru's major tenant is Imaging Associates, representing approximately 40% of rental income. Other tenants include: Sonic Healthcare, Monash IVF and Sportsmed Biologic providing a building WALE by income of 4.2 years. Vital will have a controlling interest in the building with a small number of individual strata units remaining in the private ownership of a select group of consultants, surgeons and doctors who practice from the units.

The Box Hill medical precinct includes the recently redeveloped 400 bed, 10 theatre Box Hill Public Hospital and Vital's own Epworth Eastern Hospital (223 beds and 10 theatres) and Medical Centre (18 fully occupied consulting suites). Box Hill is experiencing significant growth with a number of large scale residential towers being developed, driving a material increase in population for the area. The Ekeru acquisition provides an attractive opportunity to secure a quality modern asset which will support the delivery of long-term growth options at Vital's Epworth Eastern campus.

## **Brazil Acquisition**

On October 24, 2016 the REIT completed the acquisition of Hospital Santa Helena for \$129,288 (R\$319,308), including transaction costs. Hospital Santa Helena is a general hospital comprising 234 beds and 16 surgical units located in the north hospital sector of Brasilia, the federal capital of Brazil. The property is entirely occupied by Rede D'Or Sao Luiz ("**Rede D'Or**"), Brazil's largest private hospital operator and one of the REIT's largest tenants, who has entered into a new, fully net 25 year lease (with three 25 year renewal options) with an initial annual rent of \$11,785 (R\$28,500), representing a 9.50% initial cap rate, plus annual inflation adjustments. The acquisition brings the REIT's Brazil portfolio to seven hospitals located in the major gateway cities of Sao Paulo, Brasilia and Rio De Janeiro and marks the continuing consolidation by the REIT of private hospitals in the region.

## **Brazil Securitization Financing**

On October 24, 2016, the REIT completed a long term financing in respect of the Hospital Caxias D'Or asset (the "**Caxias Financing**"). The Caxias Financing is for \$64,517 (R\$151,488) representing the securitization of 97.5% of future rents for a term of 10 years and an interest rate of 7.04% (approximately 125bps lower than the REIT's recent HMB Securitization Financing (as defined under **CAPITAL STRUCTURE – Debt**) completed in the second quarter). The Caxias Financing represents the REIT's third asset level securitization in Brazil and evidences the strong appetite for both high quality credit tenant financings as well exposure to the maturing private hospital operator sector in Brazil.

## **German Acquisition**

During the quarter the REIT entered into an agreement to acquire, subject to customary closing conditions, a medical office building located in Hamburg (the "**Hamburg Acquisition**"), a major port city in northern Germany which is the second largest city in the country having a population of approximately 5 million. The medical office building comprises approximately 60,000 square feet and is substantially full. The building has a roster of medical tenants that have entered into inflation indexed leases having a weighted average lease expiry in excess of 7 years. The acquisition price, subject to customary adjustments, is approximately \$19,053 (€13,462), representing an approximate 6.2% initial capitalization rate. This acquisition will bring the REIT's German portfolio to 21 properties and marks the continuing growth of the REIT's healthcare real estate presence in this region.

See **SUBSEQUENT EVENTS**.

## **Acquisition Facility**

On December 16, 2016, the REIT renegotiated terms of the Acquisition Facility (as defined under **CAPITAL STRUCTURE – Debt**), increasing the facility from \$24,000 to \$32,000 and extending the maturity date to December 31, 2018.

## **SUBSEQUENT EVENTS**

### **Equity Raise**

On January 31, 2017, the REIT completed a public offering for aggregate gross proceeds of approximately \$86,299. The offer comprised of the issuance of 8,544,500 REIT Trust Units at a price of \$10.10 per Trust Unit, including 1,114,500 Trust Units issued pursuant to the exercise, in full, of the over-allotment options granted to the underwriters.

The REIT used the net proceeds of the offering to fund \$35,017 (A\$35,000) as cash collateral for the Australasian Secured Financing (the REIT is able to withdraw the funds being used as cash collateral at any time), make net repayments on the Acquisition Facility, bring its outstanding balance to \$8,000, and for general trust purposes.

The REIT also intends to use the remaining net proceeds of the offering, together with existing resources to fund the potential future repayment of higher cost convertible debentures with 2017 par calls.

### **Vital Acquisitions**

On February 27, 2017, Vital Trust purchased a 30-bed private mental health, Abbotsford Private Hospital, in Western Australia for approximately \$19,382 (A\$20,000). Separately, Vital Trust also completed the acquisition of a private surgical hospital, Ormiston Hospital, located in Auckland, New Zealand for \$30,785 (NZ\$33,000).

### **German Acquisitions**

On February 1, 2017 the REIT closed the Hamburg Acquisition, as well as, the acquisition of a second medical office building in Fulda for combined consideration of \$29,450 (€20,808). The acquisitions are expected to be immediately accretive, with partial funding from first mortgage financing of approximately \$19,107 (€13,500) having a weighted average interest rate of 1.95% and weighted average term to maturity of five years. With a combined area of 91,000 square feet these acquisitions bring the REIT's German portfolio to 22 properties.

### **Other**

On January 13, 2017, the REIT declared a distribution of \$0.06667 per REIT unit to unitholders of record on January 31, 2017, paid February 15, 2017. On February 9, 2017, the REIT declared a distribution of \$0.06667 per REIT unit to unitholders of record on February 28, 2017, payable March 15, 2017.

## ASSETS OF THE REIT

### Summary

The following table summarizes the REIT's assets by region as at December 31, 2016:

TABLE 3 - SUMMARY OF ASSETS						
	Canada	Brazil	Germany	Vital Trust <sup>(1)</sup>	GHC <sup>(2)</sup>	Consolidated Total <sup>(5)</sup>
				(Australasia)	(Australasia)	
Number of Properties	58	7	20	36	17	138
Asset Mix	100% MOB	100% Hospital	100% MOB	24% MOB/76% Hospital	76% MOB/24% Hospital	54% MOB/46% Hospital
Gross Leaseable Area ("GLA") (million sf)	4.0	1.5	0.8	2	1.1	9.4
Total Assets (Cdn\$ millions) <sup>(3)</sup>	\$1,220	\$651	\$192	\$1,004	\$602	\$3,329
Occupancy	91.6%	100.0%	95.4%	98.7%	98.4%	95.6%
WALE (Years)	4.8	21.7	4.7	17.7	12.0	11.1
Average Building Age (Years)	29	12	25	19	12	22
Weighted Average Implied Cap Rate <sup>(4)</sup>	6.4%	8.5%	5.8%	6.9%	6.7%	7.0%

**Notes**

(1) Shown on a 100% basis. The REIT has an approximate 24% interest in Vital Trust and consolidates its investment in Vital Trust.

(2) Shown on a 100% basis. The REIT has an approximate 20% interest in GHC and equity accounts for its interest in GHC.

(3) Consolidated Total includes corporate assets, Vital Manager, GHM and includes the REIT's carrying value of its approximate 19% interest in GHC which is an equity accounted associate.

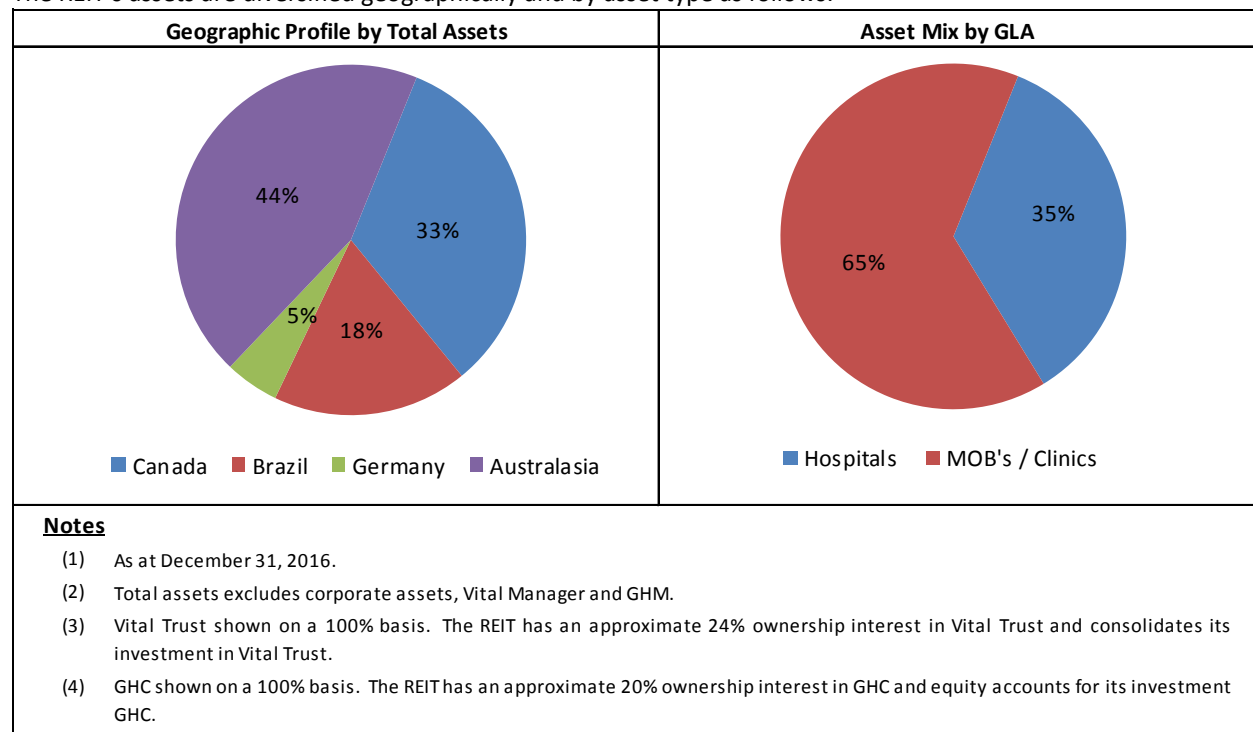
(4) GHC's cap rate is as disclosed on Dec 31, 2016. The consolidated weighted average implied cap rate excludes GHC which is an equity accounted associate.

(5) Shown on a 100% basis except for Total Assets which includes the REIT's carrying value of GHC which is an equity accounted associate and weighted average implied cap rate which excludes GHC.

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

### Diversification of Assets

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



## Geographic Diversification

The REIT aims to provide its investors with an exposure to a well-diversified portfolio of healthcare real estate located in the greater areas of cities such as: Auckland (New Zealand), Berlin (Germany), Calgary (Canada), Edmonton (Canada), Halifax (Canada), Melbourne (Australia), Montreal (Canada), Quebec City (Canada), Rio de Janeiro (Brazil), Sao Paulo (Brazil), Brasília (Brazil), Sydney (Australia) and Toronto (Canada).

## Asset Mix

The REIT's asset mix can be broadly categorized into hospitals and medical office buildings / clinics. During the first quarter of 2016 Vital Trust also acquired four residential aged care facilities. A brief summary of each asset type is below:

### Hospitals:

The REIT's hospital portfolio is located in Australia, Brazil and New Zealand and represents a diversified portfolio of facilities providing healthcare services by best-in-class private hospital operators and philanthropic foundations.

All of the REIT's hospitals are leased to single tenant, hospital operators under long-term, inflation indexed, triple net lease structures in which the REIT does not absorb any property operating cost risk.

### Medical office buildings ("MOB"):

The REIT's MOB portfolio is located in Australia, Canada, Germany and New Zealand.

MOB's are similar to commercial office buildings, are typically multi-tenant properties and are primarily leased to necessity based healthcare providers.

### Residential Aged Care Facilities:

The REIT's residential aged care facilities are located in Australia. Residential aged care provides support and accommodation for those elderly who choose to have their personal and/or nursing care provided within residential aged care accommodation.

The REIT's residential aged care facilities are leased to Hall & Prior Health and Aged Care Group, one of Australia's leading private residential aged care operators, for 20 years on triple net leases with annual CPI reviews and periodic market reviews.

As at December 31, 2016, and including the REIT's interest in Vital Trust and GHC both on a 100% basis, the REIT had interests in 30 hospitals, 7 residential aged care facilities and 101 medical office buildings or development sites.

### ***Canada - Largest non-government owner and manager of medical office buildings and healthcare facilities***

The REIT is Canada's largest non-government owner and manager of MOB's and healthcare facilities. The REIT owns and operates, as at December 31, 2016, a portfolio of 58 properties, located primarily in major markets such as Toronto, Montreal and Calgary, with a GLA of 4.0 million square feet, 91.6% occupancy and approximately 1,100 tenants. The REIT's 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 Canadian region has a fully-integrated team of investment, development, asset management and portfolio operations professionals.

### ***Brazil – Long term net leases to private hospital operators***

The REIT owns a portfolio of seven private hospitals varying in size, with the smallest comprising 96,875 square feet with 56 beds and the largest consisting of a 342,000 square foot full-service hospital with 350 beds. The assets are located in São Paulo, Brasília and Rio de Janeiro. The hospitals are single tenant properties. Six hospitals are leased to Rede D’Or Sao Luiz (the “**Rede D’Or Hospital Portfolio**”), a privately owned Brazilian hospital operator with 30 hospitals across the country, and one hospital (the “**Sabará Children’s Hospital**”) is leased to Hospital Sabará (the “**Sabará Tenant**”), who uses the property to operate one of the region’s largest private children’s hospitals. All the leases are triple-net, indexed to inflation, ranging in term from 15 years (7.8 years remaining) to 25 years (24.8 years remaining) with a WALE of 21.7 years. The Brazil region is supported by a local team with significant experience in investment, development, property operations and asset management.

### ***Germany – High quality MOB assets located in major markets***

As at December 31, 2016 the REIT’s German portfolio consists of 20 high quality MOB assets strategically located in the country’s major markets, including Berlin, Frankfurt, Ingolstadt and Leipzig. As at December 31, 2016 the portfolio has a 95.4% occupancy rate and an approximate 4.7 year average lease term. The REIT also benefits from the strength of its fully-integrated investment, property management and asset management capabilities located in the market, which allow for efficient operation and transaction sourcing in the country.

### ***Australasia – Strategic Interest in Vital Trust and GHC***

#### 25% of Vital Trust and 100% of Vital Manager

The REIT acts as manager and owns an approximate 25% strategic stake in Vital Healthcare Property Trust (“**Vital Trust**”). Vital Trust (NZX: VHP) is a New Zealand Stock Exchange (“**NZX**”) listed investment fund and is Australasia’s largest healthcare real estate owner. As at December 31, 2016 Vital Trust owns 19 private hospitals, 9 MOBs, 4 residential aged care facilities and 4 development sites in Australia and New Zealand, with a 98.7% occupancy rate and an approximate 17.7 year average lease term. Through Vital Trust, the Australasia portfolio offers stable and growing cash flows underpinned by tenancies of high quality hospital and healthcare operators with long-term, inflation-indexed leases. The Vital team is a fully integrated operation with offices in Melbourne, Australia and Auckland, New Zealand comprised of leading investment, development, asset management and property operations professionals.

The REIT’s investments in Australasia via Vital Trust are held through its strategic shareholding by way of exposure to an equity interest in Vital Trust. Table 3 above highlights certain information about Vital Trust as at December 31, 2016, on a 100% basis; noting, however, that the REIT has exposure to an approximate 25% interest in Vital Trust.

On January 1, 2015, in connection with the Internalization Transaction (as defined under **RELATIONSHIP WITH NWVP**), NWI acquired all of the rights and obligations relating to the management of Vital Trust (the “**Vital Manager**”). As a result of the acquisition of the Vital Manager and its management rights, it was determined that NWI obtained control with respect to its investment in Vital Trust. The acquisition of control was treated as a step acquisition by NWI and effective January 1, 2015, NWI, and the REIT following its acquisition of NWI, accounts for the investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust.

During the year ended December 31, 2015, in connection with the Internalization Transaction, the REIT acquired an additional 405,036 units of Vital Trust, which are held by the Vital Manager. During the year ended December 31, 2015 Vital Manager acquired an additional 2,289,196 units of Vital Trust as settlement of the incentive fee (described hereafter). On July 19, 2016, pursuant to the Vital Trust rights offer the REIT acquired 18,745,354 Vital Trust units. During the third quarter Vital Manager also acquired an additional 2,877,727 units of Vital Trust as

settlement of the incentive fee. As at December 31, 2016, the REIT owned 105,977,179 units which represented a 24.8% interest in Vital Trust.

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

The following table summarizes the management fees earned by Vital Manager for the three months and year ended December 31, 2016 and 2015:

<b>VITAL MANAGER MANAGEMENT FEES</b>						
Expressed in thousands of Canadian dollars	<b>Three months ended December 31</b>			<b>Year ended December 31</b>		
	<b>2016</b>	<b>2015</b>	<b>Variance</b>	<b>2016</b>	<b>2015</b>	<b>Variance</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
Base fee	\$ 1,906	\$ 1,351	\$ 555	\$ 6,733	\$ 4,948	\$ 1,785
Incentive fee	1,786	1,546	240	5,990	6,357	(367)
Trustee fees	100	77	23	360	273	87
Project and Acquisition fees	424	164	260	2,111	485	1,626
<b>Total Management Fees</b>	<b>\$ 4,216</b>	<b>\$ 3,138</b>	<b>\$ 1,078</b>	<b>\$ 15,194</b>	<b>\$ 12,063</b>	<b>\$ 3,131</b>
less inter-company component	(4,216)	(3,138)	(1,078)	(15,194)	(12,063)	(3,131)
<b>Consolidated Management Fees</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The Vital Manager fees are eliminated on consolidation as inter-company transactions but the REIT receives the benefit of approximately 75% of the fees; representing the non-controlling interest ownership in Vital Trust.

## 20% of Generation Healthcare REIT and 100% of Generation Manager

The REIT acts as manager and owns an approximate 20% strategic stake in Generation Healthcare REIT ("GHC"). GHC (ASX: GHC.AX) is an Australian Securities Exchange ("ASX") listed investment fund and is Australia's only listed real estate entity that invests exclusively in healthcare property. As at December 31, 2016 GHC owns a portfolio of 17 (including one held-for-sale) hospitals, medical centers and aged care facilities centered around the major markets of Sydney, Melbourne and Brisbane. GHC's portfolio comprises approximately 1.1 million square feet, is approximately 98.4% occupied and has a weighted average lease expiry term of 12.0 years. The GHC portfolio offers stable and growing cash flows underpinned by tenancies of high quality hospital and healthcare operators with long-term, inflation-indexed leases. The GHC team is a fully integrated operation with an office in Melbourne, Australia comprised of leading investment, development, asset management and property operations professionals.

The REIT's investments in Australia via GHC represent a strategic shareholding by way of exposure to an equity interest in GHC. Table 3 above highlights certain information about GHC as at December 31, 2016, on a 100% basis; noting, however, that the REIT has exposure to an approximate 20% interest in GHC.

The following table summarizes the REIT's interest in GHC as at December 31, 2016:

<b>GENERATION HEALTHCARE REIT</b>	
<b>As at December 31, 2016</b>	
Expressed in thousands of Canadian dollars	<u>(Unaudited)</u>
<b>Assets</b>	
Investment properties	\$ 538,463
Loans receivable	35,532
Other assets	<u>27,738</u>
	601,733
<b>Liabilities</b>	
Mortgages and loans payable	200,806
Financial instruments	9,076
Other liabilities	<u>26,994</u>
	236,876
<b>Net assets</b>	<b>364,857</b>
Less: Non-controlling interest	<u>(37,867)</u>
<b>Unitholders' Equity</b>	<b>326,990</b>
Ownership Interest	<u>19.8%</u>
<b>NWH share of net assets</b>	<b>64,816</b>
Acquisition costs	<u>30,535</u>
<b>Investment in associate</b>	<b>\$ 95,351</b>

During the quarter GHC funded a secured loan to Epping Medical Centre. The loan comprises a \$21,562 (A\$22,250) secured first mortgage senior loan (fully drawn) and a secured and shareholder guaranteed subordinated loan currently drawn to \$6,249 (A\$6,448) (facility limit of \$8,116 (A\$8,375)). The balance outstanding at December 31, 2016 is \$27,811 (A\$28,698) and provides a blended return of 6.45%. Epping Medical Centre is a high quality 108,000 sqft specialist medical centre located in Epping, Victoria and is located in close proximity to the Northern Public Hospital. The investment provides GHC with an option to acquire a 50% interest in Epping Medical Centre for \$16,959 (A\$17,500) upon partial repayment of the loans.

On December 22, 2016 GHC entered into an unconditional contract to sell its non-core Leading Healthcare Bendigo property for \$11,629 (A\$12,000), a 9% premium to its carrying value, with settlement occurring subsequent to the quarter on January 11, 2017. As at December 31, 2016 the property was classified as held for sale. Proceeds from the sale will initially be applied to debt reduction.

For information on the REIT share of profit and loss of GHC see **PART III – RESULTS FROM OPERATIONS - Share of profit (loss) of associates.**

The REIT purchased Generation Healthcare Management Pty Limited ("**GHM**") from APN Property Group Limited ("**APN**") and senior executives of GHM's management team. The existing GHM management team has been retained, and will continue to operate GHC. GHC's existing responsible entity and trustee, APN Funds Management Limited will also remain in that role, with any future change to the responsible entity requiring the approval of GHC unitholders. The responsible entity of GHC is the trustee of GHC and is required to act in the best interests of GHC unitholders. In addition, APN has agreed to provide certain services to the REIT for a transition period of up to two years to ensure a successful transition.

The management fees that GHM earns from GHC consist of (a) a base management fee of up to 60 basis points on the gross asset value of GHC, (b) market property management and leasing fees, (c) development fees of up to 3% of project costs, (d) acquisition fees of up to 2% of total acquisition cost, and (e) performance fees equal to 5% of the dollar amount of outperformance versus the S&P/ASX300 Property Accumulation Index (A-REIT), plus 15% of the outperformance above 2% per annum. GHC may only pay out, in any one fiscal year, fees (comprised of base management fees and performance fee) to a maximum of 1.5% of Gross Assets, as defined. Any unpaid fees as a result of the fee cap, are accrued and paid out in subsequent periods, as allowed.

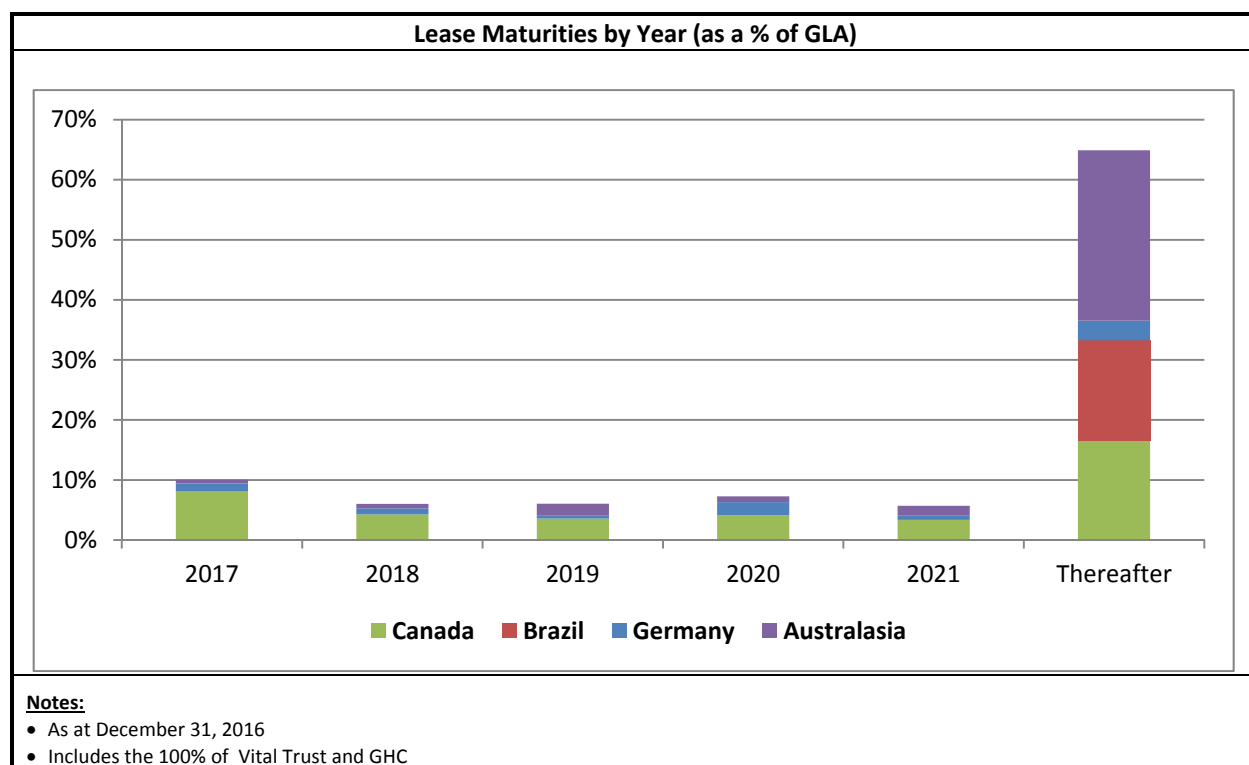
The following table summarizes the management fees earned by GHM for the three months and year ended December 31, 2016 and 2015:

<b>GENERATION HEALTHCARE MANAGER MANAGEMENT FEES</b>						
Expressed in thousands of Canadian dollars	<b>Three months ended December 31</b>			<b>Year ended December 31</b>		
	<b>2016</b>	<b>2015</b>	<b>Variance</b>	<b>2016</b>	<b>2015</b>	<b>Variance</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
Base fee	\$ 749	\$ -	\$ 749	\$ 1,470	\$ -	\$ 1,470
Performance fee	-	-	-	-	-	-
Project and Acquisition fees	482	-	482	684	-	684
Other Fees	147	-	147	317	-	317
<b>Total Management Fees</b>	<b>\$ 1,378</b>	<b>\$ -</b>	<b>\$ 1,378</b>	<b>\$ 2,471</b>	<b>\$ -</b>	<b>\$ 2,471</b>
less inter-company component	(236)	-	(236)	(369)	-	(369)
<b>Consolidated Management Fees</b>	<b>\$ 1,142</b>	<b>\$ -</b>	<b>\$ 1,142</b>	<b>\$ 2,102</b>	<b>\$ -</b>	<b>\$ 2,102</b>

## PORTFOLIO PROFILE

### Lease Maturities

The REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 11.1 years as at December 31, 2016.



	2017	2018	2019	2020	2021	Thereafter	Total
Canada	8.1%	4.3%	3.6%	4.1%	3.4%	16.5%	<b>39.9%</b>
Brazil	0.0%	0.0%	0.0%	0.0%	0.0%	16.8%	<b>16.8%</b>
Germany	1.3%	1.0%	0.6%	2.2%	0.7%	3.3%	<b>9.1%</b>
Australasia	0.6%	0.8%	1.9%	0.9%	1.6%	28.4%	<b>34.3%</b>
<b>Total</b>	<b>10.1%</b>	<b>6.0%</b>	<b>6.1%</b>	<b>7.3%</b>	<b>5.7%</b>	<b>64.9%</b>	<b>100.0%</b>

The REIT's expiry profile benefits from its Brazilian properties which are subject to long term leases. The seven Brazil hospitals are each occupied by single tenants that are leading hospital operators, and have leases expiring between September 30, 2024 and October 24, 2041. The expiry profile also reflects the longer term nature of many of the hospital tenants within the Vital Trust portfolio which has a WALE of 17.7 years and GHC which has a WALE of 12.0 years.

## Leasing Activity

TABLE 3A - LEASING ACTIVITY					
	Three months ended December 31, 2016				
	Canada	Brazil	Germany	Vital Trust <sup>(1)</sup>	Total
Opening Occupancy	92.0%	100.0%	95.3%	99.5%	95.9%
<b>Opening Balance</b>	3,523,247	1,169,555	798,583	1,946,971	7,438,356
Acquisition	-	323,774	-	27,168	350,942
Disposition	-	-	-	-	-
Expiries	(101,149)	-	(11,406)	(84,174)	(196,729)
Renewal	66,256	-	4,517	84,174	154,947
Early Terminations	(4,965)	-	-	(13,125)	(18,090)
New Leasing	70,051	-	9,697	92,786	172,534
Month-to-Month	28,297	-	-	2,273	30,570
Remeasurements and other	143	-	-	(57,573)	(57,430)
<b>Closing Balance</b>	<b>3,581,880</b>	<b>1,493,329</b>	<b>801,391</b>	<b>1,998,501</b>	<b>7,875,101</b>
<b>Closing Occupancy</b>	<b>91.6%</b>	<b>100.0%</b>	<b>95.4%</b>	<b>98.7%</b>	<b>95.6%</b>
	Year ended December 31, 2016				
	Canada	Brazil	Germany	Vital Trust <sup>(1)</sup>	Total
Opening Occupancy	90.7%	100.0%	95.7%	99.5%	94.3%
<b>Opening Balance</b>	3,993,559	1,019,555	723,174	1,754,520	7,490,808
Acquisition	-	473,774	80,058	186,041	739,873
Disposition	(450,687)	-	-	-	(450,687)
Expires	(512,732)	-	(82,961)	(91,173)	(686,866)
Renewal	365,481	-	60,153	88,727	514,361
Early Terminations	(57,319)	-	-	(13,125)	(70,444)
New Leasing	219,307	-	21,137	96,684	337,128
Month-to-Month	21,163	-	-	2,273	23,436
Remeasurements and other	3,108	-	(170)	(25,447)	(22,509)
<b>Closing Balance</b>	<b>3,581,880</b>	<b>1,493,329</b>	<b>801,391</b>	<b>1,998,501</b>	<b>7,875,101</b>
<b>Closing Occupancy</b>	<b>91.6%</b>	<b>100.0%</b>	<b>95.4%</b>	<b>98.7%</b>	<b>95.6%</b>
<b>Notes</b>					
(1)	Shown on a 100% basis. The REIT has an approximate 24% interest in Vital Trust and acts as manager of Vital Trust, it therefore consolidates Vital Trust.				
(2)	Excludes GHC which is equity accounted by the REIT.				

### Canada

During the quarter the REIT completed 66,256 square feet of renewal leasing. The REIT completed the renewals at an initial net rent of \$14.44 per square foot versus an expiring net rent per square foot of \$14.06, a 2.7% increase. During the quarter the REIT also completed 37,539 square feet of new leasing at an initial net rent of \$17.12 per square foot. In addition, the REIT completed 32,512 square feet of new leasing at an initial net rent of \$19.93 per square foot on a newly developed property in Barrie, Ontario.

Year to date the REIT completed 365,481 square feet of renewal leasing representing 71% renewal rate. Excluding the departure of two major non-healthcare tenancies totaling approximately 50,000 square feet, renewal rate would have been 79%. The REIT completed the renewals at an initial net rent of \$14.55 per square foot versus an expiring net rent per square foot of \$14.76, a decrease of 1.4%. The decrease is attributable to one Quebec renewal in the second quarter. This renewal involved a core tenancy extending its lease for ten years with a net

rent escalating over that term and surpassing the expiring net rent by expiry of the term. Excluding this renewal, the result would have been flat. Year to date the REIT also completed 219,307 square feet of new leasing at an initial net rent of \$16.02 per square foot.

As at December 31, 2016 the REIT had 120,299 square feet of committed leasing against future expiries at an initial net rent of \$15.78 versus expiring net rent per square foot of \$15.81. The REIT also had 30,203 square feet of committed leasing against vacant space at an initial net rent of \$17.29 per square foot.

Expiring net rent improved to \$18.24, from \$18.18 in the fourth quarter, primarily due to recently completed developments.

<b>TABLE 3B - EXPIRING NET RENT (\$PSF)</b>	
<b>December 31, 2016</b>	
	<b>Canada</b>
Month-to-Month	\$ 18.39
2017	\$ 17.75
2018	\$ 16.76
2019	\$ 16.41
2020	\$ 18.12
2021	\$ 17.99
2022+	\$ 19.31
<b>Total Expires</b>	<b>\$ 18.24</b>

#### Brazil

The REIT's Brazil properties are subject to long term leases and there was no leasing activity during the quarter.

#### Germany

During the quarter the REIT completed 4,517 square feet of renewal leasing and 9,697 square feet of new leasing. The REIT had a solid quarter of new and renewal leasing. This made up for a soft first quarter and increased occupancy from 95.3% to 95.4%. Year to date the REIT has completed 60,153 square feet of renewal leasing representing a 73% renewal rate. Year to date new leasing of 21,137 square feet has replaced most of the vacating tenants.

<b>TABLE 3B - EXPIRING NET RENT (€PSF)</b>	
<b>December 31, 2016</b>	
	<b>Germany</b>
Month-to-Month	€ 8.32
2017	10.13
2018	9.64
2019	9.99
2020	9.89
2021	13.79
2022+	10.85
<b>Total Expires</b>	<b>€ 10.54</b>

## Vital Trust and GHC

Vital Trust's properties are generally subject to long term leases, and as such there was no material leasing activity during the quarter other than the acquisition of Ekeru and remeasurments related to development at Dubbo Private Hospital, Allamanda Private Hospital and Sportmed Office.

The REIT equity accounts for its investment in GHC. However GHC's properties are generally subject to longer term leases. The REIT has not included an analysis of GHC's leasing activity during the quarter.

## **Tenant Mix**

The following table summarizes the REIT's 10 largest tenants by percentage of revenue for the three months ended December 31, 2016:

	<u>Tenant</u>	<u>Country</u>	<u>%</u>	<u># of locations</u>
1	Healthscope	Australia	16.9%	2
2	Rede D'Or	Brazil	13.7%	6
3	Healthe Care	Australia	9.9%	13
4	Epworth Foundation	Australia	2.2%	3
5	Bantrel Co.	Canada	1.8%	1
6	CISSS/CIUSSS	Canada	1.7%	6
7	Mercy Ascot	New Zealand	1.2%	2
8	Hall & Prior	Australia	1.0%	4
9	Sportsmed SA	Australia	1.0%	3
10	Winnipeg Regional Health Au	Canada	0.8%	3
			<u>50.2%</u>	<u>43</u>

**Notes:**  
Excludes GHC which is equity accounted by the REIT.

## INVESTMENT PROPERTIES

The fair value of investment properties as at December 31, 2016 was \$3,040,354 (December 31, 2015 - \$2,491,835) representing an implied weighted average capitalization rate of 7.0% (December 31, 2015 – 7.3%).

<b>TABLE 4 - INVESTMENT PROPERTIES</b>					
Expressed in thousands of Canadian dollars					
Unaudited					
<b>Three months ended December 31, 2016</b>					
<b>Income Properties</b>					
	<b>Canada</b>	<b>Brazil</b>	<b>Germany</b>	<b>Vital Trust</b>	<b>Total</b>
<b>Opening Balance</b>	<b>\$ 1,157,137</b>	<b>\$ 448,206</b>	<b>\$ 190,159</b>	<b>\$ 972,535</b>	<b>\$ 2,768,037</b>
Acquisitions of investment properties	-	129,288	-	29,427	158,715
Addition to investment properties	6,677	-	2,816	255	9,748
Increase in straight-line rents	472	-	-	-	472
Transfers from (to) properties under development	24,152	-	-	17,166	41,318
Amortization of deferred revenue	-	306	-	-	306
Fair value gain (loss)	13,350	52,723	3,547	7,566	77,186
Foreign currency translation	-	12,378	(7,090)	(32,836)	(27,548)
<b>Closing Balance</b>	<b>\$ 1,201,788</b>	<b>\$ 642,901</b>	<b>\$ 189,432</b>	<b>\$ 994,113</b>	<b>\$ 3,028,234</b>
<b>Properties Under Development</b>					
	<b>Canada</b>	<b>Brazil</b>	<b>Germany</b>	<b>Vital Trust</b>	<b>Total</b>
<b>Opening Balance</b>	<b>\$ 36,058</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,077</b>	<b>\$ 57,135</b>
Acquisitions of investment properties	-	-	-	-	-
Addition to investment properties	311	-	-	(265)	46
Transfers from (to) income properties	(24,152)	-	-	(17,166)	(41,318)
Fair value gain (loss)	(3,723)	-	-	10	(3,713)
Foreign currency translation	-	-	-	(30)	(30)
<b>Closing Balance</b>	<b>\$ 8,494</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,626</b>	<b>\$ 12,120</b>
<b>Total</b>					
	<b>Canada</b>	<b>Brazil</b>	<b>Germany</b>	<b>Vital Trust</b>	<b>Total</b>
<b>Opening Balance</b>	<b>\$ 1,193,195</b>	<b>\$ 448,206</b>	<b>\$ 190,159</b>	<b>\$ 993,612</b>	<b>\$ 2,825,172</b>
Acquisitions of investment properties	-	129,288	-	29,427	158,715
Addition to investment properties	6,988	-	2,816	(10)	9,794
Increase in straight-line rents	472	-	-	-	472
Amortization of deferred revenue	-	306	-	-	306
Fair value gain (loss)	9,627	52,723	3,547	7,576	73,473
Foreign currency translation	-	12,378	(7,090)	(32,866)	(27,578)
<b>Closing Balance</b>	<b>\$ 1,210,282</b>	<b>\$ 642,901</b>	<b>\$ 189,432</b>	<b>\$ 997,739</b>	<b>\$ 3,040,354</b>
<b>Notes</b>					
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly additions to investment properties include the acquisition of the REIT.					

**TABLE 4A - INVESTMENT PROPERTIES**

Expressed in thousands of Canadian dollars

Unaudited

Year ended December 31, 2016

	Income Properties				
	Canada	Brazil	Germany	Vital Trust	Total
<b>Opening Balance</b>	<b>\$ 1,155,716</b>	<b>\$ 343,724</b>	<b>\$ 159,817</b>	<b>\$ 775,789</b>	<b>\$ 2,435,046</b>
Acquisitions of investment properties	-	155,611	23,199	149,601	328,411
Disposition of investment properties	(21,225)	-	-	-	(21,225)
Addition to investment properties	24,056	(1,096)	4,425	1,394	28,779
Increase in straight-line rents	1,937	-	-	-	1,937
Transfers from (to) properties under development	46,719	-	-	34,041	80,760
Amortization of deferred revenue	-	1,154	-	-	1,154
Fair value gain (loss)	(5,415)	73,738	13,354	64,831	146,508
Foreign currency translation	-	69,770	\$ (11,363)	(31,543)	26,864
<b>Closing Balance</b>	<b>1,201,788</b>	<b>\$ 642,901</b>	<b>\$ 189,432</b>	<b>\$ 994,113</b>	<b>\$ 3,028,234</b>
	Properties Under Development				
	Canada	Brazil	Germany	Vital Trust	Total
<b>Opening Balance</b>	<b>\$ 39,620</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,169</b>	<b>\$ 56,789</b>
Acquisitions of investment properties	-	-	-	-	-
Addition to investment properties	18,743	-	-	20,063	38,806
Transfers from (to) income properties	(46,719)	-	-	(34,041)	(80,760)
Fair value gain (loss)	(3,150)	-	-	10	(3,140)
Foreign currency translation	-	-	-	425	425
<b>Closing Balance</b>	<b>\$ 8,494</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,626</b>	<b>\$ 12,120</b>
	Total				
	Canada	Brazil	Germany	Vital Trust	Total
<b>Opening Balance</b>	<b>\$ 1,195,336</b>	<b>\$ 343,724</b>	<b>\$ 159,817</b>	<b>\$ 792,958</b>	<b>\$ 2,491,835</b>
Acquisitions of investment properties	-	155,611	23,199	149,601	328,411
Disposition of investment properties	(21,225)	-	-	-	(21,225)
Addition to investment properties	42,799	(1,096)	4,425	21,457	67,585
Increase in straight-line rents	1,937	-	-	-	1,937
Amortization of deferred revenue	-	1,154	-	-	1,154
Fair value gain (loss)	(8,565)	73,738	13,354	64,841	143,368
Foreign currency translation	-	69,770	(11,363)	(31,118)	27,289
<b>Closing Balance</b>	<b>\$ 1,210,282</b>	<b>\$ 642,901</b>	<b>\$ 189,432</b>	<b>\$ 997,739</b>	<b>\$ 3,040,354</b>

**Notes**

- (1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly additions to investment properties include the acquisition of the REIT.

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

**Canada**

During the quarter the REIT transferred the Barrie Primary Care Campus in Barrie, Ontario from properties under development. Initial occupancy by the project's lead tenant, the Barrie and Community Family Health Team, took place on May 9, 2016 and during the third and fourth quarter additional tenants took occupancy.

During the third quarter construction was completed at the REIT's West Toronto Health Centre redevelopment in the Etobicoke area of Toronto. The project's lead tenant, the Etobicoke Family Health Team took occupancy in mid-July, as did a number of ancillary tenants. The property has committed occupancy of 90%, with tenants moving in during the third and fourth quarter.

Expenditures on properties under development, for the three months ended December 31, 2016, were \$311 (year ended December 31, 2016 - \$18,743) including capitalized interest of \$Nil (year ended December 31, 2016 - \$969).

During the third quarter the REIT completed the sale and leaseback of a mid - town Toronto parking garage located on 30 Merton Street. The investment property generated net proceeds of approximately \$19,329 after transaction costs. The purchaser is seeking the necessary approvals for a large mixed - use development which will include, in addition to a large residential component, a segregated underground commercial parking garage which the REIT will repurchase at construction cost following completion. The REIT has leased and will continue to operate the existing parking garage until the redevelopment commences.

The REIT recognized net fair value gain of \$9,627 for the three months ended December 31, 2016 (year ended December 31, 2016 - \$8,565 loss). The change in value during the quarter primarily reflects increased density value at the REIT's Dundas-Edward Centre property in Toronto, partially offset by a valuation decrease at the REIT's Glenmore Professional Centre property in Calgary, Alberta. The change in value year to date primarily reflects the decline in market rents in the Alberta office space market.

During the three months ended December 31, 2016 external valuations were performed on properties with an aggregate value of \$156,025 (year ended December 31, 2016 - \$463,711).

#### Brazil

On October 24, 2016 the REIT completed the acquisition of Hospital Santa Helena for \$129,288 (R\$319,308), including transaction costs. Hospital Santa Helena is a general hospital comprising 234 beds and 16 surgical units located in the north hospital sector of Brasilia, the federal capital of Brazil.

On July 21, 2016, the REIT completed the acquisition of Hospital Ifor located in Sao Paulo, Brazil for \$26,323 (R\$65,757), including transaction costs. Hospital Ifor is a specialist orthopedic hospital located in Sao Paulo with 60 beds and six surgical suites.

During the three months ended December 31, 2016 the REIT recognized fair value gains of \$52,723 (year ended December 31, 2016 - \$73,738) driven by a reduction in capitalization rates of approximately 70 basis points, as well as, reflecting the expected increases in rents for actual reported inflation, as contracted per the REIT's Brazil leases, increasing the portfolio's future net operating income once the indexation is applied. During the year to date the REIT reduced accruals for closing costs, relating to a prior year's acquisition, resulting in negative additions to investment properties during the quarter and year to date.

A strengthening of the Brazilian Real relative to the Canadian dollar during the quarter and year to date resulted in foreign currency translation gains of \$12,378 and \$69,770, respectively.

During the three months ended December 31, 2016 external valuations were performed on properties with an aggregate value of \$Nil (year ended December 31, 2016 - \$Nil).

#### Germany

During the three months ended December 31, 2016 the REIT recognized fair value gains of \$3,547 (year ended December 31, 2016 - \$13,354) reflecting capitalization rate compression in certain German markets.

A weakening of the Euro relative to the Canadian dollar during the quarter resulted in a foreign currency translation loss of \$7,090 increasing the year to date foreign currency translation loss to \$11,363.

On April 14, 2016 acquired the Mehrower Allee complex for a purchase price of \$19,687 (€13,519) plus transaction costs.

During the three months ended December 31, 2016 external valuations were performed on properties with an aggregate value of \$71,669 (year ended December 31, 2016 - \$71,669).

#### Vital Trust

On November 21, 2016 Vital Trust announced the acquisition of a majority interest in the Ekeru Medical Centre at Box Hill in Melbourne for \$27,581 (A\$27,562), including costs. The A\$24,400 purchase price reflects a yield of 6.75%. Constructed in 2014, Ekeru is a modern, multi-tenanted four level medical office building comprising a total area of 30,752 sqft and basement parking for 133 cars.

On September 30, 2016 Vital Trust completed the acquisition of Mons Road for \$32,544 (A\$32,922) including transaction costs. Mons Road is a modern, multi-tenanted, four-level medical office building adjacent to Ramsay Health Care's Westmead Private Hospital. Situated at 20-22 Mons Rd, it is approximately 26 kilometres west of the Sydney CBD within the Westmead medical precinct, which is considered Australia's largest health services precinct. The precinct also includes the Westmead Public Hospital, Westmead Children's Hospital and Cumberland Public Hospital.

On July 1, 2016 Vital Trust settled the acquisition of Boulcott Private Hospital for \$30,345 (NZ\$32,217) including transaction costs. Boulcott Private Hospital is a 38-bed private surgical hospital in Lower Hutt, New Zealand with a catchment of approximately 145,000 people. It has three operating theatres, 29 inpatient beds, a nine-bed day surgery suite and an endoscopy unit. It is leased on a 22 year lease to Pulse Health Group, an ASX-listed, quality integrated health services provider. This is the first asset that we have partnered with Pulse on, bringing us tenant diversification benefits.

On March 1, 2016, Vital Trust settled the acquisition of four residential aged care properties for \$43,765 (A\$44,172), including transaction costs. The four properties located in New South Wales and Western Australia comprise 275 beds and will be leased for 20 year on triple net leases with annual CPI reviews and periodic market reviews to the Hall & Prior Health and Aged Care Group, one of Australia's leading private residential aged care operators.

On January 20, 2016 Vital Trust acquired two small parcels of land adjacent to its Sportsmed Private Hospital property in Adelaide, South Australia for \$5,430 (A\$5,480) including transaction costs.

Sportsmed Private Hospital ("**Sportsmed**") is a 49 bed private hospital and associated clinic acquired by Vital in 2012 and operated by Sportsmed SA Hospitals Pty Ltd ("**Sportsmed SA**") providing orthopaedic surgery and ancillary healthcare services. It is located approximately four kilometres north-east of the Adelaide CBD, in South Australia.

One of the properties will see a redevelopment commence in early 2016 with Vital Trust undertaking the construction, over a 12 month construction timeframe, of a \$9,578 (A\$9,500) stand-alone medical consulting building adjacent to the main hospital. The second acquisition is also adjacent to the existing hospital property and currently comprises the administration and executive offices of Sportsmed SA, with medium term redevelopment potential to support clinical growth at Sportsmed.

Sportsmed SA will enter into 20 year lease terms and also agreed to reset the existing hospital lease to 20 years from 16.7 years.

During the three months ended December 31, 2016 the REIT recognized fair value gains of \$7,576 (year ended December 31, 2016 - \$64,841). The increase during the current quarter reflects capitalization rate compression that Vital Trust is seeing in certain markets. The increase year to date reflects the rentalisation and stabilisation of completed development projects during the Trust's fiscal year, increased rent from market reviews and annual

inflation indexation, and capitalization rate compression in certain markets consistent with declining long term interest rates.

During the second quarter Vital Trust completed work on its Epworth Eastern property. Development activity continues at the South Eastern Private Hospital and Dubbo Private Hospital.

During the first quarter Vital Trust completed and started receiving rent on the Marian Centre property in Perth, Western Australia.

During the three months ended December 31, 2016 external valuations were performed on \$Nil of Vital Trust properties (year ended December 31, 2016-\$882,581).

A weakening of the New Zealand dollar relative to the Canadian dollar during the three months and year ended December 31, 2016 resulted in foreign currency translation loss of \$32,866 and \$31,118 for the periods, respectively.

### Valuations

The fair values of the investment properties at December 31, 2016 and December 31, 2015 were determined based on a combination of internal valuation models incorporating available market evidence and external appraisals.

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

<b>TABLE 4B - INVESTMENT PROPERTIES VALUATION ASSUMPTIONS</b>				
Unaudited	<b>As at December 31, 2016</b>			
	<b>Canada</b>	<b>Brazil</b>	<b>Germany</b>	<b>Vital Trust</b>
Discount rate - range	5.8% - 8.8%	9.5% - 10.0%	5.2% - 7.3%	7.2% - 9.5%
Discount rate - weighted average	7.1%	9.5%	6.2%	8.0%
Terminal capitalization rate - range	5.5% - 8.0%	9.0% - 10.0%	5.5% - 8.4%	6.5% - 8.9%
Terminal capitalization rate - weighted average	6.5%	9.0%	6.1%	7.0%
Implied capitalization rate - range	5.1% - 10.6%	8.2% - 10.7%	4.8% - 7.1%	6.3% - 8.5%
Implied capitalization rate - weighted average	6.4%	8.5%	5.8%	6.9%
	<b>As at December 31, 2015</b>			
	<b>Canada</b>	<b>Brazil</b>	<b>Germany</b>	<b>Vital Trust</b>
Discount rate - range	6.0% - 8.8%	9.5%	5.8% - 6.8%	6.9% - 11.4%
Discount rate - weighted average	7.5%	9.5%	6.2%	8.3%
Terminal capitalization rate - range	5.8% - 8.0%	9.0%	6.3% - 7.5%	6.6% - 10.5%
Terminal capitalization rate - weighted average	6.9%	9.0%	6.7%	7.5%
Implied capitalization rate - range	5.3% - 9.5%	9.2%	5.2% - 7.5%	6.8% - 10.8%
Implied capitalization rate - weighted average	6.6%	9.2%	6.4%	7.6%

### **ASSETS HELD FOR SALE**

#### Canada

During the third quarter the REIT completed the final dispositions under its previously announced Canadian non-core asset disposition program. The sale of St. Thomas Family Health Centre, Chatham Professional Building and Windsor Health Center (including the Shoppers Drug Mart) properties generated gross proceeds of \$17,725 and net proceeds of \$1,736 after transaction costs and settlement of \$14,860 in mortgages associated with the properties.

During the year ended December 31, 2016 the REIT recognized a fair value loss of \$7,002 on assets held for sale.

During the second quarter, on April 1, 2016, the REIT closed the disposition the Royal Bank Building in Dartmouth, Nova Scotia for sale price of \$4,800. The sale generated a deficiency of approximately \$400 after settlement of the existing mortgage and transaction costs.

During the first quarter the REIT sold eight properties. These properties were sold for \$49,350 generating proceeds of approximately \$14,000 net of debt associated with the properties and transaction costs.

## DEVELOPMENT ACTIVITY

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

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

Expressed in thousands of Canadian dollars, except percentage amounts								
	Number of Projects	Estimated Completion Date	Estimated Project Costs	Estimated Costs to Complete	% Pre- leased	Anticipated Project Yield	Anticipated Stabilized NOI	Potential value accretion
Australia	5	Q4 2017 to Q4 2018	60,663	53,589	100%	8.0%	4,853	9,832
Brazil	2	Q4 2017 to Q4 2018	55,398	55,398	100%	10.5%	5,817	8,104
	<u>7</u>		<u>116,061</u>	<u>108,987</u>			<u>10,670</u>	<u>17,936</u>

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

The Australian development activity pertains to Vital Trust's 5 expansion projects announced in June 2016 with completion dates ranging from October 2017 to December 2018. The projects include a mix of modernisation and expansion at acute surgical and mental health facilities to meet the growing demand for healthcare services. Expansion projects are primarily with Vital Trust's largest tenant, Healthecare. The Australian development is expected to be funded through Vital Trust's existing resources.

The Brazilian development activity relates to expansion planned for both the REIT's Hospital e Maternidade Brasil ("**HMB**") asset and Coração hospitals and is expected to be funded through a combination of existing resources and property financing.

The REIT's Canadian development activity related to the Barrie Primary Care Campus in Barrie, Ontario, was completed during the quarter.

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

## LEASING COSTS AND CAPITAL EXPENDITURES

<b>TABLE 5 - LEASING COSTS AND CAPITAL EXPENDITURES</b>					
Expressed in thousands of Canadian dollars					
<b>Three months ended December 31, 2016</b>					
Unaudited	<b>Canada<sup>(4)</sup></b>	<b>Brazil</b>	<b>Germany</b>	<b>Vital Trust</b>	<b>Total</b>
<b>Additions to investment properties</b>					
Leasing Costs <sup>(1)</sup>	\$ 285	\$ -	\$ 641	\$ -	\$ 926
Tenant improvements <sup>(2)</sup>	2,628	-	-	-	2,628
Maintenance capital expenditures	1,201	-	1,665	-	2,866
Other capital expenditures	2,563	-	510	255	3,328
	<u>6,677</u>	<u>-</u>	<u>2,816</u>	<u>255</u>	<u>9,748</u>
Internal leasing costs expensed <sup>(1)</sup>	371	-	365	-	736
	<u>7,048</u>	<u>-</u>	<u>3,181</u>	<u>255</u>	<u>10,484</u>
Less:					
Recoverable maintenance capital expenditures	(1,201)	-	-	-	(1,201)
Other value enhancing and non-recurring capital expenditures	(2,052)	-	(1,087)	-	(3,139)
<b>Leasing costs and non-recoverable maintenance capital expenditures</b>	<b><u>\$ 3,795</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,094</u></b>	<b><u>\$ 255</u></b>	<b><u>\$ 6,144</u></b>
<b>AFFO adjustment for leasing costs and and non-recoverable maintenance capital expenditures <sup>(3)</sup></b>	<b><u>\$ 2,025</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 246</u></b>	<b><u>\$ 255</u></b>	<b><u>\$ 2,526</u></b>
<b>Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment</b>	<b><u>\$ 1,770</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,848</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,618</u></b>
<b>Year ended December 31, 2016</b>					
	<b>Canada<sup>(4)</sup></b>	<b>Brazil</b>	<b>Germany</b>	<b>Vital Trust</b>	<b>Total</b>
<b>Additions to investment properties</b>					
Leasing Costs <sup>(1)</sup>	\$ 1,357	\$ -	\$ 1,248	\$ -	\$ 2,605
Tenant improvements <sup>(2)</sup>	10,652	-	-	-	10,652
Maintenance capital expenditures	4,767	-	2,422	145	7,334
Other capital expenditures	7,909	-	755	1,249	9,913
	<u>24,685</u>	<u>-</u>	<u>4,425</u>	<u>1,394</u>	<u>30,504</u>
Internal leasing costs expensed <sup>(1)</sup>	1,614	-	509	-	2,123
	<u>26,299</u>	<u>-</u>	<u>4,934</u>	<u>1,394</u>	<u>32,627</u>
Less:					
Recoverable maintenance capital expenditures	(4,767)	-	(22)	-	(4,789)
Other value enhancing and non-recurring capital expenditures	(6,422)	-	(1,481)	(778)	(8,681)
<b>Leasing costs and non-recoverable maintenance capital expenditures</b>	<b><u>\$ 15,110</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,431</u></b>	<b><u>\$ 616</u></b>	<b><u>\$ 19,157</u></b>
<b>AFFO adjustment for leasing costs and and non-recoverable maintenance capital expenditures <sup>(3)</sup></b>	<b><u>\$ 8,313</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 915</u></b>	<b><u>\$ 616</u></b>	<b><u>\$ 9,844</u></b>
<b>Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment</b>	<b><u>\$ 6,797</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,516</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,313</u></b>
<b>Notes</b>					
(1) The leasing costs exclude base salary and benefits of the internal leasing department which have been expensed.					
(2) Tenant improvements include tenant allowances and landlord's work.					
(3) In Canada and Germany, due to the nature of the portfolios, on a quarterly basis and during portfolio repositioning, leasing costs, tenant improvements and maintenance capital expenditures can fluctuate and as such, should not be regarded as stabilized. As a result the REIT uses a reserve of 6% of revenue from investment properties in Canada and Germany when determining AFFO. In Brazil and Australasia due to the long term, triple net nature of the leases the REIT uses actual leasing costs and non-recoverable maintenance capital expenditures when determining AFFO.					
(4) Leasing costs for the three months and year ended December 31, 2016 include \$Nil and \$629 of additions related to assets held for sale, respectively.					

### Canada

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

During the quarter leasing costs included costs attributable to six transactions of which three are lease renewals and expansions, with an aggregate WALE of 12.7 years.

### **Brazil**

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

### **Germany**

On a quarterly basis leasing costs, tenant improvements and capital expenditures can fluctuate and as such, should not be regarded as stabilized. Additions to the German investment properties for the three months and year ended December 31, 2016 were \$2,816 and \$4,425, respectively. The expenditure in the current quarter reflects maintenance and capital spend on recent acquisitions.

### **Vital Trust**

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

## PART III – RESULTS FROM OPERATIONS

### NET INCOME

The following is a summary of selected financial information from the consolidated statements of income and comprehensive income for the three months and year ended December 31, 2016 and 2015:

<b>TABLE 6 - RESULTS FROM OPERATIONS</b>						
Expressed in thousands of Canadian dollars						
	Three months ended December 31			Year ended December 31		
	2016 (Unaudited)	2015 (Unaudited)	Variance (Unaudited)	2016 (Audited)	2015 (Audited)	Variance (Audited)
<b>Net Operating Income</b> <sup>(1)</sup>						
Revenue from investment properties	\$ 81,783	\$ 63,927	\$ 17,856	\$ 277,346	\$ 198,960	\$ 78,386
Property operating costs	(18,226)	(19,677)	1,451	(74,749)	(52,999)	(21,750)
	<b>63,557</b>	<b>44,250</b>	<b>19,307</b>	<b>202,597</b>	<b>145,961</b>	<b>56,636</b>
<b>Other income</b>						
Share of profit (loss) from associates	7,860	-	7,860	8,679	2,153	6,526
Management fees	1,142	-	1,142	2,102	-	2,102
Interest income	602	169	433	2,852	912	1,940
	<b>9,604</b>	<b>169</b>	<b>9,435</b>	<b>13,633</b>	<b>3,065</b>	<b>10,568</b>
	<b>73,161</b>	<b>44,419</b>	<b>28,742</b>	<b>216,230</b>	<b>149,026</b>	<b>67,204</b>
<b>Other expenses</b>						
Mortgage and loan interest expense	(20,722)	(20,228)	(494)	(75,851)	(64,297)	(11,554)
General and administrative expenses	(5,234)	(7,010)	1,776	(19,772)	(25,121)	5,349
Transaction costs	(295)	(451)	156	(4,106)	(10,310)	6,204
Other Finance costs	(1,134)	(26,324)	25,190	(61,737)	(25,242)	(36,495)
Foreign exchange gain (loss)	818	(4,798)	5,616	(1,465)	(2,192)	727
Amortization of intangible asset	-	-	-	-	-	-
<b>Income (Loss) before the undernoted items</b>	<b>46,594</b>	<b>(14,392)</b>	<b>60,986</b>	<b>53,299</b>	<b>21,864</b>	<b>31,435</b>
Fair value adjustment of DUP Liability	(286)	(1,364)	1,078	(1,451)	514	(1,965)
Fair value adjustment of investment properties	73,473	73,675	(202)	136,366	170,301	(33,935)
Net loss on disposal of investment properties	-	(1,218)	1,218	(2,807)	(1,352)	(1,455)
Gain on business combination	-	-	-	53	69,023	(68,970)
Gain (Loss) on derivative financial instruments	9,040	2,968	6,072	(1,945)	(404)	(1,541)
<b>Income (Loss) before taxes</b>	<b>128,821</b>	<b>59,669</b>	<b>69,152</b>	<b>183,515</b>	<b>259,946</b>	<b>(76,431)</b>
Income tax expense	(27,975)	(15,685)	(12,290)	(54,384)	(42,521)	(11,863)
<b>Net income (loss)</b>	<b>\$ 100,846</b>	<b>\$ 43,984</b>	<b>\$ 56,862</b>	<b>\$ 129,131</b>	<b>\$ 217,425</b>	<b>\$ (88,294)</b>
<b>Net income (loss) attributable to:</b>						
Unitholders	\$ 77,457	\$ 4,185	\$ 73,272	\$ 56,963	\$ 116,854	\$ (59,891)
Non-controlling interest	23,389	39,799	(16,410)	72,168	100,571	(28,403)
	<b>\$ 100,846</b>	<b>\$ 43,984</b>	<b>\$ 56,862</b>	<b>\$ 129,131</b>	<b>\$ 217,425</b>	<b>\$ (88,294)</b>
<b>Notes</b>						
(1) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"						

The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI. The financial results for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT and NWI.

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

## Revenue from investment properties

Revenue from investment properties for the three months ended December 31, 2016 was \$81,783 which is \$17,856 greater than the three months ended December 31, 2015. The increase is primarily due to a lease termination payment of \$13,009 received by Vital Trust. \$4,848 is a result of Brazil revenue improvements driven by source currency rent indexation and the acquisition of Hospital Ifor and Hospital Santa Helena, as well as the strengthening of the Brazilian Real against the Canadian dollar; German revenue improvements of \$553 driven by source currency rent from the Mehrower Allee acquisition, partially offset by a weakening of the Euro; Vital Trust revenue also increased of \$3,220 driven by source currency revenue increases due to rent increases, completion of development and acquisition activity, as well as, a strengthening of the New Zealand dollar against the Canadian dollar from the comparable prior year period. These improvements were partially offset by a decrease in revenue in the Canadian region of \$3,774 driven by asset sales.

Revenue from investment properties for the year ended December 31, 2016 was \$277,346 which is \$78,386 greater than the year ended December 31, 2015. Of this increase, \$44,100 is primarily attributable to the consolidation of the results of the REIT with NWI following completion of the Combination Transaction partially offset by a reduction in revenue due to asset sales. The remaining increase of \$34,286 is a result of a Brazil revenue increase of \$6,452, as a weakening of the Brazilian Real against the Canadian dollar was offset Brazil source currency rent indexation and the acquisition of Hospital Ifor and Hospital Santa Helena; German revenue improvements of \$2,090 driven by source currency rent from the Mehrower Allee acquisition, as well as, by a strengthening of the Euro against the Canadian dollar; Vital Trust revenue increases of \$25,744 primarily due to a lease termination payment of \$13,009, as well as, source currency revenue increases due to inflationary rent increases, completion of development and acquisition activity and a strengthening of the New Zealand dollar against the Canadian dollar from the comparable prior year period.

See also **NET OPERATING INCOME**.

## Property operating costs

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

The nature of the leases in Brazil is such that the tenant is responsible for all operating costs of the property. The REIT incurs social taxes applied against the revenues earned from certain of its Brazil properties as a result of the corporate structure of the entities holding the assets. In the second quarter of 2015 the REIT reclassified social taxes, previously recognized as property operating costs, to general and administrative expenses. The current quarter reflects this presentation and prior year to date comparable amounts have been restated to conform to the current presentation.

Property operating costs for the three months ended December 31, 2016 were \$18,226 as compared to \$19,677 for the three months ended December 31, 2015. Of the decrease, \$1,846 is related to the Canadian region primarily driven by asset sales. This was partially offset by a \$447 increase in Vital Trust operating costs driven by acquisitions. Germany remained relatively flat year over year as a same property operating costs savings, and a weakening of the Euro, offset operating costs generated by the Mehrower Allee acquisition.

Property operating costs for the year ended December 31, 2016 were \$74,749 as compared to \$52,999 for the year ended December 31, 2015. Of the increase, \$20,238 is primarily attributable to the consolidation of the results of the REIT with NWI following completion of the Combination Transaction. The remaining increase of \$1,512 is primarily a result of \$1,311 related to Vital Trust which is driven by source currency operating cost increases due to completion of development and acquisitions; as well as, a strengthening of the New Zealand dollar against the Canadian from the comparable prior year period. In addition there was a \$201 increase related

to Germany driven by source currency operating costs in Germany primarily related to the Mehrower Allee acquisition, as well as, the strengthening of the Euro against the Canadian dollar.

See also **NET OPERATING INCOME**.

### Share of profit (loss) of associates

The share of profit (loss) of associates, and distributions received and receivable, for three months and year ended December 31, 2016 and 2015 is as follows:

<b>TABLE 6A - SHARE OF PROFIT (LOSS) OF ASSOCIATES AND DISTRIBUTIONS RECEIVED</b>						
Expressed in thousands of Canadian dollars	<b>Three months ended December 31</b>			<b>Year ended December 31</b>		
	<b>2016</b>	<b>2015</b>	<b>Variance</b>	<b>2016</b>	<b>2015</b>	<b>Variance</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
<b>Share of profit (loss) of associates</b>						
Generation Healthcare REIT ("GHC")	\$ 7,860	\$ -	\$ 7,860	\$ 8,679	\$ -	\$ 8,679
NorthWest REIT	-	-	-	-	2,153	(2,153)
	<b>\$ 7,860</b>	<b>\$ -</b>	<b>\$ 7,860</b>	<b>\$ 8,679</b>	<b>\$ 2,153</b>	<b>\$ 6,526</b>
<b>Distributions received</b>						
Generation Healthcare REIT	\$ 1,898	\$ -	\$ 1,898	\$ 1,898	\$ -	\$ 1,898
NorthWest REIT	-	-	-	-	3,172	(3,172)
	<b>\$ 1,898</b>	<b>\$ -</b>	<b>\$ 1,898</b>	<b>\$ 1,898</b>	<b>\$ 3,172</b>	<b>\$ (1,274)</b>

On July 26, 2016, the REIT acquired 15,492,061 GHC units for \$33,639 (A\$34,083), following the exercise of the put option by the counterparty to one of the REIT's GHC put call option agreements. This acquisition increased the REIT's interest in GHC to approximately 7.5%. On August 8, 2016, the REIT exercised its call option to acquire 27,100,380 GHC units for \$60,205 (A\$59,621) from affiliates of APN and GHM management. These acquisitions of GHC units increased the REIT's interest in GHC to approximately 19.8%. As a result the REIT records its share of the profit (loss) of GHC. The weighted average ownership of GHC during the three months and year ended December 31, 2016 was 19.8% and 16.3%, respectively and the weighted average participation during the same periods was 19.8% and 19.0% respectively.

<b>SHARE OF PROFIT (LOSS) OF GHC</b>						
Expressed in thousands of Canadian dollars	<b>Three months ended December 31</b>			<b>Year ended December 31</b>		
	<b>2016</b>	<b>2015</b>	<b>Variance</b>	<b>2016</b>	<b>2015</b>	<b>Variance</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
<b>Net Operating Income</b> <sup>(1)</sup>						
Revenue from investment properties	\$ 9,624	\$ -	\$ 9,624	\$ 19,022	\$ -	\$ 19,022
Property operating costs	(1,440)	-	(1,440)	(3,015)	-	(3,015)
	8,184	-	8,184	16,007	-	16,007
Interest Income	1,034	-	1,034	1,924	-	1,924
<b>Expenses</b>						
Mortgage and loan interest expense	(1,938)	-	(1,938)	(3,799)	-	(3,799)
General and administrative expenses	(933)	-	(933)	(1,758)	-	(1,758)
<b>Income (Loss) before the undernoted items</b>	<b>6,347</b>	<b>-</b>	<b>6,347</b>	<b>12,374</b>	<b>-</b>	<b>12,374</b>
Other	129	-	129	164	-	164
Fair value adjustments	37,467	-	37,467	36,368	-	36,368
<b>Net income (loss)</b>	<b>43,943</b>	<b>-</b>	<b>43,943</b>	<b>48,906</b>	<b>-</b>	<b>48,906</b>
Non-controlling interest	(4,932)	-	(4,932)	(5,226)	-	(5,226)
<b>Net profit (loss) attributable to unitholders</b>	<b>39,011</b>	<b>-</b>	<b>39,011</b>	<b>43,680</b>	<b>-</b>	<b>43,680</b>
Weighted average participation	19.8%	n/a	n/a	19.0%	n/a	n/a
<b>REIT's share of profit (loss)</b>	<b>7,725</b>	<b>-</b>	<b>7,725</b>	<b>8,318</b>	<b>-</b>	<b>8,318</b>
Intercompany amounts	135	-	135	237	-	237
Changes to associate's equity	-	-	-	124	-	124
<b>Share of profit (loss) of GHC</b>	<b>\$ 7,860</b>	<b>\$ -</b>	<b>\$ 7,860</b>	<b>\$ 8,679</b>	<b>\$ -</b>	<b>\$ 8,679</b>
<b>Notes:</b>						
(1) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"						

Included in fair value adjustments for GHC's six months ended December 31, 2016 is a fair value adjustment of \$29,970 (A\$29,942) related to investment properties and driven by capitalization rate compression at certain of GHC's properties. As at December 31, 2016 the weighted average capitalization rate of the GHC portfolio is 6.7%.

Prior to the completion of the Combination Transaction on May 15, 2015, NWI accounted for its approximate 25% ownership of the REIT using the equity method.

### Interest income

Interest income represents amounts earned on invested cash balances and related party balances (see **PART V – RELATED PARTY TRANSACTIONS**). For the three months ended December 31, 2016 and 2015, the REIT recorded interest income of \$602 and \$169, respectively. The increase from the comparable prior year quarter reflects the interest earned on invested cash in Brazil prior to the acquisition of Hospital Santa Helena.

For the year ended December 31, 2016 and 2015, the REIT recorded interest income of \$2,852 and \$912, respectively. The increase from the comparable prior year period reflects the interest earned during the current year to date period on invested cash following the HMB Securitization Financing, prior to the acquisition of Hospital Santa Helena, partially offset by the reduction in interest earned from related parties.

### Mortgage and loan interest expense

The mortgage and loan interest expense for the three months ended December 31, 2016 was \$20,722, an increase of \$494 over the prior year period. The mortgage and loan interest expense for the year ended December 31, 2016 was \$75,851, an increase of \$11,554 over the prior year period.

The composition of mortgage and loan interest expense for the three months and year ended December 31, 2016 and 2015 is as follows:

**TABLE 6B - MORTGAGE AND LOAN INTEREST EXPENSE**

Expressed in thousands of Canadian dollars	Three months ended December 31			Year ended December 31		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
<b>Canada</b>						
Mortgages	\$ 6,609	\$ 10,494	\$ 3,885	\$ 30,190	\$ 22,652	\$ (7,538)
<b>Brazil</b>						
Brazil debt	3,879	2,057	(1,822)	10,254	13,063	2,809
<b>Germany</b>						
Mortgages	479	412	(67)	1,855	1,745	(110)
<b>Australasia</b>						
Term loans	3,248	3,159	(89)	13,240	11,527	(1,713)
<b>Corporate</b>						
NWH Margin Facilities	-	-	-	-	2,203	2,203
Vital Margin Facilities	-	704	704	1,439	2,995	1,556
Australasian Secured Financing	1,828	-	(1,828)	3,181	-	(3,181)
Acquisition Facility	287	496	209	1,349	1,968	619
Revolving Credit Facility <sup>(1)</sup>	586	429	(157)	2,176	882	(1,294)
Other	1	21	20	48	104	56
Convertible Debentures						
NWH.DB	531	533	2	2,113	1,338	(775)
NWH.DB.A	369	370	1	1,469	1,468	(1)
NWH.DB.B	330	331	1	1,313	1,313	-
NWH.DB.C	706	708	2	2,809	2,809	-
NWH.DB.D	733	651	(82)	2,915	651	(2,264)
NWH.DB.E	969	-	(969)	1,698	-	(1,698)
NWH.DB.F	167	-	(167)	167	-	(167)
	6,507	4,243	(2,264)	20,677	15,731	(4,946)
less: capitalized interest general borrowings	-	(137)	(137)	(365)	(421)	(56)
	6,507	4,106	(2,401)	20,312	15,310	(5,002)
<b>Total mortgage and loan interest expense</b>	<b>\$ 20,722</b>	<b>\$ 20,228</b>	<b>\$ (494)</b>	<b>\$ 75,851</b>	<b>\$ 64,297</b>	<b>\$ (11,554)</b>
<b>Notes</b>						
(1) Includes interest from the Non-Revolving Credit Facility Expansion.						

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

### Canada

Included in mortgage interest expense for the three months and year ended December 31, 2016 are debt repayment costs of \$nil and \$3,134, respectively, representing prepayment penalties associated with early mortgage repayments (three months and year ended December 31, 2015 - \$2,666 and \$2,666, respectively). Excluding these amounts mortgage interest expense has decreased \$1,219 over the comparable prior year quarter and increased \$7,070 over the comparable prior year to date period.

The decrease in mortgage interest expense over the comparable prior year quarter primarily reflects the disposition of 17 properties sold since June 30, 2015 and the repayment of \$69,920 of mortgages associated with those properties. In addition the REIT has refinanced 2015 and 2016 mortgage expires at lower interest rates. The weighted average interest rate of the Canadian mortgage portfolio as at December 31, 2016 was 3.93% a decrease from 4.23% as at December 31, 2015.

The increase in mortgage interest expense in the year to date period over the prior year comparable period primary reflects the consolidation of the REIT's Canadian mortgage portfolio following closing of the Combination Transaction. This is partially offset by the factors affecting the current quarter.

### Brazil

The increase in interest expense for the three months ended December 31, 2016, over the prior year quarter, primarily reflects the HMB Securitization Financing (as defined under **CAPITAL STRUCTURE – Debt**) which funded

in the second and third quarter and the Caxias Financing which funded October 24, 2016, as well as, the strengthening of the Brazilian Real against the Canadian dollar.

The decrease in interest expense for the year ended December 31, 2016, over the prior year period, reflects interest savings due to reductions in the term loans on the Rede D'Or Hospital Portfolio (the "**Brazil Term Loans**") following the repayment of the loans associated with HMB and Hospital Caxias late in the fourth quarter of 2015, as well as, favourable foreign exchange movements. The remaining Brazil Term Loans were also repaid in December 2016. This was partially offset by an increase to the interest rate on the Brazil Term Loans on April 1, 2015 from 7.30% to floating rates ranging from 12%-14.5%, and to 8.95% from June 9, 2015 and finally to 10.3% from December 22, 2015, as well as, interest on the HMB Securitization Financing which funded in the second and third quarter of 2016, that bears a weighted average interest at a rate of 8.40% plus annual IPCA adjustments to the principal balance, and the Caxias Financing which carries an interest rate of 7.04% plus annual IPCA adjustments to the principal balance which funded October 24, 2016.

#### Germany

Mortgage interest expense increased over the prior year quarter due to interest on the mortgage associated with the Mehrower Allee acquisition partially offset by favourable foreign exchange movements.

Mortgage interest expense increased over the prior year period as interest rates savings associated with the refinancing of mortgages secured against five of the REIT's properties located in Berlin and Fulda in August 2015, which decreased the weighted average interest rate with respect to the five properties to 1.65% from 2.27%, were offset by unfavourable foreign exchange movements, in the year to date period, and interest on the mortgage associated with the Mehrower Allee acquisition. The weighted average interest rate of the German mortgages was 1.92% as at December 31, 2016, a decrease from 1.96% as at December 31, 2015.

#### Australasia

The increase in the interest expense over the comparable prior year quarter and year to date period reflects an increase in Vital Trust's Term loans, associated with financing acquisitions and interest expense now recognized on completed development and no longer capitalized, as well as, unfavourable exchange rate movements. This was partially offset by a partial repayment of the Vital Trust Term Loans with proceeds from the July 19, 2016 Vital Trust rights offering ("**Vital Rights Offering**") and lower interest rates. The weighted average interest rate of the Vital Trust term loans was 4.66% as at December 31, 2016, a decrease from 5.16% as at December 31, 2015.

#### Corporate

During the second quarter of 2015, immediately prior to completing the Combination Transaction, NWI's Canadian margin facilities (the "**NWH Margin Facilities**"), with an outstanding balance of \$68,143, were repaid. As a result the interest expense associated with the NWH Margin Facilities was eliminated as compared to the prior year comparable quarter and year to date period.

On July 15, 2016 the REIT completed the Australasian Secured Financing (as defined under **CAPITAL STRUCTURE – Debt**). The facility bears interest at a rate that fluctuates with the one-month bank bill reference rates of Australia and New Zealand, where applicable, plus 325 to 400 basis points (5.86% on a weighted average basis as at December 31, 2016). During the third quarter the REIT drew on the facility to fund the repayment, on July 18, 2016, of the margin facilities secured by the units the REIT owns of Vital Trust (the "**Vital Margin Facilities**") totaling \$47,383 (NZ\$51,447). The Vital Margin Facilities bore interest at a rate that fluctuated with the one-month rate for New Zealand dollar bills of exchange (the "**BKBM**" rate). The weighted average interest rate of the Vital Margin Facilities was 5.58% at repayment as compared to 6.08% as at December 31, 2015.

Proceeds of the Australasian Secured Financing were also used to partially fund the acquisition of GHC, as well as, the REIT's participation in the Vital Rights Offering.

The REIT's Revolving Credit Facility (as defined under **CAPITAL STRUCTURE – Debt**) bears interest at a rate equal to the bank's prime rate plus 0.85% to 1.00% or Bankers' Acceptances plus 1.85% to 2.00%. Interest expense in the current quarter decreased from the prior year quarter primarily due to a lower drawn balance. Interest in and year to date period increased primarily as a result of the consolidation of the REIT's Revolving Credit Facility following closing of the Combination Transaction.

Interest expense on the Convertible Debentures has increased over the comparable prior year period following consolidation of the REIT's NWH.DB Convertible Debentures following closing of the Combination Transaction. In addition during the fourth quarter of 2015 the REIT issued a combined \$53,000 principal amount of NWH.DB.D Convertible Debentures. The NWH.DB.D Convertible Debentures pay interest at 5.50% per annum. On July 25, 2016 the REIT also issued \$74,750 principal amount of NWH.DB.E Convertible Debentures which pay interest at 5.25% per annum.

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

#### **General and administrative expenses (“G&A”)**

G&A expenses for the three months ended December 31, 2016 were \$5,437 as compared to \$7,010 in the quarter ended December 31, 2015. G&A for the three months ended December 31, 2016 includes DUP Compensation Expense (as defined under **ADJUSTED FUNDS FROM OPERATIONS (“AFFO”) – DUP Compensation Expense**) of negative \$54 (three months ended December 31, 2015 - \$2,958). The decrease in DUP Compensation is driven by modifications to the incentive compensation. G&A, excluding amounts associated with DUP Compensation Expenses, increased \$1,439 over the prior year quarter primarily as a result of \$671 of G&A associated with the recent GHM acquisition as well as incremental G&A at Vital Trust.

G&A expenses for the year ended December 31, 2016 were \$19,975 as compared to \$25,121 in the comparable period in 2015. G&A for the year ended December 31, 2016 includes non-cash DUP Compensation Expense of \$2,122 (year ended December 31, 2015 - \$10,800). The decrease in DUP Compensation is driven by modifications to the incentive compensation during the third and fourth quarter and the forfeiture of certain deferred units. G&A, excluding amounts associated with DUP Compensation Expenses, increased \$3,532 over the prior year period primarily as a result of combining the REIT's G&A with NWI, following completion of the Combination Transaction, and \$1,301 of G&A associated with the recent GHM acquisition.

#### **Transaction costs**

For the three months ended December 31, 2016 the REIT incurred transaction costs of \$295 (year ended December 31, 2016 - \$4,106), of which \$65 (year ended December 31, 2016 - \$1,299) relates to the acquisition of GHM. Of the remaining costs for the year to date period, \$1,337 of transaction costs are associated with an acquisition completed in the previous year and the residual relates primarily to the Combination Transaction.

For the three months ended December 31, 2015 the REIT incurred transaction costs of \$451 (year ended December 31, 2015 - \$10,310) which includes \$110 (year ended December 31, 2015 - \$907) related to the Internalization Transaction and \$242 (year ended December 31, 2015 - \$9,130) related to costs incurred by NWI related to the Combination Transaction. As both the Internalization and Combination Transactions are business combinations, the transaction costs incurred are expensed in the period incurred. Transaction costs also include the write-off of \$100 (year ended December 31, 2015 - \$273) of due diligence costs relating to acquisitions the REIT did not proceed with.

## Other Finance costs

Other finance costs for the three months and year ended December 31, 2016 and 2015 consisted of the following:

	Three months ended December 31			Year ended December 31		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Distributions on Exchangeable Units	\$ 3,800	\$ 3,825	\$ 25	\$ 15,199	\$ 16,986	\$ 1,787
Loss on revaluation of financial liabilities	2,466	5,442	2,976	10,053	13,705	3,652
Amortization of deferred financing costs	1,394	1,443	49	4,768	6,907	2,139
Amortization of marked to market adjustment	(777)	(3,292)	(2,515)	(5,964)	(6,219)	(255)
Fair value adjustment of Convertible Debentures	(4,756)	(2,024)	2,732	6,490	3,930	(2,560)
Convertible Debenture issuance costs	3,947	3,133	(814)	7,064	3,134	(3,930)
Fair value adjustment of Exchangeable Units	(4,940)	17,797	22,737	24,127	(13,201)	(37,328)
<b>Total Finance Costs</b>	<b>\$ 1,134</b>	<b>\$ 26,324</b>	<b>\$ 25,190</b>	<b>\$ 61,737</b>	<b>\$ 25,242</b>	<b>\$ (36,495)</b>

### Distributions on Exchangeable Units

Under IFRS, Exchangeable Units distributions are treated as a finance cost. The Exchangeable Units receive distributions on an equivalent per unit basis to the distributions declared on the Trust Units. The decrease in distributions for the year ended December 31, 2016 over the comparable prior year period reflects the reduction in distributions per unit from \$0.0881 per month (as adjusted for the Exchange Ratio) to \$0.0667 following closing of the Combination Transaction. In addition 189,998 Exchangeable Units were exchanged and cancelled on December 1, 2015.

### Loss on revaluation of financial liabilities

On maturity, the principal balance of both of the Brazil Term Loans and the Hospital Caxias D'Or holdback payable (included in deferred consideration), which was acquired as part of a three hospital acquisition from Rede D'Or Sao Luiz in December 2013 (the "**Rede D'Or Hospital Portfolio Acquisition**"), are adjusted by the inflation rate (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy ("**IPCA**") or the Certificate of Interbank Deposit rate (the average one-day interbank deposit rate ("**CDI**")) from the date of inception of these liabilities to their respective maturities. The outstanding balances of the Brazil Securitization Financings (as defined under **CAPITAL STRUCTURE – Debt**) are also adjusted by IPCA.

For the three months and year ended December 31, 2016, accretion expense of \$2,466 and \$8,331, respectively (for the three months and year ended December 31, 2015 - \$4,709 and \$12,735, respectively) was recorded to account for the related IPCA adjustments on the Brazil debt. The annual inflation rate for December 31, 2016 was 6.29% as compared to 10.67% for December 31, 2015.

On January 15, 2015, the REIT was notified that the required conditions related to the Hospital Caxias D'Or holdback were not resolved as such between January 15, 2015 to June 30, 2015; no inflation adjustment was recognized in respect of the holdback. The vendor conditions were satisfied on October 16, 2015 and as such the REIT accrued inflation adjustments for the period from October 16, 2015 until settlement of the holdback on June 15, 2016. For the three months and year ended December 31, 2016, accretion expense of \$Nil and \$1,722, respectively, (three months and year ended December 31, 2015 - \$733 and \$970, respectively) was recorded to account for the related CDI adjustments on the holdback.

### Amortization of deferred financing costs

Included in finance costs is amortization of deferred financing costs incurred to arrange mortgage or debt financing. The decrease in deferred financing costs relative to 2015 is primarily due to the repayment of the HMB and Caxias D'or Brazil Term Loans in December 2015. In the current quarter this is partially offset by an increase

amortization of deferred financing costs associated with corporate debt.

#### Amortization of marked to market adjustments

Included in finance costs is amortization of marked to market adjustments which relate primarily to the Canadian mortgage portfolio which was marked to market on completion of the Combination Transaction.

#### Fair value adjustment of Convertible Debentures

Under IFRS, the REIT has elected to measure Convertible Debentures at fair value. The fair value of the Convertible Debentures is based on the closing trading price of the REIT's Convertible Debentures as at the reporting date. Table 6D summarizes the closing prices of the REIT's Convertible Debentures at each quarter end for the last nine quarters:

TABLE 6D - CLOSING PRICE OF CONVERTIBLE DEBENTURES									
	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14
Month-end closing price (Canadian \$)									
NWH.DB <sup>(1)</sup>	1,017.50	1,045.00	1,000.00	990.00	970.00	990.00	1,000.00	N/A	N/A
NWH.DB.A <sup>(2)</sup>	1,020.00	1,021.00	1,017.60	1,002.50	1,010.00	1,005.00	1,000.00	960.10	900.10
NWH.DB.B <sup>(2)</sup>	1,020.00	1,050.00	1,037.50	1,013.00	1,002.00	1,017.50	1,010.00	970.00	998.70
NWH.DB.C <sup>(2)</sup>	1,025.00	1,045.00	1,030.00	1,018.00	1,000.00	1,000.00	1,000.00	969.90	880.00
NWH.DB.D	1,020.00	1,043.00	1,025.10	995.00	980.00	N/A	N/A	N/A	N/A
NWH.DB.E	1,010.00	1,027.50	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NWH.DB.F	1,002.50	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Notes</b>									
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI. As a result the REIT's NWH.DB series of convertible debentures has been excluded from the above analysis for period prior to completion of the Combination Transaction.									
(2) Pursuant to the Combination Transaction NWI's convertible debentures previously trading under the symbols MOB.DB, MOB.DB.A and MOB.DB.B, were assumed by the REIT, ceased to trade on the TSX Venture Exchange at the close of business on May 19, 2015 and commenced trading on the TSX under the symbols NWH.DB.A, NWH.DB.B and NWH.DB.C, respectively, on May 20, 2015.									

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

#### Exchangeable Units – Fair value adjustment

The Exchangeable Units, under IFRS, are measured at fair value. The fair value of the Exchangeable Units mirrors the trading price of the REIT Trust Units. An increase in the trading price of a REIT Trust Unit will result in a corresponding increase in the fair value of the Exchangeable Units liability and a fair value loss to the REIT. A decrease in the trading price of a REIT Trust Unit will result in a corresponding decrease in the fair value of the Exchangeable Units liability and a fair value gain to the REIT.

Table 6E summarizes the closing prices of the REIT Trust Units at each quarter end for the last nine quarters:

TABLE 6E - CLOSING PRICE OF REIT TRUST UNITS									
	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14
Month-end closing price (Canadian \$)	10.20	10.46	10.03	9.64	8.93	8.00	7.97	9.09	9.62
<b>Notes</b>									
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI. As a result the closing price of NWI's units presented above, for periods prior to completion of the Combination Transaction, have been adjusted by the Exchange Ratio.									

## **Foreign exchange gain (loss)**

The REIT's financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. The REIT's unrealized foreign exchange gain (loss) for the periods relates primarily to the revaluation of the Australasian Secured Financing which is denominated in New Zealand and Australian dollars, revaluation of the Vital Margin Facilities which was denominated in New Zealand dollars and held by a Canadian subsidiary of the REIT, and which is predominantly an unrealized exchange movement and revaluation of certain Vital Trust Australasian Term Loans which are denominated in Australian dollars.

For the three months ended December 31, 2016, the REIT recorded a foreign exchange gain of \$818, which is made up of an unrealized exchange gain of \$2,392 and a realized exchange loss of \$1,574. The unrealized foreign exchange gain for the three months ended December 31, 2016 is primarily a result of the revaluation exchange gain on the Australasian Secured Financing of approximately \$3,577, partially offset by unrealized exchange loss on the Vital Trust Australasian Term Loans of \$1,256. During the three months ended December 31, 2016, the New Zealand dollar and Australian dollar both decreased by approximately 2% and 3%, respectively, relative to the Canadian dollar, thus decreasing the value of the New Zealand and Australian dollar denominated debt. The realized foreign exchange loss of \$1,574 reflects the settlement of intercompany loans between a Canadian subsidiary and a Brazilian subsidiary.

For the year ended December 31, 2016, the REIT recorded a foreign exchange loss of \$1,465, which is made up of a realized exchange loss of \$1,512 and an unrealized exchange gain of \$47. The unrealized foreign exchange gain for the year ended December 31, 2016 is primarily a result of the revaluation of the Vital Margin Facilities prior to their settlement and the revaluation of the new Australasian Secured Financing, combined approximately \$1,165 exchange gain, partially offset by unrealized exchange loss on the Vital Trust Australasian Term Loans of \$1,112. During the year ended December 31, 2016, the New Zealand dollar weakened by approximately 2% relative to the Canadian dollar, thus decreasing the value of the New Zealand debt. The Australian dollar also increased by less than 1% relative to the Canadian dollar in the period following the Australasian Secured Financing. The realized foreign exchange loss of \$1,512 primarily reflects the settlement of intercompany loans between a Canadian subsidiary and a Brazilian subsidiary.

For the three months ended December 31, 2015 the REIT recorded a foreign exchange loss of \$4,798, which is made up of a realized exchange loss of \$122 and an unrealized exchange loss of \$4,676. The unrealized exchange loss during the three months ended December 31, 2015 is primarily due to exchange losses on the Vital Margin Facilities. During the three months ended December 31, 2015, the New Zealand dollar strengthened by approximately 11% relative to the Canadian dollar, thus increasing the liability of the Vital Margin Facilities. The realized exchange loss during the quarter is primarily due to settlement of Vital Trust distributions.

For the year ended December 31, 2015, the REIT recorded a foreign exchange loss of \$2,192 which is made up of a realized exchange gain of \$213 and an unrealized exchange loss of \$2,405. The unrealized exchange loss during year ended December 31, 2015 is primarily due to foreign exchange losses on the Vital Margin Facilities. During the year ended December 31, 2015 the Zealand dollar strengthened by approximately 5% relative to the Canadian dollar, thus increasing the liability of the Vital Margin Facilities. The realized exchange gain during the year is primarily due to settlement of outstanding intercompany loans between a Canadian subsidiary and a Brazilian subsidiary.

See also **FOREIGN EXCHANGE AND CURRENCY MANAGEMENT**

## **Fair value adjustment of DUP Liability**

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

The fair value adjustment on revaluation of the DUP Liability for the three months ended December 31, 2016 was a loss of \$286 (year ended December 31, 2016 – loss of \$1,451) as compared to a fair value loss of \$1,364 for the three months ended December 31, 2015 (year ended December 31, 2015 – gain of \$514). The loss during the current quarter also reflects the decrease in the DUP Liability driven by modifications to the incentive compensation during the third quarter. The loss during the year also reflects the decrease in the DUP Liability driven by modifications to the incentive compensation during the third quarter and the forfeiture of certain deferred units.

#### **Fair value adjustment of investment properties**

For the three months ended December 31, 2016, the REIT recorded a fair value gain on investment properties of \$73,473 consisting of a \$9,627 fair value gain related to the Canadian property, a \$52,723 revaluation increase of the Brazil portfolio, a \$3,547 revaluation increase of the German portfolio and a \$7,576 increase in the Vital Trust investment properties. The revaluation of the Canadian portfolio during the three months ended December 31, 2016 primarily reflects increased density value at the REIT's Dundas-Edward Centre property in Toronto, partially offset by a valuation decrease at the REIT's Glenmore Professional Centre property in Calgary, Alberta. The revaluation of the Brazil portfolio during the three months ended December 31, 2016 is related to the actual and estimated increases in rents for inflation, increasing the portfolio's net operating income and a capitalization rate decrease of approximately 70 basis points. The revaluation of the German portfolio during the three months ended December 31, 2016 reflects capitalization rate compression in certain German markets. The increase in the Vital Trust assets reflects capitalization rate compression in both the New Zealand and Australian markets during the quarter.

For the year ended December 31, 2016, the REIT recorded a fair value gain of \$136,366 related to a \$73,738 revaluation increase of the Brazil portfolio, \$13,354 revaluation increase of the German portfolio and a \$64,841 increase in the Vital Trust investment properties; partially offset by a \$15,567 fair value loss related to the Canadian property portfolio (inclusive of a \$7,002 fair value loss associated with assets held for sale). The revaluation of the Brazil portfolio during the year to date period is related to the actual and estimated increases in rents for inflation, increasing the portfolio's net operating income and a capitalization rate decrease of approximately 70 basis points. The revaluation of the German portfolio during the year to date period reflects capitalization rate compression in certain German markets. The increase in the Vital Trust assets reflects capitalization rate compression in both the New Zealand and Australian markets during the quarter. The revaluation of the Canadian portfolio during the year to date period primarily reflects the decline in market rents in the Alberta office space market, as well as, fair value write-downs of certain assets held for sale; partially offset by increased density value at the REIT's Dundas-Edward Centre property in Toronto.

For the three months ended December 31, 2015, the REIT recorded a fair value gain on investment properties of \$73,675 primarily related to a \$47,757 fair value gain on the Vital Trust portfolio and \$20,148 revaluation increase of the Brazil portfolio. For the year ended December 31, 2015, the REIT recorded a fair value gain on investment properties of \$170,301 primarily related to a \$124,365 revaluation of the Vital Trust portfolio and \$47,286 revaluation of the Brazil portfolio.

The revaluation of the Vital Trust portfolio during the year ended December 31, 2015 is primarily related to compression in discount rates and terminal capitalization rates.

The revaluation of the Brazil portfolio during the three months and year ended December 31, 2015 is related to the actual and estimated increases in rents for inflation, increasing the portfolio's net operating income, as well as, a 50 basis point compression in the discount rate used to value the portfolio.

See also **INVESTMENT PROPERTIES**.

## Net loss on disposal of investment properties

During the three months and year ended December 31, 2016, the REIT recognized a loss on sale of \$Nil and \$2,807, respectively, due to transaction costs associated with the sale of thirteen Canadian investment properties

During the three months ended December 31, 2015, the REIT recognized a loss on sale of \$1,218 due to transaction costs associated with the sale of its Pierrefonds Family Care Centre in Montreal, Quebec and its HealthPark and Sydney Medical Arts Building properties in Sydney, Nova Scotia. For the year ended December 31, 2015 the REIT recognized a loss on sale of \$1,352, inclusive of the three properties sold during the quarter and the third quarter sale of its Alexander Medical Building in Peterborough, Ontario.

## Gain/Loss on derivative financial instruments

Gain/Loss on derivative financial instruments for the three months and year ended December 31, 2016 and 2015 consisted of the following:

Expressed in thousands of Canadian dollars	Three months ended December 31			Year ended December 31		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
<b>Canada</b>						
Interest rate swaps	\$ 693	\$ (54)	\$ 747	\$ 754	\$ (929)	\$ 1,683
<b>Brazil</b>						
Brazil Loans interest rate swaps	178	669	(491)	920	709	211
<b>Germany</b>						
Interest rate swaps	300	(44)	344	(176)	32	(208)
<b>Australasia</b>						
Interest rate swaps	8,329	1,989	6,340	2,211	(565)	2,776
Foreign exchange derivatives	-	-	-	-	(72)	72
Foreign exchange contracts	551	397	154	1,227	421	806
Performance fee receivable	(364)	-	(364)	(1,080)	-	(1,080)
<b>Corporate</b>						
Vital Margin Facility interest rate swaps	4	11	(7)	12	-	12
GHC put/call option and units	-	-	-	(5,162)	-	(5,162)
GHC future contract	(651)	-	(651)	(651)	-	(651)
<b>Total mortgage and loan interest expense</b>	<b>\$ 9,040</b>	<b>\$ 2,968</b>	<b>\$ 6,072</b>	<b>\$ (1,945)</b>	<b>\$ (404)</b>	<b>\$ (1,541)</b>

## Income tax expense

The combined current tax and deferred tax expense of the REIT for the three months ended December 31, 2016 was \$27,975 (year ended December 31, 2016 - \$54,384).

For the three months ended December 31, 2016, the REIT recognized a current income tax charge of \$3,263 (year ended December 31, 2016 - \$8,235). The current taxes relate primarily to the income taxes payable by Vital Manager, GHM and Vital Trust. Current tax expense for Vital Trust can fluctuate period over period depending on the settlement of foreign currency derivatives utilized in Vital Trust's hedging program.

The deferred tax expense of the REIT for the three months ended December 31, 2016 was \$24,712 (year ended December 31, 2016 - \$46,149). The REIT records deferred tax liabilities in Germany and Brazil arising primarily due to the difference between the carrying value and tax cost of its investment properties. The deferred tax expense of the REIT for the three months ended December 31, 2016 related to the German and Brazil investment properties was \$1,098 and \$19,199, respectively (year ended December 31, 2016 - \$3,277 and \$28,477, respectively). Vital Trust recorded a deferred expense for the three months ended December 31, 2016 of \$4,064, which relates primarily to the fair value movement of investment properties and deferred tax impact of derivative valuations (year ended December 31, 2016 - \$15,006). Vital Manager recorded a deferred tax liability for the three months

ended December 31, 2016 of \$476 (year ended December 31, 2016 - \$238 asset). GHM recorded a deferred tax asset for the three months ended December 31, 2016 of \$125 primarily related to the revaluation of the Performance Fee receivable (year ended December 31, 2016 - \$373 asset).

The combined current tax and deferred tax expense of the REIT for the three months ended December 31, 2015 was \$15,685 (year ended December 31, 2015 - \$42,521).

The current taxes relate primarily to the income taxes payable by subsidiaries of the REIT in Brazil, as well as the Vital Manager and Vital Trust. For the three months ended December 31, 2015, the REIT recognized a current income tax charge of \$1,483 (year ended December 31, 2015 – current tax liability - \$2,684).

The REIT records deferred tax liabilities in Germany and Brazil arising primarily due to the difference between the carrying value and tax cost of its investment properties. The deferred tax expense of the REIT for the three months ended December 31, 2015 related to the German and Brazil investment properties was \$9,514 (year ended December 31, 2015 – \$21,626). Vital Trust recorded a deferred tax liability for the three months ended December 31, 2015 of \$4,059 (year ended December 31, 2015 - \$17,630), which relates primarily to the increase in the carrying value of its investment properties. Vital Manager recorded a deferred tax liability for the three months ended December 31, 2015 of \$629 (year ended December 31, 2015 - \$581).

#### **NET OPERATING INCOME**

NOI is an additional IFRS measure of the REIT's operating performance. NOI is defined as income from properties after operating expenses have been deducted, computed in accordance with IFRS, but before deducting interest expense, finance costs, depreciation and amortization expense, general and administrative expenses, income taxes, leasehold improvement and leasing costs, and unrecoverable capital costs. The REIT uses NOI to assess its property operating performance on an unleveraged basis. Same property NOI for the three months ended December 31, 2016 represents income from currently owned investment properties, excluding properties held for redevelopment, acquired prior to October 1, 2015. Same property NOI for the year ended December 31, 2016 represents income from currently owned investment properties, excluding properties held for redevelopment, acquired prior to January 1, 2015.

The REIT's NOI for the three months and year ended December 31, 2016 and 2015 is summarized below on a same property basis consolidated in Canadian dollars (Table 7) and then separately by region in source currency (Table 7A – Canada, Table 7B – Brazil, Table 7C - Germany and Table 7D - Australasia):

<b>TABLE 7 - SAME PROPERTY NOI</b>						
Expressed in thousands of Canadian dollars	Three months ended December 31			Year ended December 31		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Same property NOI<sup>(1)</sup></b>						
Same property revenue from investment properties	\$ 76,034	\$ 59,923	\$ 16,111	\$ 132,024	\$ 105,556	\$ 26,468
Same property operating costs	(17,536)	(17,366)	(170)	(11,673)	(11,103)	(570)
	<b>58,498</b>	<b>42,557</b>	<b>15,941</b>	<b>\$ 120,351</b>	<b>94,453</b>	<b>25,898</b>
NOI of the REIT <sup>(2)</sup>	-	-	-	\$ 76,242	52,380	23,862
Properties held for redevelopment	440	-	440			
Acquisitions	5,107	307	4,800	\$ 7,841	885	6,956
Dispositions	8	1,817	(1,809)	\$ -	-	-
Inter-company/elimination	(496)	(431)	(65)	(1,837)	(1,757)	(80)
<b>NOI<sup>(1)</sup></b>	<b>\$ 63,557</b>	<b>\$ 44,250</b>	<b>\$ 19,307</b>	<b>\$ 202,597</b>	<b>\$ 145,961</b>	<b>\$ 56,636</b>

**Notes**

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

(2) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI.

<b>TABLE 7A - SAME PROPERTY NOI - CANADA</b>						
In thousands of CAD	Three months ended December 31			Year ended December 31		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Same property NOI<sup>(1)(3)(4)</sup></b>						
Same property revenue from investment properties	\$ 32,926	\$ 33,352	\$ (426)	\$ 130,080	\$ 129,379	\$ 701
Same property operating costs	(14,727)	(14,595)	(132)	(57,620)	(56,870)	(750)
	<b>18,199</b>	<b>18,757</b>	<b>(558)</b>	<b>72,460</b>	<b>72,509</b>	<b>(49)</b>
Properties held for redevelopment	440	-	440	528	130	398
Acquisitions	-	-	-	1,807	1,960	(153)
Dispositions	8	1,817	(1,809)	1,447	7,270	(5,823)
<b>NOI<sup>(1)</sup></b>	<b>\$ 18,647</b>	<b>\$ 20,574</b>	<b>\$ (1,927)</b>	<b>\$ 76,242</b>	<b>\$ 81,869</b>	<b>\$ (5,627)</b>
<b>Reclass to share of profit (loss) of associates<sup>(2)</sup></b>	-	-	-	-	(29,489)	29,489
<b>NOI<sup>(1)(2)</sup></b>	<b>\$ 18,647</b>	<b>\$ 20,574</b>	<b>\$ (1,927)</b>	<b>\$ 76,242</b>	<b>\$ 52,380</b>	<b>\$ 23,862</b>

**Notes**

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

(2) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI.

(3) Same property NOI is not directly comparable to the prior YTD period due to acquisition adjustments associated with the Combination Transaction that impact the pattern of straight-line rent amortization. Same property NOI includes the straight-line rent income of \$257 and \$834 for the three months and twelve months ended December 31, 2016, respectively (\$432 and \$672 for the three months and twelve months ended December 31, 2015, respectively).

(4) Same Property NOI for Canada has been presented for information purposes only. On a consolidated basis excluding the current quarter, as NWI has been identified as the accounting acquirer of the REIT, all NOI generated by Canadian properties is treated as an acquisition.

**TABLE 7B - SAME PROPERTY NOI - BRAZIL**

In thousands of BRL and CAD	Three months ended December 31			Year ended December 31		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Same property NOI <sup>(1)</sup> - in thousands of BRL</b>						
Same propety revenue from investment properties	R\$ 21,843	R\$ 19,741	R\$ 2,102	R\$ 88,133	R\$ 78,810	R\$ 9,323
Same property operating costs	-	-	-	-	-	-
	<b>21,843</b>	<b>19,741</b>	<b>2,102</b>	<b>88,133</b>	<b>78,810</b>	<b>9,323</b>
Acquisitions - in thousands of BRL	7,067	-	7,067	8,476	-	8,476
Dispositions - in thousands BRL	-	-	-	-	-	-
<b>NOI <sup>(1)</sup> - in thousands of BRL</b>	<b>R\$ 28,910</b>	<b>R\$ 19,741</b>	<b>R\$ 9,169</b>	<b>R\$ 96,609</b>	<b>R\$ 78,810</b>	<b>R\$ 17,799</b>
FX Rate	0.4049	0.3474	0.0575	0.3836	0.3884	(0.0048)
<b>NOI <sup>(1)</sup> - in thousands of CAD</b>	<b>\$ 11,706</b>	<b>\$ 6,858</b>	<b>\$ 4,848</b>	<b>\$ 37,063</b>	<b>\$ 30,611</b>	<b>\$ 6,452</b>

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

**TABLE 7C - SAME PROPERTY NOI - GERMANY**

In thousands of Euro and CAD	Three months ended December 31			Year ended December 31		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Same property NOI <sup>(1)</sup> - in thousands of Euro</b>						
Same propety revenue from investment properties	€ 2,443	€ 2,419	€ 24	€ 9,304	€ 9,248	€ 56
Same property operating costs	(613)	(829)	216	(2,389)	(2,771)	382
	<b>1,830</b>	<b>1,590</b>	<b>240</b>	<b>6,915</b>	<b>6,477</b>	<b>438</b>
Acquisitions - in thousands of Euro	208	6	202	665	18	647
Dispositions - in thousands of Euro	-	-	-	-	-	-
<b>NOI <sup>(1)</sup> - in thousands of Euro</b>	<b>€ 2,038</b>	<b>€ 1,596</b>	<b>€ 442</b>	<b>€ 7,580</b>	<b>€ 6,495</b>	<b>€ 1,085</b>
FX Rate	1.4410	1.4618	(0.0208)	1.4656	1.4195	0.0461
<b>NOI <sup>(1)</sup> - in thousands of CAD</b>	<b>\$ 2,938</b>	<b>\$ 2,333</b>	<b>\$ 605</b>	<b>\$ 11,109</b>	<b>\$ 9,220</b>	<b>\$ 1,889</b>

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

**TABLE 7D - SAME PROPERTY NOI - AUSTRALASIA**

In thousands of NZD and CAD	Three months ended December 31			Year ended December 31		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Same property NOI <sup>(1)(3)</sup> - in thousands of NZD</b>						
Same propety revenue from investment properties	\$ 32,365	\$ 18,155	\$ 14,210	\$ 91,123	\$ 69,244	\$ 21,879
Same property operating costs	(2,027)	(1,750)	(277)	(8,804)	(8,031)	(773)
	<b>30,338</b>	<b>16,405</b>	<b>13,933</b>	<b>82,319</b>	<b>61,213</b>	<b>21,106</b>
Acquisitions - in thousands of NZD	2,049	335	1,714	3,894	963	2,931
Dispositions in thousands of NZD	-	-	-	-	-	-
<b>NOI <sup>(1)</sup> - in thousands of NZD</b>	<b>32,387</b>	<b>\$ 16,740</b>	<b>\$ 15,647</b>	<b>\$ 86,213</b>	<b>\$ 62,176</b>	<b>\$ 24,037</b>
FX Rate	0.9499	0.8910	0.0588	0.9282	0.8927	0.0354
<b>NOI <sup>(1)</sup> - in thousands of CAD</b>	<b>\$ 30,764</b>	<b>\$ 14,916</b>	<b>\$ 15,848</b>	<b>\$ 80,020</b>	<b>\$ 55,507</b>	<b>\$ 24,513</b>

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

## Revenue from investment properties

### Canada

Same property revenue from investment properties for the three months ended December 31, 2016 is \$426 lower than actual results for the three months ended December 31, 2015 primarily due to a decrease in operating cost recoveries of \$439 driven by a decrease in operating costs, decrease in straight-line rent of \$130 reflecting the portfolio contractual leasing profile offset by an increase in parking revenue of \$88 reflecting efficiencies of internalization of parking management and higher parking traffic and higher termination fee income of \$19.

Same property revenue from investment properties for the year ended December 31, 2016 is \$701 greater than actual results for the year ended December 31, 2015 primarily due to increase in operating cost recoveries of \$362 driven by an increase in operating costs, an increase in straight-line rent of \$282 reflecting the portfolio contractual leasing profile and an increase in parking revenue of \$377 offset by lower termination fee income of \$362.

### Brazil

In Brazil, same property revenues for the three months and year ended December 31, 2016 increased over the comparable prior year period as a result of inflationary adjustments which are implemented annually across the portfolio, in accordance with the REIT's leasing contracts. The rental increase imposed in 2016 reflects the 12 month IPCA rate as at each property rental adjustment date. On January 1, 2016, the leases relating to Rede D'Or Hospital Portfolio properties were adjusted by 10.67% and on April 1, 2016, Hospital Sabara lease was adjusted by 10.36%. Revenue in the year to date period includes a non-recurring rental adjustment of R\$998 as a result of a review of Hospital Caxias D'Or lease agreement.

### Germany

Same property revenue from Germany's investment properties remained at the prior year quarter reflecting lower revenue due to higher expiries offset by inflationary rental increases to existing tenants.

Same property revenue from Germany's investment properties increased by €56 for the year ended December 31, 2016, against the prior year period. Year over year occupancy increased slightly. The higher same property revenue for the year ended December 31, 2016 is primarily inflationary rental increases to existing tenants of approximately 1%, offset by prior year tenant reconciliations after a milder winter. Furthermore a one-off claim against a developer resulted in income of €70 in the first quarter.

### Australasia

For the three months and year ended December 31, 2016, Vital Trust's same property revenue increased NZ\$14,210 and NZ\$21,879, respectively, over the comparable prior year periods primarily due to termination fee from one of Vital's tenants of \$13,000, same property rent increases, and rentalization of the expansions at Hurstville Private Hospital property, Belmont Private Hospital in Queensland, Australia, Maitland Private Hospital in Newcastle, NSW, Australia and Marian Centre, Perth, Australia.

## Property operating costs

### Canada

Same property operating expenses for the three months ended December 31, 2016 increased by \$132 over the comparable prior year period driven mainly by increase in non-recoverable costs partially offset by a decrease in repairs and maintenance costs.

Same property operating expenses for the year ended December 31, 2016 increased by \$750 over the comparable prior year period driven mainly by increase in wages and benefits and utilities as well as repairs and maintenance costs; partially offset by a decrease in non-recoverable costs.

#### Brazil

The nature of the leases in Brazil is such that the tenant is responsible for all operating costs of the property, excluding social taxes which represent a tax against revenues as a result of the REIT's corporate structure of the entities holding certain of the Brazilian assets.

#### Germany

Same property operating costs for the three months ended December 31, 2016 decreased by €216, against the prior year comparable periods.

Same property operating costs for the year ended December 31, 2016 decreased €382, against the prior year comparable periods.

The decrease in property operating costs for the year ended December 31, 2016 from the comparable prior year quarter was primarily due to lower usage based cost assumptions (heating and electricity) resulting from a milder winter than past years.

#### Australasia

For the three months ended December 31, 2016, Vital Trust's same property operating costs were NZ\$277 higher than the comparable prior year quarter primarily due mainly due to costs associated with development which became revenue producing.

For the year ended December 31, 2016, Vital Trust's same property operating costs were NZ\$773 higher than the comparable prior year period primarily due to costs associated with development which became revenue producing offset by provisions against accounts receivable not required.

## FUNDS FROM OPERATIONS (“FFO”)

FFO is a supplemental non-IFRS industry wide financial measure of a REIT’s operating performance. The REIT calculates FFO based on certain adjustments to net income (computed in accordance with IFRS) as detailed below. Other adjustments may be made to FFO as determined by management at their discretion.

<b>TABLE 8 - FUNDS FROM OPERATIONS</b>						
Expressed in thousands of Canadian dollars, except per unit amounts						
	Three months ended December 31			Year ended December 31		
	2016 (Unaudited)	2015 (Unaudited)	Variance (Unaudited)	2016 (Unaudited)	2015 (Unaudited)	Variance (Unaudited)
<b>Net income (loss) attributable to unitholders</b>	\$ 77,457	\$ 4,185	\$ 73,272	\$ 56,963	\$ 116,854	\$ (59,891)
<b>Add / (Deduct):</b>						
(i) Fair market value losses (gains)	(91,923)	(59,506)	(32,417)	(102,353)	(179,682)	77,329
Less: Non-controlling interests' share of fair market value losses (gains)	12,368	37,879	(25,511)	51,694	94,108	(42,414)
(ii) Finance cost - Exchangeable Unit distributions	3,800	3,825	(25)	15,199	16,986	(1,787)
(iii) Revaluation of financial liabilities	2,466	5,442	(2,976)	10,053	13,705	(3,652)
(iv) Unrealized foreign exchange loss (gain)	(2,392)	4,676	(7,068)	(47)	2,405	(2,452)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	(944)	208	(1,152)	(833)	(12)	(821)
(v) Deferred taxes	24,712	14,202	10,510	46,149	39,837	6,312
Less: Non-controlling interests' share of deferred taxes	(3,057)	(3,065)	8	(11,324)	(13,375)	2,051
(vi) Non-recurring transaction costs	295	451	(156)	4,106	10,310	(6,204)
(vii) Convertible Debenture issuance costs	3,947	3,133	814	7,064	3,134	3,930
(viii) Net adjustments for equity accounted entities	(6,547)	-	(6,547)	(6,424)	2,221	(8,645)
(ix) Internal leasing costs	736	551	185	2,123	1,128	995
(x) Net loss on disposal of investment properties	-	1,218	(1,218)	2,807	1,352	1,455
(xi) Gain on business combination	-	-	-	(53)	(69,023)	68,970
(xii) Other FFO adjustments	436	-	436	1,475	-	1,475
<b>Funds From Operations (“FFO”)<sup>(1)</sup></b>	<b>\$ 21,354</b>	<b>\$ 13,199</b>	<b>\$ 8,155</b>	<b>\$ 76,599</b>	<b>\$ 39,948</b>	<b>\$ 36,651</b>
FFO per Unit - Basic	\$ 0.24	\$ 0.18	\$ 0.06	\$ 0.94	\$ 0.68	\$ 0.26
FFO per Unit - fully diluted <sup>(4)</sup>	\$ 0.23	\$ 0.18	\$ 0.05	\$ 0.90	\$ 0.67	\$ 0.23
<b>Adjusted weighted average units outstanding:<sup>(2)(3)</sup></b>						
Basic	88,366,983	71,715,369	16,651,614	81,465,221	59,161,622	22,303,599
Diluted <sup>(4)</sup>	109,701,240	76,405,266	33,295,973	95,511,014	60,677,621	34,833,393
<b>Notes</b>						
(1)	FFO is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO as reported by other such issuers. FFO is defined in this MD&A and reconciled to the consolidated financial statements of the REIT.					
(2)	Outstanding units and weighted average unit amounts, and the associated per unit amounts, for the period prior to the Combination Transaction, reflect the capital structure of NWI as adjusted for the Exchange Ratio.					
(3)	Under IFRS the REIT’s Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 18,998,065 Class B LP Units outstanding as at December 31, 2016 and December 31, 2015.					
(4)	Diluted units includes vested but unissued deferred trust units and the conversion of the REIT’s Convertible Debentures that would have a dilutive effect upon conversion at the holders’ contractual conversion price. Convertible Debentures are dilutive if the interest (net of tax and other changes in income or expense) per unit obtainable on conversion is less than the basic per unit measure.					
<b>FFO DILUTION</b>						
	Three months ended December 31			Year ended December 31		
	2016 (Unaudited)	2015 (Unaudited)	Variance (Unaudited)	2016 (Unaudited)	2015 (Unaudited)	Variance (Audited)
<b>Funds From Operations (“FFO”) - Undiluted</b>	<b>\$ 21,354</b>	<b>\$ 13,199</b>	<b>\$ 8,155</b>	<b>\$ 76,599</b>	<b>\$ 39,948</b>	<b>\$ 36,651</b>
Potentially Dilutive Convertible Debentures						
NWH.DB	528	-	528	2,113	-	2,113
NWH.DB.A	367	-	367	1,469	-	1,469
NWH.DB.B	328	-	328	1,313	-	1,313
NWH.DB.C	702	-	702	-	-	-
NWH.DB.D	729	666	63	2,915	673	2,242
NWH.DB.E	981	-	981	1,715	-	1,715
NWH.DB.F	186	-	186	187	-	187
	3,821	666	3,155	9,712	673	9,039
<b>Funds From Operations (“FFO”) - Diluted</b>	<b>\$ 25,175</b>	<b>\$ 13,865</b>	<b>\$ 11,310</b>	<b>\$ 86,311</b>	<b>\$ 40,621</b>	<b>\$ 45,690</b>
<b>Adjusted weighted average units outstanding:</b>						
Basic	88,366,983	71,715,369	16,651,614	81,465,221	59,161,622	22,303,599
Vested but unissued deferred units	551,184	388,448	162,736	492,460	428,819	63,641
Potentially Dilutive Convertible Debentures						
NWH.DB	2,834,507	-	2,834,507	2,834,507	-	2,834,507
NWH.DB.A	1,649,635	-	1,649,635	1,649,635	-	1,649,635
NWH.DB.B	1,516,464	-	1,516,464	1,516,464	-	1,516,464
NWH.DB.C	3,100,000	-	3,100,000	-	-	-
NWH.DB.D	4,711,111	4,301,449	409,662	4,711,111	1,087,179	3,623,932
NWH.DB.E	5,862,745	-	5,862,745	2,562,949	-	2,562,949
NWH.DB.F	1,108,611	-	1,108,611	278,667	-	278,667
	20,783,073	4,301,449	16,481,624	13,553,333	1,087,179	12,466,153
Diluted	109,701,240	76,405,266	33,295,973	95,511,014	60,677,621	34,833,393

The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly FFO for the periods prior to completion of the Combination Transaction reflect the results of NWI. The FFO for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT and NWI.

See **PART XII – SUPPLEMENTAL DISCLOSURE** for additional information on the components of FFO.

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

(i) **Fair market value gains/ losses**

Expressed in thousands of Canadian dollars	<b>Three months ended December 31</b>			<b>Year ended December 31</b>		
	<b>2016</b>	<b>2015</b>	<b>Variance</b>	<b>2016</b>	<b>2015</b>	<b>Variance</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
<b>Fair market value losses (gains)</b>						
Fair value adjustment of Convertible Debentures	\$ (4,756)	\$ (2,024)	\$ (2,732)	\$ 6,490	\$ 3,930	\$ 2,560
Fair value adjustment of Exchangeable Units	(4,940)	17,797	(22,737)	24,127	(13,201)	37,328
Fair value adjustment of investment properties	(73,473)	(73,675)	202	(136,366)	(170,301)	33,935
Loss (Gain) on derivative financial instruments	(9,040)	(2,968)	(6,072)	1,945	404	1,541
Fair value adjustment of DUP Liability	286	1,364	(1,078)	1,451	(514)	1,965
<b>Total</b>	<b>\$ (91,923)</b>	<b>\$ (59,506)</b>	<b>\$ (32,417)</b>	<b>\$ (102,353)</b>	<b>\$ (179,682)</b>	<b>\$ 77,329</b>

Additional details are below:

(a) Convertible Debentures

Under IFRS the REIT’s Convertible Debentures are classified as financial liabilities measured at fair value through profit and loss and any related unrealized fair value changes in re-measuring the financial liability impact net income. Consistent with the REALpac White Paper on Funds From Operations dated April 2014 (“**REALpac Guidance**”) and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to the Convertible Debentures have been added back to the REIT’s net income.

(b) Exchangeable Units and DUP Liability

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

(c) Investment properties

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

(d) Derivative financial instruments

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

**(ii) Finance cost – Exchangeable Unit distributions**

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

**(iii) Revaluation of financial liabilities**

On maturity, the principal balance of the Brazil Term Loans and the holdbacks payable (included in deferred consideration), in respect of the Rede D'Or Hospital Portfolio Acquisition, are adjusted by the inflation rate (IPCA or CDI) from the date of inception of these liabilities to their respective maturities. The accretion expense is treated as a fair value adjustment to the Brazil Term Loans and holdbacks payable related to the Rede D'Or Hospital Portfolio Acquisition, and therefore adjusted for when calculating FFO. Although this adjustment is not consistent with REALpac Guidance, the REIT believes the adjustment is consistent with industry practice.

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

Under IFRS, financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. The REIT's unrealized foreign exchange movements for the periods relate primarily to the revaluation of the Australasian Secured Financing and Vital Margin Facilities which are denominated in Australian and/or New Zealand dollars and held by a Canadian subsidiary of the REIT. Consistent with REALpac Guidance, the foreign exchange movements on the indebtedness associated with the REIT's investment in Vital Trust has been added back to the REIT's net income, as it relates to borrowings that arise due to the REIT's interest in a foreign operation (Vital Trust).

**(v) Deferred taxes**

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

**(vi) Non-recurring transaction costs**

Under IFRS the REIT expensed non-recurring transaction costs related primarily to the GHM acquisition, the Internalization Transaction, and Combination Transaction which have been determined to be business combinations. In accordance with the REALpac Guidance, to allow for consistent treatment of transaction costs incurred whether a transaction is recorded as an asset acquisition or business combination, and to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, transaction costs related to the REIT's GHM acquisition, Internalization Transaction and Combination Transaction have been added back to net income.

**(vii) Convertible Debenture issuance costs**

In accordance with IFRS, because the REIT measures its Convertible Debentures at fair value, the REIT expenses the costs related to the issuance of the Convertible Debentures. Although this adjustment is not consistent with REALpac Guidance, these non-recurring finance costs related to the issuance of the Convertible Debentures, have been added back to the REIT's net income which the REIT believes is consistent with industry practice.

**(viii) Net adjustments for equity accounted entities**

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

Additional details on these adjustments are provided in the tables below:

Expressed in thousands of Canadian dollars	Three months ended December 31			Year ended December 31		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Average % of GHC owned during the period <sup>(2)</sup>	19.8%	n/a		16.3%	n/a	
<b>Proportionate share of Generation Healthcare REIT ("GHC") FFO<sup>(1)</sup></b>	<b>\$ 1,313</b>	<b>\$ -</b>	<b>\$ 1,313</b>	<b>\$ 2,255</b>	<b>\$ -</b>	<b>\$ 2,255</b>
Average % of NorthWest REIT owned during the period	n/a	n/a		n/a	25.4%	
<b>Proportionate share of NorthWest REIT FFO</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,374</b>	<b>\$ (4,374)</b>
<b>Proportionate share of Funds From Operations ("FFO"<sup>(1)</sup>) from Associates</b>	<b>\$ 1,313</b>	<b>\$ -</b>	<b>\$ 1,313</b>	<b>\$ 2,255</b>	<b>\$ 4,374</b>	<b>\$ (2,119)</b>
Less: Share of profit (loss) of associates	7,860	-	7,860	8,679	2,153	6,526
<b>Net FFO adjustments for equity accounted entities</b>	<b>\$ (6,547)</b>	<b>\$ -</b>	<b>\$ (6,547)</b>	<b>\$ (6,424)</b>	<b>\$ 2,221</b>	<b>\$ (8,645)</b>

**Notes**

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

(2) As at December 31, 2016 the REIT held an approximate 19.8% interest in GHC.

(3) The Combination Transaction was completed on May 15, 2015. FFO for the three months and year ended December 31, 2015 represents NorthWest REIT's FFO.

Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended December 31			Year ended December 31		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
<b>Share of profit (loss) of GHC</b>	<b>\$ 7,860</b>	<b>\$ -</b>	<b>\$ 7,860</b>	<b>\$ 8,679</b>	<b>\$ -</b>	<b>\$ 8,679</b>
<b>Add / (Deduct):</b>						
Fair market value losses (gains)	(6,521)	-	(6,521)	(6,394)	-	(6,394)
Gain on business combination	(26)	-	(26)	(30)	-	(30)
<b>Proportionate share of Generation Healthcare REIT GHC FFO<sup>(1)</sup></b>	<b>\$ 1,313</b>	<b>\$ -</b>	<b>\$ 1,313</b>	<b>\$ 2,255</b>	<b>\$ -</b>	<b>\$ 2,255</b>
Less: Share of profit (loss) of GHC	7,860	-	7,860	8,679	-	8,679
<b>Net FFO adjustment for GHC</b>	<b>\$ (6,547)</b>	<b>\$ -</b>	<b>\$ (6,547)</b>	<b>\$ (6,424)</b>	<b>\$ -</b>	<b>\$ (6,424)</b>
Average % of GHC owned during the period <sup>(2)</sup>	19.8%	n/a		16.3%	n/a	

**Notes**

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

(2) As at December 31, 2016 the REIT held an approximate 19.8% interest in GHC.

**(ix) Internal leasing costs**

In accordance with IFRS, internal leasing costs that aren't incremental are expensed. These amounts include the base salary and benefits of the internal leasing department. Consistent with REALpac Guidance these

costs that can be reasonably and directly attributed to signed leases, and that would otherwise be capitalized if incurred from external sources, are added back to net income in determining FFO.

**(x) Net loss on disposal of investment properties**

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

**(xi) Gain on business combination**

Consistent with REALpac Guidance the REIT has adjusted FFO for the gain recognized on the GHM acquisition and the Combination Transaction, and other acquisitions accounted for as a business combination.

**(xii) Other FFO adjustments**

Other FFO adjustments include the amortization of intangibles recognized on the acquisition of GHM that impact profit and loss but are non-cash in nature. Consistent with REALpac Guidance the REIT has adjusted FFO for these amounts. Also included in other FFO adjustments are amounts that represent the impact of certain Vital Manager fees that are capitalized by Vital Trust. The adjustments reflect the cash flow benefit to the REIT of the capitalized fees funded by the non-controlling interest of Vital Trust.

## ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

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

<b>TABLE 9 - ADJUSTED FUNDS FROM OPERATIONS</b>						
Expressed in thousands of Canadian dollars, except per unit amounts						
	Three months ended December 31			Year ended December 31		
	2016 (Unaudited)	2015 (Unaudited)	Variance (Unaudited)	2016 (Unaudited)	2015 (Unaudited)	Variance (Audited)
<b>Funds From Operations ("FFO")<sup>(1)</sup></b>	<b>\$ 21,354</b>	<b>\$ 13,199</b>	<b>\$ 8,155</b>	<b>\$ 76,599</b>	<b>\$ 39,948</b>	<b>\$ 36,651</b>
<b>Add / (Deduct):</b>						
(i) Interest Rate Subsidy	-	-	-	-	669	(669)
(ii) Amortization of marked to market adjustment	(777)	(3,292)	2,515	(5,964)	(6,219)	255
(iii) Amortization of deferred financing charges	1,394	1,443	(49)	4,768	6,907	(2,139)
Less: Non-controlling interests' share of amortization of deferred financing charges	(69)	(94)	25	(272)	(235)	(37)
(iv) Straight-line revenue	81	(348)	429	(349)	(488)	139
Less: non-controlling interests' share of straight-line revenue	(202)	(48)	(154)	(414)	(255)	(159)
(v) Leasing costs and non-recoverable maintenance capital expenditures	(2,526)	(2,477)	(49)	(9,844)	(7,064)	(2,780)
Less: non-controlling interests' share of actual capex and leasing costs	192	9	183	465	591	(126)
(vi) DUP Compensation Expense	(54)	2,958	(3,012)	2,122	10,800	(8,678)
(vii) Internalization Contribution	-	-	-	-	1,385	(1,385)
(viii) Debt repayment costs	-	2,666	(2,666)	3,134	2,666	468
(ix) Net adjustments for equity accounted entities	(209)	-	(209)	(354)	-	(354)
<b>Adjusted Funds From Operations ("AFFO")<sup>(1)</sup></b>	<b>\$ 19,184</b>	<b>\$ 14,016</b>	<b>\$ 5,168</b>	<b>\$ 69,891</b>	<b>\$ 48,705</b>	<b>\$ 21,186</b>
AFFO per Unit - Basic	\$ 0.22	\$ 0.20	\$ 0.02	\$ 0.86	\$ 0.82	\$ 0.04
AFFO per Unit - fully diluted <sup>(3)</sup>	\$ 0.21	\$ 0.19	\$ 0.02	\$ 0.83	\$ 0.81	\$ 0.02
Distributions per Unit - Basic	\$ 0.20	\$ 0.20	\$ -	\$ 0.80	\$ 0.89	\$ (0.09)
<b>Adjusted weighted average units outstanding:<sup>(2)</sup></b>						
Basic	88,366,983	71,715,369	16,651,614	81,465,221	59,161,622	22,303,599
Diluted <sup>(3)</sup>	103,435,141	79,239,773	24,195,368	92,344,915	62,468,656	29,876,259
<b>Notes</b>						
(1)	FFO and AFFO are not measures recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.					
(2)	Outstanding units and weighted average unit amounts, and the associated per unit amounts, for the period prior to the Combination Transaction, reflect the capital structure of NWI as adjusted for the Exchange Ratio.					
(3)	Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 18,998,065 Class B LP Units outstanding as at December 31, 2016 and December 31, 2015.					
(4)	Diluted units includes vested but unissued deferred trust units and the conversion of the REIT's Convertible Debentures that would have a dilutive effect upon conversion at the holders' contractual conversion price. Convertible Debentures are dilutive if the interest (net of tax and other changes in income or expense) per unit obtainable on conversion is less than the basic per unit measure.					

<b>AFFO DILUTION</b>						
	Three months ended December 31			Year ended December 31		
	2016 (Unaudited)	2015 (Unaudited)	Variance (Unaudited)	2016 (Unaudited)	2015 (Unaudited)	Variance (Audited)
<b>Adjusted Funds From Operations ("AFFO") - Undiluted</b>	<b>\$ 19,184</b>	<b>\$ 14,016</b>	<b>\$ 5,168</b>	<b>\$ 69,891</b>	<b>\$ 48,705</b>	<b>\$ 21,186</b>
Potentially Dilutive Convertible Debentures						
NWH.DB	528	528	-	2,113	1,335	778
NWH.DB.A	-	-	-	-	-	-
NWH.DB.B	-	-	-	-	-	-
NWH.DB.C	-	-	-	-	-	-
NWH.DB.D	729	666	63	2,915	673	2,242
NWH.DB.E	981	-	981	1,715	-	1,715
NWH.DB.F	186	-	186	187	-	187
	<u>2,424</u>	<u>1,194</u>	<u>1,230</u>	<u>6,930</u>	<u>2,008</u>	<u>4,922</u>
<b>Adjusted Funds From Operations ("AFFO") - Diluted</b>	<b>\$ 21,608</b>	<b>\$ 15,210</b>	<b>\$ 6,398</b>	<b>\$ 76,821</b>	<b>\$ 50,713</b>	<b>\$ 26,108</b>
<b>Adjusted weighted average units outstanding:</b>						
Basic	88,366,983	71,715,369	16,651,614	81,465,221	59,161,622	22,303,599
Vested but unissued deferred units	551,184	388,448	162,736	492,460	428,819	63,641
Potentially Dilutive Convertible Debentures						
NWH.DB	2,834,507	2,834,507	-	2,834,507	1,791,035	1,043,472
NWH.DB.A	-	-	-	-	-	-
NWH.DB.B	-	-	-	-	-	-
NWH.DB.C	-	-	-	-	-	-
NWH.DB.D	4,711,111	4,301,449	409,662	4,711,111	1,087,179	3,623,932
NWH.DB.E	5,862,745	-	5,862,745	2,562,949	-	2,562,949
NWH.DB.F	1,108,611	-	1,108,611	278,667	-	278,667
	<u>14,516,974</u>	<u>7,135,956</u>	<u>7,381,018</u>	<u>10,387,234</u>	<u>2,878,214</u>	<u>7,509,020</u>
Diluted	<u>103,435,141</u>	<u>79,239,773</u>	<u>24,195,367</u>	<u>92,344,915</u>	<u>62,468,656</u>	<u>29,876,259</u>

The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly AFFO for the periods prior to completion of the Combination Transaction reflect the results of NWI. The AFFO for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT and NWI. See **PART XII – SUPPLEMENTAL DISCLOSURE** for additional information on the components of AFFO.

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

**(i) Interest Rate Subsidy**

As part of NWI's original acquisition of the investment in the NorthWest from NWVP, NWVP had committed, by means of a capital contribution, that the effective interest rate payable by NWI on the assumed NWH Margin Facilities shall not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014 (the "Interest Rate Subsidy"). In 2014 and again in May 2015, NWVP and the NWI agreed to extend and amend the Interest Rate Subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the NWI on the assumed NWH Margin Facilities did not exceed 4.25% up to March 31, 2015. In connection with the Combination Transaction the NWH Margin Facilities related to the NWI's investment in the REIT were repaid in full and cancelled.

Under IFRS, the value of the Interest Rate Subsidy has been recorded as a capital contribution (direct charge to Unitholders' Equity) and a corresponding receivable from NWVP. Subsequent cash payments made by NWVP were recorded as a reduction of the receivable balance. To account for the economic impact of the reduced rate on the NWH Margin Facilities related to the investment in the REIT, NWI included an accrual of the cash to be received in respect of the Interest Rate Subsidy in AFFO. This cash amount was fully received by the REIT in the first quarter of 2016.

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

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

**(iii) Amortization of deferred financing charges**

Under IFRS, the REIT has recorded amortization of deferred financing charges. As the amortization is a non-cash item, the REIT has included an adjustment in AFFO.

**(iv) Straight-line revenue**

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

Also included in the straight-line revenue adjustments are amounts related to the Sabará Securitization Facility. At the time of securitization, deferred revenue was recognized at an amount equal to the present value of the proceeds received upon the securitization. Under IFRS, the REIT has recorded deferred revenue in respect of the Sabará Securitization Facility, which is amortized into income over the remaining term of the lease. The unamortized balance of the deferred revenue, \$9,690 (R\$23,435) as at December 31, 2016 is net against the value of investment properties. The fair value of the balance outstanding on the Sabará Securitization Facility is \$21,599 (R\$52,234) as at December 31, 2016.

To account for the actual revenue received and to eliminate any principal repayment components on the securitization, the REIT includes an adjustment in AFFO.

For the three months ended December 31, 2016 the REIT recorded revenue of \$535 related to the Sabará Securitization Facility (year ended December 31, 2016 - \$2,000), while the actual rent received, less interest on the Sabará Securitization Facility, totaled \$614 (year ended December 31, 2016 - \$2,202). As such, the REIT has increased net income reported under IFRS in AFFO by \$79 for the three months ended December 31, 2016 (year ended December 31, 2016 - \$202).

For the three months ended December 31, 2015 the REIT recorded revenue of \$446 related to the Sabará Securitization Facility (year ended December 31, 2015 - \$1,930), while the actual rent received, less interest on the Sabará Securitization Facility, totaled \$421 (year ended December 31, 2015 - \$2,010). As such, the REIT has decreased net income reported under IFRS in AFFO by \$24 for the three months ended December 31, 2015 (year ended December 31, 2015 - \$80 increase).

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

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

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

**(vi) DUP Compensation Expense**

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

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

**(vii) Internalization Contribution**

As a result of costs incurred by the REIT following completion of the Internalization Transaction, NWVP committed to make a capital contribution to NWI LP (the "**Internalization Contribution**"). For the year ended December 31, 2015, the REIT recorded an Internalization Contribution of \$1,385. The Internalization Contribution is recorded on the consolidated statement of unitholders' equity. To account for the economic impact of the Internalization Contribution, the REIT included an adjustment to AFFO for the expected cash contribution to be received. This cash amount was fully received by the REIT in the first quarter of 2016.

**(viii) Debt repayment costs**

During the quarter and year to date period the REIT incurred \$nil and \$3,134, respectively, of costs associated with the early repayment of mortgages. As the costs are non-recurring in nature the REIT has added them back to income when determining AFFO.

**(ix) Net adjustments for equity accounted entities**

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

Additional details on these adjustments are provided in the table below:

Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended December 31			Year ended December 31		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
<b>Proportionate share of Generation Healthcare REIT ("GHC") FFO<sup>(1)</sup></b>	\$ 1,313	\$ -	\$ 1,313	\$ 2,255	\$ -	\$ 2,255
<b>Add / (Deduct):</b>						
Amortization of marked to market adjustments	(74)	-	(74)	(119)	-	(119)
Amortization of deferred financing charges	8	-	8	12	-	12
Straight-line revenue	(29)	-	(29)	(61)	-	(61)
Leasing costs and non-recoverable maintenance capital expenditures	(114)	-	(114)	(186)	-	(186)
<b>Proportionate share of GHC AFFO<sup>(1)</sup></b>	\$ 1,104	\$ -	\$ 1,104	\$ 1,901	\$ -	\$ 1,901
Less: Proportionate share of GHC FFO	(1,313)	-	(1,313)	(2,255)	-	(2,255)
<b>Net AFFO adjustment for GHC</b>	\$ (209)	\$ -	\$ (209)	\$ (354)	\$ -	\$ (354)
Average % of GHC owned during the period <sup>(2)</sup>	19.8%	n/a		16.3%	n/a	
<b>Notes</b>						
(1) FFO and AFFO are not measures recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.						
(2) As at December 31, 2016 the REIT held an approximate 19.8% interest in GHC.						

**DISTRIBUTIONS**

The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly distributions for the periods prior to completion of the Combination Transaction reflect the distributions paid by NWI. The distributions for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT.

For the three months and year ended December 31, 2016, the REIT declared a total of \$17,674 and \$65,920, respectively, in distributions, including distributions on Exchangeable Units. These distributions reflect an annualized distribution rate of \$0.80 per unit per annum.

For the three months and year ended December 31, 2015, the REIT declared a total of \$14,345 and \$51,487 in distributions, respectively, including distributions on Exchangeable Units. These distributions reflect an annualized distribution rate of \$1.058 per unit per annum paid by NWI (\$0.22 per unit per annum adjusted by the Exchange Ratio), for the period prior to completion of the Combination Transaction and \$0.80 per unit per annum for the period following completion of the Combination Transaction.

Distributions paid per unit over the past twelve months are summarized below:

	Dec-16	Nov-16	Oct-16	Sep-16	Aug-16	Jul-16	Jun-16	May-16	Apr-16	Mar-16	Feb-16	Jan-16	Dec-15
Monthly distribution (\$)	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667
Month-end closing price (\$)	10.20	9.63	10.36	10.46	10.59	10.21	10.03	9.57	9.65	9.64	9.11	8.73	8.93
Date of Record	30-Dec-16	30-Nov-16	31-Oct-16	30-Sep-16	31-Aug-16	29-Jul-16	30-Jun-16	31-May-16	29-Apr-16	31-Mar-16	29-Feb-16	29-Jan-16	31-Dec-15
Date Paid	16-Jan-17	15-Dec-16	15-Nov-16	17-Oct-16	15-Sep-16	15-Aug-16	15-Jul-16	15-Jun-16	16-May-16	15-Apr-16	15-Mar-16	16-Feb-16	15-Jan-16

### Distribution Reinvestment Plan

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

During the three months and year ended December 31, 2016, a total of 136,686 and 516,574 trust units, respectively, were issued under the DRIP (three months and year ended December 31, 2015, a total of 159,593 and 420,229 trust units, respectively, as adjusted for the Exchange Ratio).

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

Expressed in thousands of Canadian dollars	Three months ended December 31		Year ended December 31	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income (loss) attributable to unitholders	\$ 77,457	\$ 4,185	\$ 56,963	\$ 116,854
Add: Finance cost - Exchangeable Unit distributions	3,800	3,825	15,199	16,986
Adjusted net income (loss)	\$ 81,257	\$ 8,010	\$ 72,162	\$ 133,840
Cash flow from operating activities attributable to unitholders	\$ 18,156	\$ 13,562	\$ 67,229	\$ 28,163
Distributions paid and payable				
Trust Units	\$ 13,874	\$ 10,520	\$ 50,722	\$ 34,501
Exchangeable Units	3,800	3,825	15,199	16,986
	\$ 17,674	\$ 14,345	\$ 65,921	\$ 51,487
Surplus (shortfall) of adjusted net income (loss) attributable to unitholders over distributions paid and payable	\$ 63,583	\$ (6,335)	\$ 6,241	\$ 82,353
Surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	\$ 482	\$ (783)	\$ 1,308	\$ (23,324)
Value of Trust Units issued pursuant to the DRIP	\$ 1,333	\$ 1,299	\$ 4,821	\$ 3,394

	Three months ended December 31		Year ended December 31	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	\$ 482	\$ (783)	\$ 1,308	\$ (23,324)
Add: Distribution income from equity accounted associates	1,898	-	1,898	3,172
Adjusted surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	\$ 2,380	\$ (783)	\$ 3,206	\$ (20,152)

Prior to the Combination Transaction cash flow from operating activities attributable to unitholders excluded the distribution income from the REIT which was classified as cash flow from investing activities under IFRS, and therefore was not considered in the surplus (shortfall) relative to the distributions paid. The distributions earned

from its investment in associates are considered by management to be an integral part of the REIT's cash flow from operations due to the strategic nature of these equity investments. After considering the distribution income earned from the REIT's investments in associates, Table 11A therefore identifies \$783 and \$20,152 of distributions for the three months and year ended December 31, 2015, respectively, that were financed from other sources being primarily draws on the REIT's Revolving Credit Facility and the DRIP.

Participants in the REIT's DRIP have their distribution entitlement used to purchase Trust Units and also receive a "bonus distribution" of Trust Units equal in value to 3% of each distribution. During the three months and year ended December 31, 2016, there was \$1,333 and \$4,821 in value of Trust Units, respectively, issued under the DRIP (three months and year ended December 31, 2015, there was \$1,299 and \$3,394 in value of Trust Units, respectively). While reducing the cash required to settle the REIT's distributions, the Trust Units issued, pursuant to the DRIP, may in future result in additional cash distributions, should the holders of these Trust Units opt out of the DRIP.

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

In assessing its distribution policy, the REIT considers not only cash flows from operating activities (attributable to unitholders) but also AFFO. Due to the timing of cash receipts relating to certain adjustments affecting AFFO and the fact that certain AFFO adjustments are non-cash, a portion of the 2015 distributions were funded by financing activities. The REIT believes that it is able to sustain distributions in the near term as the REIT measures distributions in relation to AFFO and the REIT believes it will be able to obtain new financing to meet its cash flow requirements due to the timing of cash receipts relating to certain adjustments affecting AFFO.

Net income attributable to Unitholders for the period also reflects material non-cash items such as fair value adjustments to investment properties and financial instruments and deferred taxes, which do not impact cash flow and are not considered in the REIT's distribution policy. In establishing distribution payments, the REIT does not take fluctuations in working capital into consideration.

REIT's distributions during 2016 have been deemed a 100% return of capital for tax purposes. Since IPO, annually, approximately 94% to 100% of the REIT's distributions have been deemed a return of capital for tax purposes. As the REIT has a relatively short operating history since IPO, the real estate assets of the REIT have a relatively higher tax base. As such, the REIT will optimize tax deductions available to it in relation to the depreciation of its properties. Over time, all else remaining equal, as the REIT grows, its taxable income is expected to grow, and a greater proportion of the REIT's distributions will be allocated to a return on capital (and less a return of capital) for tax purposes. The REIT has chosen to make distributions partly representing an economic return on capital for tax purposes as its distribution policy is based on AFFO earned rather than the expected tax attributes of the distributions.

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

items in the future. The REIT anticipates temporarily funding such items, if necessary, through new financing or asset sales.

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

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

Expressed in thousands of Canadian dollars	Three months ended December 31			Year ended December 31		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
<b>Cash flow from operating activities</b>	\$ 29,219	\$ 20,200	\$ 9,019	\$ 102,080	\$ 46,590	\$ 55,490
Add (deduct):						
Non-cash interest expense	(5,950)	(3,970)	(1,980)	(5,154)	285	(5,439)
Non-cash current taxes	(2,487)	(744)	(1,743)	(2,437)	2,425	(4,862)
Changes in non-cash working capital balances	13,861	2,491	11,370	6,514	4,969	1,545
FFO of equity accounted entities	1,104	-	1,104	1,901	4,374	(2,473)
Other FFO adjustments	436	-	436	1,475	-	1,475
Internal leasing costs	736	551	185	2,123	1,128	995
Interest rate subsidy	-	-	-	-	669	(669)
Non-recurring transaction costs	295	451	(156)	4,106	10,010	(5,904)
Leasing costs and non-recoverable maintenance capital expenditures	(2,526)	(2,477)	(49)	(9,844)	(7,064)	(2,780)
Internalization contribution	-	-	-	-	1,385	(1,385)
Amortization of deferred revenue	265	263	2	1,128	1,160	(32)
Straight-line revenue	81	(348)	429	(349)	(488)	139
Redemption of units issued under the DUP	54	316	(262)	108	1,040	(932)
Amortization of furniture and office equipment	(439)	(76)	(363)	(750)	(275)	(475)
Foreign exchange	(497)	(397)	(100)	(1,292)	(421)	(871)
Convertible debenture issuance costs	-	-	-	-	1	(1)
Debt repayment costs	-	2,666	(2,666)	3,134	2,666	468
Share of profit (loss) from associates	133	-	133	-	-	-
AFFO attributable to non-controlling interest	(15,101)	(4,910)	(10,191)	(32,852)	(19,749)	(13,103)
	\$ (10,035)	(6,184)	(3,851)	(32,189)	2,115	(34,304)
<b>AFFO</b>	<b>\$ 19,184</b>	<b>\$ 14,016</b>	<b>\$ 5,168</b>	<b>\$ 69,891</b>	<b>\$ 48,705</b>	<b>\$ 21,186</b>

## QUARTERLY PERFORMANCE

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

TABLE 13 - QUARTERLY PERFORMANCE								
Expressed in thousands of Canadian dollars, except per unit amounts								
	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15
<b>Summary of Financial information <sup>(1)</sup></b>								
Gross Book Value ("GBV") <sup>(2)</sup>	\$ 3,328,533	\$ 3,166,994	\$ 2,914,693	\$ 2,711,496	\$ 2,700,009	\$ 2,521,248	\$ 2,539,814	\$ 1,369,933
Debt - Declaration of Trust <sup>(3)</sup>	\$ 1,382,784	\$ 1,364,757	\$ 1,402,740	\$ 1,334,625	\$ 1,329,514	\$ 1,321,178	\$ 1,304,335	\$ 618,462
Debt to GBV - Declaration of Trust	41.5%	43.1%	48.1%	49.2%	49.2%	52.4%	51.4%	45.1%
Debt - Including Convertible Debentures <sup>(3)</sup>	\$ 1,714,618	\$ 1,620,846	\$ 1,578,387	\$ 1,507,039	\$ 1,499,608	\$ 1,440,295	\$ 1,423,610	\$ 694,719
Debt to GBV - Incl. Convertible Debentures	51.5%	51.2%	54.2%	55.6%	55.5%	57.1%	56.1%	50.7%
<b>Operating results <sup>(4)</sup></b>								
Net income (loss)	\$ 100,846	\$ 3,633	\$ 25,838	\$ (1,186)	\$ 43,984	\$ 6,502	\$ 164,045	\$ 2,893
NOI <sup>(4)</sup>	\$ 63,557	\$ 48,277	\$ 46,056	\$ 44,707	\$ 44,250	\$ 43,641	\$ 34,093	\$ 23,977
FFO <sup>(4)</sup>	\$ 21,354	\$ 21,432	\$ 17,710	\$ 16,103	\$ 13,199	\$ 15,526	\$ 9,091	\$ 2,130
AFFO <sup>(4)</sup>	\$ 19,184	\$ 17,708	\$ 17,325	\$ 15,674	\$ 14,016	\$ 14,428	\$ 11,684	\$ 8,699
Distributions <sup>(5)</sup>	\$ 17,674	\$ 17,652	\$ 16,173	\$ 14,422	\$ 14,345	\$ 14,382	\$ 12,898	\$ 9,862
<b>Per Unit amounts <sup>(1)(6)(7)</sup></b>								
FFO per unit - Basic	\$ 0.24	\$ 0.25	\$ 0.22	\$ 0.22	\$ 0.18	\$ 0.22	\$ 0.16	\$ 0.06
AFFO per unit - Basic	\$ 0.22	\$ 0.21	\$ 0.22	\$ 0.22	\$ 0.20	\$ 0.20	\$ 0.21	\$ 0.23
Distributions	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.22	\$ 0.26
<b>Adjusted Weighted Average units outstanding <sup>(6)(7)</sup></b>								
Basic	88,366,983	86,344,032	78,982,759	72,037,654	71,715,369	71,926,782	55,259,676	37,286,974
<b>Notes</b>								
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI. The financial results for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT and NWI.								
(2) Gross Book Value is defined as total assets.								
(3) As defined in Non-IFRS measures used in this MD&A.								
(4) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to IFRS-based amounts reported in the consolidated financial statements of the REIT. NOI is an additional IFRS measure and NOI as calculated by the REIT may not be comparable to similar titled measures reported by other issuers.								
(5) Represents distributions to Unitholders and Class B LP Units on an accrual basis. Distributions are payable as at the end of the period in which they are declared by the Board of Trustees, and are paid on or around the 15th day of the following month.								
(6) Outstanding units and weighted average unit amounts, and the associated per unit amounts, for the period prior to the Combination Transaction, reflect the capital structure of NWI as adjusted for the Exchange Ratio.								
(7) Under IFRS the REIT's Class B LP Units and Class D GP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units and Class D GP Units in basic and diluted units outstanding/weighted average units outstanding.								

## PART IV – CAPITALIZATION AND LIQUIDITY

### CAPITAL STRUCTURE

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

The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. The REIT is the legal acquirer; however, NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI and the outstanding units and weighted average unit amounts, and associated per unit amounts, for these periods, reflect the capital structure of NWI as adjusted for the Exchange Ratio.

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

The following table shows the REIT's total capital as at December 31, 2016 and December 31, 2015:

<b>TABLE 14 - CAPITAL STRUCTURE</b>		
Expressed in thousands of Canadian dollars	<b>As at</b>	<b>As at</b>
	<b>December 31, 2016</b>	<b>December 31, 2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Mortgages and loans payable	\$ 1,369,665	\$ 1,243,762
Deferred consideration	13,119	34,073
Mortgages related to assets held for sale	-	51,679
<b>Debt - Declaration of Trust <sup>(1)</sup></b>	<b>1,382,784</b>	<b>1,329,514</b>
Convertible Debentures at Fair Value	331,834	170,094
<b>Debt - Including Convertible Debentures <sup>(1)</sup></b>	<b>1,714,618</b>	<b>1,499,608</b>
Mortgages and loans payable - marked to market	11,296	16,265
Mortgages related to assets held for sale - marked to market	-	995
Mortgages and loans payable - unamortized financing costs	(15,285)	(7,034)
Total Debt	1,710,629	1,509,834
DUP Liability	14,935	15,597
Class B LP Exchangeable Units	193,780	169,653
Unitholders' equity	704,285	515,478
<b>Total Capitalization</b>	<b>\$ 2,623,629</b>	<b>\$ 2,210,562</b>
<b>Notes</b>		
(1) As defined in Non-IFRS measures used in this MD&A.		

## Unitholders' Equity

The following table reconciles the movements in the units outstanding for the three months and year ended December 31, 2016:

<b>TABLE 14 - UNITS OUTSTANDING</b>	
	<b>(Unaudited)</b>
Trust Units outstanding, December 31, 2015	52,691,943
Issuance of Trust Units under the DRIP	149,253
Issuance of Trust Units under the DUP	348,491
Cancellation of Trust Units pursuant to NCIB	(34,500)
<b>Trust Units outstanding, March 31, 2016</b>	<b>53,155,187</b>
Issuance of Trust Units pursuant to equity offering	8,619,456
Issuance of Trust Units under the DRIP	126,493
<b>Trust Units outstanding, June 30, 2016</b>	<b>61,901,136</b>
Issuance of Trust Units pursuant to equity offering	7,295,204
Issuance of Trust Units under the DRIP	104,142
<b>Trust Units outstanding, September 30, 2016</b>	<b>69,300,482</b>
Issuance of Trust Units under the DRIP	136,686
<b>Trust Units outstanding, December 31, 2016</b>	<b>69,437,168</b>

### NCIB

On June 29, 2015 the REIT announced its intention to make a normal course issuer bid ("**NCIB**") for a portion of its Trust Units as appropriate opportunities arise from time to time. On July 13, 2015, the TSX approved the REIT's NCIB. The REIT could acquire up to a maximum of 4,762,579 of its Trust Units, or approximately 10% of its public float, for cancellation over the NCIB's 12 month term. The number of Trust Units that could be purchased pursuant to the bid was subject to a current daily maximum of 18,054 Trust Units (which was equal to 25% of 72,218, being the average daily trading volume from January 1, 2015 through to June 30, 2015), subject to the REIT's ability to make one block purchase of Trust Units per calendar week that exceeds such limits. Any Trust Units purchased under the normal course issuer bid were cancelled upon their purchase. The NCIB expired on July 15, 2016.

During the three months and year ended December 31, 2016, the REIT acquired nil and 34,500 Trust Units, respectively, for cancellation at a volume weighted average price per unit of \$8.19 and a total cost of \$286, including commissions and costs.

### **Class B LP Units**

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

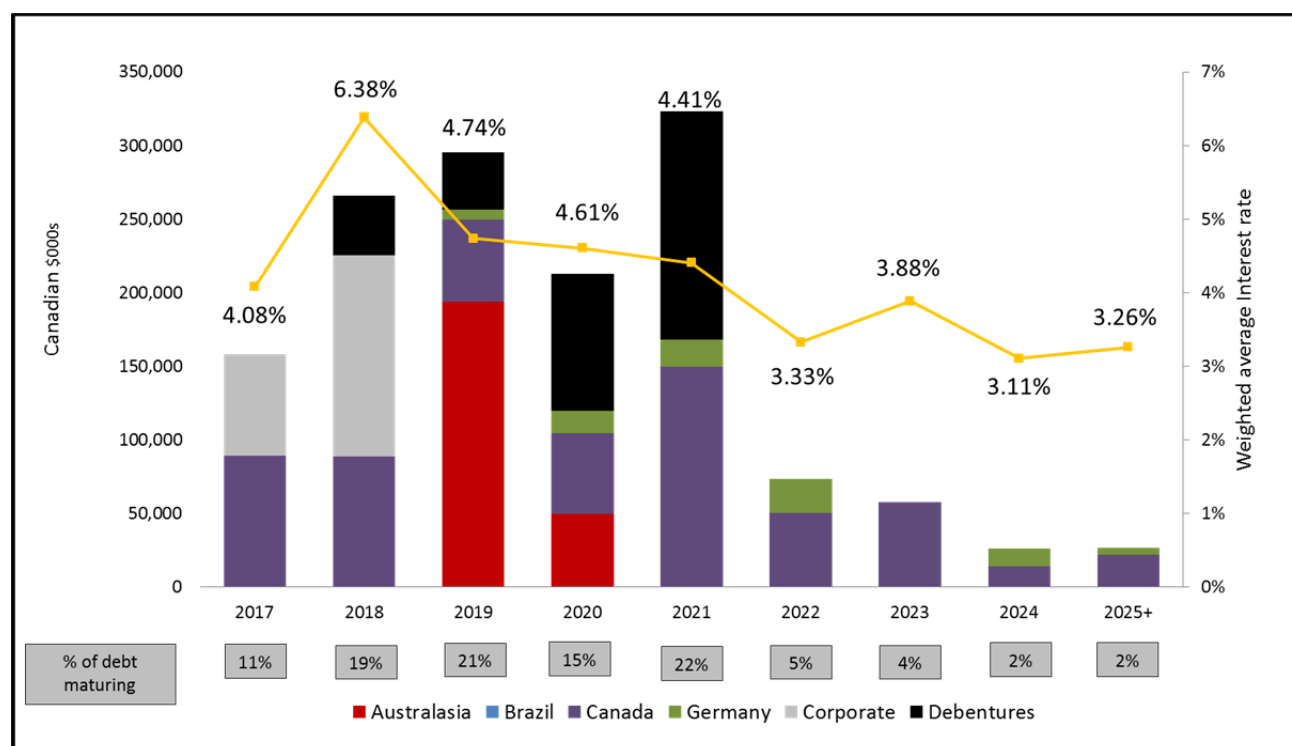
There were 18,998,065 Exchangeable Units outstanding as at December 31, 2016, unchanged from December 31, 2015.

## Debt

The following table summarizes the REIT's debt as at December 31, 2016 and December 31, 2015:

<b>TABLE 15- DEBT</b>						
Expressed in thousands of Canadian dollars (Unaudited)						
<b>As at December 31, 2016</b>						
	<b>Weighted average interest rate <sup>(1)</sup></b>	<b>Outstanding Balance</b>	<b>Marked to Market</b>	<b>Unamortized Financing Costs</b>	<b>Balance</b>	<b>Maturity</b>
<b>Canada</b>						
Mortgages	3.93%	\$ 670,734	\$ 11,296	\$ (1,397)	\$ 680,633	April 2017 - January 2029
<b>Brazil</b>						
Brazil debt <sup>(2)</sup>	7.84%	157,035	-	(9,947)	147,088	May 2026 - December 2026
<b>Germany</b>						
Mortgages	1.92%	92,837	-	(1,601)	91,236	June 2019 - August 2025
<b>Australasia</b>						
Term loans	4.66%	243,340	-	(889)	242,451	March 2019 to October 2020
<b>Corporate</b>						
Australasian Secured Financing	5.86%	118,719	-	(720)	117,999	July 2018
Acquisition Facility	8.20%	18,000	-	(544)	17,456	December 2018
Revolving Credit Facility	3.01%	69,000	-	(187)	68,813	November 2017
	5.11%	\$ 205,719	\$ -	\$ (1,451)	\$ 204,268	
<b>Total Mortgages and Loans Payable</b>	<b>4.55%</b>	<b>\$ 1,369,665</b>	<b>\$ 11,296</b>	<b>\$ (15,285)</b>	<b>\$ 1,365,676</b>	
Deferred Consideration	n/a	13,119	-	-	13,119	n/a
<b>Total Debt excluding Convertible Debentures</b>		<b>\$ 1,382,784</b>	<b>\$ 11,296</b>	<b>\$ (15,285)</b>	<b>\$ 1,378,795</b>	
Convertible Debentures (Corporate)	5.73%	327,350	4,484	-	331,834	March 2018 - December 2021
<b>Total Debt</b>	<b>4.78%</b>	<b>\$ 1,710,134</b>	<b>\$ 15,780</b>	<b>\$ (15,285)</b>	<b>\$ 1,710,629</b>	
<b>As at December 31, 2015</b>						
	<b>Weighted average interest rate <sup>(1)</sup></b>	<b>Outstanding Balance</b>	<b>Marked to Market</b>	<b>Unamortized Financing Costs</b>	<b>Balance</b>	<b>Maturity</b>
<b>Canada</b>						
Mortgages	4.23%	\$ 663,068	\$ 16,265	\$ (1,066)	\$ 678,267	May 2016 - January 2029
<b>Brazil</b>						
Brazil Term Loans	10.30%	56,058	-	(1,930)	54,128	December 2016
<b>Germany</b>						
Mortgages	1.96%	84,690	-	(1,857)	82,833	June 2019 - August 2025
<b>Australasia</b>						
Term loans	5.16%	270,607	-	(1,298)	269,309	March 2019 to October 2020
<b>Corporate</b>						
Vital Margin Facilities	6.08%	48,839	-	(122)	48,717	December 2016 - August 2018
Acquisition Facility	8.20%	24,000	-	(508)	23,492	January 2017
Revolving Credit Facility	3.12%	71,500	-	(224)	71,276	November 2017
Non-Revolving Credit Facility Expansion	3.70%	25,000	-	(29)	24,971	March 2016
	4.78%	169,339	-	(883)	168,456	
<b>Total Mortgages and Loans Payable</b>	<b>4.63%</b>	<b>\$ 1,243,762</b>	<b>\$ 16,265</b>	<b>\$ (7,034)</b>	<b>\$ 1,252,993</b>	
Deferred Consideration	n/a	34,073	-	-	34,073	n/a
<b>Total Debt excluding Convertible Debentures</b>		<b>\$ 1,277,835</b>	<b>\$ 16,265</b>	<b>\$ (7,034)</b>	<b>\$ 1,287,066</b>	
Convertible Debentures (Corporate)	6.17%	172,100	(2,006)	-	170,094	March 2018 - October 2019
<b>Total Debt</b>	<b>4.82%</b>	<b>\$ 1,449,935</b>	<b>\$ 14,259</b>	<b>\$ (7,034)</b>	<b>\$ 1,457,160</b>	
Mortgages related to assets held for sale	4.78%	\$ 51,679	\$ 995	\$ -	\$ 52,674	May 2016 - April 2020
<b>Notes</b>						
(1) Weighted average interest rate of Total Debt has been calculated excluding Deferred Consideration						
(2) The Brazil debt fully amortizes over a ten year period.						

The following chart summarizes, as at December 31, 2016, the REIT's debt maturities:



Additional details on the REIT's mortgages and loans payables are set out below:

### Canada – Mortgages

The following table summarizes, as at December 31, 2016, scheduled principal payments, debt maturity amounts and weighted average interest rates of the REIT's mortgages secured by its Canadian investment properties:

Expressed in thousands of Canadian dollars				
As at December 31, 2016	Scheduled principal payments (Unaudited)	Debt maturing during the year (Unaudited)	Total mortgages payable (Unaudited)	Weighted average interest rates <sup>(1)</sup> (Unaudited)
2017	\$ 17,125	\$ 89,254	\$ 106,379	4.91%
2018	17,311	88,895	106,206	3.34%
2019	14,999	56,192	71,191	3.58%
2020	13,988	54,825	68,813	4.12%
2021	9,126	149,672	158,798	3.76%
2022	6,458	50,264	56,722	4.08%
2023	3,516	57,931	61,447	3.88%
2024	2,085	14,225	16,310	4.30%
2025	926	22,170	23,096	3.49%
2026 and thereafter	1,772	-	1,772	-
	<b>\$ 87,306</b>	<b>\$ 583,428</b>	<b>\$ 670,734</b>	<b>3.93%</b>
Marked to market premium			11,296	-0.86%
			682,030	<b>3.07%</b>
Unamortized financings costs			(1,397)	
<b>Total</b>			<b>\$ 680,633</b>	

**Notes**

(1) One Canadian mortgage with a 5.73% interest rate fully amortizes over the period to January 2029.

On June 28, 2016 the REIT refinanced the \$9,582, 5.87% mortgage outstanding on its 950 Montee des Pionniers property with a \$6,700 mortgage at 2.61% and a 5 year term.

On May 10, 2016 the REIT renewed the \$2,070 mortgage outstanding on its Queenston Medical-Dental Centre property; extending the 4.96% mortgage for two years at 3.74%.

On April 18, 2016 the REIT refinanced the mortgages outstanding on its Fairview Health Centre property replacing the existing \$15,718, 5.35% 1<sup>st</sup> mortgage and \$6,127, 5.60% 2<sup>nd</sup> mortgage, with a \$22,000 mortgage at 3.30% and a 5 year term, generating a net shortfall to the REIT of approximately \$650. The interest rate on the mortgage is fixed utilizing an interest rate swap.

On April 18, 2016 the REIT refinanced the mortgages outstanding on its Rockyview Health Centre I property replacing the existing \$8,610, 5.38% 1<sup>st</sup> mortgage and \$817, 5.60% 2nd mortgage with a \$13,000 mortgage at 3.40% and a 5 year term, generating net proceeds to the REIT of approximately \$3,300. The interest rate on the mortgage is fixed utilizing an interest rate swap.

#### Brazil – Debt

<b>TABLE 15B - BRAZIL DEBT</b>				
Expressed in thousands of Canadian dollars				
	<b>Scheduled principal payments</b>	<b>Debt maturing during the year</b>	<b>Total mortgages payable</b>	<b>Weighted average interest rates<sup>(1)</sup></b>
<b>As at December 31, 2016</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
2017	\$ 11,101	\$ -	\$ 11,101	-
2018	12,371	-	12,371	-
2019	13,343	-	13,343	-
2020	14,392	-	14,392	-
2021	15,524	-	15,524	-
2022	16,745	-	16,745	-
2023	18,064	-	18,064	-
2024	19,487	-	19,487	-
2025	21,024	-	21,024	-
2026 and thereafter	14,984	-	14,984	-
	<b>\$ 157,035</b>	<b>\$ -</b>	<b>\$ 157,035</b>	<b>7.84%</b>
Unamortized financings costs			(9,947)	
<b>Total</b>			<b>\$ 147,088</b>	

**Notes**  
(1) The Brazil Term Loans fully amortize over a ten year period.

During December the REIT repaid Brazilian term loans in the amount of \$69,689 (R\$172,328), including the IPCA to the term loans totaling \$4,911 (R\$12,865), maturing on December 21, 2016.

On October 24, 2016, the REIT completed a long term financing in respect of the Hospital Caxias D’Or asset (the “**Caxias Financing**”). The Caxias Financing was for \$64,517 (R\$151,488) representing the securitization of 97.5% of future rents for a term of 10 years and an interest rate of 7.04%. The Caxias Financing, combined with the HMB Securitization Financing and Incremental HMB Securitization Financing, represents the REIT’s third asset level securitization in Brazil (the “**Brazil Securitization Financings**”).

On August 31, 2016, the REIT completed an incremental HMB financing. The financing, representing securitization of an additional 15% of future rents, during a 10 year term, of the REIT’s HMB asset and generated net proceeds of \$11,992 (R\$32,796) after financing costs (the “**Incremental HMB Securitization Financing**”). The facility bears an interest rate of 9.09% plus annual IPCA adjustments to the principal balance.

On May 13, 2016, the REIT completed the initial long term financing of its HMB asset. The financing, representing the securitization of 85% of future rents during a 10 year term, was for \$70,939 (R\$191,315) of gross proceeds at an interest rate of 8.28% plus annual IPCA adjustments to the principal balance (the “**HMB Securitization Financing**”). Net proceeds were approximately \$66,664 (R\$179,648) with \$10,011 (R\$30,110) of the proceeds received subsequent to the quarter on July 6, 2016.

#### Germany – Mortgages

The following table summarizes, as at December 31, 2016, scheduled principal payments, debt maturity amounts and weighted average interest rates of the REIT’s mortgages secured by its German investment properties:

<b>TABLE 15C - GERMAN MORTGAGES</b>				
Expressed in thousands of Canadian dollars				
<b>As at December 31, 2016</b>	<b>Scheduled principal payments</b>	<b>Debt maturing during the year</b>	<b>Total mortgages payable</b>	<b>Weighted average interest rates</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
2017	\$ 2,656	\$ -	\$ 2,656	-
2018	2,451	-	2,451	-
2019	2,313	6,796	9,109	2.23%
2020	2,007	15,243	17,250	1.42%
2021	1,503	18,494	19,997	2.55%
2022	883	23,089	23,972	1.70%
2023	628	-	628	-
2024	241	12,039	12,280	1.71%
2025	55	4,439	4,494	2.11%
2026 and thereafter	-	-	-	-
	<b>\$ 12,737</b>	<b>\$ 80,100</b>	<b>\$ 92,837</b>	<b>1.92%</b>
Unamortized financings costs			(1,601)	
<b>Total</b>			<b>\$ 91,236</b>	

The acquisition of Mehrower Allee, during the second quarter, was partially financed through a first mortgage of approximately \$16,203 (€11,200) from a German lending institution, having a term of 8 years and a fixed interest rate of 1.705%.

All of the REIT’s investment properties in Germany have been pledged as security against the German mortgages and loans.

#### Australasia – Term Loans

<b>TABLE 15D - AUSTRALASIA TERM LOANS</b>				
Expressed in thousands of Canadian dollars				
<b>As at December 31, 2016</b>	<b>Scheduled principal payments</b>	<b>Debt maturing during the year</b>	<b>Total mortgages payable</b>	<b>Weighted average interest rates</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
2019	\$ -	\$ 193,676	\$ 193,676	4.66%
2020	\$ -	\$ 49,664	\$ 49,664	4.66%
	<b>\$ -</b>	<b>\$ 243,340</b>	<b>\$ 243,340</b>	<b>4.66%</b>
Unamortized financings costs			(889)	
<b>Total</b>			<b>\$ 242,451</b>	

Vital Trust has a syndicated revolving multi-currency facility with ANZ Bank New Zealand Limited, Australia and New Zealand Banking Group Limited and Bank of New Zealand. The facility consists of the following tranches: Tranche A: approximately \$121,000 (A\$125,000) which expires March 31, 2019; Tranche B: approximately \$97,000 (A\$100,000) which expires March 31, 2019; Tranche C: approximately \$97,000 (A\$100,000) which expires October

30, 2020; Tranche D approximately \$97,000 (A\$100,000) which expires October 30, 2020; plus the New Zealand Dollar Facility, approximately \$19,000 (NZ\$20,000) which expires October 30, 2020;

Borrowings are secured by a security trust deed dated April 1, 2003 and as amended and restated on June 26, 2014. Pursuant to the deed, a security interest has been granted of first ranking mortgages over the respective investment properties by a general security deed over the assets and undertakings of Vital Trust.

The Vital Trust's policy is to convert a portion of its floating rate debt to fixed rates using interest rate swaps to maintain 70% to 100% of its borrowings in fixed rate instruments. Vital Trust has entered into interest rate swaps that mature over the next 9 years and have fixed interest rates ranging from 2.69% to 4.99% that fix interest on \$198,695 (NZ\$212,987) of the syndicated facility.

#### Corporate – Australasian Secured Financing

On July 15, 2016 the REIT completed a combined New Zealand Dollar and Australian Dollar credit facility financing with an available amount equal to the equivalent of A\$120,165 (the “**Australasian Secured Financing**”). The facility bears interest at a rate that fluctuates with the one-month bank bill reference rates of Australia and New Zealand, where applicable, plus 325 to 500 basis points (5.86% on a weighted average basis as at December 31, 2016). The facility is currently secured by a pledge of 105,977,178 Vital Trust units held by the REIT and 43,475,078 units GHC held by the REIT. The principal balance outstanding on the facilities as at December 31, 2016, was \$118,719 (NZ\$90,343 and A\$35,542). The facility has a term of two years.

The Australasian Secured Financing allows a maximum loan-to-fair market value of the Vital Trust units and GHC units pledged of 45% and if such margin is exceeded the REIT is required to provide additional security or reduce the loan.

Proceeds of the Australasian Secured Financing were used to repay the Vital Margin Facilities and partially fund the acquisition of GHC, as well as, the REIT's participation in the Vital Rights Offering.

#### Corporate – Vital Margin Facilities

During the third quarter the REIT drew on Australasian Secured Financing to fund the repayment in full of the Vital Margin Facilities, on July 18, 2016, totaling \$47,383 (NZ\$51,447). The Vital Margin Facilities bore interest at a rate that fluctuated with the one-month rate for New Zealand dollar bills of exchange (the “**BKBM**” rate). The weighted average interest rate of the Vital Margin Facilities was 5.58% at repayment.

The Vital Margin Facilities were secured by Vital Trust units owned by the REIT and required a minimum loan-to-fair market value of the Vital Trust units pledged of 50-57%. The margin facilities were to mature between December 31, 2016 and August 26, 2018.

The REIT had entered into an interest rate swap with respect to one of the margin facilities secured by the Vital Trust units to limit its exposure to fluctuations in the interest rates on approximately \$4,329 (NZ \$4,700) of the outstanding margin facility balance. The interest rate swap fixes the base interest rate at 2.335%, which were due to mature on March 31, 2017. On July 15, 2016 the REIT closed out the related interest rate swap with a notional value of \$4,329 (NZ \$4,700) for a nominal cost.

#### Corporate – Acquisition Facility

On December 19, 2013, in connection with the Rede D'Or Hospital Portfolio Acquisition, the REIT obtained an interest-only credit facility which had a principal of \$24,000 (the “**Acquisition Facility**”). The Acquisition Facility bears interest at the greater of 8.20% per annum or the Canadian prime rate plus 4.00% per annum, payable monthly. The Acquisition Facility is secured by a general security agreement (with the exclusion of certain specific assets) and matured on January 1, 2017. The Acquisition Facility is divided it into two sub-facilities: 1) \$8,000 non-

revolving facility, and 2) \$16,000 revolving facility.

On December 16, 2016, the REIT renegotiated terms of the Acquisition Facility, increasing the facility from \$24,000 to \$32,000 and extending the maturity date to December 31, 2018. \$8,000 of the facility remains non-revolving.

#### Corporate – Revolving Credit Facility

As at December 31, 2016, the REIT has \$80,000 revolving credit facility (inclusive of the Letter of Credit Facility). The facility bears interest at rates ranging from the bank’s prime rate plus 0.85% to 1.00% or Bankers’ Acceptances plus 1.85% to 2.00%, with a term to November 2, 2017 (the “**Revolving Credit Facility**”). Included in the Revolving Credit Facility is a \$5,000 revolving letter of credit facility, the unutilized portion of which may be used for revolving credit facility borrowings. The REIT has an option to expand the Revolving Credit Facility to \$100,000 and to extend the facility for a further one year period, each subject to terms and conditions satisfactory to the lenders.

The Revolving Credit Facility is secured by a pool of first ranking mortgages on certain properties and the terms of a general security agreement. There was \$69,000 drawn against the Revolving Credit Facility as at December 31, 2016.

#### Non-Revolving Credit Facility Expansion

On December 21, 2015 the REIT negotiated and drew down a temporary \$25,000 non-revolving expansion of the Revolving Credit Facility (the “**Non-Revolving Credit Facility Expansion**”). During the second quarter the REIT repaid \$8,800 of the Non-Revolving Credit Facility Expansion and it is now fully repaid.

#### Convertible Debentures

The following table summarizes, as at December 31, 2016, the REIT’s Convertible Debentures:

<b>TABLE 15E - CONVERTIBLE DEBENTURES</b>						
Expressed in thousands of Canadian dollars	<u>Fair Value <sup>(1)</sup></u>	<u>Face Value</u>	<u>Interest Rate</u>	<u>Conversion Price per Unit</u>	<u>Maturity Date</u>	<u>Interest Payment Dates</u>
<b>As at December 31, 2016</b>						
Series NWH.DB	40,954	40,250	5.25%	\$ 14.20	September 30, 2020	March 31, September 30
Series NWH.DB.A	23,052	22,600	6.50%	\$ 13.70	March 31, 2018	March 31, September 30
Series NWH.DB.B	17,850	17,500	7.50%	\$ 11.54	September 30, 2018	March 31, September 30
Series NWH.DB.C	39,719	38,750	7.25%	\$ 12.50	October 31, 2019	April 30, October 31
Series NWH.DB.D	54,060	53,000	5.50%	\$ 11.25	October 31, 2020	April 30, October 31
Series NWH.DB.E	75,498	74,750	5.25%	\$ 12.75	July 31, 2021	January 31, July 31
Series NWH.DB.F	80,701	80,500	5.25%	\$ 12.80	December 31, 2021	June 30, December 31
	<u>\$ 331,834</u>	<u>\$ 327,350</u>	<u>5.73%</u>			
<b>Notes</b>						
(1) The fair value of the Convertible Debentures is based on the closing trading price of the REIT’s Convertible Debentures as at the reporting date.						

#### Deferred Consideration

Deferred consideration relates to holdbacks payable and transaction costs not yet paid related to previously completed acquisitions.

As at December 31, 2016 deferred consideration includes \$7,287 (R\$17,623) related to the acquisitions of Hospital Ifor and Hospital Santa Helena, \$5,811 (A\$5,995) related to the acquisition of GHM and \$21 (€15) related to the acquisition of Mehrower Allee. The deferred consideration related to the acquisition of GHM is payable to the

seller at the later of the following: (i) collecting the performance fee receivable accrued at acquisition date, (ii) two years after the date of acquisition or (iii) upon occurrence of a 'trigger event' as defined in the acquisition agreement.

In connection with the Rede D'Or Hospital Portfolio Acquisition on December 23, 2013, the REIT held back a portion of the purchase price until the vendor complied with conditions related to certain title and zoning matters. On October 17, 2014, the purchase and sale agreement with respect to the Rede D'Or Hospital Portfolio Acquisition was amended to extend the payment date of the holdback related to Hospital Caxias D'Or to the later of December 15, 2015 or 180 days after the completion of certain conditions by the vendor. Effective from the date of amendment (October 17, 2014) to the payment date the holdback will be adjusted by the variation of the CDI plus 7.34% annually. The amendment provided that should the vendor not complete the required conditions to resolve the title matters by January 15, 2015, the amount of the inflation adjustment to the holdback shall be nil between January 15, 2015 and the date the vendor conditions are resolved. On January 15, 2015, the REIT was notified that the required conditions related to the Hospital Caxias D'Or holdback were not resolved. As such, between January 15, 2015 and October 16 2015, no inflation adjustment has been recognized in respect of the holdback. On October 16, 2015 the REIT was notified that the vendor conditions relating to the purchase and sale agreement of the REIT's Hospital Caxias D'Or property were resolved and the holdback became payable on April 15, 2016. In March 2016 the maturity date of the Hospital Caxias D'Or holdback was extended to June 15, 2016. On June 15, 2016, the REIT paid the balance of the holdback payable for its Hospital Caxias D'Or asset of \$30,643 (R\$83,180).

For the three months and year ended December 31, 2016, accretion expense of \$Nil and \$1,722, respectively, (three months and year ended December 31, 2015 - \$733 and \$970, respectively) was recorded to account for the related CDI adjustments on the holdback payable which has been recorded as finance costs in the consolidated statement of income (loss) and comprehensive income (loss).

#### **DUP Liability**

Under IFRS, the REIT's DUP Liability is measured at fair value each reporting period. The fair value of the DUP Liability mirrors the trading price of the REIT Trust Units. As at December 31, 2016 the DUP Liability is \$14,935 (December 31, 2015 - \$15,597).

## RATIOS AND COVENANTS

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

The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with a term to maturity that is appropriate having regard to the lease maturity profile for each property and which allows the REIT to (i) achieve and maintain staggered debt maturities to lessen exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix the rates and extend loan terms as long as possible when borrowing conditions are favourable. The following summarizes the status of these key ratios as at and for the three months and year ended December 31, 2016 and 2015:

TABLE 15F- RATIOS <sup>(1)</sup>						
Expressed in thousands of Canadian dollars						
	<b>As at</b>	<b>As at</b>				
	<b>December</b>	<b>December</b>				
	<b>31, 2016</b>	<b>31, 2015</b>				
	<u>(Unaudited)</u>	<u>(Unaudited)</u>				
Gross Book Value <sup>(2)</sup>	\$ 3,328,533	\$ 2,700,009				
Debt - Declaration of Trust <sup>(3)</sup>	\$ 1,382,784	\$ 1,329,514				
<b>Debt to Gross Book Value - Declaration of Trust</b>	<b>41.5%</b>	<b>49.2%</b>				
Debt - Including Convertible Debentures <sup>(3)</sup>	\$ 1,714,618	\$ 1,499,608				
<b>Debt to Gross Book Value - Including Convertible Debentures</b>	<b>51.5%</b>	<b>55.5%</b>				
	<b>Three months ended December 31</b>			<b>Year ended December 31</b>		
	<b>2016</b>	<b>2015</b>	<b>Variance</b>	<b>2016</b>	<b>2015</b>	<b>Variance</b>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<b>Income (Loss) before taxes</b>	\$ 128,821	\$ 59,669	\$ 69,152	\$ 183,515	\$ 259,946	\$ (76,431)
<b>Add (deduct):</b>						
Mortgage and loan interest expense	20,722	20,228	494	75,851	64,297	11,554
Distributions on Exchangeable Units	3,800	3,825	(25)	15,199	16,986	(1,787)
Amortization of deferred financing costs	1,394	1,443	(49)	4,768	6,907	(2,139)
Amortization of marked to market adjustment	(777)	(3,292)	2,515	(5,964)	(6,219)	255
Amortization of intangible asset	-	-	-	-	-	-
<b>EBITDA</b>	<b>\$ 153,960</b>	<b>\$ 81,873</b>	<b>\$ 72,087</b>	<b>\$ 273,369</b>	<b>\$ 341,917</b>	<b>\$ (68,548)</b>
Loss on revaluation of financial liabilities	2,466	5,442	(2,976)	10,053	13,705	(3,652)
Fair market value losses (gains)	(91,923)	(59,506)	(32,417)	(102,353)	(179,682)	77,329
DUP Compensation Expense	(54)	2,958	(3,012)	2,122	10,800	(8,678)
Foreign exchange loss (gain)	(818)	4,798	(5,616)	1,465	2,192	(727)
Net loss on disposal of investment properties	-	1,218	(1,218)	2,807	1,352	1,455
Convertible Debenture issuance costs	3,947	3,133	814	7,064	3,134	3,930
Gain on business combination	-	-	-	(53)	(69,023)	68,970
Transaction costs	295	451	(156)	4,106	10,310	(6,204)
Less: Share of (profit) loss of associates	(7,860)	-	(7,860)	(8,679)	(2,153)	(6,526)
Add: Distribution income from equity accounted associates	1,898	-	1,898	1,898	3,172	(1,274)
<b>Adjusted EBITDA</b>	<b>\$ 61,911</b>	<b>\$ 40,367</b>	<b>\$ 21,544</b>	<b>\$ 191,799</b>	<b>\$ 135,724</b>	<b>\$ 56,075</b>
Mortgage and loan interest expense	\$ 20,722	\$ 20,228	\$ (494)	\$ 75,851	\$ 64,297	\$ (11,554)
Less: Debt repayment costs	-	(2,666)	(2,666)	(3,134)	(2,666)	468
<b>Adjusted mortgage and loan interest expense</b>	<b>\$ 20,722</b>	<b>\$ 17,562</b>	<b>\$ (3,160)</b>	<b>\$ 72,717</b>	<b>\$ 61,631</b>	<b>\$ (11,086)</b>
<b>Interest Coverage</b>	<b>2.99</b>	<b>2.30</b>	<b>0.69</b>	<b>2.64</b>	<b>2.20</b>	<b>0.44</b>
<b>Notes</b>						
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. The REIT is the legal acquirer; however, NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results and capital structure reflect the results of NWI for the periods prior to completion of the Combination Transaction.						
(2) As defined in Non-IFRS measures used in this MD&A.						

## LIQUIDITY AND CASH RESOURCES

### Cash resources and Liquidity

Expressed in thousands of Canadian dollars	As at	
	December 31, 2016	December 31, 2015
	(Unaudited)	(Unaudited)
Cash	\$ 19,955	\$ 14,835
Restricted Cash	296	561
<b>Total</b>	<b>\$ 20,251</b>	<b>\$ 15,396</b>

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil Term Loans.

The REIT also has a Revolving Credit Facility and Acquisition Facility that provide additional liquidity. The liquidity of the Australasian Secured Financing fluctuates based on the market price (as defined in the respective agreements) of the pledged units securing the facilities and is currently fully drawn.

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

### Contractual cash flows

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

The following table sets out the REIT's contractual cash flows as at December 31, 2016:

Expressed in thousands of Canadian dollars	Carrying amount	Contractual cash flow	Year					
			2017	2018	2019	2020	2021	Thereafter
Accounts payable and accrued liabilities	\$ 44,740	\$ 44,740	\$ 44,740	\$ -	\$ -	\$ -	\$ -	\$ -
Distributions payable	4,629	4,629	4,629	-	-	-	-	-
Income tax payable	14,230	14,230	14,230	-	-	-	-	-
Deferred consideration	13,119	13,119	13,119	-	-	-	-	-
Convertible debentures	331,834	401,639	18,937	58,135	54,738	106,429	163,400	-
Mortgages and loans payable	1,365,676	1,516,237	226,543	286,512	312,884	168,429	208,141	313,728
<b>Total</b>	<b>\$ 1,774,228</b>	<b>\$ 1,994,594</b>	<b>\$ 322,198</b>	<b>\$ 344,647</b>	<b>\$ 367,622</b>	<b>\$ 274,858</b>	<b>\$ 371,541</b>	<b>\$ 313,728</b>

The REIT currently intends to distribute a high percentage of its AFFO to Unitholders. As such, the REIT will not

retain a material amount, or possibly none of operating cash flows or any cash distributions received from its investments in Vital Trust and GHC, to finance other capital requirements, such as acquisitions, maturing debt principal and significant capital expenditures. Instead, the REIT intends to finance such initiatives through the issuance of additional equity or debt securities. From time to time, the REIT may also consider other financing initiatives, such as the refinancing of mortgages on existing properties and entering into additional credit facilities.

The REIT's current liabilities totaled \$265,854, exceeding current assets of \$47,512, resulting in a working capital deficiency of \$218,342 as at December 31, 2016.

Current liabilities include:

- The Revolving Credit Facility of \$69,000 which matures November 2017. The REIT is currently considering refinancing options which may include the repayment of the remaining balance.
- \$89,254 of Canadian mortgage maturities that the REIT expects to refinance in the normal course as they mature.

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

## Changes in Cash

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

TABLE 18 - NET CHANGE IN CASH <sup>(1)</sup>						
Expressed in thousands of Canadian dollars	Three months ended December 31			Year ended December 31		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
<b>Cash provided by / (used in):</b>						
Operating activities	\$ 29,219	\$ 20,200	\$ 9,019	\$ 102,080	\$ 46,590	\$ 55,490
Investing activities	(162,688)	(20,491)	(142,197)	(452,178)	(64,381)	(387,797)
Financing activities	71,987	1,815	70,172	346,272	13,896	332,376
<b>Net increase / (decrease) in cash during the period</b>	<b>(61,482)</b>	<b>1,524</b>	<b>(63,006)</b>	<b>(3,826)</b>	<b>(3,895)</b>	<b>69</b>
Effect of foreign currency translation	7,783	2,825	4,958	8,946	360	8,586
<b>Net increase / (decrease) in cash during the period</b>	<b>\$ (53,699)</b>	<b>\$ 4,349</b>	<b>\$ (58,048)</b>	<b>\$ 5,120</b>	<b>\$ (3,535)</b>	<b>\$ 8,655</b>
<b>Notes</b>						
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI. The financial results for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT and NWI.						

## Operating activities

Cash provided by operating activities totaled \$29,219 for the three months ended December 31, 2016 as compared to cash flow provided by operating activities of \$20,200 for the three months ended December 31, 2015, an increase of \$9,019. Of this increase, \$19,307 is attributable to NOI improvements, \$1,486 to a decrease in Interest paid and \$433 to an increase in interest revenue. This was partially offset by working capital movements that reduced operating cash flow from the prior year by \$11,370.

For the year ended December 31, 2016, cash provided by operating activities totaled \$102,080 as compared to cash flow provided by operating activities of \$46,590 for the year ended December 31, 2015, an increase of \$55,490. Of this increase, \$56,636 is attributable to NOI improvements, including \$23,862 related to the consolidation of the results of the REIT with NWI following completion of the Combination Transaction. Transaction costs also decreased by \$6,204 and interest revenue increased by \$1,940. This was partially offset by an increase in interest paid of \$6,115 while working capital movements reduced operating cash flow from the prior year by \$1,545.

#### Investing activities

Cash used by investing activities totaled \$162,688 for the three months ended December 31, 2016, which is primarily due to \$155,743 related to the acquisition of investment properties and \$9,784 of additions to investment properties; partially offset by distribution income from associates of \$2,268.

Cash used by investing activities totaled \$20,491 for the three months ended December 31, 2015, which is primarily due to \$10,992 related to acquisitions of investment properties and \$30,288 of additions to investment properties, partially offset by net proceeds on disposal of investment properties of \$19,941.

Cash used in investing activities totaled \$452,178 for the year ended December 31, 2016, which is primarily due to which is primarily due to \$97,252 related to the acquisition of GHC, \$56,388 related to the acquisition of GHM, \$325,439 related to the acquisition of investment properties and \$72,188 of additions to investment properties; partially offset by proceeds from dispositions of investment properties of \$79,193 and receipts from foreign exchange contracts of \$17,988.

Cash used in investing activities totaled \$64,381 for the year ended December 31, 2015, which is primarily due to \$12,346 related to acquisitions of investment properties and \$81,001 of additions to investment properties partially offset by net proceeds on disposal of investment properties of \$20,175, distribution income from associates of \$3,172 and cash acquired on the Combination Transaction of \$3,217.

#### Financing activities

Cash generated in financing activities totaled \$71,987 for the three months ended December 31, 2016 as compared to an inflow of \$1,815 during the three months ended December 31, 2015.

During the three months ended December 31, 2016 the REIT received net proceeds, \$73,601 from the NWH.DB.F Convertible Debentures, received, net of repayments, from mortgages, loans payable and credit facilities of \$22,840, paid financing fees of \$2,979, paid distributions to REIT unitholders of \$16,331, paid distributions to non-controlling unitholders of Vital Trust of \$5,243 and received \$201 from related parties.

During the three months ended December 31, 2015, the REIT received net proceeds on the issuance of NWH.DB.D Convertible Debentures of \$49,868, made net payments on mortgages and loans payable and credit facilities of \$25,758, paid financing fees of \$3,347, received net advances from related parties of \$511, paid distributions to REIT unitholders of \$13,050, paid distributions to non-controlling unitholders of Vital Trust of \$4,695 and acquired Trust Units for cancellation, pursuant to the REIT's NCIB, at a total cost of \$1,714.

Cash generated in financing activities totaled \$346,272 for the year ended December 31, 2016 as compared to \$13,896 during the year ended December 31, 2015.

During the year ended December 31, 2016, the REIT received net proceeds of \$251,684 from equity offerings and the Vital Rights Offering, \$73,601 from the NWH.DB.F Convertible Debentures, \$74,750 from the NWH.DB.E Convertible Debentures, received, net of repayments, from mortgages, loans payable and credit facilities \$73,275, paid financing fees of \$14,392, paid distributions to REIT unitholders of \$59,984, paid distributions to non-controlling unitholders of Vital Trust of \$21,387, paid deferred consideration of \$30,627, acquired Trust Units for

cancellation, pursuant to the REIT's NCIB, at a total cost of \$286 and made net advances to related parties of \$362.

During the year ended December 31, 2015, the REIT received net proceeds on the issuance of NWH.DB.D Convertible Debentures of \$49,868, received net payments on mortgages and loans payable and credit facilities of \$21,595, paid financing fees of \$7,884, received net advances from related parties of \$32,694, paid distributions to REIT unitholders of \$58,284, paid distributions to non-controlling unitholders of Vital Trust of \$17,445 and acquired Trust Units for cancellation, pursuant to the REIT's NCIB, at a total cost of \$6,648.

## FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months ended December 31, 2016, approximately 84% of the REIT's AFFO was conducted in currencies other than Canadian dollars, while its distributions to Unitholders, certain general and administrative expenses, interest expenses and interest income were denominated in Canadian dollars. A summary of the REIT's currency exposure by quarter for the last four quarters is presented below:

AFFO by Currency by Quarter <sup>(1)</sup>	Trading Range				
	(Against CAD)	BRL	EUR	NZD	AUD
	<b>Three months ended December 31, 2016:</b>				
	High	0.4128	1.5298	0.8816	1.0127
	Low	0.3205	1.4081	0.8313	0.9659
	Average	0.4049	1.4410	0.9498	1.0007
	<b>Balance Sheet:</b>				
	December 31, 2016	0.4135	1.4153	0.9329	0.9691
	September 30, 2016	0.4058	1.4692	0.9548	1.0032
	June 30, 2016	0.3957	1.4412	0.9210	0.9640
	December 31, 2015	0.3499	1.5126	0.9493	1.0083
	<b>Profit &amp; Loss:</b>				
Q4 2016 Average Rate	0.4049	1.4410	0.9498	1.0007	
Q3 2016 Average Rate	0.4015	1.4545	0.9419	0.9885	
Q2 2016 Average Rate	0.3682	1.4562	0.8909	0.9617	
Q1 2016 Average Rate	0.3522	1.5155	0.9119	0.9908	
Q4 2015 Average Rate	0.3474	1.4624	0.8910	0.9612	
Q3 2015 Average Rate	0.3708	1.4559	0.8522	0.9496	
Q2 2015 Average Rate	0.4004	1.3597	0.8996	0.9617	
Q1 2015 Average Rate	0.4353	1.3967	0.9324	0.9758	
2016 YTD Average Rate	0.3817	1.4668	0.9236	0.9836	
2015 YTD Average Rate	0.3885	1.4187	0.8938		

### Notes

(1) Canadian Dollar AFFO represents the REIT's proportionate share of FFO from NorthWest REIT prior to the Combination Transaction, the consolidated AFFO of the REIT's Canadian operations after the Combination Transaction and interest income less interest expense paid on Canadian-denominated debt and

For the three months ended December 31, 2016, a portion of the AFFO generated in foreign currencies was retained in those foreign currencies to provide funds for operations, future investments in those foreign jurisdictions and to minimize currency conversion costs, while a portion has been repatriated back to Canada to fund distributions, interest payments and other corporate expenses.

For the three months ended December 31, 2016, Canadian dollar AFFO was \$3,015 while Canadian dollar distributions paid in cash to Unitholders totaled \$17,674. Deficiencies were funded from cash repatriated to Canada from Brazil, Germany and New Zealand and the draws on the Revolving Credit Facility.

As at December 31, 2016 the REIT held approximately \$10,093 of cash and receivables denominated in Canadian Dollars.

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

The REIT intends to implement its formal hedging policy, when necessary, practicable and economically feasible to do so, to mitigate the impact of foreign currency fluctuations and to provide more certainty regarding the payment of distributions to Unitholders if the Canadian dollar increases in value compared to foreign currencies. The REIT's current hedging arrangements include natural currency hedges through local-currency denominated debt, inflation-indexed leases that provide protection against currency devaluation, and exposure to a diversified basket of currencies. Future hedging arrangements may include implementing specific foreign currency hedging derivatives. The REIT (with the exception of Vital Trust) does not currently have any specific foreign currency hedging derivatives in place.

## **PART V – RELATED PARTY TRANSACTIONS**

- a) As at December 31, 2016, NWVP indirectly owned approximately 30% of the outstanding Trust Units (approximately 24% on a fully-diluted basis assuming conversion of the REIT's Convertible Debentures and redemption of its deferred units) of the REIT through a combination of Trust Units of the REIT and Class B LP Units. Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer (“**CEO**”) of the REIT, is the sole shareholder, sole director and President of NWVP.
- b) From the initiation of NWI until January 28, 2015, affiliates of NWVP served as the NWI's asset manager, property manager and developer pursuant to certain management and partnership agreements that are filed with the Canadian securities regulatory authorities and available on SEDAR at [www.sedar.com](http://www.sedar.com). On January 28, 2015, the NWI internalized its external management arrangements, terminating the asset management, property management and development functions of NWI carried on by affiliates of NWVP. The Internalization Transaction also resulted in NWI acquiring from NWVP all of the rights and obligations relating to the management of Vital Trust.

Post the Internalization Transaction, the REIT entered into a Cost-Sharing Agreement with an affiliate of NWVP for certain general management and administration support services for a fee based on cost-sharing. The REIT also has entered into a monthly Sublease Agreement with an affiliate of NWVP for the REIT to lease its head office premises.

The following table summarizes the related party transactions with NWVP and its affiliates related to the former Asset Management Agreement, Property Management Agreement, Development Agreement and Management Fee Participation Agreement as well as the Cost-Sharing and Sublease Agreements during the period:

<b>TABLE 19A - RELATED PARTY TRANSACTIONS</b>						
Expressed in thousands of Canadian dollars	Three months ended December 31			Year ended December 31		
	2016	2015	Variance	2016	2015	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Base asset management fees paid <sup>(1)</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest revenue (i)	-	-	-	-	(305)	305
Out-of-pocket costs paid	175	143	32	430	743	(313)
Cost-sharing and sublease amounts paid	\$ 171	\$ 23	\$ 148	\$ 696	\$ 248	\$ 448
<b>Notes</b>						
(1) During the three months ended March 31, 2015 NWI issued 143,538 NWI trust units to settle outstanding asset management fees owing to a subsidiary of NWVP (29,856 Trust Units adjusted for the Exchange Ratio).						

(i) Interest income on working capital and closing adjustment

Working capital and closing adjustment receivables from a subsidiary of NWVP arose as a result of the differences in the values of the working capital and debt indirectly assumed on acquisition of the initial international assets by NWI as compared to the values assigned at the time of the signing of the agreement entered into in connection with the acquisition. The working capital and closing adjustment receivable was unsecured and was previously due on December 31, 2013, but was fully repaid during the second quarter of 2015. The working capital and closing adjustment receivable accrued an approximate economic return of 8% per annum when permissible. For the three months ended March 31, 2015, NWVP agreed to pay interest of \$305.

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

<b>TABLE 19B - RELATED PARTY BALANCE SHEET AMOUNTS</b>					
Expressed in thousands of Canadian dollars	As at		As at		Variance (Unaudited)
	December 31, 2016	December 31, 2015	December 31, 2015		
	(Unaudited)	(Unaudited)	(Unaudited)		
<b>Amounts receivable</b>					
Interest Rate Subsidy (i)	\$ -	\$ 669	\$ -	\$ (669)	
Internalization Contribution (ii)	\$ -	\$ 1,385	\$ -	\$ (1,385)	
Cost-sharing and sublease amounts	\$ 315	\$ -	\$ -	\$ 315	
<b>Amounts payable</b>					
Class B Exchangeable Unit distributions	\$ 1,267	\$ 1,267	\$ -	\$ -	
Cost-sharing and sublease amounts	\$ -	\$ 318	\$ -	\$ (318)	

(i) Interest Rate Subsidy

As part of NWI's acquisition of the investment in the REIT, NWVP had committed, by means of a capital contribution (referenced in this MD&A as the Interest Rate Subsidy), that the effective interest rate payable by the REIT on the assumed NWH Margin Facilities should not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014. At the date of acquisition the present value of the Interest Rate Subsidy was \$1,874 and was recorded as a receivable from NWVP, and subsequent cash payments by NWVP will be recorded as a reduction of the receivable balance.

Throughout 2014 and again in March 2015, NWVP and NWI agreed to extend and amend the Interest Rate Subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to March 31, 2015. To reflect the extension of the Interest Rate Subsidy in 2014 and again in March 2015, the NWI recorded an additional receivable from NWVP of \$2,282 and \$669 respectively with the offset recorded directly to equity as a

capital contribution. In connection with the Combination Transaction the NWH Margin Facilities related to the NWI's investment in the REIT were repaid in full and cancelled.

On March 24, 2016 the interest rate subsidy was settled.

(ii) Internalization Contribution

As a result of costs incurred by NWI following completion of the Internalization Transaction, NWVP had committed to making an Internalization Contribution to NWI LP. For the three months and year ended December 31, 2015, the REIT recorded an Internalization Contribution of \$Nil and \$1,385, respectively. The Internalization Contribution is recorded in the consolidated statement of unitholders' equity. On March 24, 2016 the Internalization Contribution was settled.

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

## **PART VI – CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

A summary of significant accounting policies is described in note 2 of the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2016.

The preparation of financial statements in conformity with IFRS requires the REIT to make judgements, estimates, and assumptions that affect the reported amounts recognized in the financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the financial statements. Actual results could differ from estimates. The significant judgments and key estimates made by the REIT are outlined below:

### Critical accounting estimates

#### **Intangible asset**

Intangible asset represents the REIT's rights and obligations under the contracts between Vital Manager, a wholly-owned subsidiary of the REIT, and Vital Trust, and the contract between GHM, a wholly-owned subsidiary of the REIT, and GHC. The Vital Trust intangible asset has been measured at its fair value as at the effective date of the Internalization Transaction. The GHC intangible had been recorded at its fair value as at the date the REIT acquired GHM. When estimating the fair value of the intangible assets, the REIT made estimates and assumptions that have a significant effect on the reported value of the intangible asset. Estimates used in determining the fair value of the intangible asset include management fees, operating expenses, discount rates, capitalization rates, inflation rates, interest rates, taxation rates, foreign currency exchange rates and earnings multiples.

The contracts that govern the fee streams paid by both Vital Trust and GHC do not expire and therefore, the contracts are deemed indefinite-life intangible assets.

#### **Incentive and performance fee revenue**

At the end of the measurement period, revenues from incentive fees, earned by Vital Manager, and performance fees, earned by GHM, are recorded on the accrual basis based on the estimated amount that would be due under the Vital Trust and GHC fee formula as established by the respective contracts. The calculated incentive fee from Vital Trust includes management estimates of capitalization rates, foreign currency exchange rates, and the timing of completion of development activities. The GHC performance fee calculating requires management estimates of rate of return on the units and index, and foreign currency exchange rates.

As the REIT consolidates Vital Trust the incentive fees do not appear on the consolidated income statement of the REIT as it is an inter-company transaction. However, the REIT's Unitholders receive the benefit of approximately 75% of the incentive fees, representing the amount that is paid by the non-controlling interest of Vital Trust.

### **Investment properties**

Investment properties are re-measured to fair value at each reporting date, determined based either on internal valuation models incorporating available market evidence, or on valuations performed by third-party appraisers. When estimating the fair value of investment properties, the REIT makes estimates and assumptions that have a significant effect on the reported value of investment properties. Estimates used in determining the fair value of the investment properties include capitalization rates, discount rates, inflation rates, vacancy rates, net operating income and capital expenditures.

### **Interests in associates**

If it is determined that objective evidence exists that indicate that the REIT's interest in its associates has been impaired, the investment must be written down to its estimated fair value. Estimates used in determining the fair value of the associates include discount rates, inflation rates, net operating income and cash flows.

### **Derivative financial instruments**

The measurement of the fair value of the REIT's derivative financial instruments is based on estimates and assumptions that affect the reported amount of the liabilities and the corresponding gain or loss on changes in fair value.

### Critical Judgments in Applying Accounting Policies

#### **Leases**

The REIT makes judgments in determining whether leases in which the REIT is the lessor are operating or finance leases, and has determined that all of its leases are operating leases. The accounting treatment of leases as finance leases would have a significant effect on the measurement of transactions and balances in the consolidated financial statements.

#### **Investment Acquisitions**

When investments are acquired, the REIT is required to apply judgment as to whether or not the transaction should be accounted for as an asset acquisition or business combination. A transaction is considered to be a business combination if the acquired investment meets the definition of a business in accordance with IFRS 3, "Business Combinations", being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return.

Business Combinations are measured at fair value on the date of acquisition based on the aggregate of the consideration transferred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date and acquisition-related costs are recognized in the consolidated statement of income as incurred.

When acquisition of an investment does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values at the acquisition date, and no goodwill is recognized. Acquisition related costs are capitalized to the investment at the time the acquisition is completed.

All of the REIT's property acquisitions, with the exception of any interest in investment properties acquired as a result of the Internalization Transaction, Combination Transaction, and Acquisition of GHM of have been accounted for as asset acquisitions.

### **Income Taxes**

With the exception of subsidiaries that are subject to income taxes, deferred income taxes are not recognized in the consolidated financial statements on the basis that the REIT can deduct distributions paid such that its liability for income taxes is substantially reduced or eliminated for the year. In applying this accounting policy, the REIT has made the judgment that the REIT intends to continue to distribute its taxable income and continue to qualify as a real estate investment trust for the foreseeable future; however, should it no longer qualify it would not be able to flow through its taxable income to unitholders and the REIT would be subject to Canadian taxation on its non-portfolio earnings.

## **PART VII – RISKS AND UNCERTAINTIES**

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

### **RISKS RELATING TO REAL PROPERTY OWNERSHIP**

#### Real Property Ownership and Tenant Risks

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. Cash flows 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 has an interest becomes vacant and is not able to be leased on economically favourable lease terms, if at all. 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, such as laboratories, may require licences to operate their business. 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. 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 property 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 global 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, and the mortgage market in certain regions 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 to maintain occupancy rates in the REIT's properties, which could harm the REIT's financial condition. If these economic conditions worsen, 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.

#### Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As an owner of interests in real property in Brazil, Germany, Australia, New Zealand and Canada, the REIT is subject to various federal, state and municipal laws relating to environmental matters in each jurisdiction. Such environmental laws impose actual and contingent liabilities on us to undertake remedial action on contaminated sites and in contaminated buildings.

Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release could form the basis for liability to third persons for personal injury or other damages. In addition, if the REIT's officers infringe or have infringed environmental protection laws, the REIT could be exposed to civil or criminal damages. The REIT may be required to provide for additional reserves to sufficiently allocate toward the REIT's potential obligations to remove and dispose of any hazardous and toxic substances. Any such event could have a material and adverse effect on the REIT's cash flows, financial condition and results of operations and the REIT's ability to make distributions on the Trust Units.

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 strives to set policies and procedures to assess, manage and monitor environmental conditions at its properties to manage exposure to liability.

The REIT intends to 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 properties, 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.

## **RISKS RELATING TO THE BUSINESS OF THE REIT**

### Financing and Interest Rate Risks

As at December 31, 2016 the REIT had outstanding indebtedness of \$1,710,629, including the Convertible Debentures, but excluding Class B LP Units. Although a portion of the cash flow generated by investment properties will be devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

The REIT will be subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce AFFO. In order to minimize this risk, the REIT will attempt to diversify the term structure of its debt so that in no one year a disproportionate amount of its debt matures. As at December 31, 2016, \$248,410 of the REIT's total indebtedness is at variable rates (excludes \$324,327 of variable rate loans that have been hedged to fixed interest rates with interest rate swaps). 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, 2016. Access to this type of financing has diminished, and there is a risk that the REIT may not be able to refinance such loans on similar terms. Based upon the REIT's current loan-to-value ratios and loan amortizations, the REIT expects to be able to refinance such conduit loans as they come due.

The Revolving Credit Facility contains covenants that require the REIT to maintain certain financial ratios on a consolidated basis. If the REIT does not maintain such ratios, the lenders have certain rights under the agreement

that may restrict the REIT from accessing the Revolving Credit Facility, which may limit the REIT's ability to make distributions.

### 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.

### Development

The REIT is and expects to be increasingly involved in the development of MOB properties or in the expansion of existing hospital assets. Developing land is subject to the risks usually attributable to construction projects, which include: (i) construction or other unforeseen delays; (ii) cost overruns; (iii) the failure of tenants to occupy and pay rent in accordance with existing lease agreements, some of which are conditional; (iv) the inability to achieve projected rental rates or anticipated pace of lease-ups; (v) general construction risks; and (vi) an increase in interest rates during the life of the development or redevelopment. Furthermore, property development is a relatively new line of business for the REIT. As a result, development risks associated with such projects may be greater due to the REIT's developing experience in this area.

### 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 or other debt instruments 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.

### General Insured and Uninsured Risks

The activities carried on by the REIT entail 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 activities. The REIT carries 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 activities, 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 activities of the REIT.

### Investment Concentration

As a result of the REIT's investments consisting solely of interests in commercial real estate with a particular concentration on healthcare, it will be subject to risks inherent in investments in a single industry. Demand for commercial healthcare real estate could be adversely affected by weakness in the national, regional and local economies, changes in supply of, or demand for, similar or competing properties in a particular market. To the extent that any of these conditions occur, they are likely to affect market rents for space, which could cause a decrease in the REIT's rental revenue from its properties. Any such decrease could impair the REIT's ability to satisfy any debt service obligations and generate stable positive cash flow from its operations.

### Joint Venture Investments

Although the REIT does not presently have any joint venture investments, it may in the future co-invest with third parties through joint ventures. In any such joint venture, the REIT may not be in a position to exercise sole decision-making authority regarding the properties owned through joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions. Joint venture partners may have business interests or goals that are inconsistent with the REIT's business interests or goals and may be in a position to take actions contrary to the REIT's policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, because neither the REIT nor the joint venture partner would have full control over the joint venture. Any disputes that may arise between the REIT and its joint venture partners could result in litigation or arbitration that could increase the REIT's expenses and distract its officers and/or Trustees from focusing their time and effort on the REIT's business. In addition, the REIT might in certain circumstances be liable for the actions of its joint venture partners.

### Risks Related to the Healthcare Industry

The healthcare industry is heavily regulated by various federal, provincial/regional and local regulatory bodies. As a result, the REIT's tenants will generally be subject to significant laws and regulations regarding licensing and reimbursement programs. Changes in these laws and regulations, including the imposition of caps on healthcare spending and claw-backs to doctor billings in certain regions, could negatively affect the ability of the REIT's tenants to make lease payments.

MOBs may be highly customized and may not be easily adaptable to alternative uses. Private hospitals are typically leased to a single tenant, sole hospital operator. The improvements necessary to conform a building to healthcare use may be costly and tenant specific. A new or replacement tenant may require different features in a property, depending on the tenant's particular operations. If the REIT or its tenants terminate the leases for these properties, the REIT may not be able to locate suitable replacement tenants to lease the properties for their specialized uses. Consequently, the REIT may be required to spend substantial amounts to adapt the properties to other uses. Any loss of revenues and/or additional capital expenditures occurring as a result may adversely affect the financial position of the REIT.

### Land Leases

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

### Specific Lease Considerations

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

### Reliance on Key Personnel

The management and governance of the REIT depends on the services of certain key personnel including senior management. 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 there from. 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.

### Location of Properties in Foreign Countries

A substantial portion of the REIT's assets are located in foreign countries, specifically Brazil, Germany and Australasia and, as a result, are impacted by economic and other factors specifically affecting the real estate markets in those countries. These factors may differ from those affecting the real estate markets in other regions, including those in Canada. Although the REIT's international assets are dispersed across several foreign countries, a

number of the REIT's international assets could nevertheless experience any of the same conditions at the same time due to global correlations. If real estate conditions in these countries decline relative to real estate conditions in other regions, the REIT's cash flows, operating results and financial condition may be more adversely affected than those of companies in Canada or that have different, or more, geographically diversified portfolios of properties.

#### Competition in Foreign Real Estate Markets

The real estate markets in Brazil, Germany, and Australasia are highly competitive and fragmented and the REIT and its equity investees compete for real property acquisitions with individuals, corporations, institutions and other entities which are seeking or may seek real property investments similar to those the REIT desires. An increase in the availability of investment funds or an increase in interest in real property investments may increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them. Numerous other developers, managers and owners of properties will compete with the REIT in seeking tenants. Some of the properties owned by the REIT's competitors are better located, better quality or less leveraged than the REIT's properties. Some of the REIT's competitors are better capitalized and stronger financially and hence better able to withstand an economic downturn. The existence of competition for tenants could have an adverse effect on the REIT's ability to lease space in its properties and on the rents charged or concessions granted, and could materially and adversely affect the REIT's cash flows, operating results and financial condition and the REIT's ability to make distributions on the Trust Units.

#### Exchange Rate Risks

Approximately 84% of the REIT's AFFO is generated in currencies other than Canadian dollars; however, the REIT pays distributions to Unitholders and interest on certain of its indebtedness in Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on the REIT's financial results, which is denominated and reported in Canadian dollars, and on the REIT's ability to pay cash distributions to Unitholders.

The REIT monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. The REIT intends to maintain a hedging policy to mitigate the impact of foreign currency fluctuations and to provide more certainty regarding the payment of distributions to Unitholders if the Canadian dollar increases in value compared to foreign currencies. The REIT's hedging policy includes natural currency hedges as well as selectively implementing specific foreign currency hedging transactions, if economically viable. However, to the extent that the REIT fails to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge changes in foreign currency rates, the REIT's financial results, and the REIT's ability to pay distributions to Unitholders, may be negatively impacted.

Hedging transactions involve the risk that counterparties, which are generally financial institutions, may be unable to satisfy their obligations. If any counterparties default on their obligations under the hedging contracts or seek bankruptcy protection, it could have an adverse effect on the REIT's ability to fund planned activities and could result in a larger percentage of future revenue being subject to currency changes. The REIT's obligations under hedging arrangements may be secured by all or a portion of the REIT's assets or cash, the value of which generally must cover the fair value of the transactions outstanding under the facility by some multiple. If the REIT is unable to provide adequate security to support currency hedging arrangements, the REIT will remain exposed to foreign currency fluctuations.

#### Risks Relating to Operating in an Emerging Market

The Brazil region is considered by many to be an "emerging market" and therefore subject to potential risks. Risks associated with operating in emerging markets may include:

- political factors, including political instability and arbitrary or sudden changes to laws;

- legal and regulatory frameworks, which may increase the likelihood that laws will not be enforced and judgments will not be upheld;
- the movement and conversion of currency out of the foreign jurisdiction, which could hinder the payment of distributions to Canadian investors;
- inflation;
- corruption, bribery, civil unrest and economic uncertainty, which may negatively impact and disrupt business operations;
- factors that may affect title to its assets;
- potential expropriation or nationalization of assets; and
- access to assets.

The REIT believes its risks of operating in the Brazil market are minimized as a result of the following:

- The REIT's business activities in Brazil are limited to the ownership of five well established, reputable and institutional quality hospitals in the urban centres of São Paulo, Brasilia and Rio de Janeiro.
- Each of the REIT's Brazilian hospitals are leased to investment grade single tenants.
- Each of the Brazil leases are "net leases", which in effect transfers the operating risk of the property to the tenant. As a result, the REIT's business in Brazil is not operationally intensive.
- The REIT is represented on local corporate and real estate legal matters by two of Brazil's leading law firms. On non-legal matters, the REIT only engages with leading, global service providers that perform at the highest governance levels, and all banking is conducted through leading global banks.
- The REIT's Brazilian leases have terms that mitigate any title risk on its assets whereby should expropriation of the assets occur, the lessee remains liable for all payments under the lease. The REIT believes there is a limited risk of the REIT's Brazilian assets being subject to government expropriation and nationalization.

Further, the REIT considers the Brazilian healthcare industry to be economically and politically stable, and free of many of the risks associated with other industries and emerging market jurisdictions. According to Anahp (associacao nacional de hospitais privados), Brazil is the third largest global private healthcare market, behind the United States and China. Due to positive macroeconomic indicators, including the size of Brazil's economy with a population nearing 200 million, comparative unemployment rate relative to Canada, increasing consumer consumption and a growing middle class, management believes that the long-term outlook for the Brazilian healthcare market is optimistic.

Owning and operating investment properties in Brazil poses unique risks. For example, the REIT considers Brazilian inflation to be a key risk, but believes it has mitigated this risk by structuring the payments due under the Brazilian leases indexed to inflation, annually over the term of the leases. The REIT also believes that it is subject to risks involving currency fluctuations, which it attempts to mitigate through obtaining Brazilian domiciled debt on the assets. Further, Portuguese is the primary language in which business is conducted in Brazil, however the majority of the REIT's service providers (legal, audit and tax) are fluent in English. The REIT's local Brazilian consultants are fluent in Portuguese and English. Language risk is mitigated through requiring all material documentation to be translated into English. Further, all material correspondence with management and the Board of Trustees in Canada is provided in both English and Portuguese.

The REIT's Trustees retain effective control over the REIT's Brazilian operations through the REIT's corporate structure. The REIT's Brazilian assets are all owned by Brazilian domiciled entities, which in turn are all indirectly wholly-owned by NWI LP. The REIT's Brazilian subsidiaries are all corporate entities under Brazilian law, meaning they must conduct business at the highest governance levels and adhere to applicable regulatory requirements that include annual filings, disclosures and preparation of audited financial statements.

Because the REIT's Brazilian subsidiaries are wholly-owned, the REIT controls the operations of these entities. Among other things:

- The REIT can remove or replace any of the directors or officers of its Brazilian subsidiaries at any time pursuant to director or shareholder resolutions, as applicable.
- The REIT maintains complete control over the books and records of its Brazilian subsidiaries.
- The REIT can transfer funds from its Brazilian subsidiaries to Canada at any time, subject to compliance with applicable withholding tax laws and regulatory requirements of the central bank of Brazil.

The REIT also maintains stringent controls over cash and banking that mitigate risk on its Brazil operations. All payments follow normal accounts payable process, which includes adequate segregation of duties from approvals to payment and all wires and cheques are fully traceable.

The REIT's officers and Trustees believe that the REIT's Brazilian operational structure represents a proper discharge of their stewardship responsibilities. Management updates the REIT's Trustees on a regular basis on the regulatory, business and operating environment of the REIT's business in Brazil.

The REIT's CEO has extensive experience conducting business in Brazil as he has been operating in Brazil since 2011. During that time, the REIT's CEO has developed a deep familiarity with Brazil's real estate industry, regulatory environment, operating environment, financial markets, and culture and business practices. He has developed key relationships with the REIT's tenants and local advisors. The REIT's management team also relies on the expertise of reputable third party advisors with respect to legal, regulatory, tax and other matters in Brazil.

The REIT has adopted several formal procedures to address risks faced by the REIT, including certain risks related to Brazil. For example, the REIT has adopted a Code of Business Conduct and Ethics policy which requires all personnel to comply with applicable laws and explicitly prohibits improper payments to domestic and foreign officials. The REIT also requires all significant contracts to be translated into English by a reputable legal translator prior to execution. Lastly, as a matter of practice, all material Brazilian-based transactions are approved by the REIT's Trustees, with input from the REIT's management team and Brazilian personnel as appropriate.

#### Price Risk

The REIT is subject to fluctuations in the market price of its own securities as well as the market price of the units of Vital Trust. Price risk is the risk that changes in market prices for the REIT's securities may impact the REIT's ability to access capital, and that changes in the market prices of the units underlying the REIT's equity investments may impact the value of its investments. The market price for the Trust Units, the Convertible Debentures and the units of Vital Trust may be volatile and subject to wide fluctuations in response to numerous factors, many of which may be beyond the REIT's control including general market sentiment. The market price of the REIT's securities and investments may decline even if the REIT's operating results, underlying asset values, or prospects have not changed. A decrease in the Trust Unit price impacts the cost of raising new capital. A decline in the market price of the units of Vital Trust may impact the value of the REIT's investments which may result in impairment losses.

Price risk also impacts the Vital Margin Facilities. A decline in the market price of the units of Vital Trust may result in loan to value ratios that exceed the minimum requirements of the Vital Margin Facilities, thus resulting in cash payments being made to reduce the loan amounts outstanding. These cash payments could adversely impact the REIT's liquidity position and its ability to make distributions on the Trust Units.

#### Vendor Indemnities and Prior Commercial Operations

When acquiring assets, the REIT endeavours to obtain certain representations and warranties with respect to the assets being acquired. Such representations and warranties, to the extent obtained, are subject to limitations, and generally represent unsecured contractual rights. As a result, there can be no assurance that the REIT will be fully protected by such representations and warranties against all adverse circumstances that may arise or in the event

of a breach of such representations and warranties or that the vendors of the assets will be in a position to indemnify the REIT for any such breach. The REIT may not be able to successfully enforce claims it may have against vendors of its assets. The REIT may also be subject to undisclosed liability to third parties as a result of the prior history of its assets 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.

#### Significant Dependency on Single Leases in Brazil

The leases for Sabará Childrens Hospital, and the Rede D'Or Hospital Portfolio (HMB, Hospital Santa Luzia, Hospital Coração, Hospital Caxias, Hospital Ifor and Hospital Santa Helena) are each with a single tenant, the operators of the facilities. Upon the expiry of the leases, there can be no assurance that they will be renewed or that the tenants will be replaced. If the tenants do not renew their leases, the REIT's cash flows, operating results, financial condition and its ability to make distributions on the Trust Units could be materially and adversely affected. The Sabará Childrens Hospital lease also contains a pre-emptive right in favour of the Sabará Tenant if the controlling interest or all of the shares of the REIT subsidiary that owns Sabará Childrens Hospital are sold during the term of the lease, offering the tenant the right to purchase the shares on the same terms. Rede D'Or has a right of first refusal on each of the four properties in the Rede D'Or Hospital Portfolio.

#### Significant Ownership by NWVP

NWVP currently indirectly owns approximately 30% of the issued and outstanding Trust Units (assuming the redemption of its Class B LP Units). Each Class B LP Unit is redeemable for a Trust Unit, and is attached to a Special Voting Unit of the REIT, providing for voting rights in the REIT.

For so long as NWVP maintains a 5% interest in the REIT, NWVP has (a) the right to appoint trustees to the board of the REIT (with such appointment rights varying based on the level of NWVP's ownership interest), and (b) pre-emptive rights to participate in future financings and other issuances of securities of the REIT in order to maintain its pro rata ownership interest in the REIT.

As a result of its ownership interest and contractual rights, NWVP can influence many matters affecting the REIT. NWVP's ownership interest also allows it to prevent certain fundamental transactions. NWVP's significant interest in the REIT may discourage transactions involving a change of control of the REIT, including transactions in which a holder of Trust Units might otherwise receive a premium over the then-current market price.

NWVP may seek to sell some or all of its interest in the REIT in the future. No prediction can be made as to the effect, if any, that a future sale of Trust Units by NWVP will have on the market price of the Trust Units prevailing from time to time. However, the future sale of a substantial number of Trust Units by NWVP, or the perception that such sale could occur, could adversely affect prevailing market prices for the Trust Units.

#### Potential Conflicts of Interest

The REIT will be subject to various potential conflicts of interest because of the fact that its officers and Trustees are engaged in a wide range of business activities, including real estate property management, acquisition, development and ownership. In particular, Mr. Dalla Lana will face conflicts of interest because he is sole shareholder of NWVP, the chairman and trustee of the REIT and the Chief Executive Officer of the REIT. Mr. Bernard Crotty will face conflicts of interest because he is a trustee of the REIT and an appointee of NWVP.

In addition, the REIT may also become involved in other transactions which conflict with the interests of its Trustees and the officers who may from time to time deal with persons, firms, institutions or corporations with which the REIT may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the REIT. In addition, from time to time, these persons may be competing with the REIT for available investment opportunities. 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.

#### Limitations on Enforcement of Certain Civil Judgments by Canadian Investors

Many of the REIT's subsidiaries are organized in foreign jurisdictions and are governed by foreign law. A significant portion of the REIT's assets are currently located outside of Canada. As a result, it may be difficult or impossible for investors to effect service within Canada upon the REIT's subsidiaries or their respective directors and officers who are not residents of Canada or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian provincial securities laws.

#### **RISKS RELATING TO THE STRUCTURE OF THE REIT**

Under current law, a trust may lose its status under the Tax Act as a mutual fund trust if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of Non-Residents, except in limited circumstances. The Declaration of Trust permits the trustees to further amend the Declaration of Trust to limit the ownership of a particular holder (together with persons with which it does not deal at arm's length) to 20%, if desirable for foreign tax purposes. The Trustees have various powers that can be used for the purpose of monitoring and controlling the applicable ownership limitations. The ownership limitation may negatively affect the REIT's ability to raise financing for future acquisitions or operations. In addition, the ownership limitation could negatively impact the liquidity of the Trust Units and the market price at which Trust Units can be sold.

#### Taxation of Mutual Fund Trusts

There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting mutual fund trusts will not be changed in a manner that adversely affects Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, there could be material and adverse tax consequences to the REIT and Unitholders.

#### REIT Exception

The REIT Exception is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of that taxation year. The REIT expects to qualify for the REIT Exception in 2016 and subsequent taxation years. However, subsequent investments or activities undertaken by the REIT and/or fluctuations in asset values could result in the REIT failing to qualify for the REIT Exception. In addition, the REIT owns a minority interest in certain of its foreign subsidiaries. No assurances can be given that the REIT's subsidiaries will satisfy the tests contained in the REIT Exception. In these circumstances, the REIT may not satisfy the REIT Exception. NWI LP will not be subject to the SIFT Rules provided it is an "excluded subsidiary entity", which among other things, requires that only specified persons own units of NWI LP. No assurances can be given that NWI LP will be exempt from the SIFT Rules, which could have a material adverse effect on the REIT and Unitholders. The likely effect of the SIFT Rules on the market for Trust Units, and on the REIT's ability to finance future acquisitions through the issue of Trust Units or other securities, is unclear. If the SIFT Rules apply to the REIT, they may adversely affect the marketability of the Trust Units, the amount of cash available for distributions and the after-tax return to investors.

#### FAPI

FAPI earned by Canadian foreign affiliates ("CFAs") of NWI LP must be included in computing the income of NWI LP for the fiscal year of NWI LP in which the taxation year of such CFA ends, subject to a deduction for grossed-up "foreign accrual tax" as computed in accordance with the Tax Act, and less certain amounts that are otherwise included in income. The deduction for grossed-up "foreign accrual tax" may not fully offset the FAPI realized by NWI LP, thereby increasing the allocation of income by NWI LP to the REIT and, therefore, the allocation of income by the REIT to Unitholders. Recent amendments to tax legislation address certain foreign tax credit generator

transactions (the “**Foreign Tax Credit Generator Rules**”). The Foreign Tax Credit Generator Rules may limit the REIT’s ability to deduct grossed-up “foreign accrual tax”. In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act (in Canadian currency) as though the CFA were a resident of Canada (subject to the detailed rules contained in the Tax Act), income or transactions may be taxed differently under foreign tax rules as compared to the FAPI rules and, accordingly, may result in additional income being allocated to Unitholders, including as a result of fluctuations in foreign exchange rates.

#### Change of Tax Law

There can be no assurance that Canadian or foreign income tax laws, the judicial interpretation thereof, the terms of any income tax treaty applicable to the REIT or its affiliates or the administrative and assessing practices and policies of the CRA, the Department of Finance (Canada) and any other tax authority or tax policy agency will not be changed in a manner that adversely affects the REIT, its affiliates or Unitholders. Any such change could increase the amount of tax payable by the REIT or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of such distributions.

#### Non-Residents of Canada

The Tax Act may impose additional withholding or other taxes on distributions made by the REIT to Unitholders who are Non-Residents. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. The tax consequences under the Tax Act to Non-Residents may be more adverse than the consequences to other Unitholders. Non-Resident Unitholders should consult their own tax advisors.

#### Foreign Tax Credits and Deductions

Foreign taxes paid by NWI LP will be allocated pursuant to its limited partnership agreement. Each Unitholder’s share of the “business-income tax” and “non-business-income tax” paid in a foreign country for a year will be creditable against its Canadian federal income tax liability to the extent permitted by the detailed rules contained in the Tax Act. Although the foreign tax credit provisions are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, double taxation may arise.

Under the Foreign Tax Credit Generator Rules, the foreign “business income tax” or “non-business-income tax”, each as defined in the Tax Act, for any taxation year may be limited in certain circumstances. No assurances can be given that the Foreign Tax Credit Generator Rules will not apply to any Unitholder. If the Foreign Tax Credit Generator Rules apply, a Unitholder’s foreign tax credits will be limited.

No assurances can be given that the REIT or its subsidiaries will be entitled to a foreign tax credit or deduction in Canada in respect of foreign taxes paid by its subsidiaries.

#### General Taxation

Although the REIT and its subsidiaries have been structured with the objective of maximizing after-tax distributions, taxes (including corporate, withholding, land transfer, and other taxes) in the various jurisdictions in which the REIT invests will reduce the amount of cash available for distribution to the REIT by its subsidiaries and, therefore, reduce the amount of cash available for distribution by the REIT to Unitholders. No assurance can be given as to the future level of taxation suffered by the REIT or its subsidiaries. In addition, certain tax positions adopted by the REIT and its subsidiaries may be challenged by the CRA or another taxing authority. Any such challenge could materially increase taxes payable by the REIT and its subsidiaries, and thereby adversely affect the REIT’s financial position and cash available for distribution to Unitholders. In particular, the REIT is currently evaluating the impact on the REIT and unitholders of the amendments to regulation 70/91 of the Land Transfer Tax

Act (Ontario) released on February 18, 2016 which may impose land transfer tax on acquisitions of interests in partnerships that directly or indirectly own real property situated in Ontario (including previously completed transactions).

#### Accrued Gains

The REIT has indirectly acquired certain assets on a fully or partially tax-deferred basis, as determined by the transferor. Accordingly, the adjusted cost base of such assets may be less than their fair market value when they were acquired, such that subsidiaries of the REIT may realize the deferred gain on a future disposition of those assets.

### **RISKS RELATING TO THE TRUST 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 Trust 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.

#### Structural Subordination of Trust Units

In the event of bankruptcy, liquidation or reorganization of the REIT's subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the REIT or holders of Trust Units. The Trust Units are effectively subordinated to the debt and other obligations of the REIT's subsidiaries. The REIT's subsidiaries generate all of the REIT's cash available for distribution and hold substantially all of the REIT's assets.

#### Potential Volatility of Trust Unit Prices

The market price for Trust Units may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the REIT's control, including the following: (i) actual or anticipated fluctuations in the REIT's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT; (iv) addition or departure of the REIT's executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on outstanding Trust Units; (vi) sales or perceived sales of additional Trust Units; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; (viii) news reports relating to trends, concerns, competitive developments, regulatory changes and other related issues in the REIT's industry or target markets, and (ix) limited trading in the Trust Units.

Financial markets have, in recent years, experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of issuers and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such issuers. Accordingly, the market price of the REIT's securities may decline even if the REIT's operating results, underlying asset values, or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the REIT's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to

meet such criteria may result in limited or no investment in the REIT's securities by those institutions, which could adversely affect the trading price of the REIT's securities. There can be no assurance that an active trading market will exist or that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil exist for a protracted period of time, the REIT's operations could be adversely impacted and the trading price of the REIT's securities may be adversely affected.

#### Nature of Investment

A holder of a Trust Unit of the REIT does not hold a share of a body corporate. As holders of Trust 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 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 Trust 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.

#### Sustainability and Growth of Distributions

The REIT has stated that one of its objectives is to provide predictable and growing cash distributions per Trust Unit. The REIT has historically paid distributions in excess of the total of cash flows from operating activities and distributions earned from its strategic investment in Vital Trust, representing an economic return of capital to investors. The REIT may not achieve the objective of growing cash distributions or be able to sustain distributions at current levels without realizing increases in cash flow from operations or receiving increased distributions from Vital Trust. Such cash flow growth is dependent on the REIT's ability to execute on its business plan to drive accretive growth over time, as well as the ability of Vital Trust to grow future distributions, both of which cannot be assured.

#### Dilution

The number of Trust Units the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Trust Units or securities convertible or exchangeable into Trust Units from time to time subject to the rules of any applicable stock exchange on which the Trust Units are then listed. The REIT intends to complete acquisitions in the future that will be financed in part by issuance of additional Trust Units which will result in issuances of significant numbers of Trust Units at market price. Additionally, the REIT will issue securities under the REIT's deferred unit plan or additional units can be issued upon the conversion of the Convertible Debentures. The issuance of any additional Trust Units may have a dilutive effect on the interests of holders of Trust Units.

#### Restrictions on Redemptions

The entitlement of Unitholders to receive cash upon the redemption of their Trust Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such Trust Units and all other Trust 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 Trust Units are tendered for redemption, the

outstanding Trust 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 Trust Units; (iii) the trading of Trust Units is not suspended or halted on any stock exchange on which the Trust Units are listed (or, if not listed on a stock exchange, on any market on which the Trust 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 Trust Units must not result in the delisting of the Trust Units on the principal stock exchange on which the Trust Units are listed.

#### Unitholder Liability

The Declaration of Trust provides that no holders of Units shall be held to have any personal liability as such, and no resort shall be had to his, her or its private property (including, without limitation, any property consisting of or arising from a distribution of any kind or nature by the REIT) for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the REIT or of the Trustees or any obligation which a Unitholder would otherwise have to indemnify a Trustee for any personal liability incurred by the Trustee as such, but rather the assets of the REIT only are intended to be liable and subject to levy or execution for such satisfaction. In addition, legislation has been enacted in the Province of Ontario and certain other provinces that is intended to provide holders of Units in those provinces with limited liability. However, there remains a risk, which is considered by the REIT to be remote in the circumstances, that a holder of Units could be held personally liable for the obligations of the REIT to the extent that claims are not satisfied out of the assets of the REIT. The affairs of the REIT are conducted in a manner to seek to minimize such risk wherever possible.

### **RISKS RELATED TO THE CONVERTIBLE DEBENTURES**

#### Ability to Satisfy Payments of Interest and Principal on the Convertible Debentures

There is no guarantee that the REIT will have sufficient cash available to make interest and principal payments on the Convertible Debentures on a timely basis or at all. The likelihood that purchasers will receive the payments owing to them in connection with the Convertible Debentures will be dependent upon the financial health and creditworthiness of the REIT and the ability of the REIT to earn revenues.

#### Market for the Convertible Debentures

There can be no assurance that a secondary market for trading in the Convertible Debentures will develop or that any secondary market which does develop will continue. Also, there can be no assurance that any such secondary market will be active. To the extent that an active trading market for the Convertible Debentures does not develop, the liquidity and the trading prices for the Convertible Debentures may be adversely affected.

#### Absence of Covenant Protection

The Indentures do not restrict the REIT or any of its subsidiaries from incurring additional indebtedness for borrowed money or otherwise from mortgaging, pledging or charging their real or personal property or properties to secure any indebtedness or other financing. The Indentures do not contain any provisions specifically intended to protect holders of the Convertible Debentures in the event of a future leveraged transaction involving the REIT or any of its subsidiaries.

#### Redemption Prior to Maturity

The Convertible Debentures may be redeemed at the REIT's option, subject to certain conditions prior to the respective maturity date of each Convertible Debenture in whole or in part, at a redemption price equal to the principal amount thereof, together with any accrued and unpaid interest. Holders of Convertible Debentures should assume that this redemption option will be exercised if the REIT is able to refinance at a lower interest rate or it is otherwise in the interest of the REIT to redeem the Convertible Debentures.

### Conversion Following Certain Transactions

In the event of certain transactions, pursuant to the terms of the Indentures, each Convertible Debenture will become convertible into securities, cash or property receivable by a Unitholder in such transactions. This change could substantially reduce or eliminate any potential future value of the conversion privilege associated with the Convertible Debentures.

### Subordination of Convertible Debentures

The Convertible Debentures are unsecured obligations of the REIT and are subordinate in right of payment to all of the REIT's existing and future senior indebtedness. The Convertible Debentures will also be effectively subordinate to claims of the creditors of the REIT's subsidiaries relating to all indebtedness, liabilities and obligations of the REIT or its subsidiaries for the payment of which the REIT is responsible or liable, whether absolutely or contingently. This subordination may significantly reduce the possibilities for purchasers of obtaining payment of the amounts owed under the Convertible Debentures. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the REIT, the assets of the REIT would be made available to satisfy the obligations of the creditors of such Senior Indebtedness, whether those obligations are secured or unsecured, before being available to pay the REIT's obligations to holders of Convertible Debentures. Accordingly, all or a substantial portion of the REIT's assets could be unavailable to satisfy the claims of the Convertible Debentures.

### Dilution Upon Redemption of Convertible Debentures

The REIT may determine to redeem any outstanding Convertible Debentures for Trust Units or to repay outstanding principal amounts thereunder at maturity of the Convertible Debentures by issuing additional Trust Units. The issuance of additional Trust Units may have a dilutive effect on the REIT's Unitholders and an adverse impact on the price of Trust Units.

### Limitation in the REIT's Ability to Finance Purchase of Convertible Debentures

The REIT is required to make an offer to holders of the Convertible Debentures to purchase all or a portion of their Convertible Debentures for cash in the event of a Change of Control (as defined in the Indentures). The REIT cannot assure holders of Convertible Debentures that, if required, it would have sufficient cash or other financial resources at that time or would be able to arrange financing to pay the purchase price of the Convertible Debentures in cash. The REIT's ability to purchase the Convertible Debentures in such an event may be limited by law, by the Indentures, by the terms of other present or future agreements relating to the REIT's credit facilities and other indebtedness and agreements that the REIT may enter into in the future which may replace, supplement or amend the REIT's future debt. The REIT's future credit agreements or other agreements may contain provisions that could prohibit the purchase by the REIT of the Convertible Debentures without the consent of the lenders or other parties thereunder. If the REIT's obligation to offer to purchase the Convertible Debentures arises at a time when the REIT is prohibited from purchasing or redeeming the Convertible Debentures, the REIT could seek the consent of lenders to purchase the Convertible Debentures or could attempt to refinance the borrowings that contain this prohibition. If the REIT does not obtain consent or refinance these borrowings, the REIT could remain prohibited from purchasing the Convertible Debentures under its offer.

The REIT's failure to purchase the Convertible Debentures would constitute an event of default under the Indenture, which might constitute a default under the terms of the REIT's other indebtedness at that time.

### Market Price of the Convertible Debentures

The market price of the Convertible Debentures is based on a number of factors, including: (a) the prevailing interest rates being paid by borrowers similar to the REIT; (b) the overall condition of the financial and credit markets; (c) prevailing interest rates and interest rate volatility; (d) the markets for similar securities; (e) the financial condition, results of operation and prospects of the REIT; (f) the publication of earnings estimates or

other research reports and speculation in the press or investment community; (g) the market price and volatility of the Trust Units; (h) changes in the industry and competition affecting the REIT; and (i) general market and economic conditions.

The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Convertible Debentures.

#### Volatility of Market Price of Trust Units and Convertible Debentures

The market price of the Trust Units and Convertible Debentures may be volatile. The volatility may affect the ability of holders of Convertible Debentures to sell the Convertible Debentures at a favourable price. Additionally, volatility in the market price of Trust Units may result in greater volatility in the market price of the Convertible Debentures than would be expected for nonconvertible debt securities. Market price fluctuations in the Trust Units and Convertible Debentures may be due to the REIT's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the REIT or its competitors, along with a variety of additional factors. Fluctuations in trading prices may be unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Convertible Debentures and the Trust Units.

#### Restriction on Ownership of Convertible Debentures

Pursuant to the terms of the Declaration of Trust, the REIT must not be established or maintained primarily for the benefit of Non-Residents. As a result, the Indentures contain provisions limiting the ownership of Convertible Debentures by Non-Residents. These restrictions may limit or remove the rights of certain holders of Convertible Debentures, including Non-Residents. As a result, these restrictions may limit the demand for Convertible Debentures and thereby adversely affect the liquidity and market value of the Convertible Debentures.

## **PART VIII – CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

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

As of December 31, 2016, 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 NI 52-109). 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, 2016.

### **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 NI 52-109) to provide reasonable assurance regarding the reliability of financial

reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and 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, 2016, 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 Internal Control – Integrated Framework, 2013, 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 three months and year ended December 31, 2016 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 IX – OUTLOOK**

During 2017 the REIT will continue to focus on lowering its cost of capital through debt refinancings and repayments, and new financing; continue to pursue new acquisitions and accretive development opportunities in the REIT's existing markets; and continue to execute on a focused investor relations outreach program.

Looking forward, the REIT remains committed to its key initiatives as outlined below:

1. Continue to enhance its management platform and operational performance where possible;
2. Expand the portfolio and augment its quality through reinvestment in existing assets and acquiring new assets in each of our core markets;
3. Continue to achieve maximum returns and drive unitholder value through optimal capital allocation within the REIT's global markets;
4. Optimize its capital structure;
5. Increase investor liquidity by raising new capital and broadening its investor base; and
6. Increase its profile through measured investor relations and communication strategies.

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## PART XI – PROPERTY TABLE

As at December 31, 2016

PROPERTY TABLE							
Property	Location	Date Acquired	Year Built <sup>(1)</sup>	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE <sup>(2)</sup>
<b>Canada</b>							
1 Glenmore Professional Centre	Calgary, AB	Dec 31 2010	2007	137,821	1	100.0%	0.6
2 Sunridge Professional Centre	Calgary, AB	Mar 25 2010	1985	132,803	34	100.0%	4.7
3 Riley Park Health Centre <sup>(7)</sup>	Calgary, AB	Mar 25 2010	1956	72,808	9	100.0%	3.7
4 Rockyview Health Centre I	Calgary, AB	Mar 25 2010	1977	67,999	30	94.3%	4.7
5 Foothills Professional Building	Calgary, AB	Mar 25 2010	1980	58,607	22	100.0%	3.8
6 Sunpark Plaza	Calgary, AB	Dec 7 2011	2005	53,150	8	67.1%	2.5
7 Rockyview Health Centre II	Calgary, AB	Mar 25 2010	1975	53,064	4	75.1%	7.3
8 Willow Brook Medical Centre	Airdrie, AB	Apr 10 2012	2010	34,680	5	100.0%	6.8
9 Hys Centre	Edmonton, AB	Feb 1 2011	1978	179,563	34	90.3%	2.9
10 Tawa Centre	Edmonton, AB	May 31 2011	1986	95,450	24	99.4%	4.1
11 Mira Health Centre	Edmonton, AB	Mar 25 2010	1992	67,527	17	98.2%	2.4
12 Garneau Professional Building	Edmonton, AB	Mar 25 2010	1980	58,326	15	66.8%	3.2
13 Queen Street Place	Spruce Grove, AB	Jul 7 2010	2007	69,423	16	100.0%	2.9
14 WRHA Downtown West Community	Winnipeg, MB	May 16 2013	1974	43,750	3	100.0%	9.7
15 Hargrave Place	Winnipeg, MB	Jul 31 2013	1977	70,947	2	99.0%	12.7
16 Dundas-Edward Centre	Toronto, ON	Jan 25 2011	1964	416,433	81	91.4%	5.1
17 Davisville Medical Dental Centre	Toronto, ON	Mar 25 2010	1964	95,778	83	96.0%	3.3
18 Fairview Health Centre	Toronto, ON	Mar 25 2010	1971	87,168	56	100.0%	4.2
19 North York Medical Arts Building	Toronto, ON	Mar 25 2010	1969	75,855	59	97.4%	4.4
20 The Stewart Building	Toronto, ON	Mar 25 2010	1892	43,118	1	100.0%	2.3
21 Malvern Medical Arts	Toronto, ON	Apr 1 2011	1987	40,667	16	87.9%	4.2
22 Albany Medical Clinic	Toronto, ON	Sep 27 2012	2010	42,582	1	100.0%	13.3
23 One Medical Place	Toronto, ON	Mar 25 2010	1964	40,755	19	85.4%	6.0
24 Danforth Health Centre	Toronto, ON	Mar 25 2010	1991	29,496	9	96.5%	1.3
25 Bathurst Health Centre	Toronto, ON	Mar 25 2010	1984	29,122	15	82.8%	5.8
26 81 The East Mall <sup>(8)</sup>	Toronto, ON	Jan 16 2015	1975	35,402	4	76.1%	13.1
85 The East Mall <sup>(8)</sup>	Toronto, ON	Jan 16 2015	2016	46,448	6	89.4%	15.6
27 Queensway Professional Centre	Mississauga, ON	Mar 25 2010	1977	170,024	67	75.8%	4.3
28 Trafalgar Professional Centre	Oakville, ON	Mar 25 2010	1985	66,009	29	92.8%	4.4
29 Dundas-Centre Medical	Whitby, ON	Oct 1 2012	1987	33,600	22	94.5%	4.7
30 Wentworth-Limeridge Medical Centre	Hamilton, ON	Mar 25 2010	1989	40,716	18	85.6%	4.1
31 Queenston Medical-Dental Centre	Hamilton, ON	Oct 1 2012	1992	18,355	15	100.0%	2.3
32 Oxford Health Centre	London, ON	Mar 25 2010	1994	39,184	19	78.0%	4.5
33 Springbank Medical Centre	London, ON	Mar 30 2012	2011	53,030	31	94.6%	3.9
34 Canamera Medical Centre	Cambridge, ON	Sep 15 2011	2007	81,971	19	100.0%	2.4
35 Guelph Medical Place I	Guelph, ON	Oct 1 2012	1991	36,013	15	100.0%	5.0
36 Guelph Medical Place II	Guelph, ON	Oct 1 2012	2011	26,695	11	86.6%	4.2
37 Collingwood Health Centre	Collingwood, ON	Mar 25 2010	1989	26,350	14	86.4%	3.8
38 Owen Sound Medical Building	Owen Sound, ON	Feb 9 2015	2011	77,542	11	86.7%	6.7
39 Smyth Medical Centre	Ottawa, ON	Sep 10 2012	1983	18,597	14	91.1%	3.0
40 CSSS Haut-Richelieu	Richelieu, QC	Sep 1 2010	2009	54,659	1	100.0%	7.1
41 Clinique Bois-De-Boulogne	Montreal, QC	Mar 25 2010	1976	96,252	26	87.8%	3.0
42 Le Carrefour Medical	Laval, QC	Mar 25 2010	1990	118,106	31	86.9%	4.2
43 Clinique Bleue	Longueuil, QC	Mar 25 2010	1988	25,772	7	88.9%	5.2
44 2924 Taschereau Boulevard	Longueuil, QC	Mar 25 2010	1988	24,644	1	100.0%	3.8
45 CLSC Saint-Hubert	Saint Hubert, QC	Mar 25 2010	1991	46,639	2	100.0%	1.4
46 950 Montee des Pionniers	Lachenaie, QC	Mar 25 2010	2004	64,512	16	100.0%	5.2
47 Agence Lanaudiere	Joliette, QC	Dec 20 2012	1994	53,771	1	100.0%	6.5
48 CSSS Grand Littoral	Levis, QC	Sep 1 2010	2008	64,563	2	100.0%	5.9
49 Polyclinique Val-Belair	Quebec City, QC	Jul 22 2011	2009	46,053	11	99.2%	4.9
50 Centre Medicale de L'Hetriere	Quebec City, QC	Jan 19 2012	2007	36,591	8	100.0%	1.8
51 Fredericton Medical Centre	Fredericton, NB	Mar 25 2010	1985	70,569	39	91.2%	4.3
52 Moncton Medical Clinic	Moncton, NB	Jan 23 2012	1984	40,677	17	98.4%	4.6
53 Cobequid Centre	Lower Sackville, NS	Mar 25 2010	2006	30,009	1	100.0%	5.7
54 Halifax Professional Centre	Halifax, NS	Mar 25 2010	1969	115,698	75	87.5%	3.8
55 Gladstone Professional Centre	Halifax, NS	Mar 25 2010	1985	41,860	12	100.0%	2.9
56 New Glasgow Medical Centre	New Glasgow, NS	Dec 21 2011	2009	33,800	1	100.0%	7.9
57 Barrie Primary Care Campus	Barrie, ON	Feb 9 2015	2016	79,335	4	41.0%	10.8
				<b>3,910,338</b>	<b>1,114</b>	<b>91.60%</b>	<b>4.8</b>
<b>Redevelopment Properties:</b>							
58 490 Hanwood Boulevard	Vaudreuil-Dorion, QC	Mar 25 2010	1985	24,457	n/a	0.0%	n/a
Parkwood <sup>(7)</sup>	Calgary, AB	Mar 25 2010	1956	20,271	n/a	0.0%	n/a
				<b>44,728</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Development Land:</b>							
St. Albert Land	St. Albert, AB	Feb 9 2015	n/a	n/a	n/a	n/a	n/a

## PART XI – PROPERTY TABLE (CON'T.)

PROPERTY TABLE							
Property	Location	Date Acquired	Year Built <sup>(1)</sup>	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE <sup>(2)</sup>
<b>Brazil</b>							
59 Sabará Children's Hospital	São Paulo	Nov 16 2012	2010	104,915	1	100.0%	7.8
<i>Rede D'Or Hospital Portfolio:</i>							
60 Hospital e Maternidade Brasil ("HMB")	São Paulo	Dec 27 2012	1970 - 2007	342,000	1	100.0%	21.0
61 Hospital Santa Luzia*	Brasilia's South Wing	Dec 23 2013	2003	185,139	1	100.0%	22.0
62 Hospital Do Coracao*	Brasilia's South Wing	Dec 23 2013	2007	96,875	1	100.0%	22.0
63 Hospital Caxias*	Rio de Janeiro	Dec 23 2013	2013	290,626	1	100.0%	22.0
64 Hospital IFOR	São Paulo	July 19 2016	2001	150,000	1	100.0%	24.6
65 Hospital Santa Helena*	Brasilia - DF	Oct 24 2016	2006	323,774	1	100.0%	24.8
				<b>1,493,329</b>	<b>7</b>	<b>100.0%</b>	<b>21.7</b>
<b>Germany</b>							
66 Adlershof 1	Berlin	Nov 16 2012	2004	55,285	49	95.1%	5.2
67 Adlershof 2	Berlin	Nov 16 2012	2010	47,507	38	100.0%	4.1
68 Berlin Neukölln	Berlin	Nov 16 2012	2000	33,991	14	89.9%	3.7
69 Königs Wusterhausen 1	Königs Wusterhausen	Nov 16 2012	2001	35,693	23	84.3%	3.7
70 Fulda	Fulda	Mar 31 2013	2010	111,205	32	99.0%	3.7
71 Polimedica Centre**	Berlin	Jun 25 2014	2007	113,937	32	98.2%	8.8
72 Hollis Centre**	Ingolstadt	Jun 25 2014	1996	99,651	39	99.2%	4.1
73 Leipzig am Park**	Leipzig	Jun 25 2014	1977	19,048	10	100.0%	6.7
74 Leipzig Baestein**	Leipzig	Jun 25 2014	1975	19,163	11	93.4%	6.1
75 Leipzig Gruenauer**	Leipzig	Jun 25 2014	1980	15,932	8	83.9%	5.2
76 Leipzig Karlsruhe**	Leipzig	Jun 25 2014	1982	18,990	6	60.0%	2.1
77 Leipzig Lidicestrasse**	Leipzig	Jun 25 2014	1975	19,201	12	97.0%	6.6
78 Leipzig Pfaffensteinstrasse**	Leipzig	Jun 25 2014	1985	18,277	8	79.5%	4.4
79 Leipzig Plovidiver**	Leipzig	Jun 25 2014	1975	18,217	5	100.0%	4.5
80 Leipzig Schlehenweg**	Leipzig	Jun 25 2014	1989	18,537	11	100.0%	2.5
81 Leipzig Stuttgart**	Leipzig	Jun 25 2014	1978	18,047	9	93.9%	2.6
82 Leipzig Tauchaer Strasse**	Leipzig	Jun 25 2014	1982	18,681	10	100.0%	6.0
83 Leipzig Yorkstrasse**	Leipzig	Jun 25 2014	1975	11,624	6	91.5%	5.3
84 Hohenschonhausen	Berlin	Aug 30 2014	1996	64,640	39	95.9%	3.1
85 Mehrower Alle	Berlin	Apr 14 2016	2013	82,242	59	97.3%	3.3
** - the "Core German MOB Portfolio"				<b>839,868</b>	<b>421</b>	<b>95.4%</b>	<b>4.7</b>
<b>Development Land:</b>							
Vivantes Auguste-Viktoria Hospital land	Berlin	Apr 1 2015	n/a	n/a	n/a	n/a	n/a
<b>Australia</b>							
86 Allamanda Private Hospital	Southport, Queensland	Dec 22 2010	1979	318,773	1	100%	21.1
87 Belmont Private Hospital	Carina, Queensland	Dec 22 2010	1973/2015	94,023	1	100%	19.1
88 Clover-Lea Residential Aged Care	Sydney, New South Wales	Mar 1 2016	1919/1960/2003	16,146	1	100%	19.2
89 Dubbo Private Hospital	Dubbo, New South Wales	Dec 22 2010	1994	60,143	1	100%	15.1
90 Epworth Eastern Hospital	Melbourne, Victoria	Mar 30 1999	2005	136,609	6	100%	17.1
91 Epworth Eastern Medical Centre	Melbourne, Victoria	Mar 30 1999	1986	26,536	25	100%	10.5
92 Epworth Rehabilitation	Melbourne, Victoria	Feb 01 1999	1971	37,135	1	100%	2.1
93 Fairfield Residential Aged Care	Sydney, New South Wales	Mar 1 2016	1968/2009	31,000	1	100%	19.2
94 Gold Coast Surgery Centre	Southport, Queensland	Dec 22 2010	1999	29,495	6	65%	2.2
95 Hamersley Residential Aged Care	Perth, Western Australia	Mar 1 2016	1971	20,279	1	100%	19.2
96 Hurstville Private Hospital	Sydney, New South Wales	Apr 30 2012	1894/2015	135,238	1	100%	25.3
97 Lingard Private Hospital	Merewether, New South Wales	Dec 22 2010	1975/2015	99,566	1	100%	24.2
98 Maitland Private Hospital	Maitland, New South Wales	Dec 22 2010	2001/2015	128,274	2	100%	21.0
99 Marian Centre	Perth, Western Australia	Aug 12 2014	1965	38,212	1	100%	17.6
100 Mayo Private Hospital	Taree, New South Wales	Dec 16 2011	1997	62,700	1	100%	15.0
101 North West Private Hospital	Burnie, Tasmania	Dec 22 2010	1988	87,360	2	100%	15.1
102 Palm Beach Currumbin Clinic	Currumbin, Queensland	Dec 22 2010	1980	53,443	1	100%	15.1
103 Rockingham Residential Aged Care	Perth, Western Australia	Mar 1 2016	1968/1992	14,596	1	100%	19.2
104 South Eastern Private Hospital	Melbourne, Victoria	Dec 22 2010	1970	91,461	1	100%	24.2
105 Sportsmed Private Hospital	Adelaide, South Australia	Dec 3 2012	1990/2008	56,607	2	100%	18.4
106 Sportsmed Consulting <sup>(9)</sup>	Adelaide, South Australia	Jan 20 2016	1990	9,074	1	0%	-
107 Sportsmed Office <sup>(9)</sup>	Adelaide, South Australia	Jan 20 2016	1988	15,252	1	100%	19.1
108 Toronto Private Hospital	Toronto, New South Wales	Dec 22 2010	1988	52,905	2	100%	26.0
109 Mons Road	Westmead, New South Wales	Sept 30 2016	2010	31,179	5	100%	6.0
110 Ekeru Medical Centre	Box Hill, Victoria	Nov 17 2016	2014	30,752	12	92%	4.1
				<b>1,676,759</b>	<b>78</b>	<b>98.7%</b>	<b>18.6</b>
<b>Development Land:</b>							
111 25 Nelson Road <sup>(10)</sup>	Box Hill, Victoria	Nov 28 2014	n/a	n/a	n/a	n/a	n/a
112 142 Brighton Avenue <sup>(11)</sup>	Toronto, New South Wales	Jul 22 2015	n/a	n/a	n/a	n/a	n/a
113 27 Hopkins Street <sup>(12)</sup>	Merewether, New South Wales	Nov 25 2015	n/a	n/a	n/a	n/a	n/a
114 6 Lingard Street <sup>(12)</sup>	Merewether, New South Wales	Dec 4 2015	n/a	n/a	n/a	n/a	n/a
McCourt Street	Perth, Western Australia	Jun 24 2016	n/a	n/a	n/a	n/a	n/a
Pearl Street	Sydney, New South Wales	Sept 26 2016	n/a	n/a	n/a	n/a	n/a
10 Alverna Grove	Melbourne, Victoria	Sept 26 2016	n/a	n/a	n/a	n/a	n/a
Rockingham Houses	Rockingham, Western Australia	Dec 21 2016	n/a	n/a	n/a	n/a	n/a

## PART XI – PROPERTY TABLE (CON'T.)

PROPERTY TABLE							
Property	Location	Date Acquired	Year Built <sup>(1)</sup>	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE <sup>(2)</sup>
<b>New Zealand</b>							
115 Apollo Health and Wellness Centre	Albany, Auckland	Sep 01 2008	2005	52,703	21	91%	3.7
116 Ascot Central	Greenlane East, Auckland	May 1 2008	2008	51,458	18	100%	3.3
117 Ascot Central Car Park	Greenlane East, Auckland	ground lease	1999	4,833	17	100%	15.6
118 Ascot Hospital	Greenlane East, Auckland	Mar 25 1999	1999	122,496	20	99%	18.6
119 Kensington Hospital	Whangarei, Northland	Mar 12 2001	2001	25,371	1	100%	29.5
120 Napier Health Centre	Napier, Hawke's Bay	Dec 23 1999	1999	46,231	1	100%	3.0
121 Boulcott Private Hospital	Lower Hutt	Jul 1 2016	1985	45,671	1	100%	21.5
				<b>348,763</b>	<b>79</b>	<b>98.5%</b>	<b>13.2</b>
<b>Development Land:</b>							
678 High Street	Lower Hutt	Jul 1 2016	n/a	n/a	n/a	n/a	n/a
<b>Australasia Total - Vital Trust<sup>(3)</sup></b>				<b>2,025,522</b>	<b>157</b>	<b>98.7%</b>	<b>17.7</b>
to <b>Generation Healthcare REIT <sup>(13)</sup> (17 Properties)</b>				<b>1,062,816</b>	<b>118</b>	<b>98.4%</b>	<b>12.0</b>
138 <b>Portfolio Totals / Weighted Averages <sup>(5)</sup></b>				<b>9,376,600</b>	<b>1,817</b>	<b>95.6%</b>	<b>11.1</b>
<b>Portfolio Totals / Weighted Averages - Proportionate Consolidation <sup>(4)(5)</sup></b>				<b>7,001,932</b>		<b>94.6%</b>	<b>9.6</b>
<b>Notes</b>							
(1) Year built/renovated or expanded, as applicable.							
(2) As at December 31, 2016. Weighted average lease expiry in years.							
(3) Represents 100% of Vital Trust. The REIT has an exposure to an approximate 24% interest in Vital Trust. The property count for Vital includes four properties representing development land.							
(4) Calculation is based on the REIT's proportionate interest in Vital Trust and Generation Health							
(5) Weighted Average Occupancy and WALE excluding Redevelopment Properties							
(6) One of two buildings on a two building campus							
(7) One of two buildings on a two building campus							
(8) Adjacent to South Eastern Private Hospital							
(9) Adjacent Sportsmed Private Hospital							
(10) Adjacent to Epworth Easter Hospital							
(11) Adjacent to Toronto Private Hospital							
(12) Adjacent Lingard Private Hospital							
(13) Represents 100% of Generation Healthcare REIT. The REIT has an exposure to an approximately 19% interest in Generation Healthcare REIT. WALE reflects the weighted average rental income over the net effective annual rents							

**PART XII – SUPPLEMENTAL DISCLOSURE**

SUPPLEMENTAL DISCLOSURE										
Unaudited										
Three months ended December 31, 2016										
Expressed in thousands of Canadian dollars										
	Canada	Brazil	Germany	Australia/New Zealand				Corporate <sup>(3)</sup>	Consolidated	
				Vital Trust	Vital Manager	GHM	Elimination	Total		
<b>Net Operating Income<sup>(1)</sup></b>										
Revenue from investment properties	\$ 33,753	\$ 11,706	\$ 4,100	\$ 32,773	\$ -	\$ -	\$ (549)	\$ 32,224	\$ -	\$ 81,783
Property operating costs	(15,107)	-	(1,162)	(2,009)	-	-	52	(1,957)	-	(18,226)
	<b>18,646</b>	<b>11,706</b>	<b>2,938</b>	<b>30,764</b>	<b>-</b>	<b>-</b>	<b>(497)</b>	<b>30,267</b>	<b>-</b>	<b>63,557</b>
<b>Other income</b>										
Share of profit (loss) from associates	-	-	-	-	(622)	-	8,482	7,860	-	7,860
Management fees	-	-	-	-	4,216	1,378	(4,452)	1,142	-	1,142
Interest income	42	543	-	12	2	2	-	16	1	602
	<b>42</b>	<b>543</b>	<b>-</b>	<b>12</b>	<b>3,596</b>	<b>1,380</b>	<b>4,030</b>	<b>9,018</b>	<b>1</b>	<b>9,604</b>
	<b>18,688</b>	<b>12,249</b>	<b>2,938</b>	<b>30,776</b>	<b>3,596</b>	<b>1,380</b>	<b>3,533</b>	<b>39,285</b>	<b>1</b>	<b>73,161</b>
<b>Other expenses</b>										
Mortgage and loan interest expense	(6,609)	(3,879)	(479)	(3,248)	-	-	-	(3,248)	(6,507)	(20,722)
General and administrative expenses	(407)	(673)	(912)	(4,346)	(1,433)	(671)	4,118	(2,332)	(910)	(5,234)
Transaction costs	-	-	-	-	-	-	(290)	(290)	(5)	(295)
Other Finance costs	648	(3,236)	(85)	(92)	-	-	-	(92)	1,631	(1,134)
Foreign exchange gain (loss)	(31)	(543)	-	(1,256)	(54)	-	-	(1,310)	2,702	818
<b>Income / (Loss) before the undernoted items</b>	<b>12,289</b>	<b>3,918</b>	<b>1,462</b>	<b>21,834</b>	<b>2,109</b>	<b>709</b>	<b>7,361</b>	<b>32,013</b>	<b>(3,088)</b>	<b>46,594</b>
Fair value adjustment of DUP liability	-	-	-	-	146	-	-	146	(432)	(286)
Fair value adjustment of investment properties	9,627	52,723	3,547	7,171	-	-	405	7,576	-	73,473
Net loss on disposal of investment properties	-	-	-	-	-	-	-	-	-	-
Gain on business combination	-	-	-	-	-	-	-	-	-	-
Gain / (Loss) on derivative financial instruments	693	178	300	8,880	-	(364)	-	8,516	(647)	9,040
<b>Income / (Loss) before taxes</b>	<b>22,609</b>	<b>56,819</b>	<b>5,309</b>	<b>37,885</b>	<b>2,255</b>	<b>345</b>	<b>7,766</b>	<b>48,251</b>	<b>(4,167)</b>	<b>128,821</b>
Income tax expense	-	(19,287)	(1,098)	(6,656)	(749)	(169)	(16)	(7,590)	-	(27,975)
<b>Net income (loss)</b>	<b>\$ 22,609</b>	<b>\$ 37,532</b>	<b>\$ 4,211</b>	<b>\$ 31,229</b>	<b>\$ 1,506</b>	<b>\$ 176</b>	<b>\$ 7,750</b>	<b>\$ 40,661</b>	<b>\$ (4,167)</b>	<b>\$ 100,846</b>
<b>Non-Controlling Interest</b>	-	-	-	23,493	-	-	(104)	23,389	-	23,389
<b>Income attributable to Unitholders</b>	<b>\$ 22,609</b>	<b>\$ 37,532</b>	<b>\$ 4,211</b>	<b>\$ 7,736</b>	<b>\$ 1,506</b>	<b>\$ 176</b>	<b>\$ 7,854</b>	<b>\$ 17,272</b>	<b>\$ (4,167)</b>	<b>\$ 77,457</b>
<b>Add / (Deduct):</b>										
Fair market value losses (gains)	(10,320)	(52,901)	(3,847)	(16,051)	(146)	364	(405)	(16,238)	(8,617)	(91,923)
Less: Non-controlling interests' share of fair market value losses (gains)	-	-	-	12,063	-	-	305	12,368	-	12,368
Finance cost - Exchangeable Unit distributions	-	-	-	-	-	-	-	-	3,800	3,800
Revaluation of financial liabilities	-	2,466	-	-	-	-	-	-	-	2,466
Unrealized foreign exchange loss (gain)	31	(156)	-	1,256	54	-	-	1,310	(3,577)	(2,392)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-	-	-	(944)	-	-	-	(944)	-	(944)
Deferred taxes	-	19,199	1,098	4,064	476	(125)	-	4,415	-	24,712
Less: Non-controlling interests' share of deferred taxes	-	-	-	(3,057)	-	-	-	(3,057)	-	(3,057)
Non-recurring transaction costs	-	-	-	-	-	-	290	290	5	295
Convertible Debenture issuance costs	-	-	-	-	-	-	-	-	3,947	3,947
Net adjustments for equity accounted entities	-	-	-	-	-	-	(6,547)	(6,547)	-	(6,547)
Internal Leasing Costs	371	-	365	-	-	-	-	-	-	736
Net loss on disposal of investment properties	-	-	-	-	-	-	-	-	-	-
Other FFO adjustments	-	-	-	-	-	131	305	436	-	436
<b>Funds From Operations ("FFO")<sup>(2)</sup></b>	<b>\$ 12,691</b>	<b>\$ 6,140</b>	<b>\$ 1,827</b>	<b>\$ 5,067</b>	<b>\$ 1,890</b>	<b>\$ 546</b>	<b>\$ 1,802</b>	<b>\$ 9,305</b>	<b>\$ (8,609)</b>	<b>\$ 21,354</b>

**PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)**

SUPPLEMENTAL DISCLOSURE (CON'T)											
Unaudited											
Three months ended December 31, 2016											
Expressed in thousands of Canadian dollars											
	Canada	Brazil	Germany	Australia/New Zealand					Corporate <sup>(3)</sup>	Consolidated	
				Vital Trust	Vital Manager	GHM	Elimination	Total			
<b>Funds From Operations ("FFO")<sup>(2)</sup></b>	\$ 12,691	\$ 6,140	\$ 1,827	\$ 5,067	\$ 1,890	\$ 546	\$ 1,802	\$ 9,305	\$ (8,609)	\$ 21,354	
<u>Add / (Deduct):</u>											
Amortization of marked to market adjustment	(777)	-	-	-	-	-	-	-	-	(777)	
Amortization of deferred financing charges	130	770	85	92	-	-	-	92	317	1,394	
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	(69)	-	-	-	(69)	-	(69)	
Straight line revenue	(267)	79	-	269	-	-	-	269	-	81	
Less: non-controlling interests' share of straight-line revenue	-	-	-	(202)	-	-	-	(202)	-	(202)	
Leasing costs and non-recoverable maintenance capital expenditures	(2,025)	-	(246)	(255)	-	-	-	(255)	-	(2,526)	
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	192	-	-	-	192	-	192	
DUP Compensation Expense	-	-	-	-	219	-	-	219	(273)	(54)	
Internalization Contribution	-	-	-	-	-	-	-	-	-	-	
Debt repayment costs	-	-	-	-	-	-	-	-	-	-	
Net adjustments for equity accounted entities	-	-	-	-	-	-	(209)	(209)	-	(209)	
<b>Adjusted Funds From Operations ("AFFO")<sup>(2)</sup></b>	\$ 9,752	\$ 6,989	\$ 1,666	\$ 5,094	\$ 2,109	\$ 546	\$ 1,593	\$ 9,342	\$ (8,565)	\$ 19,184	

**PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)**

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited										
As at December 31, 2016										
Expressed in thousands of Canadian dollars										
	Canada	Brazil	Germany	Australia/New Zealand				Corporate <sup>(3)</sup>	Consolidated	
				Vital Trust	Vital Manager	GHM	Elimination	Total		
<b>Assets</b>										
Investment properties	\$ 1,210,282	\$ 642,901	\$ 189,432	\$ 996,694	\$ -	\$ -	\$ 1,045	\$ 997,739	\$ -	\$ 3,040,354
Investment in associate	-	-	-	-	-	-	95,351	95,351	-	95,351
Intangible Asset	-	-	-	-	46,757	56,439	-	103,196	-	103,196
Goodwill	-	-	-	-	-	-	-	-	41,671	41,671
Financial instruments	-	-	-	449	-	-	-	449	-	449
Assets held for sale	-	-	-	-	-	-	-	-	-	-
Other assets	9,232	8,206	2,476	7,160	2,348	8,588	(30)	18,066	9,532	47,512
	<b>\$ 1,219,514</b>	<b>\$ 651,107</b>	<b>\$ 191,908</b>	<b>\$ 1,004,303</b>	<b>\$ 49,105</b>	<b>\$ 65,027</b>	<b>\$ 96,366</b>	<b>\$ 1,214,801</b>	<b>\$ 51,203</b>	<b>\$ 3,328,533</b>
<b>Liabilities</b>										
Mortgages and loans payable	\$ 680,633	\$ 147,088	\$ 91,236	\$ 242,451	\$ -	\$ -	\$ -	\$ 242,451	\$ 204,268	\$ 1,365,676
Deferred Consideration	-	7,287	21	-	-	-	-	-	5,811	13,119
Convertible Debentures	-	-	-	-	-	-	-	-	331,834	331,834
Deferred Revenue	-	-	-	4,984	-	-	(4,411)	573	-	573
Deferred tax liability	-	68,781	7,302	61,682	294	2,091	-	64,067	-	140,150
Financial instruments	2,039	-	1,262	11,125	-	-	-	11,125	651	15,077
Liabilities related to assets held for sale	-	-	-	-	-	-	-	-	-	-
Exchangeable Units	65,321	-	-	-	-	-	-	-	128,459	193,780
Other liabilities	23,277	314	2,167	20,532	3,338	628	-	24,498	28,278	78,534
	<b>\$ 771,270</b>	<b>\$ 223,470</b>	<b>\$ 101,988</b>	<b>\$ 340,774</b>	<b>\$ 3,632</b>	<b>\$ 2,719</b>	<b>\$ (4,411)</b>	<b>\$ 342,714</b>	<b>\$ 699,301</b>	<b>\$ 2,138,743</b>
<b>Net assets</b>	<b>\$ 448,244</b>	<b>\$ 427,637</b>	<b>\$ 89,920</b>	<b>\$ 663,529</b>	<b>\$ 45,473</b>	<b>\$ 62,308</b>	<b>\$ 100,777</b>	<b>\$ 872,087</b>	<b>\$ (648,098)</b>	<b>\$ 1,189,790</b>
Less: Non-controlling interest	-	-	-	(484,129)	-	-	(1,376)	(485,505)	-	(485,505)
<b>Unitholders' Equity</b>	<b>\$ 448,244</b>	<b>\$ 427,637</b>	<b>\$ 89,920</b>	<b>\$ 179,400</b>	<b>\$ 45,473</b>	<b>\$ 62,308</b>	<b>\$ 99,401</b>	<b>\$ 386,582</b>	<b>\$ (648,098)</b>	<b>\$ 704,285</b>
<b>Notes</b>										
(1) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"										
(2) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.										
(3) Includes cost of corporate borrowings including the REIT's Secured Revolving Credit Facility, Convertible Debentures, Vital Margin Facilities, Australasian Secured Financing and distributions paid on Class B LP Units, treated as finance costs. Includes general and administrative costs of the REIT's head office.										

**PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)**

SUPPLEMENTAL DISCLOSURE										
Unaudited										
Expressed in thousands of Canadian dollars										
Three months ended December 31, 2015										
	Canada	Brazil	Germany	Australia/New Zealand			Corporate <sup>(B)</sup>	Consolidated		
				Vital Trust	Vital Manager	Elimination	Total			
<b>Net Operating Income <sup>(1)</sup></b>										
Revenue from investment properties	\$ 37,527	\$ 6,858	\$ 3,547	\$ 16,475	\$ -	\$ (480)	\$ 15,995	\$ -	\$ -	\$ 63,927
Property operating costs	(16,953)	-	(1,214)	(1,559)	-	49	(1,510)	-	-	(19,677)
	<b>20,574</b>	<b>6,858</b>	<b>2,333</b>	<b>14,916</b>	<b>-</b>	<b>(431)</b>	<b>14,485</b>	<b>-</b>	<b>-</b>	<b>44,250</b>
<b>Other income</b>										
Share of profit (loss) from associates	-	-	-	-	433	(433)	-	-	-	-
Management fees	-	-	-	-	3,138	(3,138)	-	-	-	-
Interest income	2	146	-	14	2	-	16	5	-	169
	<b>2</b>	<b>146</b>	<b>-</b>	<b>14</b>	<b>3,573</b>	<b>(3,571)</b>	<b>16</b>	<b>5</b>	<b>-</b>	<b>169</b>
	<b>20,576</b>	<b>7,004</b>	<b>2,333</b>	<b>14,930</b>	<b>3,573</b>	<b>(4,002)</b>	<b>14,501</b>	<b>5</b>	<b>-</b>	<b>44,419</b>
<b>Other expenses</b>										
Mortgage and loan interest expense	(10,494)	(2,057)	(412)	(3,159)	(5)	-	(3,164)	(4,101)	-	(20,228)
General and administrative expenses	-	(670)	(630)	(3,231)	(1,355)	3,225	(1,361)	(4,349)	-	(7,010)
Transaction costs	-	-	(102)	-	-	-	-	(349)	-	(451)
Other Finance costs	3,161	(6,359)	(97)	(125)	-	-	(125)	(22,904)	-	(26,324)
Foreign exchange gain (loss)	-	6	(1)	276	(47)	-	229	(5,032)	-	(4,798)
<b>Income / (Loss) before the undernoted items</b>	<b>13,243</b>	<b>(2,076)</b>	<b>1,091</b>	<b>8,691</b>	<b>2,166</b>	<b>(777)</b>	<b>10,080</b>	<b>(36,730)</b>	<b>-</b>	<b>(14,392)</b>
Fair value adjustment of DUP liability	-	-	-	-	(50)	-	(50)	(1,314)	-	(1,364)
Fair value adjustment of investment properties	(2,936)	20,148	8,705	40,263	-	7,495	47,758	-	-	73,675
Net loss on disposal of investment properties	(1,218)	-	-	-	-	-	-	-	-	(1,218)
Gain on business combination	-	-	-	-	-	-	-	-	-	-
Gain / (Loss) on derivative financial instruments	(54)	669	(44)	2,386	-	-	2,386	11	-	2,968
<b>Income / (Loss) before taxes</b>	<b>9,035</b>	<b>18,741</b>	<b>9,752</b>	<b>51,340</b>	<b>2,116</b>	<b>6,718</b>	<b>60,174</b>	<b>(38,033)</b>	<b>-</b>	<b>59,669</b>
Income tax expense	-	(8,192)	(1,378)	(5,771)	(344)	-	(6,115)	-	-	(15,685)
<b>Net income (loss)</b>	<b>\$ 9,035</b>	<b>\$ 10,549</b>	<b>\$ 8,374</b>	<b>\$ 45,569</b>	<b>\$ 1,772</b>	<b>\$ 6,718</b>	<b>\$ 54,059</b>	<b>\$ (38,033)</b>	<b>\$ -</b>	<b>\$ 43,984</b>
<b>Non-Controlling Interest</b>	-	-	-	34,479	-	5,320	39,799	-	-	39,799
<b>Income attributable to Unitholders</b>	<b>\$ 9,035</b>	<b>\$ 10,549</b>	<b>\$ 8,374</b>	<b>\$ 11,090</b>	<b>\$ 1,772</b>	<b>\$ 1,398</b>	<b>\$ 14,260</b>	<b>\$ (38,033)</b>	<b>\$ -</b>	<b>\$ 4,185</b>
<b>Add / (Deduct):</b>										
Fair market value losses (gains)	2,990	(20,817)	(8,661)	(42,649)	50	(7,495)	(50,094)	17,076	-	(59,506)
Less: Non-controlling interests' share of fair market value losses (gains)	-	-	-	32,218	-	5,661	37,879	-	-	37,879
Finance cost - Exchangeable Unit distributions	-	-	-	-	-	-	-	3,825	-	3,825
Revaluation of financial liabilities	-	5,442	-	-	-	-	-	-	-	5,442
Unrealized foreign exchange loss (gain)	-	-	(4)	(276)	47	-	(229)	4,909	-	4,676
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-	-	-	208	-	-	208	-	-	208
Deferred taxes	-	8,140	1,374	4,059	629	-	4,688	-	-	14,202
Less: Non-controlling interests' share of deferred taxes	-	-	-	(3,065)	-	-	(3,065)	-	-	(3,065)
Non-recurring transaction costs	-	-	102	-	-	-	-	349	-	451
Convertible Debenture issuance costs	-	-	-	-	-	-	-	3,133	-	3,133
Net adjustments for equity accounted entities	-	-	-	-	-	-	-	-	-	-
Internal Leasing Costs	359	-	192	-	-	-	-	-	-	551
Net loss on disposal of investment properties	1,218	-	-	-	-	-	-	-	-	1,218
Gain on business combination	-	-	-	-	-	-	-	-	-	-
<b>Funds From Operations ("FFO") <sup>(2)</sup></b>	<b>\$ 13,602</b>	<b>\$ 3,314</b>	<b>\$ 1,377</b>	<b>\$ 1,585</b>	<b>\$ 2,498</b>	<b>\$ (436)</b>	<b>\$ 3,647</b>	<b>\$ (8,741)</b>	<b>\$ -</b>	<b>\$ 13,199</b>

**PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)**

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited	Three months ended December 31, 2015									
	Expressed in thousands of Canadian dollars									
	Canada <sup>(4)</sup>	Brazil	Germany	Australia/New Zealand				Corporate <sup>(5)</sup>	Consolidated	
			Vital Trust	Vital Manager	Elimination	Total				
<b>Funds From Operations ("FFO")<sup>(2)</sup></b>	\$ 13,602	\$ 3,314	\$ 1,377	\$ 1,585	\$ 2,498	\$ (436)	\$ 3,647	\$ (8,741)	\$ 13,199	
<u>Add / (Deduct):</u>										
Amortization of marked to market adjustment	(3,292)	-	-	-	-	-	-	-	(3,292)	
Amortization of deferred financing charges	131	917	97	125	-	-	125	173	1,443	
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	(94)	-	-	(94)	-	(94)	
Straight line revenue	(387)	(24)	-	63	-	-	63	-	(348)	
Less: non-controlling interests' share of straight-line revenue	-	-	-	(48)	-	-	(48)	-	(48)	
Leasing costs and non-recoverable maintenance capital expenditures	(2,252)	-	(213)	(12)	-	-	(12)	-	(2,477)	
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	9	-	-	9	-	9	
DUP Compensation Expense	-	-	-	-	105	-	105	2,853	2,958	
Internalization Contribution	-	-	-	-	-	-	-	-	-	
Debt repayment costs	2,666	-	-	-	-	-	-	-	2,666	
<b>Adjusted Funds From Operations ("AFFO")<sup>(2)</sup></b>	<b>\$ 10,468</b>	<b>\$ 4,207</b>	<b>\$ 1,261</b>	<b>\$ 1,628</b>	<b>\$ 2,603</b>	<b>\$ (436)</b>	<b>\$ 3,795</b>	<b>\$ (5,715)</b>	<b>\$ 14,016</b>	

**Notes**

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

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

(3) Includes cost of corporate borrowings including the REIT's Secured Revolving Credit Facility, Convertible Debentures, NWH Margin Facilities, Vital Margin Facilities and distributions paid on Class B LP Units, treated as finance costs. Includes general and administrative costs of NWI's head office for period prior to completion of the Combination Transaction. Includes general and administrative costs of NWH's head office for the period subsequent to completion of the Combination Transaction.

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE										
Unaudited										
Year ended December 31, 2016										
Expressed in thousands of Canadian dollars										
	Canada	Brazil	Germany	Australia/New Zealand				Corporate <sup>(3)</sup>	Consolidated	
				Vital Trust	Vital Manager	GHM	Elimination	Total		
<b>Net Operating Income <sup>(1)</sup></b>										
Revenue from investment properties	\$ 138,548	\$ 37,063	\$ 15,245	\$ 88,519	\$ -	\$ -	\$ (2,029)	\$ 86,490	\$ -	\$ 277,346
Property operating costs	(62,306)	-	(4,136)	(8,499)	-	-	192	(8,307)	-	(74,749)
	<b>76,242</b>	<b>37,063</b>	<b>11,109</b>	<b>80,020</b>	<b>-</b>	<b>-</b>	<b>(1,837)</b>	<b>78,183</b>	<b>-</b>	<b>202,597</b>
<b>Other income</b>										
Share of profit (loss) from associates	-	-	-	-	540	-	8,139	8,679	-	8,679
Management fees	-	-	-	-	15,194	2,471	(15,563)	2,102	-	2,102
Interest income	73	2,589	-	134	5	3	-	142	48	2,852
	<b>73</b>	<b>2,589</b>	<b>-</b>	<b>134</b>	<b>15,739</b>	<b>2,474</b>	<b>(7,424)</b>	<b>10,923</b>	<b>48</b>	<b>13,633</b>
	<b>76,315</b>	<b>39,652</b>	<b>11,109</b>	<b>80,154</b>	<b>15,739</b>	<b>2,474</b>	<b>(9,261)</b>	<b>89,106</b>	<b>48</b>	<b>216,230</b>
<b>Other expenses</b>										
Mortgage and loan interest expense	(30,190)	(10,254)	(1,855)	(13,240)	(18)	-	-	(13,258)	(20,294)	(75,851)
General and administrative expenses	(1,270)	(2,133)	(2,884)	(15,063)	(5,188)	(1,301)	13,782	(7,770)	(5,715)	(19,772)
Transaction costs	-	-	-	-	-	-	(290)	(290)	(3,816)	(4,106)
Other Finance costs	5,602	(12,568)	(330)	(360)	-	-	-	(360)	(54,081)	(61,737)
Foreign exchange gain (loss)	(32)	(560)	2	(1,111)	(114)	-	-	(1,225)	350	(1,465)
<b>Income / (Loss) before the undernoted items</b>	<b>50,425</b>	<b>14,137</b>	<b>6,042</b>	<b>50,380</b>	<b>10,419</b>	<b>1,173</b>	<b>4,231</b>	<b>66,203</b>	<b>(83,508)</b>	<b>53,299</b>
Fair value adjustment of DUP liability	-	-	-	-	250	-	-	250	(1,701)	(1,451)
Fair value adjustment of investment properties	(15,567)	73,738	13,354	63,018	-	-	1,823	64,841	-	136,366
Net loss on disposal of investment properties	(2,807)	-	-	-	-	-	-	-	-	(2,807)
Gain on business combination	-	-	-	-	-	-	-	-	53	53
Gain / (Loss) on derivative financial instruments	754	920	(176)	3,438	-	(1,080)	-	2,358	(5,801)	(1,945)
<b>Income / (Loss) before taxes</b>	<b>32,805</b>	<b>88,795</b>	<b>19,220</b>	<b>116,836</b>	<b>10,669</b>	<b>93</b>	<b>6,054</b>	<b>133,652</b>	<b>(90,957)</b>	<b>183,515</b>
Income tax expense	-	(28,759)	(3,325)	(20,936)	(1,232)	(116)	(16)	(22,300)	-	(54,384)
<b>Net income (loss)</b>	<b>\$ 32,805</b>	<b>\$ 60,036</b>	<b>\$ 15,895</b>	<b>\$ 95,900</b>	<b>\$ 9,437</b>	<b>\$ (23)</b>	<b>\$ 6,038</b>	<b>\$ 111,352</b>	<b>\$ (90,957)</b>	<b>\$ 129,131</b>
<b>Non-Controlling Interest</b>										
Income attributable to Unitholders	\$ 32,805	\$ 60,036	\$ 15,895	\$ 23,581	\$ 9,437	\$ (23)	\$ 6,189	\$ 39,184	\$ (90,957)	\$ 56,963
<b>Add / (Deduct):</b>										
Fair market value losses (gains)	14,813	(74,658)	(13,178)	(66,456)	(250)	1,080	(1,823)	(67,449)	38,119	(102,353)
Less: Non-controlling interests' share of fair market value losses (gains)	-	-	-	50,158	-	-	1,536	51,694	-	51,694
Finance cost - Exchangeable Unit distributions	-	-	-	-	-	-	-	-	15,199	15,199
Revaluation of financial liabilities	-	10,053	-	-	-	-	-	-	-	10,053
Unrealized foreign exchange loss (gain)	32	(138)	(2)	1,112	114	-	-	1,226	(1,165)	(47)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-	-	-	(833)	-	-	-	(833)	-	(833)
Deferred taxes	-	28,477	3,277	15,006	(238)	(373)	-	14,395	-	46,149
Less: Non-controlling interests' share of deferred taxes	-	-	-	(11,324)	-	-	-	(11,324)	-	(11,324)
Non-recurring transaction costs	-	-	-	-	-	-	290	290.00	3,816	4,106.00
Convertible Debenture issuance costs	-	-	-	-	-	-	-	-	7,064	7,064
Net adjustments for equity accounted entities	-	-	-	-	-	-	(6,424)	(6,424)	-	(6,424)
Internal Leasing Costs	1,614	-	509	-	-	-	-	-	-	2,123
Net loss on disposal of investment properties	2,807	-	-	-	-	-	-	-	-	2,807
Gain on business combination	-	-	-	-	-	-	-	-	(53)	(53)
Other FFO adjustments	-	-	-	-	-	260	1,215	1,475	-	1,475
<b>Funds From Operations ("FFO") <sup>(2)</sup></b>	<b>\$ 52,071</b>	<b>\$ 23,770</b>	<b>\$ 6,501</b>	<b>\$ 11,244</b>	<b>\$ 9,063</b>	<b>\$ 944</b>	<b>\$ 983</b>	<b>\$ 22,234</b>	<b>\$ (27,977)</b>	<b>\$ 76,599</b>

**PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)**

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited	Year ended December 31, 2016									
	Expressed in thousands of Canadian dollars									
	Canada	Brazil	Germany	Australia/New Zealand				Corporate <sup>(3)</sup>	Consolidated	
			Vital Trust	Vital Manager	GHM	Elimination	Total			
<b>Funds From Operations ("FFO")<sup>(2)</sup></b>	\$ 52,071	\$ 23,770	\$ 6,501	\$ 11,244	\$ 9,063	\$ 944	\$ 983	\$ 22,234	\$ (27,977)	\$ 76,599
<b>Add / (Deduct):</b>										
Amortization of marked to market adjustment	(5,964)	-	-	-	-	-	-	-	-	(5,964)
Amortization of deferred financing charges	363	2,515	330	360	-	-	-	360	1,200	4,768
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	(272)	-	-	-	(272)	-	(272)
Straight line revenue	(1,101)	202	-	550	-	-	-	550	-	(349)
Less: non-controlling interests' share of straight-line revenue	-	-	-	(414)	-	-	-	(414)	-	(414)
Leasing costs and non-recoverable maintenance capital expenditures	(8,313)	-	(915)	(616)	-	-	-	(616)	-	(9,844)
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	465	-	-	-	465	-	465
DUP Compensation Expense	-	-	-	-	918	-	-	918	1,204	2,122
Internalization Contribution	-	-	-	-	-	-	-	-	-	-
Debt repayment costs	3,134	-	-	-	-	-	-	-	-	3,134
Net adjustments for equity accounted entities	-	-	-	-	-	-	(354)	(354)	-	(354)
<b>Adjusted Funds From Operations ("AFFO")<sup>(2)</sup></b>	<b>\$ 40,190</b>	<b>\$ 26,487</b>	<b>\$ 5,916</b>	<b>\$ 11,317</b>	<b>\$ 9,981</b>	<b>\$ 944</b>	<b>\$ 629</b>	<b>\$ 22,871</b>	<b>\$ (25,573)</b>	<b>\$ 69,891</b>

**Notes**

- (1) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"
- (2) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.
- (3) Includes cost of corporate borrowings including the REIT's Secured Revolving Credit Facility, Convertible Debentures, Vital Margin Facilities, Australasian Secured Financing and distributions paid on Class B LP Units, treated as finance costs. Includes general and administrative costs of the REIT's head office.

**PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)**

SUPPLEMENTAL DISCLOSURE										
Unaudited										
Expressed in thousands of Canadian dollars										
Year ended December 31, 2015										
	Canada <sup>(4)</sup>	Brazil	Germany	Australia/New Zealand			Corporate <sup>(5)</sup>	Consolidated		
				Vital Trust	Vital Manager	Elimination	Total			
<b>Net Operating Income<sup>(1)(2)</sup></b>										
Revenue from investment properties	\$ 94,448	\$ 30,611	\$ 13,155	\$ 62,683	\$ -	\$ (1,937)	\$ 60,746	\$ -	\$ -	\$ 198,960
Property operating costs	(42,068)	-	(3,935)	(7,176)	-	180	(6,996)	-	-	(52,999)
	<b>52,380</b>	<b>30,611</b>	<b>9,220</b>	<b>55,507</b>	<b>-</b>	<b>(1,757)</b>	<b>53,750</b>	<b>-</b>	<b>-</b>	<b>145,961</b>
<b>Other income</b>										
Share of profit (loss) from associates	2,153	-	-	-	666	(666)	-	-	-	2,153
Management fees	-	-	-	-	12,063	(12,063)	-	-	-	-
Interest income	28	434	-	80	53	-	133	317	-	912
	<b>2,181</b>	<b>434</b>	<b>-</b>	<b>80</b>	<b>12,782</b>	<b>(12,729)</b>	<b>133</b>	<b>317</b>	<b>-</b>	<b>3,065</b>
	<b>54,561</b>	<b>31,045</b>	<b>9,220</b>	<b>55,587</b>	<b>12,782</b>	<b>(14,486)</b>	<b>53,883</b>	<b>317</b>	<b>-</b>	<b>149,026</b>
<b>Other expenses</b>										
Mortgage and loan interest expense	(22,652)	(13,063)	(1,745)	(11,527)	(18)	-	(11,545)	(15,292)	-	(64,297)
General and administrative expenses	-	(2,633)	(2,292)	(13,246)	(5,131)	13,211	(5,166)	(15,030)	-	(25,121)
Transaction costs	-	-	(301)	-	-	-	-	(10,009)	-	(10,310)
Other Finance costs	6,028	(18,436)	(261)	(310)	-	-	(310)	(12,263)	-	(25,242)
Foreign exchange gain (loss)	-	141	(2)	(12)	(31)	6	(37)	(2,294)	-	(2,192)
<b>Income / (Loss) before the undernoted items</b>	<b>37,937</b>	<b>(2,946)</b>	<b>4,619</b>	<b>30,492</b>	<b>7,602</b>	<b>(1,269)</b>	<b>36,825</b>	<b>(54,571)</b>	<b>-</b>	<b>21,864</b>
Fair value adjustment of DUP liability	-	-	-	-	(71)	-	(71)	585	-	514
Fair value adjustment of investment properties	(9,015)	47,286	7,664	115,858	-	8,508	124,366	-	-	170,301
Net loss on disposal of investment properties	(1,352)	-	-	-	-	-	-	-	-	(1,352)
Gain on business combination	-	-	-	-	-	-	-	69,023	-	69,023
Gain / (Loss) on derivative financial instruments	(929)	709	32	(216)	-	(16)	(232)	16	-	(404)
<b>Income / (Loss) before taxes</b>	<b>26,641</b>	<b>45,049</b>	<b>12,315</b>	<b>146,134</b>	<b>7,531</b>	<b>7,223</b>	<b>160,888</b>	<b>15,053</b>	<b>-</b>	<b>259,946</b>
Income tax expense	-	(20,102)	(1,748)	(20,089)	(579)	-	(20,668)	(3)	-	(42,521)
<b>Net income (loss)</b>	<b>\$ 26,641</b>	<b>\$ 24,947</b>	<b>\$ 10,567</b>	<b>\$ 126,045</b>	<b>\$ 6,952</b>	<b>\$ 7,223</b>	<b>\$ 140,220</b>	<b>\$ 15,050</b>	<b>\$ -</b>	<b>\$ 217,425</b>
<b>Non-Controlling Interest</b>	-	-	-	95,420	-	5,151	100,571	-	-	100,571
<b>Income attributable to Unitholders</b>	<b>\$ 26,641</b>	<b>\$ 24,947</b>	<b>\$ 10,567</b>	<b>\$ 30,625</b>	<b>\$ 6,952</b>	<b>\$ 2,072</b>	<b>\$ 39,649</b>	<b>\$ 15,050</b>	<b>\$ -</b>	<b>\$ 116,854</b>
<b>Add / (Deduct):</b>										
Fair market value losses (gains)	9,944	(47,995)	(7,696)	(115,642)	71	(8,492)	(124,063)	(9,872)	-	(179,682)
Less: Non-controlling interests' share of fair market value losses (gains)	-	-	-	88,446	-	5,661	94,108	-	-	94,108
Finance cost - Exchangeable Unit distributions	-	-	-	-	-	-	-	16,986	-	16,986
Revaluation of financial liabilities	-	13,705	-	-	-	-	-	-	-	13,705
Unrealized foreign exchange loss (gain)	-	-	(1)	12	31	(6)	37	2,369	-	2,405
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-	-	-	(12)	-	-	(12)	-	-	(12)
Deferred taxes	-	19,889	1,737	17,630	581	-	18,211	-	-	39,837
Less: Non-controlling interests' share of deferred taxes	-	-	-	(13,375)	-	-	(13,375)	-	-	(13,375)
Non-recurring transaction costs	-	-	301	-	-	-	-	10,009	-	10,310
Convertible Debenture issuance costs	-	-	-	-	-	-	-	3,134	-	3,134
Net adjustments for equity accounted entities	2,221	-	-	-	-	-	-	-	-	2,221
Internal Leasing Costs	936	-	192	-	-	-	-	-	-	1,128
Net loss on disposal of investment properties	1,352	-	-	-	-	-	-	-	-	1,352
Gain on business combination	-	-	-	-	-	-	-	(69,023)	-	(69,023)
<b>Funds From Operations ("FFO")<sup>(1)(3)</sup></b>	<b>\$ 41,094</b>	<b>\$ 10,546</b>	<b>\$ 5,100</b>	<b>\$ 7,685</b>	<b>\$ 7,635</b>	<b>\$ (765)</b>	<b>\$ 14,555</b>	<b>\$ (31,347)</b>	<b>\$ -</b>	<b>\$ 39,948</b>

**PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)**

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited	Year ended December 31, 2015									
	Expressed in thousands of Canadian dollars									
	Canada <sup>(4)</sup>	Brazil	Germany	Australia/New Zealand				Corporate <sup>(5)</sup>	Consolidated	
			Vital Trust	Vital Manager	Elimination	Total				
<b>Funds From Operations ("FFO")<sup>(1)(3)</sup></b>	\$ 41,094	\$ 10,546	\$ 5,100	\$ 7,685	\$ 7,635	\$ (765)	\$ 14,555	\$ (31,347)	\$ 39,948	
<u>Add / (Deduct):</u>										
Interest rate subsidy	669	-	-	-	-	-	-	-	669	
Amortization of marked to market adjustment	(6,219)	-	-	-	-	-	-	-	(6,219)	
Amortization of deferred financing charges	191	4,731	261	310	-	-	310	1,414	6,907	
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	(235)	-	-	(235)	-	(235)	
Straight line revenue	(1,023)	80	-	211	-	244	455	-	(488)	
Less: non-controlling interests' share of straight-line revenue	-	-	-	(255)	-	-	(255)	-	(255)	
Leasing costs and non-recoverable maintenance capital expenditures	(5,668)	-	(617)	(779)	-	-	(779)	-	(7,064)	
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	591	-	-	591	-	591	
DUP Compensation Expense	-	-	-	-	409	-	409	10,391	10,800	
Internalization Contribution	-	-	-	-	-	-	-	1,385	1,385	
Debt repayment costs	2,666	-	-	-	-	-	-	-	2,666	
<b>Adjusted Funds From Operations ("AFFO")<sup>(1)(3)</sup></b>	\$ 31,710	\$ 15,357	\$ 4,744	\$ 7,528	\$ 8,044	\$ (521)	\$ 15,051	\$ (18,157)	\$ 48,705	

**Notes**

(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI.

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

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

(4) Includes NWI's share of profit(loss) in the REIT prior to completion of Combination Transaction. Includes the REIT's consolidated Canadian regional operations for period following completion of Combination Transaction.

(5) Includes cost of corporate borrowings including the REIT's Secured Revolving Credit Facility, Convertible Debentures, NWH Margin Facilities, Vital Margin Facilities and distributions paid on Class B LP Units, treated as finance costs. Includes general and administrative costs of NWI's head office for period prior to completion of the Combination Transaction. Includes general and administrative costs of NWH's head office for the period subsequent to completion of the Combination Transaction.

## PART XIII – NORMALIZED AFFO

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

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

Expressed in thousands of Canadian dollars, except per unit amounts				
	Q4 2016	Q4 2016	Q4 2016	Annualized
	Q4 2016	Per Unit	Annualized	Per Unit
<b>AFFO as reported</b>	<b>\$ 19,184</b>	<b>\$ 0.22</b>	<b>\$ 76,736</b>	<b>\$ 0.87</b>
Normalization adjustments <sup>(1)</sup> :				
(2) Accrued indexation related to Brazil leases			2,433	
(3) Lease Termination income			(12,604)	
(4) Non-recurring realized FX loss			6,260	
(5) Vital manager base fee			14	
(6) Normalization of G&A expenses			2,025	
(7) Santa Helena acquisition			3,150	
(8) Germany acquisitions			1,299	
(9) BRL Term loan repayment			6,445	
(10) Caxias CRI - Issuance			(1,031)	
(11) Convertible debenture offering			(3,527)	
(12) Acquisition facility Repayment			1,968	
(13) DB revolving facility Cash Collateral			2,836	
(14) RCF facility Repayment			265	
(15) Optimize debt stack			1,132	
(16) GHC Creep			765	
(17) Generation Healthcare			792	
<b>Normalized AFFO on an annualized basis</b>			<b>\$ 88,958</b>	<b>\$ 0.92</b>
Weighted average units outstanding for the Q4 2016 period (000s)				88,367
Normalization adjustment				8,613
Normalized Units Outstanding (000s) - December 31, 2016				96,980

See notes on the following page.

## PART XIII – NORMALIZED AFFO (CON'T.)

### Notes

- (1) Represents the full year effect of items recognized in the quarter that are seasonal; the full year effect of transactions that have closed during the quarter; and the full year effect of transactions that have closed in the subsequent quarter; all that will have an impact on future quarters
- (2) Estimated impact of increased revenues due to accrued indexation of Brazil leases based on YTD inflation rate observed of approximately 5.0%
- (3) To adjust for the full year impact of the non-recurring lease termination income in the quarter
- (4) To adjust non-recurring realized FX loss in intercompany loan in Brazil and Australia.
- (5) Estimated increase in Vital Manager's base management fees, assessed on total AUM, due to additions or valuation adjustments to Vital Trust's investment properties
- (6) The estimated impact of recognizing certain annual general and administrative expense items, recognized in the quarter, over a normalized 12 month period
- (7) To adjust for the full year impact of the acquisition of Hospital Santa Helena in October, 2016
- (8) To adjust for the full year impact of the acquisition of properties in Germany in the first quarter of 2017.
- (9) To adjust for the full year impact of repaying the C\$70M Brazil Term Loan at 10.3% on December 21, 2016
- (10) To adjust for the full year impact of interest expense from the Caxias CRI R\$151.5M (C\$60.8M) at 7.04% that closed October 24, 2016
- (11) To adjust for the full year impact of the 5.25% \$74.5M convertible debenture offering completed December 21, 2016
- (12) To reflect the full year impact of interest savings from the \$24M repayment of the acquisition facility (8.2% interest rate) in the first quarter of 2017.
- (13) To reflect the full year impact of interest savings from the \$37,1M cash collateral with DB revolving facility (6.36% interest rate).
- (14) To reflect the full year impact of interest savings from the \$8M repayment of the RCF facility (3.26% interest rate) in the first quarter of 2017.
- (15) To reflect the full year impact of interest savings from the \$19M partial repayment of Sabara Loan (5.96% of debt spread)
- (16) To reflect the annualized impact of equity income from GHC units acquired in the first quarter of 2017.
- (17) To reflect the annualized impact of equity income from GHC units acquired on July 26, 2016 and August 8, 2016

## PART XIV –NET ASSET VALUE

Expressed in thousands of Canadian dollars, except per unit amounts		<u>Q4 2016</u>
<b>Total Assets</b>		<b>\$3,328,533</b>
less Total Liabilities		(2,138,743)
less Non-controlling interest		(485,505)
<b>Unitholders' equity</b>		<b>704,285</b>
Add/(deduct):		
Deferred unit plan liability		14,935
Deferred tax liability	140,150	
less NCI	<u>(46,375)</u>	93,775
Financial instruments - net	14,628	
less NCI	<u>(8,027)</u>	6,601
Exchangeable Units		193,780
Vital Manager valuation adjustment		13,500
Other		3,847
<b>Net Asset Value ("NAV")</b>		<b>\$ 1,030,723</b>
Adjusted Units Outstanding (000s)- period end <sup>(1)</sup>		<u>88,435</u>
<b>NAV per Unit</b>		<b>\$ 11.66</b>
<b>Notes</b>		
(1) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic per unit measure that includes the Class B LP Units in basic units outstanding/weighted average units outstanding.		

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### Stock Exchange Listing

Toronto Stock Exchange (TSX)  
Listing symbols:

REIT Trust Units - NWH.UN  
5.25% convertible debentures - NWH.DB  
6.50% convertible debentures - NWH.DB.A  
7.50% convertible debentures - NWH.DB.B  
7.25% convertible debentures - NWH.DB.C  
5.50% convertible debentures - NWH.DB.D  
5.25% convertible debentures NWH.DB.E  
5.25% convertible debentures NWH.DB.F

### Distribution Reinvestment Plan

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