northwest

2024 Third Quarter

Condensed Consolidated Interim Financial Statements

Northwest Healthcare Properties
Real Estate Investment Trust

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Balance Sheet
(in thousands of Canadian dollars)
Unaudited

As at	Note	September 30, 2024	December 31, 2023
Assets			
Investment properties	3	$ 5,429,231	$ 6,874,660
Equity accounted investments	5	338,502	362,340
Intangible assets		50,842	43,780
Goodwill		39,593	38,566
Deferred tax assets		1,996	9,177
Financial instruments	6	14,110	26,057
Other assets	7	262,484	124,173
Accounts receivable		19,395	21,800
Assets held for sale	4	122,841	55,972
Cash, cash equivalents, and restricted cash	14	65,236	72,090
Total assets		$ 6,344,230	$ 7,628,615
Liabilities			
Mortgages and loans payable	8	$ 2,741,040	$ 3,597,618
Convertible debentures	9	356,725	320,854
Unit-based compensation liabilities	10	12,958	15,161
Class B exchangeable units	11	—	8,721
Deferred tax liabilities		335,309	418,446
Financial instruments	6	8,421	6,574
Income taxes payable		7,614	21,440
Accounts payable and accrued liabilities		129,545	128,749
Distributions payable		7,443	7,299
Liabilities related to assets held for sale	4	10,260	18,485
Total liabilities		$ 3,609,315	$ 4,543,347
Unitholders' Equity			
Unitholders' equity	11	1,644,415	1,994,312
Non-controlling interests	12	1,090,500	1,090,956
Total liabilities and unitholders' equity		$ 6,344,230	$ 7,628,615

Commitments and Contingencies (note 16) and Subsequent Events (notes 4, 6, and 20)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(in thousands of Canadian dollars)

Unaudited			For the three months ended September 30,			For the nine months ended September 30,		
	Note		**2024**		2023		**2024**	2023
Net Property Operating Income								
Revenue from investment properties	**13**	**$**	**107,015**	$	122,182	**$**	**359,701**	$ 384,010
Property operating costs			**24,799**		27,085		**88,057**	95,471
			82,216		95,097	**$**	**271,644**	$ 288,539
Other Income (loss)								
Interest and other	**7**		**6,151**		7,882		**12,910**	15,963
Management fees			**4,117**		3,660		**11,333**	11,139
Share of profit (loss) of equity accounted investments	**5**		**(22,100)**		1,966		**(32,084)**	(19,917)
			(11,832)		13,508	**$**	**(7,841)**	$ 7,185
Expenses and other								
Mortgage and loan interest expense			**44,332**		58,715		**153,521**	167,550
General and administrative expenses			**16,003**		16,664		**45,019**	45,235
Transaction costs	**4**		**5,366**		6,209		**12,300**	13,905
Foreign exchange (gain) loss			**500**		2,521		**(12,369)**	(7,487)
			66,201		84,109	**$**	**198,471**	$ 219,203
Income before finance income (expense), net gain (loss) on financial instruments, net gain (loss) on dispositions, and fair value adjustments			**4,183**		24,496	**$**	**65,332**	$ 76,521
Finance income (expense)								
Amortization of financing costs	**8**		**(11,366)**		(2,686)		**(20,817)**	(8,649)
Class B exchangeable unit distributions			**—**		(342)		**63**	(1,026)
Fair value adjustment of Class B exchangeable units			**—**		2,052		**(205)**	7,558
Accretion of financial liabilities	**8**		**(937)**		(814)		**(5,369)**	(6,602)
Fair value adjustment of convertible debentures	**9**		**(34,179)**		12,613		**(35,871)**	26,792
Convertible debenture issuance costs			**—**		(91)		**(27)**	(4,601)
Net gain (loss) on financial instruments	**6**		**(21,490)**		(6,585)		**(10,141)**	14,204
Fair value adjustment of investment properties	**3, 4**		**(94,747)**		(122,204)		**(338,867)**	(414,189)
Net loss on disposals of investment properties	**4**		**(21,299)**		(5,046)		**(31,396)**	(20,783)
Fair value adjustment of unit-based compensation liabilities	**10**		**(1,641)**		2,692		**(480)**	12,275
Income (loss) before taxes			**(181,476)**		(95,915)	**$**	**(377,778)**	$ (318,500)
Current tax expense			**6,641**		11,049		**13,035**	22,515
Deferred tax expense (recovery)			**(30,851)**		(11,694)		**(67,681)**	(49,179)
Income tax expense (recovery)			**(24,210)**		(645)	**$**	**(54,646)**	$ (26,664)
Net income (loss)		**$**	**(157,266)**	$	(95,270)	**$**	**(323,132)**	$ (291,836)
Net income (loss) attributable to:								
Unitholders		**$**	**(138,252)**	$	(81,276)	**$**	**(308,222)**	$ (210,855)
Non-controlling interests	**12**		**(19,014)**		(13,994)		**(14,910)**	(80,981)
		$	**(157,266)**	$	(95,270)	**$**	**(323,132)**	$ (291,836)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(in thousands of Canadian dollars)

Unaudited	Note	For the three months ended September 30, 2024	2023	For the nine months ended September 30, 2024	2023
Net income (loss)		**$ (157,266)**	$ (95,270)	**$ (323,132)**	$ (291,836)
Other comprehensive income (loss) ("OCI"):					
Foreign currency translation adjustments		**$ 80,065**	$ (12,508)	**$ 47,144**	$ (85,825)
Change in relative interest of non-controlling interests	**12**	**$ —**	$ —	**$ (505)**	$ —
Other comprehensive income (loss), net of tax		**$ 80,065**	$ (12,508)	**$ 46,639**	$ (85,825)
Total comprehensive income (loss) for the period		**$ (77,201)**	$ (107,778)	**$ (276,493)**	$ (377,661)
Total comprehensive income (loss) attributable to:					
Unitholders		**$ (96,432)**	$ (92,570)	**$ (302,650)**	$ (231,941)
Non-controlling interests	**12**	**$ 19,231**	$ (15,208)	**$ 26,157**	$ (145,720)
		$ (77,201)	$ (107,778)	**$ (276,493)**	$ (377,661)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Unitholders' Equity

(in thousands of Canadian dollars)

Unaudited

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated OCI	Retained Earnings	**Total Unitholders' Equity**	Non-Controlling Interests (note 12)	**Total Equity**
Balance, December 31, 2023		$ 2,525,040	$ 39,724	$ (1,017,018)	$ (293,415)	$ 739,981	**$ 1,994,312**	$ 1,090,956	**$ 3,085,268**
Units issued through distribution reinvestment plan	**11**	7,262	—	—	—	—	**7,262**	3,134	**10,396**
Units issued on exercise of unit-based compensation	**10**	3,038	—	—	—	—	**3,038**	—	**3,038**
Conversion of Class B exchangeable units	**11**	8,926	—	—	—	—	**8,926**	—	**8,926**
Change in relative interest of non-controlling interests	**12**		—	—	(147)	—	**(147)**	(358)	**(505)**
Distributions		—	—	(66,474)	—	—	**(66,474)**	(29,748)	**(96,222)**
Foreign currency translation adjustments		—	—	—	5,720	—	**5,720**	41,426	**47,146**
Net income (loss)		—	—	—	—	(308,222)	**(308,222)**	(14,910)	**(323,132)**
Balance, September 30, 2024		$ 2,544,266	$ 39,724	$ (1,083,492)	$ (287,842)	$ 431,759	**$ 1,644,415**	$ 1,090,500	**$ 2,734,915**

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated OCI	Retained Earnings	Total Unitholders' Equity	Non-Controlling Interests (note 12)	Total Equity
Balance, December 31, 2022		$ 2,503,875	$ 39,724	$ (858,645)	$ (315,777)	$ 1,087,671	$ 2,456,848	$ 1,285,128	$ 3,741,976
Units issued through distribution reinvestment plan	**11**	18,222	—	—	—	—	18,222	8,659	26,881
Units issued on exercise of unit-based compensation	**10**	2,426	—	—	—	—	2,426	—	2,426
Distributions		—	—	(136,479)	—	—	(136,479)	(29,428)	(165,907)
Foreign currency translation adjustments		—	—	—	(21,088)	—	(21,088)	(64,737)	(85,825)
Net income (loss)		—	—	—	—	(210,856)	(210,856)	(80,981)	(291,837)
Balance, September 30, 2023		$ 2,524,523	$ 39,724	$ (995,124)	$ (336,865)	$ 876,815	$ 2,109,073	$ 1,118,641	$ 3,227,714

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

Unaudited		For the three months ended September 30,		For the nine months ended September 30,	
	Note	**2024**	2023	**2024**	2023
Operating activities					
Net income (loss)		**$ (157,291)**	$ (95,270)	**$ (323,132)**	$ (291,836)
Adjustments for:					
Income tax expense (recovery)		**(24,210)**	(645)	**(54,646)**	(26,664)
Income taxes paid		**(8,407)**	(7,637)	**(24,449)**	(19,629)
Amortization of other assets		**697**	358	**3,174**	956
Mortgage and loan interest expense		**44,332**	58,715	**153,521**	167,550
Mortgage and loan interest paid		**(37,445)**	(56,266)	**(151,434)**	(169,688)
Finance expense (income), net	**14**	**46,482**	(10,732)	**62,226**	(13,472)
Interest and distribution income		**(6,151)**	(3,494)	**(12,910)**	(11,575)
Share of loss of equity accounted investments		**22,100**	(1,966)	**32,084**	19,917
Unrealized foreign exchange loss (gain)		**1,888**	2,689	**(11,093)**	(6,457)
Fair value adjustment of investment properties	**3, 4**	**94,747**	122,204	**338,867**	414,189
Fair value loss (gain) on financial instruments	**6**	**21,490**	6,585	**10,141**	(14,204)
Transaction costs		**5,366**	6,209	**12,300**	13,905
Net loss on disposal of investment properties	**4**	**21,299**	5,046	**31,396**	20,783
Fair value adjustment of unit-based compensation liabilities	**10**	**1,641**	(2,692)	**480**	(12,275)
Unit-based compensation expense (recovery)	**10**	**(458)**	1,883	**2,361**	7,380
Redemption of units issued under unit-based compensation plans	**10**	**(1,682)**	(2)	**(1,997)**	(1,464)
Changes in non-cash working capital balances	**14**	**8,956**	1,156	**(2,313)**	4,600
Cash provided by operating activities		**33,354**	**26,141**	**$ 64,576**	$ 82,016
Investing activities					
Net proceeds on disposal of investment properties	**4**	**(468)**	69,846	**390,415**	177,146
Net investment in financial instruments	**6, 7**	**20,955**	91,766	**52,152**	91,766
Distribution income	**5, 7**	**2,253**	3,587	**7,477**	13,184
Receipts (payments) from foreign exchange contracts, net		**38**	96	**199**	304
Additions to investment properties	**3**	**(38,676)**	(85,196)	**(140,353)**	(191,586)
Transaction costs		**(4,262)**	1,008	**(12,329)**	(9,004)
Additions to furniture and fixtures		**(38)**	(8)	**(884)**	(87)
Cash interest received		**1,096**	869	**2,732**	2,581
Contributions in equity accounted investments		**(399)**	(405)	**(1,670)**	(1,565)
Net proceeds from dispositions of subsidiaries	**4**	**207,694**	—	**206,332**	—
Acquisitions of investment properties		**—**	(10,593)	**—**	(14,636)
Net decrease (increase) to restricted cash		**1,677**	—	**(1,055)**	—
Cash provided by (used in) investing activities		**189,870**	70,970	**$ 503,016**	$ 68,103
Financing activities					
Proceeds from mortgages and loans	**8**	**146,694**	274,524	**426,745**	601,198
Repayments of mortgages and loans	**8**	**(341,483)**	(314,981)	**(915,476)**	(695,084)
Distributions paid on REIT units		**(19,680)**	(48,613)	**(59,032)**	(126,859)
Distributions paid to non-controlling interests	**12**	**(10,966)**	(7,160)	**(28,475)**	(20,757)
Financing fees paid	**8**	**(3,830)**	(2,104)	**(9,665)**	(9,192)
Unit issuance costs		**—**	(62)	**(51)**	(209)
Convertible debenture issuance costs	**9**	**—**	(91)	**(27)**	81,649
Distributions paid on Class B exchangeable units		**—**	(342)	**—**	(1,026)
Cash provided by (used in) financing activities		**(229,265)**	(98,829)	**$ (585,981)**	$ (170,280)
Net change in cash and cash equivalents		**(6,041)**	(1,718)	**$ (18,389)**	$ (20,161)
Effect of foreign currency translation		**8,485**	1,025	**10,225**	(295)
Net change in cash and cash equivalents		**2,444**	(693)	**$ (8,164)**	$ (20,456)
Cash and cash equivalents, beginning of period		**61,482**	68,224	**72,090**	87,987
Cash and cash equivalents, end of period	**14**	**$ 63,926**	$ 67,531	**$ 63,926**	$ 67,531

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Northwest Healthcare Properties Real Estate Investment Trust ("Northwest", the "REIT", or the "Trust"), is a Canadian open-end trust established on January 1, 2010 and governed pursuant to a third amended and restated Declaration of Trust dated September 15, 2020, as amended by amendments dated as of March 30, 2023, September 21, 2023, and June 18, 2024, under the laws of the Province of Ontario ("Declaration of Trust"). The registered office of the REIT is 180 Dundas Street West, Suite 1100, Toronto, Ontario, M5G 1Z8. The principal business of the REIT is to invest in healthcare real estate globally.

1. Statement of Compliance and Basis of Preparation

The REIT's unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), specifically International Accounting Standard ("IAS") 34: Interim Financial Reporting. Certain information and note disclosures included in the annual consolidated financial statements based on accounting policies and practices in accordance with IFRS have been omitted in these unaudited condensed consolidated interim financial statements.

The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the REIT's annual consolidated financial statements for the year ended December 31, 2023. These unaudited condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT on November 14, 2024.

The consolidated financial statements are presented in thousands of Canadian dollars, except in respect of units and per unit amounts. The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires the REIT's management to exercise judgment in applying accounting policies.

These consolidated financial statements have been prepared on a historical cost basis except for:

- Investment properties and assets held for sale, which are measured at fair value; and
- Financial assets and financial liabilities classified as fair value through profit and loss ("FVTPL"), derivative financial instruments, and the REIT's unit-based compensation liabilities, which are collectively measured at fair value.

The consolidated financial statements are presented in Canadian dollars, which is the REIT's functional currency.

2. Material Accounting Policies

All material accounting policies have been applied on a basis consistent with those stated and applied in the most recent annual consolidated financial statements of the REIT for the year ended December 31, 2023, except for the following:

Changes to Operating Segments

The REIT has re-assessed its reporting segments based on a change in the Chief Operating Decision Maker's ("CODM") performance measures and resource allocation in accordance with IFRS 8 Operating Segments. Prior to January 1, 2024, the REIT had defined its reporting segments as follows: Americas (Canada, United States, Brazil, Corporate), Europe (UK, Germany, Netherlands), and Australasia (Australia, New Zealand).

During the first quarter of fiscal 2024, the REIT revised its reporting segments as follows: North America (Canada, United States), Brazil, Europe (UK, Germany, Netherlands), Australasia (Australia, New Zealand, including investment in Vital Trust), and Corporate. Relevant comparative periods in these consolidated financial statements have been amended and restated to reflect the change in the composition of the REIT's segments for this purpose.

(in thousands of Canadian dollars, unless otherwise stated)

Accounting Changes

In January 2020 and October 2022, the IASB issued narrow scope amendments to IAS 1 – Classification of Liabilities as Current or Non-Current to specify the requirements for the classification of liabilities as either current or non-current, effective January 1, 2024. The amendments clarified the following:

- Right to defer settlement – that if an entity's right to defer settlement is subject to compliance with future covenants, the entity has a right to defer settlement of the liability regardless of compliance with such covenants at the end of the reporting period.
- Expected deferrals – that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer the settlement of the liability for at least twelve months following the reporting period even if settlement occurs prior to the authorization of the issuance of the financial statements.
- Settlement by way of own instruments – that settlement by way of an entity's own equity instruments is considered settlement for classification purposes with the exception of a conversion option that itself is classified as an equity instrument.

The REIT does not present a classified balance sheet. However, the amendments also provide for additional disclosures surrounding non-current liabilities for which a right to defer settlement is subject to compliance with future covenants within twelve months. The REIT adopted the amendments as of January 1, 2024 and applied retrospectively and thus $356.7 million, $320.9 million and $275.3 million of convertible debentures (note 9), $6.3 million, $2.0 million and $13.8 million of fully vested unit-based compensation liabilities (note 10), and $nil, $8.7 million, and $16.2 million of Class B units have been presented and disclosed as current as at September 30, 2024, December 31, 2023, and January 1, 2023, respectively.

Future Accounting Changes

The IASB is expected to issue IFRS 18 - Presentation and Disclosure in Financial Statements in 2024, effective January 1, 2027. The new standard is expected to:

- Define the structure for the statements of income (loss) to include subtotals for operating, investing, and financing activities;
- Require financial statement note disclosure of management-defined, or non-IFRS, performance measures; and
- Provide enhanced guidance on the grouping of aggregated or disaggregated information.

The REIT is evaluating the impact of IFRS 18, and continues to monitor changes to IFRS accounting standards and implement applicable IASB changes to standards, new interpretations, and annual improvements.

3. Investment Properties

As at		**September 30, 2024**		December 31, 2023
Balance, beginning of period	**$**	**6,874,660**	$	6,612,535
Acquisition of investment properties(1)		**—**		14,636
Dispositions of investment properties(2)		**(1,219,209)**		(23,241)
Additions to investment properties(3)		**140,016**		258,625
Increase in straight line rents		**4,046**		7,144
Reclassified (to)/from assets held for sale (note 4)		**(132,717)**		445,325
Fair value adjustments, net		**(337,235)**		(412,700)
Foreign currency translation		**99,670**		(27,664)
Balance, end of period	**$**	**5,429,231**	$	6,874,660

(1) Acquisitions include purchases of land and buildings, and capitalized costs directly attributable to the transaction activity.
(2) Dispositions in 2024 and 2023 are related to sales of investment properties from the North America, Europe, and Australasia segments (note 4).
(3) Additions include certain directly attributable leasing costs, capital and development expenditures primarily in Vital Trust, and new right-of-use assets.

Investment properties are measured at their estimated fair values. The investment properties are re-measured to fair value at each reporting date. The estimated fair values of the REIT's investment properties are based on the following valuation methodologies:

i. Discounted cash flow analysis based on future cash inflows and outflows related to projected annual operating cash flows reflecting market conditions at the end of reporting period, utilizing appropriate discount rates and terminal capitalization rates which are generally over a minimum term of 10 years; and
ii. Direct capitalization method which calculates an estimate of fair value by applying a capitalization rate to future cash flows based on a forecast or expectation of stabilized net operating income.

The estimated fair values of the investment properties as at September 30, 2024 and December 31, 2023 were determined using internal valuation models or the results of valuations performed by independent third party appraisers. Significant inputs, and assumptions are used by the REIT in determining the estimated fair values of its investment properties, including capitalization rates, terminal capitalization rates, discount rates and future cash flows that incorporate inflation rates, vacancy rates, market rents, property level capital expenditures, and net operating income. Additionally, the REIT may dispose of investment properties at amounts different than the estimated fair value at September 30, 2024. This difference could be material in the current macro-economic environment.

The key valuation metrics for investment properties, excluding those held for sale and accounted for as party of the REIT's equity accounted investments, by segment are set out in the following table:

As at September 30, 2024	North America	Brazil	Europe	Australasia
Discount rate - range	6.50% - 10.25%	8.75% - 9.50%	6.00% - 8.75%	6.00% - 8.50%
Discount rate - weighted average	7.75%	8.92%	6.66%	6.94%
Terminal capitalization rate - range	6.00% - 9.00%	7.50% - 8.50%	5.30% - 8.35%	4.88% - 7.00%
Terminal capitalization rate - weighted average	6.98%	7.88%	6.16%	5.57%
Overall capitalization rate - range	4.96% - 9.10%	8.03% - 9.91%	4.61% - 10.43%	4.67% - 11.73%
Overall capitalization rate - weighted average	6.65%	8.38%	6.30%	5.39%

As at December 31, 2023	North America	Brazil	Europe	Australasia
Discount rate - range	6.50% - 9.67%	7.25% - 8.50%	6.00% - 8.80%	5.25% - 9.00%
Discount rate - weighted average	7.79%	7.85%	7.07%	6.59%
Terminal capitalization rate - range	6.00% - 8.65%	6.50% - 7.50%	5.25% - 9.75%	4.50% - 8.25%
Terminal capitalization rate - weighted average	7.00%	6.89%	5.81%	5.35%
Overall capitalization rate - range	4.44% - 9.95%	6.79% - 7.90%	4.47% - 7.62%	4.43% - 10.88%
Overall capitalization rate - weighted average	6.68%	7.28%	6.04%	5.20%

The fair value sensitivity for the investment properties most sensitive to changes in capitalization rates is summarized in the following table:

Capitalization rate sensitivity increase/ (decrease)	Weighted average overall capitalization rate	Estimated fair value of investment properties (in millions)	Fair value variance (in millions)	% Change
(0.75)%	5.40%	$6,205	$775	14.00%
(0.50)%	5.65%	$5,922	$493	9.00%
(0.25)%	5.90%	$5,665	$236	4.00%
—%	6.15%	$5,429	$—	—%
0.25%	6.40%	$5,213	$(216)	(4.00)%
0.50%	6.65%	$5,013	$(416)	(8.00)%
0.75%	6.90%	$4,829	$(600)	(11.00)%

The REIT engages independent third-party appraisers such that approximately one-third of the portfolio of income producing properties is independently appraised annually and each income producing property is appraised at least once over a three-year period. The REIT's internal valuation models consider and incorporate the results of the external valuations. During the nine months ended September 30, 2024, investment properties with an aggregate estimated fair value of $1.8 billion, representing approximately 33% of the portfolio, were valued by independent third-party appraisers (during the nine months ended September 30, 2023 - $3.1 billion and 45%).

(in thousands of Canadian dollars, unless otherwise stated)

4. Assets Held for Sale and Disposition of Investment Properties

As at		**September 30, 2024**		December 31, 2023
Balance, beginning of period	**$**	**55,972**	$	983,430
Dispositions of assets held for sale		**(65,425)**		(337,483)
Additions to assets held for sale		**—**		1,133
Increase (decrease) in straight-line rents		**(4)**		(7)
Reclassified from (to) Investment Properties (note 3)		**132,717**		(445,325)
Fair value adjustments		**(1,632)**		(159,060)
Foreign currency translation		**1,213**		13,284
Balance, end of period	**$**	**122,841**	$	55,972

As at September 30, 2024, the REIT has 19 income producing properties and one development property totaling $122.8 million (December 31, 2023 - $56.0 million) classified as assets held for sale, of which $61.6 million was reclassified from investment properties during the three months ended September 30, 2024. $10.3 million (December 31, 2023 - $18.5 million) of directly associated property level debt expected to be part of the sale transaction classified as liabilities related to assets held for sale.

During the nine months ended September 30, 2024, the REIT disposed of investment properties, inclusive of assets that were not previously classified as held for sale, as follows:

Region		**Gross Proceeds**		**Property specific debt settled or sold**
North America	**$**	**303,254**	**$**	**18,370**
Australasia		**75,764**		—
Europe		**905,616**		**482,989**
	$	**1,284,634**	**$**	**501,359**

On August 8, 2024, the REIT's investment properties in the United Kingdom ("UK Portfolio") were sold to Assura PLC ("Assura"), a publicly-listed REIT on the London Stock Exchange (LSE: AGR) for gross consideration of $885.0 million, including settlement of $470.7 million of debt by the purchaser, $177.0 million of consideration in shares of Assura with a lock up period of six months immediately following completion of the sale (note 7), and net cash proceeds of $206.3 million. For the three and nine months ended September 30, 2024, the REIT incurred $20.8 million and $22.2 million, respectively, in loss on disposal of investment properties related to the sale.

For the three and nine months ended September 30, 2024, the REIT incurred total losses on the disposal of investment properties of $21.3 million and $31.4 million, respectively, directly associated with the above-noted disposition activity, related primarily to broker commissions and professional fees associated with the dispositions.

For the three and nine months ended September 30, 2024, the REIT also incurred transaction costs of $5.4 million and $12.3 million, respectively, which includes third party costs and internal allocations related to investment opportunities, capital raising initiatives, and the Board's Strategic Review Committee.

5. Equity Accounted Investments

The REIT enters into joint venture ("JV") arrangements with third parties for the purpose of jointly owning, developing and operating investment properties. In each arrangement, the co-owners are equally entitled to their proportionate share of income (loss) attributable to each co-owners' equity ownership percentage.

(in thousands of Canadian dollars, unless otherwise stated)

Equity Accounted Investment	Ownership Interest	Location	Term
NWI Galaxy JV GmbH & Co. KG ("European JV")	30 %	Europe	11 years
NorthWest Australia HSO Trust	30 %	Australia	Perpetuity
NorthWest Australia Hospital Investment Trust	30 %	Australia	Perpetuity
Northwest Healthcare Properties Australia REIT ("AREIT")	30 %	Australia	Perpetuity
NorthWest Australia Hospital Investment Galaxy 2 Trust	30 %	Australia	Perpetuity

The REIT's investments in its Australian JV arrangements, where capital funding has been deployed to fund the historical acquisition of investment properties, were all governed under the same investment framework as at September 30, 2024. The investment framework included sharing a common third-party joint venture partner, owning assets that are in similar asset classes and geographical regions, and have similarly structured investment management terms. The carrying value of the REIT's equity accounted investments by location is as follows:

September 30, 2024		Australia		Europe		Total
Balance, beginning of period	$	**273,602**	$	**88,738**	$	**362,340**
Contributions		**—**		**1,670**		**1,670**
Share of net income (loss) for the period		**(30,755)**		**(1,329)**		**(32,084)**
Distributions		**(5,919)**		**—**		**(5,919)**
Foreign currency translation		**9,668**		**2,827**		**12,495**
Balance, end of period	$	**246,596**	$	**91,906**	$	**338,502**

December 31, 2023		Australia		Europe		Total
Balance, beginning of year	$	299,873	$	95,524	$	395,397
Contributions		—		2,277		2,277
Share of net income (loss) for the period		(9,514)		(9,718)		(19,232)
Distributions		(8,692)		—		(8,692)
Foreign currency translation		(8,065)		655		(7,410)
Balance, end of year	$	273,602	$	88,738	$	362,340

The summarized financial information of the REIT's equity accounted investments is as follows:

As at September 30,				2024		
		Australia		Europe		Total
Total assets(1)	$	**2,099,112**	$	**602,838**	$	**2,701,950**
Total liabilities		**1,218,104**		**313,869**		**1,531,973**
Net assets		**881,008**		**288,969**		**1,169,977**
Less: Non-controlling interests ("NCI")		**59,022**		**—**		**59,022**
Net assets less NCI		**821,986**		**288,969**		**1,110,955**
Weighted average ownership interest(2)		**30 %**		**30% to 33.57%**		**30% to 33.57%**
Equity Accounted Investments	$	**246,596**	$	**91,906**	$	**338,502**

(1) Included in total assets is cash of $17.9 million and $5.5 million in Australia and Europe, respectively, to which the REIT has rights up to its ownership interest.
(2) For certain investment properties located in Germany, held by the REIT's European joint venture, the REIT holds a direct 5% share. As a result, the effective interest in the entities that hold the subject investment properties is 33.57%.

(in thousands of Canadian dollars, unless otherwise stated)

For the three months ended September 30,	2024			2023		
	Australia	Europe	Total	Australia	Europe	Total
Revenue	$ 26,592	$ 10,592	$ 37,184	25,237	10,202	$ 35,439
Interest income	1,747	79	1,826	1,707	—	1,707
Total revenue	$ 28,339	$ 10,671	$ 39,010	$ 26,944	$ 10,202	$ 37,146
Expenses, fair value adjustments, and income tax						
Operating costs	$ 1,805	$ 1,906	$ 3,711	$ 2,177	$ 1,642	$ 3,819
Mortgage and loan interest expense	15,244	6,449	21,693	15,287	6,185	21,472
General and administrative expenses	2,330	1,551	3,881	2,649	1,626	4,275
Other	461	123	584	229	105	334
Fair value (gain) loss attributable to investment properties (1)	81,473	2,336	83,809	(635)	428	(207)
Income (loss) before taxes	(72,974)	(1,694)	(74,668)	7,237	216	7,453
Income tax (recovery) expense	$ —	$ 56	$ 56	$ —	$ 584	$ 584
Net income (loss)	(72,974)	(1,750)	(74,724)	7,237	(368)	6,869
Non-controlling interests	921	(58)	863	540	—	540
Net income (loss) attributable to owners	$ (73,895)	$ (1,692)	$ (75,587)	$ 6,697	$ (368)	$ 6,329
Weighted average share(2)	30.0%	30% to 33.57%	30% to 33.57%	30.0%	30% to 33.57%	30% to 33.57%
Share of net income (loss)	$ (21,616)	$ (484)	$ (22,100)	$ 2,011	$ (45)	$ 1,966

For the nine months ended September 30,	2024			2023		
	Australia	Europe	Total	Australia	Europe	Total
Revenue	$ 83,051	$ 32,030	$ 115,081	81,363	31,112	$ 112,475
Interest income	5,262	275	5,537	5,154	33	5,187
Total revenue	$ 88,313	$ 32,305	$ 120,618	$ 86,517	$ 31,145	$ 117,662
Expenses, fair value adjustments, and income tax						
Operating costs	$ 9,883	$ 6,134	$ 16,017	$ 10,170	$ 5,945	$ 16,115
Mortgage and loan interest expense	45,214	18,947	64,161	41,895	18,205	60,100
General and administrative expenses	7,276	3,453	10,729	7,573	3,738	11,311
Other	1,102	389	1,491	568	309	877
Fair value (gain) loss attributable to investment properties (1)	126,336	6,235	132,571	71,422	23,887	95,309
Income (loss) before taxes	(101,498)	(2,853)	(104,351)	(45,111)	(20,939)	(66,050)
Income tax (recovery) expense	$ —	$ 1,545	$ 1,545	$ —	$ (2,766)	$ (2,766)
Net income (loss)	(101,498)	(4,398)	(105,896)	(45,111)	(18,173)	(63,284)
Non-controlling interests	(1,019)	—	(1,019)	2,811	—	2,811
Net income (loss) attributable to owners	$ (102,517)	$ (4,398)	$ (106,915)	$ (47,922)	$ (18,173)	$ (66,095)
Weighted average share(2)	30.0%	30% to 33.57%	30% to 33.57%	30.0%	30% to 33.57%	30% to 33.57%
Share of net income (loss)	$ (30,755)	$ (1,329)	$ (32,084)	$ (14,376)	$ (5,541)	$ (19,917)

(1) The fair value measurement of investment properties in the JVs have been determined using the same valuation methodologies as the REIT (see note 3).
(2) For certain investment properties located in Germany, held by the REIT's European joint venture, the REIT holds a direct 5% share. As a result, the effective interest in the entities that hold the subject investment properties is 33.57%.

(in thousands of Canadian dollars, unless otherwise stated)

The REIT's share of income (loss) on a gross basis, before eliminations, includes interest expense related to loan balances outstanding between the REIT and the European JV, and management fee expenses related to management services provided by the REIT to the joint ventures, as follows:

	For the three months ended September 30,		**For the nine months ended September 30,**	
	2024	2023	**2024**	2023
Interest expense	1,242	1,274	3,646	**3,774**
Management fee expense	1,134	1,406	3,406	**3,845**
Total related party expenses	**2,376**	2,680	**7,052**	7,619

6. Financial Instruments

Financial instruments consist of interest rate derivative contracts and foreign exchange contracts recorded at fair value through profit and loss. The following table illustrates the classification of the REIT's financial instruments that have been recorded at fair value:

Recurring measurements:	**Level 1** Quoted prices in active markets for identical assets	**Level 2** Significant other observable inputs	**Level 3** Significant unobservable inputs	**September 30, 2024**	December 31, 2023
Financial assets:					
Interest rate derivatives	—	$ 13,761	—	**$ 13,761**	25,865
Foreign exchange contracts	—	349	—	**349**	192
Total financial assets	**$ —**	**$ 14,110**	**$ —**	**$ 14,110**	$ 26,057
Financial liabilities:					
Interest rate derivatives	—	$ (8,409)	—	**$ (8,409)**	(6,564)
Foreign exchange contracts		(12)		**(12)**	(10)
Total financial liabilities	**$ —**	**$ (8,421)**	**$ —**	**$ (8,421)**	$ (6,574)

The REIT is party to interest rate derivative contracts with respect to certain variable rate mortgages and term debts related to and secured by its investment properties in Europe, North America and Australasia, as well as portions of its Corporate credit facilities. The total notional amount of the interest rate derivatives' related debt as at September 30, 2024 is $1.3 billion (December 31, 2023 - $1.9 billion) (note 19).

During the three and nine months ended September 30, 2024, the REIT partially settled interest rate derivative swaps in North America with a notional amount of $153.4 million (US$112.2 million) upon the repayment of property level debt following the disposition of the associated investment properties (note 4).

The REIT also fully settled interest rate derivative swaps with a notional amount of $470.7 million with respect to the term debt of the UK portfolio, which was sold during the quarter (see **Highlights for the Quarter**). The cash proceeds from the sale also repaid the $65.2 million (US$47.7 million) non-revolving credit facility and the related financial instruments with a notional amount of $55.8 million (US$40.7 million) were settled.

During the three and nine months ended September 30, 2024, the REIT entered into interest rate swaps in respect of its Australasian secured term financing with a notional value of $85.9 million (NZ$100.0 million) and a term of two years, resulting in the base rate (BKBM) on the notional amount being fixed at 4.87%..

(in thousands of Canadian dollars, unless otherwise stated)

The components of the gain (loss) attributable to financial instruments are as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	**2024**	2023
Fair value adjustment - interest rate derivatives	**$ (24,415)**	$ (5,864)	**$ (12,095)**	$ 12,157
Receipts/(payments) under financial instruments	**—**	419	**—**	305
Fair value adjustment - foreign exchange contracts	**408**	—	**336**	—
Fair value adjustment - other financial instruments[1]	**2,517**	(1,140)	**1,618**	1,742
	$ (21,490)	$ (6,585)	**$ (10,141)**	$ 14,204

(1) The REIT has non-controlling investment interest in unlisted securities of an Australian healthcare fund that invests in and holds investment properties, as well as a non-controlling investment interest in securities of Assura a publicly-listed REIT on the London Stock Exchange (LSE: AGR).

7. Other Assets

As at	September 30, 2024	December 31, 2023
Investment in Assura (note 4)	**$ 188,612**	$ —
Investment in unlisted securities	**22,051**	$ 76,774
Loan and mortgage receivable [1]	**16,788**	12,118
Prepaid expenses	**11,202**	7,667
Finance lease receivable [2]	**7,407**	7,001
Commodity taxes recoverable	**5,302**	5,034
Right-of-use lease assets	**5,019**	3,157
Furniture and office equipment	**3,774**	4,843
Acquisition and financing costs [3]	**2,189**	6,759
Other	**140**	820
	$ 262,484	$ 124,173

(1) As at September 30, 2024, the loan and mortgage receivable includes an $5.8 million loan amortizing loan over 10 years for tenant fit out work related to Vital Trust, and a $4.9 million deferred settlement arrangement accruing interest that will be maturing in December 2025.
(2) Finance lease receivable relates to a long-term land lease with a third party, which has a discount rate of 7.0% and a remaining lease term of 64 years.
(3) Acquisition and financing costs relate to potential acquisitions, property development planning, and debt refinancing which are currently undergoing due diligence and/or negotiation.

On August 8, 2024, the REIT received gross consideration of $885.0 million for the UK Portfolio, the settlement partly consisted of shares in Assura with fair value of $177.0 million, which as at September 30, 2024 had a fair value of $188.6 million. On August 29, 2024, Assura declared distributions payable to unitholders as of September 5, 2024, that was paid on October 9, 2024. Included in accounts receivable as at September 30, 2024, is distributions receivable relating to the investment in Assura of $3.7 million.

The REIT has a non-controlling investment interest in unlisted securities of an Australian healthcare fund that invests in and holds investment properties. The REIT received distribution income of $0.2 million and $1.2 million during the three and nine months ended September 30, 2024 (September 30, 2023 - $5.6 million and $9.7 million) which is also recognized as part of interest and other income in the statement of net income (loss) and comprehensive income (loss). During three and nine months ended September 30, 2024, the REIT redeemed and sold units in these unlisted securities of approximately $19.2 million and $50.0 million, respectively, representing the settlement or redemption price. During the three and nine months ended September 30, 2024, the REIT recognized a fair value adjustment on its investment in the unlisted securities of $(3.0) million and $(5.6) million, respectively (three and nine months ended September 30, 2023 - $(1.7) million and $(4.6) million).

(in thousands of Canadian dollars, unless otherwise stated)

8. Mortgages and Loans Payable

As at		September 30, 2024		December 31, 2023
Mortgages payable, net of financing costs	**$**	**698,525**	$	733,934
Term debt, net of financing costs		**1,771,498**		2,417,423
Credit facilities, net of financing costs		**267,105**		450,376
Lease liabilities (1)		**14,172**		14,370
Total Mortgages and loans payable	**$**	**2,751,300**	$	3,616,103
Less: Liabilities related to assets held for sale, net of financing costs		**10,260**		18,485
Mortgages and loans payable	**$**	**2,741,040**	$	3,597,618
Current portion of mortgages and loans payable		**215,232**		337,062
Non-current portion of mortgages and loans payable(2)	**$**	**2,525,808**	$	3,260,556
Total mortgages and loans payable	**$**	**2,741,040**	$	3,597,618

(1) Lease liabilities include a finance lease related to leased land on which one of the REIT's investment properties is built. The remaining term of the lease as at September 30, 2024 is 64 years.

(2) The REIT's credit facility, term loans, and mortgages are subject to financial and other customary covenants such as debt service coverage ratio, interest coverage ratio, unitholders' equity, valuation of investment properties, and market price of the REIT, Vital Trust units and Assura shares (see note 19). The REIT's classification of current and non-current mortgages and loans payable relies on covenants which are forecasted for periods after the reporting date. As at September 30, 2024, the REIT complied with the covenants, and expects to be able to comply with the applicable contractual covenant requirements for at least 12 months after reporting for the mortgages and loan payable classified as non-current.

As at September 30, 2024, the scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term Debts	Credit Facilities	Finance Lease	Total
2024	$ 53,656	$ 6,447	$ —	$ 1,642	**$ 61,745**
2025	172,234	24,114	—	1,983	**198,331**
2026	203,427	169,357	269,219	1,852	**643,855**
2027	94,297	877,570	—	1,444	**973,311**
2028	51,433	503,506	—	934	**555,873**
2029 & thereafter	125,762	200,461	—	6,317	**332,540**
	$ 700,809	$ 1,781,455	$ 269,219	$ 14,172	**$ 2,765,655**
Financing costs	(2,284)	(9,957)	(2,114)	—	**(14,355)**
Liabilities related to assets held for sale	(10,260)	—	—	—	**(10,260)**
Total	$ 688,265	$ 1,771,498	$ 267,105	$ 14,172	**$ 2,741,040**

The movements in the REIT's mortgages and loans, excluding finance leases, and including liabilities related to assets held for sale, during the nine months ended September 30, 2024, were as follows:

	Mortgages	Term Debts	Credit Facilities	Total
Balance, beginning of period	$ 733,934	$ 2,417,423	$ 450,376	**$ 3,601,733**
Principal amortization	(17,643)	(18,286)	—	**(35,929)**
Debt settled upon sale of investment properties (note 4)	—	(470,732)	—	**(470,732)**
Repayments	(97,185)	(472,875)	(309,487)	**(879,547)**
Mortgages and loans dispositions	15,000	—	—	**15,000**
Advances and refinancing proceeds	53,871	235,417	122,723	**412,011**
Additional financing fees incurred	(529)	(7,561)	(1,575)	**(9,665)**
Amortization of finance fees	876	17,305	2,636	**20,817**
Accretion of financial liabilities	—	5,369	—	**5,369**
Foreign currency adjustment	10,201	65,438	2,432	**78,071**
Ending balance, September 30, 2024	$ 698,525	$ 1,771,498	$ 267,105	**$ 2,737,128**

(in thousands of Canadian dollars, unless otherwise stated)

As at September 30, 2024, the maturities and weighted average interest rates are as follows:

	Maturity	Weighted Average Interest Rate		Carrying Value		Available to be Drawn
Fixed rate						
Mortgages	October 2024 - August 2031	3.54 %	$	457,369		
Term debts	November 2027 - June 2031	4.39 %		144,827		—
Total fixed rate debt			$	602,196	$	—
Variable Rate						
Mortgages	March 2025 - December 2047	5.24 %		243,440		—
Term debts	March 2026 - March 2029	6.67 %		1,636,628		105,328
Credit facilities	March 2026	7.28 %		269,219		78,621
Total variable rate debt			$	2,149,287	$	183,949
Total mortgages and loans payable, excluding the following:			$	2,751,483	$	183,949
Financing costs				(14,355)		—
Liabilities related to assets held for sale				(10,260)		—
Total mortgages and loans payable, excluding lease liabilities:			**$**	**2,726,868**	**$**	**183,949**
Lease liabilities		5.27 %		14,172		—
Total mortgages and loans payable			**$**	**2,741,040**	**$**	**183,949**

As at September 30, 2024, $1.3 billion of total variable rate debts above are economically fixed using interest rate swaps and caps for a weighted average term of 20 months. $192.4 million in mortgages are economically fixed at a weighted average interest rate of 3.62%, $1.1 billion of term debts with variable interest rates have been economically fixed at 5.23%. (see note 6 and note 19).

The maximum amount available to be drawn is $105.3 million as at September 30, 2024 in respect of Vital Trust's term debts which is subject to restrictions over the extent to which the REIT can access.

Mortgages

All mortgages are secured by first or second charges on specific investment properties in North America and Europe, with an estimated fair value of $1.2 billion as at September 30, 2024 (December 31, 2023 - $1.3 billion).

Term debt

In conjunction with the disposition of the REIT's UK portfolio (note 4), the UK term debt of $470.7 million was settled by the purchaser. The REIT used proceeds from sale to repay the Brazilian term debt of $140.0 million and total credit facilities of $143.5 million and then entered into a European secured financing secured by its investment in Assura for total proceeds of $79.8 million.

As at September 30, 2024, the term debt balance, excluding financing costs, includes:

- North American term debt of $185.7 million (December 31, 2023 - $384.6 million), secured by a first charge on US investment properties with an estimated fair value of $351.8 million (December 31, 2023 - $620.7 million);
- Brazilian debt of $144.8 million (December 31, 2023 - $312.7 million) secured by related investment properties, with an estimated fair value of $347.3 million (December 31, 2023 - $719.1 million);
- Australasian term debt of $1.2 billion (December 31, 2023 - $1.1 billion), secured by related investment properties, and general security arrangements with an estimated fair value of $2.9 billion (December 31, 2023 - $2.8 billion);
- Australasian secured financing of $160.2 million (December 31, 2023 - $172.0 million) secured by 191,708,036 units (December 31, 2023 - 191,708,036 units) of Vital Trust held by the REIT, listed on the New Zealand Exchange.
- European secured financing of $81.4 million secured by the investment in Assura (note 4 and note 7) with an estimated fair value of $188.6 million.

(in thousands of Canadian dollars, unless otherwise stated)

Credit facilities

Revolving credit facilities with an outstanding balance of $269.2 million (December 31, 2023 - $356.4 million) where $204.2 million (December 31, 2023 - $231.4 million) is secured by a first or second charge on investment properties with an estimated fair value of $344.3 million (December 31, 2023 - $385.0 million).

On September 30, 2024, an unsecured revolving credit facility previously maturing in March 2025 was extended to March 2026. The facility has a general security arrangement, borrowing capacity of $95.0 million, and outstanding balance of $65.0 million.

On June 28, 2024, the administrator of the Canadian Dollar Offered Rate ("CDOR") ceased publication of CDOR and replaced it with the Canadian Overnight Repo Rate Average ("CORRA") as the benchmark reference rate. The REIT amended its benchmark rates from CDOR to CORRA for draws on its revolving credit facilities on June 27, 2024, without financial impact.

Lease liabilities

Minimum payments and their present values are as follows:

As at		September 30, 2024		December 31, 2023
Minimum lease payments payable:				
Not later than one year	**$**	**2,153**	$	2,224
Later than one year and not later than five years		**6,111**		6,346
Later than five years		**30,990**		30,070
	$	**39,254**	$	38,640
Future finance charges		**(25,082)**		(24,270)
Present value of minimum lease payments	**$**	**14,172**	$	14,370
Present value of minimum lease payments:				
Not later than one year	**$**	**2,138**	$	2,170
Later than one year and not later than five years		**5,265**		5,411
Later than five years		**6,769**		6,789
	$	**14,172**	$	14,370

9. Convertible Debentures

The movements in fair value of convertible debentures were as follows:

As at		September 30, 2024		December 31, 2023
Balance, beginning of period	**$**	**320,854**	$	275,270
Issuance of convertible debentures		**—**		86,250
Change in fair value of convertible debentures		**35,871**		(40,666)
Balance, end of period	**$**	**356,725**	$	320,854

The fair values of convertible debentures outstanding, determined on the basis of the closing market price as at the reporting date, are as follows:

As at		September 30, 2024		December 31, 2023
NWH.DB.G	**$**	**126,238**	$	124,688
NWH.DB.H		**147,472**		125,442
NWH.DB.I		**83,015**		70,724
Fair Value	**$**	**356,725**	$	320,854

(in thousands of Canadian dollars, unless otherwise stated)

Consistent with amendments to IAS 1 (note 2), the REIT has classified all convertible debentures as current liabilities as a result of the holders' ability to convert to REIT units at any time. The contractual maturities and conversion price of the convertible debentures are as follows:

Debentures Series	Conversion price per Unit ($)	Maturity	Interest rate	Interest payment	Interest payment dates
NWH.DB.G	$7.25	March 31, 2025	10.00%	Semi-annual	June 30 and December 31
NWH.DB.H	$16.00	August 31, 2027	6.25%	Semi-annual	February 28 and August 31
NWH.DB.I	$10.55	April 30, 2028	7.75%	Semi-annual	April 30 and October 31

10. Unit-Based Compensation

Under the Equity Incentive Plan ("EIP") that was approved in 2022, together with the previous Deferred Unit Plan ("DUP"), a maximum of 9,000,000 of the REIT's trust units are authorized to be issued.

The related activity and fair value estimates of the unit-based compensation liabilities are as follows:

As at		September 30, 2024		December 31, 2023
Balance, beginning of period	**$**	**15,161**	$	23,837
Unit based compensation expense		**2,361**		6,684
Exercised and paid in cash		**(1,997)**		(1,573)
Exercised and settled in Trust Units		**(3,038)**		(2,943)
Fair value adjustment		**480**		(10,814)
Foreign exchange		**(9)**		(30)
Balance, end of period	**$**	**12,958**	$	15,161

The REIT has three separate unit-based incentive plan award types currently in place:

Deferred Units

The deferred units granted in 2022 under the EIP and the previous DUP are administered by the Compensation, Governance and Nominating Committee of the REIT's Board of Trustees. The deferred units can be settled at the holder's option in units or cash subject to the REIT's approval and are classified as a financial liability until redeemed.

Deferred unit compensation expense is determined upon grant based on the service commencement date and the fair market value of a REIT unit or Vital Trust unit, as applicable, and amortized over the vesting period of five years. As at September 30, 2024, the fair value of the accrued DUP units was $8.2 million with the remaining expected to vest between 2024 and 2026. Unit-based compensation is classified as a liability. The awards are re-measured at fair value each reporting period, based on the fair market value of a REIT unit or Vital Trust unit, as applicable, and the change in fair value is recognized as part of compensation expense for the period.

Units outstanding under the DUP as at September 30, 2024 are as follows.

As at September 30, 2024	REIT	Vital Trust
Balance, beginning of period	**2,281,535**	**193,615**
Granted	**176,747**	**—**
Exercised and paid in cash	**(388,490)**	**(40,000)**
Exercised and paid in REIT units	**(606,482)**	**—**
Forfeited	**(36,541)**	**—**
Distribution entitlement	**114,544**	**14,502**
Balance, as at September 30, 2024	**1,541,313**	**168,117**
Units vested	**1,033,054**	**168,117**

(in thousands of Canadian dollars, unless otherwise stated)

Restricted Units

The REIT grants restricted units ("RUs") under the EIP. The RUs granted vest 100% generally over 5 years from their respective grant dates and are subject to forfeiture until the recipients of the awards have held office in their current position with or provided services to the REIT for a specified period of time.

RUs are recognized based on the grant date fair value and re-measured at each reporting date. The grant agreements provide that the awards will be satisfied upon vesting for: (i) trust units issued from REIT treasury, or (ii) a cash payment as determined by the REIT, with the result that the awards are classified as cash-settled unit-based payments and presented and classified as liabilities.

The restricted units may, if specified at the time of grant, accrue distributions during the vesting period and accrued distributions will be paid by the REIT when the applicable units vest.

As at	**September 30, 2024**	
	Number of RUs	**Weighted Average Grant Date Fair Value per unit**
RUs outstanding, beginning of year	**846,893**	**$ 7.70**
New grants and distributions	**509,490**	**4.49**
Forfeited	**(5,138)**	**4.80**
Exercised and paid in units	**(25,302)**	**5.18**
Distribution entitlement	**72,536**	**4.86**
Exercised and paid in cash	**(5,085)**	**5.18**
RUs outstanding	**1,393,394**	**$ 6.44**

The fair value of the accrued RUs was $2.2 million as at September 30, 2024 is based on the market price of the REIT's unit. The fair value is adjusted for changes in the market price of the REIT's units and recorded as a liability with a corresponding impact on compensation expense included as part of general and administrative expenses in the period in which the change occurs.

Performance Units

The REIT grants performance units ("PUs") under the EIP with a three-year vesting period. The performance units are and will be subject to both non-market and market conditions consisting of both absolute and relative performance over a three-year period and settled for trust units upon vesting.

As at	**September 30, 2024**	
	Number of PUs	**Weighted Average Grant Date Fair Value per unit**
PUs outstanding, beginning of year	**577,918**	**$ 9.60**
New grants and distributions	**670,066**	**5.07**
Forfeited	**(19,001)**	**5.04**
Distribution entitlement	**66,866**	**$ 5.03**
PUs outstanding	**1,295,849**	**$ 7.09**

The performance units may, if specified at the time of grant, accrue distributions during the vesting period and accrued distributions will be paid by the REIT in cash or units when the applicable units vest.

The estimated fair value of the accrued PU liability was $2.3 million as at September 30, 2024 and is subject to both market and non-market performance measures.

Grant dates	**July 4, 2022 - January 17, 2024**
Weighted average remaining term to vesting	2.5 years
Average volatility rate	27.0 %
Weighted average risk-free interest rate	5.2 %

(in thousands of Canadian dollars, unless otherwise stated)

The REIT's unit-based compensation expense (recovery) recognized as part of general and administrative expense and fair value adjustment was:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	**2024**	2023
Deferred Units	**(1,784)**	1,398	**$ (1,695)**	$ 4,187
Restricted Units	**483**	445	**1,796**	1,023
Performance Units	**843**	40	**2,260**	2,170
Unit-based compensation expense	**(458)**	1,883	**$ 2,361**	$ 7,380
Fair value remeasurement:				
Deferred Units	**1,361**	(1,971)	**$ 1,248**	$ (8,938)
Restricted Units	**(90)**	(124)	**(408)**	(467)
Performance Units	**370**	(597)	**(360)**	(2,870)
Total fair value remeasurement	**1,641**	(2,692)	**$ 480**	$ (12,275)
Total expense (recovery)	**$ 1,183**	$ (809)	**$ 2,841**	$ (4,895)

11. Unitholders' Equity

The REIT has two classes of units: (a) Trust units; and (b) special voting units. As at September 30, 2024, there are no special voting units outstanding.

The REIT is authorized to issue an unlimited number of REIT units without par value. Each unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The unitholders have the right to require the REIT to redeem their units on demand. Upon receipt of the redemption notice by the REIT, all rights to and under the units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit ("Redemption Price"), as determined by a market formula.

The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

The special voting units were only issued in tandem with Class B exchangeable units and were not transferable separately from the Class B exchangeable units to which they are attached. As Class B exchangeable units were exchanged or surrendered for REIT units, the corresponding special voting units were cancelled for no consideration. Special voting units had no economic entitlement in the REIT. However, it entitled the holder to one vote per special voting unit at any meeting of the unitholders. The REIT's Trustees had discretion in declaring distributions. As at September 30, 2024, no Class B exchangeable units and special voting units were outstanding.

The following table shows the changes in REIT units during the nine months ended September 30, 2024:

	REIT units	Amount
Balance, December 31, 2023	**243,292,126**	**$ 2,525,040**
Units issued through distribution reinvestment plan(1)	1,546,086	7,262
Units issued under unit-based compensation plans (note 10)	631,784	3,038
Units issued pursuant to conversion of Class B units(2)	1,710,000	8,926
Balance, September 30, 2024	**247,179,996**	**$ 2,544,266**

(1) The REIT has established a distribution reinvestment plan ("DRIP") for its unitholders, which allows participants to reinvest their monthly cash distributions in additional REIT units at an effective discount that is determined by applying 3% to the REIT's weighted average unit trading value for the five trading days immediately preceding the relevant distribution date. For the three months ended September 30, 2024, The REIT's DRIP participation rate was 11.8%. For the nine months ended September 30, 2024, the RET's DRIP participation rate was 11.4%.

(2) On January 15, 2024, 1,710,000 Class B units were redeemed for REIT units and the associated special voting units were cancelled.

(in thousands of Canadian dollars, unless otherwise stated)

12. Non-Controlling Interests

The following tables present summarized accounts for Vital Trust and the investment property Fritz-Lang-Platz 6, held by a subsidiary of the REIT, NWI Gesundheitsimmobilien GmbH & Co. KG, where non-controlling or partial interests are owned by a third party.

On June 30, 2024, the REIT acquired the minority interest of Fritz-Lang-Platz 6 and derecognized the non-controlling interest for total consideration of $0.4 million. The REIT's ownership interest in Fritz-Lang-Platz 6 is 100% as at September 30, 2024.

Changes in the REIT's relative interest in the Statement of Unitholders' Equity totaling $(0.1) million for the nine months ended September 30, 2024 are as a result of exchange in the investment interest with non-controlling third parties associated with the Fritz-Lang-Platz 6 acquisition and Vital Trust.

The investment interest in Vital Trust result in periodic change due to Vital Trust's dividend reinvestment program, issuance of equity by Vital Trust to non-controlling parties or the REIT, settlement of management fees by Vital Trust through issuance of equity to the REIT and sale of Vital Trust units by the REIT. As at September 30, 2024 the REIT's ownership interest in Vital Trust was 28.4% (December 31, 2023 - 28.6%).

The net assets attributable to the non-controlling interests and the REIT are as follows:

	As at September 30, 2024			As at December 31, 2023		
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Fritz-Lang-Platz 6	Total
REIT's ownership interest	**28.4%**	**100.0%**		28.6%	94.9%	
Total assets	**$2,852,154**	**$ —**	**$2,852,154**	$2,736,453	$ 25,199	$ 2,761,652
Total liabilities	**1,307,834**	**—**	**1,307,834**	1,216,453	7,868	1,224,321
Net assets	**$1,544,320**	**$ —**	**$1,544,320**	$1,520,000	$ 17,331	$ 1,537,331
Attributable to:						
Unitholders of the REIT	**$453,820**	**$ —**	**$ 453,820**	$ 430,307	$ 16,068	$ 446,375
Non-controlling interests	**1,090,500**	**—**	**1,090,500**	1,089,693	1,263	1,090,956
	$1,544,320	**$ —**	**$1,544,320**	$1,520,000	$ 17,331	$ 1,537,331

	For the three months ended September 30, 2024			For the three months ended September 30, 2023		
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Fritz-Lang-Platz 6	Total
Revenue from investment properties	**$ 36,708**	**$ —**	**$ 36,708**	$ 33,846	$ 420	$ 34,266
Net income (loss) attributable to:						
Unitholders of the REIT	**(8,920)**	**—**	**(8,920)**	(5,158)	(695)	(5,853)
Non-controlling interests	**(19,014)**	**—**	**(19,014)**	(13,996)	2	(13,994)
Net income (loss)	**$ (27,934)**	**$ —**	**$ (27,934)**	$ (19,154)	$ (693)	$ (19,847)
Total comprehensive income (loss) attributable to:						
Unitholders of the REIT	**3,730**	**—**	**3,730**	(5,773)	(793)	(6,566)
Non-controlling interests	**19,231**	**—**	**19,231**	(15,204)	(4)	(15,208)
Total comprehensive income (loss)	**$ 22,961**	**$ —**	**$ 22,961**	$ (20,977)	$ (797)	$ (21,774)
Distributions attributable to non-controlling interests	**$ 9,952**	**$ —**	**$ 9,952**	$ 9,859	$ —	$ 9,859

(in thousands of Canadian dollars, unless otherwise stated)

	For the nine months ended September 30, 2024			For the nine months ended September 30, 2023		
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Fritz-Lang-Platz 6	Total
Revenue from investment properties	**$ 106,888**	**$ 984**	**$ 107,872**	$ 107,531	$ 1,368	$ 108,899
Net income (loss) attributable to:						
Unitholders of the REIT	**(9,981)**	**(3,396)**	**(13,377)**	(32,160)	(1,256)	(33,416)
Non-controlling interests	**(14,883)**	**(27)**	**(14,910)**	(80,914)	(67)	(80,981)
Net income (loss)	**$ (24,864)**	**$ (3,423)**	**$ (28,287)**	$ (113,074)	$ (1,323)	$ (114,397)
Total comprehensive income (loss) attributable to:						
Unitholders of the REIT	**4,522**	**2,148**	**6,670**	(57,681)	(1,443)	(59,124)
Non-controlling interests	**26,184**	**(27)**	**26,157**	(145,643)	(77)	(145,720)
Total comprehensive income (loss)	**$ 30,706**	**$ 2,121**	**$ 32,827**	$ (203,324)	$ (1,520)	$ (204,844)
Distributions attributable to non-controlling interests	**$ 26,937**	**$ 2,811**	**$ 29,748**	$ 29,428	$ —	$ 29,428

The difference between the net income (loss) and total comprehensive income (loss) is attributable to the foreign currency translation of accounts related to the REIT's net investments in Vital Trust and Fritz-Lang-Platz 6, being foreign operations of the REIT.

The REIT is subject to restrictions over the extent to which it can access cash of Vital Trust in the form of cash distributions, or use of assets and access to debt and credit facilities as a result of borrowing arrangements, regulatory restrictions and the REIT's economic interest in Vital Trust and being limited to the REIT's ownership interest of 28.4%. Similarly, the REIT is not subject to recourse over Vital Trust's borrowings and as a result, Vital Trust is restricted over the extent to which it can access the REIT's assets, debt and credit facilities.

The cash flows attributable to the non-controlling interests and the REIT during the three and nine months ended September 30, 2024 and 2023 were as follows:

	For the three months ended September 30, 2024			For the three months ended September 30, 2023		
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Fritz-Lang-Platz 6	Total
Cash flows from (used in):						
Operating	**$ 15,508**	**$ —**	**$ 15,508**	$ 11,788	$ 18	$ 11,806
Investing	**(33,692)**	**—**	**(33,692)**	(2,692)	$ 1	(2,691)
Financing	**17,275**	**—**	**17,275**	(8,669)	$ (48)	(8,717)
Effect of foreign currency translation	**(115)**	**—**	**(115)**	(239)	$ —	(239)
Net change in cash	**$ (1,024)**	**$ —**	**$ (1,024)**	$ 188	$ (29)	$ 159

	For the nine months ended September 30, 2024			For the nine months ended September 30, 2023		
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Fritz-Lang-Platz 6	Total
Cash flows from (used in):						
Operating	**$ 38,047**	**$ 1,891**	**$ 39,938**	$ 24,694	$ (2,061)	$ 22,633
Investing	**(47,911)**	**(1,558)**	**(49,469)**	(40,114)	$ 1,646	(38,468)
Financing	**13,377**	**95**	**13,472**	14,778	$ (2,731)	12,047
Effect of foreign currency translation	**(18)**	**(2)**	**(20)**	(1,052)	$ —	(1,052)
Net change in cash	**$ 3,495**	**$ 426**	**$ 3,921**	$ (1,694)	$ (3,146)	$ (4,840)
Cash balance at period end	**$ 14,749**	**$ 12**	**$ 14,761**	$ 8,992	$ 135	$ 9,127

(in thousands of Canadian dollars, unless otherwise stated)

For the three and nine months ended September 30, 2024, the REIT earned management fees of $4.1 million and $11.3 million, respectively, relating to management services provided (three and nine months ended September 30, 2023 - $3.7 million expense and $11.1 million income, respectively). Management fees from Vital Trust are eliminated on consolidation as inter-company transactions but the REIT receives the economic benefit of approximately 72% of the fees, representing the non-controlling ownership interests in Vital Trust.

13. Rental Revenue

The components of rental revenue are as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	**2024**	2023
Rental income	**$ 84,026**	$ 98,383	**$ 281,592**	$ 298,801
Operating cost recoveries	**16,680**	15,360	**49,282**	45,623
Property tax and insurance recoveries	**4,721**	6,512	**25,234**	33,531
Other revenue	**1,588**	1,927	**3,593**	6,055
Rental revenue	**$ 107,015**	$ 122,182	**$ 359,701**	$ 384,010

14. Supplemental Cash Flow Information

Cash, Cash Equivalents, and Restricted Cash

As at	**September 30, 2024**	December 31, 2023
Cash and cash equivalents	**$ 63,926**	$ 72,030
Restricted cash (1)	**1,310**	60
Total cash, cash equivalents and restricted cash	**$ 65,236**	$ 72,090

(1) Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral, of which $1.1 million forms part of the security for certain European mortgages (note 8).

Changes in Non-Cash Working Capital Balances

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	**2024**	2023
Accounts receivable	8,054	$ (5,928)	1,857	$ (15,661)
Other assets	2,005	(2,905)	(9,575)	5,459
Accounts payable and accrued liabilities	(1,103)	9,989	5,405	14,802
Changes in non-cash working capital balances	**$ 8,956**	$ 1,156	**$ (2,313)**	$ 4,600

(in thousands of Canadian dollars, unless otherwise stated)

Non-Cash Financing and Investing Activities

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	**2024**	2023
Non-cash distributions to unitholders under the DRIP (note 11)	**$ 2,573**	$ —	**$ 7,262**	$ 18,222
Non-cash conversion of Class B exchangeable units (note 11)	**—**	—	**8,926**	—
Non-cash consideration from sale of investment properties (note 7)	**177,000**	—	**177,000**	—
Units issued under unit-based compensation plan (note 10)	**1,745**	1,221	**3,038**	2,426
Total non-cash financing and investing activities	**$ 181,318**	$ 1,221	**$ 196,226**	$ 20,648

Finance expense (income)

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	**2024**	2023
Amortization of deferred financing costs	**$ 11,366**	$ 2,686	**$ 20,817**	$ 8,649
Distributions on Exchangeable Units	**—**	342	**(63)**	1,026
Fair value adjustment of Class B exchangeable units	**—**	(2,052)	**205**	(7,558)
Accretion of financial liabilities	**937**	814	**5,369**	6,602
Fair value adjustment of Convertible Debentures	**34,179**	(12,613)	**35,871**	(26,792)
Convertible Debenture issuance costs	**—**	91	**27**	4,601
Total finance expense (income), net	**$ 46,482**	$ (10,732)	**$ 62,226**	$ (13,472)

15. Segmented Information

The REIT operates in one industry segment being the healthcare real estate industry; however, the REIT monitors and operates its North American, Brazilian, European, Australasian, and Corporate operations separately. The CEO assesses the performance of each of these operating segments based on a measure of operating income (loss). The material accounting policies for each of the segments are the same as those for the REIT.

During the three and nine months ended September 30, 2024, one tenant in Brazil accounted for 12% and 11%, respectively (for the three and nine months ended September 30, 2023 - 10%) of the total revenue from investment properties on a consolidated basis.

As at September 30, 2024	**North America**	**Brazil**	**Europe**	**Australasia**	**Corporate**	**Total**
Investment properties	**$ 1,348,661**	**$ 666,942**	**$ 546,306**	**$ 2,867,322**	**$ —**	**$ 5,429,231**
Mortgages and loans payable	**563,174**	**143,058**	**396,356**	**1,211,596**	**426,856**	**2,741,040**

As at December 31, 2023	**North America**	**Brazil**	**Europe**	**Australasia**	**Corporate**	**Total**
Investment properties	$ 1,646,758	$ 818,170	$ 1,587,530	$ 2,822,202	$ —	$ 6,874,660
Mortgages and loans payable	764,952	305,106	782,853	1,122,344	622,363	3,597,618

(in thousands of Canadian dollars, unless otherwise stated)

For the three months ended September 30, 2024	North America	Brazil	Europe	Australasia	Corporate	Total
Operating Income						
Revenue from investment properties	$ 35,788	$ 13,388	$ 18,904	$ 38,935	$ —	$ 107,015
Property operating costs	14,179	—	5,200	5,420	—	24,799
Net property operating income	$ 21,609	$ 13,388	$ 13,704	$ 33,515	$ —	$ 82,216
Other Income						
Interest and other	128	86	3,818	977	1,142	6,151
Management fees	16	—	764	3,337	—	4,117
Share of income (loss) from equity accounted investment	—	—	(484)	(21,616)	—	(22,100)
	$ 144	$ 86	$ 4,098	$ (17,302)	$ 1,142	$ (11,832)
Mortgage and loan interest expense	7,222	3,592	4,836	10,817	17,865	44,332
General and administrative expenses	2,483	527	3,723	5,812	3,458	16,003
Transaction costs	85	284	713	3,664	620	5,366
Foreign exchange (gain) loss	—	(2,418)	(2,113)	496	4,535	500
	$ 9,790	$ 1,985	$ 7,159	$ 20,789	$ 26,478	$ 66,201
Operating income (loss)	$ 11,963	$ 11,489	$ 10,643	$ (4,576)	$ (25,336)	$ 4,183

For the three months ended September 30, 2023	North America	Brazil	Europe	Australasia	Corporate	Total
Operating Income						
Revenue from investment properties	45,313	14,287	25,777	36,805	—	122,182
Property operating costs	17,844	—	5,181	4,060	—	27,085
Net property operating income	$ 27,469	$ 14,287	$ 20,596	$ 32,745	$ —	$ 95,097
Other income						
Interest and other	1	107	339	6,189	1,246	7,882
Management fees	—	—	727	2,933	—	3,660
Share of income (loss) from equity accounted investment	—	—	(45)	2,011	—	1,966
	1	107	1,021	11,133	1,246	13,508
Mortgage and loan interest expense	12,941	1,970	9,583	10,958	23,263	58,715
General and administrative expenses	1,280	515	3,922	6,051	4,896	16,664
Transaction costs	591	63	1,007	899	3,649	6,209
Foreign exchange (gain) loss	737	2	24	(1,402)	3,160	2,521
	$ 15,549	$ 2,550	$ 14,536	$ 16,506	$ 34,968	$ 84,109
Operating income (loss)	$ 11,921	$ 11,844	$ 7,081	$ 27,372	$ (33,722)	$ 24,496

(in thousands of Canadian dollars, unless otherwise stated)

For the nine months ended September 30, 2024	North America	Brazil	Europe	Australasia	Corporate	Total
Operating Income						
Revenue from investment properties	$ 127,589	$ 44,127	$ 73,983	$ 114,002	$ —	$ 359,701
Property operating costs	54,867	1,704	15,897	15,589	—	88,057
Net property operating income	$ 72,722	$ 42,423	$ 58,086	$ 98,413	$ —	$ 271,644
Other Income						
Interest and other	332	324	4,065	4,524	3,665	12,910
Management fees	48	—	2,180	9,105	—	11,333
Share of income (loss) from equity accounted investment	—	—	(1,329)	(30,755)	—	(32,084)
	$ 380	$ 324	$ 4,916	$ (17,126)	$ 3,665	$ (7,841)
Mortgage and loan interest expense	26,439	15,413	22,962	31,298	57,409	153,521
General and administrative expenses	5,304	1,530	9,401	16,687	12,097	45,019
Transaction costs	704	686	1,993	5,642	3,275	12,300
Foreign exchange (gain) loss	2	(4,898)	(2,115)	1,193	(6,551)	(12,369)
	$ 32,449	$ 12,731	$ 32,241	$ 54,820	$ 66,230	$ 198,471
Operating income (loss)	$ 40,653	$ 30,016	$ 30,761	$ 26,467	$ (62,565)	$ 65,332

For the nine months ended September 30, 2023	North America	Brazil	Europe	Australasia	Corporate	Total
Operating Income						
Revenue from investment properties	147,147	43,267	76,533	117,063	—	384,010
Property operating costs	63,075	1,427	14,915	16,054	—	95,471
Net property operating income	$ 84,072	$ 41,840	$ 61,618	$ 101,009	$ —	$ 288,539
Other income						
Interest and other	2	345	488	11,445	3,683	15,963
Management fees	—	—	2,179	8,960	—	11,139
Share of income (loss) from equity accounted investment	—	—	(5,541)	(14,376)	—	(19,917)
	$ 2	$ 345	$ (2,874)	$ 6,029	$ 3,683	$ 7,185
Mortgage and loan interest expense	37,869	5,879	26,839	35,005	61,958	167,550
General and administrative expenses	4,045	1,580	8,941	14,891	15,778	45,235
Transaction costs	598	232	2,310	3,856	6,910	13,906
Foreign exchange (gain) loss	738	98	29	(310)	(8,042)	(7,487)
	$ 43,250	$ 7,789	$ 38,119	$ 53,442	$ 76,604	$ 219,204
Operating income (loss)	$ 40,824	$ 34,396	$ 20,625	$ 53,596	$ (72,921)	$ 76,520

16. Commitments and Contingencies

Letters of Credit

(a) The REIT obtains letters of credit to support its obligations with respect to construction work and additions to its investment properties and to satisfy mortgage financing requirements. As at September 30, 2024, the REIT has a total of $0.9 million (December 31, 2023 - $1.1 million) in outstanding letters of credit under the REIT's secured revolving floating rate credit facility, which forms part of the total Credit Facilities disclosed in note 8. The REIT does not expect any of these standby letters of credit to be drawn upon and, therefore, no corresponding liability has been recorded.

Development Commitments

(b) The REIT has entered into acquisition and construction agreements on certain development properties and is committed to associated costs of $118.9 million as at September 30, 2024, including $91.1 million in Vital Trust, where timing is discretionary (December 31, 2023 - $224.3 million).

Landlord Work Commitments

(c) Pursuant to a lease renewal during the three months ended September 30, 2024, the REIT has entered into an agreement to reimburse the tenant on a Brazilian property for up to $6.6 million of landlord's work. The reimbursement is expected to occur by October 2027.

Charitable Pledges

(d) In 2022, The REIT pledged a contribution of $5.0 million to the University of Toronto in support of research on impacts of the pandemic on health systems across the world. As at September 30, 2024, $3.1 million has been paid by the REIT. Contributions are expensed in the period the pledge is fulfilled and incurred.

Guarantees

(e) Northwest makes guarantees to subsidiaries, including those that are consolidated and equity accounted, within the group that are not expected to have a material impact to the consolidated financial statements.

(f) Pursuant to the disposition of an Australasian investment property in 2023, the REIT has entered into agreements to provide rental guarantees for up to $4.5 million, expiring between 2024 and 2028, which are activated if the sub-lease is terminated by reason of default of the sub-landlord. No such action has been taken or is expected and thus no provision has been recognized by the REIT.

Indemnities

(g) Pursuant to the sale and contribution of European investment properties by the REIT to the European JV in 2020, the REIT has indemnified its joint venture partner for potential tax liabilities related to these investment properties. Given that the eventual disposition of properties is dependent on uncertain future events not within the control of the REIT, and that the taxable outcome of the disposition is not estimable due to the variables involved, the REIT has not recognized a provision related to the indemnification.

(h) Pursuant to the disposition of the REIT's 70% interest in AREIT units as part of the formation of a joint venture arrangement during the year ended December 31, 2020, the REIT indemnified the joint venture partner for potential tax liabilities related to AREIT's investment properties contributed to the joint venture. The indemnity expires if the properties are not sold within 15 years of settlement. Given that the disposition of properties is dependent on uncertain future events not within the control of the REIT, and that the taxable outcome of the disposition is not estimable due to the variables involved, the REIT has not recognized a provision related to the indemnification.

(i) The REIT indemnifies individuals who have acted at the REIT's request to be a trustee, director and/ or officer of the REIT (and/ or one or more of its direct and indirect subsidiaries), to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory and other legal limitation periods. The nature of the indemnification agreements prevents the REIT from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements. As such, the REIT has not recognized a provision related to the indemnification.

(in thousands of Canadian dollars, unless otherwise stated)

Other

(j) The REIT is subject to legal and other claims in the normal course of business. Management and the REIT's legal counsel evaluate all claims. In the opinion of management, these claims are generally covered by the REIT's insurance policies and any liability from such claims would not have a significant effect on the REIT's consolidated financial statements.

17. Fair Values

Estimated fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The REIT uses a hierarchy to categorize the inputs used in valuation techniques for assets and liabilities measured at fair value. The classifications are as follows: the use of quoted market prices for identical assets or liabilities (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3).

In accordance with IFRS 13, if an asset or liability measured at fair value has a bid and ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The REIT has chosen to use closing market price (Level 2) as a practical expedient for fair value measurement for certain unit-based liabilities.

The carrying values of the REIT's financial assets, which include accounts receivable, other assets, and cash and restricted cash, as well as financial liabilities, which includes accounts payable and accrued liabilities, distributions payable approximate their recorded fair values due to their short-term nature.

The fair value hierarchy, by level of assets and liabilities measured at fair value in these condensed consolidated financial statements or disclosed in the notes herein as at September 30, 2024 are as follows:

		Fair Value		
	Carrying value	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value:				
Investment properties (1)	**$ 5,429,231**	$ —	$ —	$ 5,429,231
Financial instruments (2)	**14,110**	—	14,110	—
Investment in unlisted securities (3)	**22,050**	—	—	22,050
Investment in Assura (4)	**188,612**	188,612	—	—
Assets held for sale	**122,841**	—	—	122,841
Assets recorded at amortized cost:				
Loans receivable	**16,788**	—	—	16,788
Liabilities measured at fair value:				
Financial instruments (2)	**8,421**	—	8,421	—
Convertible debentures (5)	**356,725**	356,725	—	—
Unit-based compensation liabilities	**12,958**	—	10,640	2,318
Financial liabilities recorded at amortized cost:				
Mortgages and loans payable (6)	**2,741,040**	—	2,721,503	—

(1) The REIT determined the estimated fair value of each investment property, with the exception of certain properties under development, using the discounted cash flow method and direct capitalization method.
(2) Certain derivative instruments are valued using valuation techniques with market-observable inputs and include the forward contracts and interest rate swaps. The most frequently applied valuation technique includes forward pricing models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves.
(3) The investment in unlisted securities is valued using internal models using observable and unobservable inputs, reflecting assumptions that market participants would use when pricing the assets.
(4) The investment in Assura is valued using unadjusted quoted market prices obtained from an active market.
(5) The fair value of the REIT's convertible debentures is derived using unadjusted quoted market prices obtained from an active market.
(6) The fair values of the REIT's mortgages and loans payable are determined using present value calculations based on market-observable interest rates for mortgages and loans with similar terms and conditions.

(in thousands of Canadian dollars, unless otherwise stated)

18. Capital Management

Capital is comprised of the REIT's unitholders' equity, and mortgages and loans payable. The REIT is free to determine the appropriate level of capital based on with its cash flow requirements, overall business risks and potential business opportunities while adhering to the Declaration of Trust. As a result of this, the REIT will make adjustments to its capital based on its investment strategies and changes to economic conditions.

The REIT's capital management strategy is also driven by policies as set out in the Declaration of Trust. The requirements of the REIT's operating policies as outlined in the Declaration of Trust include the requirement that the REIT will not incur or assume indebtedness which would cause the total indebtedness of the REIT to exceed 65% of Gross Book Value as defined. Indebtedness as defined in the Declaration of Trust excludes deferred revenue, and unsecured debt which includes convertible debentures.

As at September 30, 2024, the REIT is in compliance with its debt to gross book value ratio of the Declaration of Trust at 43.6% (December 31, 2023 - 47.7%).

As at	September 30, 2024	December 31, 2023
Debt		
Gross value of debt excluding convertible debentures(1)	**$ 2,765,655**	$ 3,641,465
Gross value of total debt(2)	**3,122,380**	3,962,319
Gross Book Value of Assets		
Total assets	**$ 6,344,230**	$ 7,628,615
Debt-to-Gross Book Value (Declaration of Trust)	**43.6 %**	47.7 %
Debt-to-Gross Book Value including convertible debentures	**49.2 %**	51.9 %

(1) Gross value of debt excluding convertible debentures represents the principal balance of mortgages, credit facilities, term debt, and finance leases.
(2) Includes convertible debentures at fair value.

As at September 30, 2024, the REIT is in compliance with all financial covenants in respect of the loans and mortgages disclosed in note 8.

The REIT's debt service coverage ratio covenant is sensitive to the REIT's net income and adjusted EBITDA, as defined, and interest rates which impact the magnitude of debt service costs. Separately, the minimum equity covenant is sensitive to the REIT's net operating income and overall capitalization rates. These sensitivities also impact the REIT's estimate of fair value in connection with its investment properties at period end. The REIT is monitoring these considerations and taking steps to address the risks as it relates to its compliance assessment in future periods.

19. Risk Management

The REIT's activities expose it to a variety of financial risks, including liquidity risk, interest rate risk, price risk, credit risk, and currency risk. The REIT's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the REIT's financial performance.

Liquidity Risk

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to the REIT to fund future growth, refinance debts as they mature or meet the REIT's payment obligations as they arise.

(in thousands of Canadian dollars, unless otherwise stated)

The following table sets out the REIT's contractual cash flows, which include interest payments based on interest rates applicable as at September 30, 2024, on its mortgages and loans payable and convertible debentures:

	Carrying Amount	Contractual Cash Flows	2024	2025	2026	2027	2028	Thereafter
Accounts payable and accrued liabilities (1)	$ 129,545	$ 129,545	$ 120,187	$ —	$ —	$ —	$ —	$ 9,358
Income tax payable	7,614	7,614	7,614	—	—	—	—	—
Distributions payable	7,443	7,443	7,443	—	—	—	—	—
Liabilities related to AHFS	10,260	10,260	—	10,260	—	—	—	—
Mortgages and loans payable	2,726,868	2,741,221	60,102	186,089	642,002	971,867	554,938	326,223
Lease liabilities	14,172	14,172	568	2,127	1,968	1,538	996	6,975
Convertible debentures	356,725	366,500	—	125,000	—	155,250	86,250	—
	$3,252,627	$ 3,276,755	$ 195,914	$ 323,476	$ 643,970	$ 1,128,655	$ 642,184	$ 342,556

(1) Contractual cash flows related to accounts payable and accrued liabilities includes a charitable commitment entered in 2021 and will be paid at the end of 10 years to support eligible investment initiatives in capital infrastructure or equipment.

The REIT expects to repay or refinance all debts maturing over the next 12 months using existing liquidity, net proceeds from sales of investment properties classified as assets held for sale, sale and redemption of investment in unlisted securities, sale Assura shares, and new financings or renewed financings.

There are no assurances that the timing, amounts and terms of any refinancing, or other efforts as described above will be favorable or satisfactory to the REIT's liquidity and ability to settle loans payable as they become due.

The REIT's financial condition and results of operations would be adversely affected if it is unable to obtain financing/refinancing or cost-effective financing/refinancing, or if it were unable to meet its other liquidity requirements from ongoing operating cash flows.

The REIT forecasts liquidity requirements to ensure it has the ability to meet operational needs by maintaining a sufficient and available combination of cash and debt capacity, and to ensure the REIT will meet its financial covenants related to debt agreements. Such forecasting involves a significant degree of judgment which takes into considerations current and projected macroeconomic conditions, the REIT’s cash collection efforts, working capital management, debt financing plans, and covenant compliance required under the terms of the debt agreements. The REIT's financial condition and results of operations would be adversely affected if such forecasts are not achieved and if the REIT were unable to obtain cost-effective financing/refinancing or if it were unable to meet its other liquidity requirements from ongoing operating cash flows, the continued declaration of distributions may be at risk, prospectively.

Interest Rate Risk

The REIT is exposed to interest rate risk on its borrowings. It minimizes this risk by obtaining long-term fixed interest rate debt where appropriate. A portion of the REIT's debts and credit facilities are subject to variable rates.

(in thousands of Canadian dollars, unless otherwise stated)

Currently, the REIT has interest rate swaps and cap contracts to mitigate some of the risks associated with its variable rate long-term debt. Premium payments and obligations under such contracts are reflected in the effective interest rates stated below. The terms of the contracts as at September 30, 2024, are:

Segment	Type	Variable rate	Notional Amount	Weighted Average Remaining Term (Years)	Effective Interest Rate	Fair Value
Interest rate derivative assets						
North America	Swap	SOFR	$ 185,385	1.4	3.49%	$ 331
Europe	Swap	Euribor	98,923	2.9	1.32%	3,931
Europe	Cap	Euribor	93,511	1.7	2.31%	3,552
Europe	Cap Floor	Euribor	17,073	4.8	—%	9
Australasia	Swap	BBSY	518,087	1.4	2.80%	5,905
			912,979			$ 13,728
Future dated						
Australasia	Swap	BKBM	42,960	2.0	3.15%	33
			$ 955,939			$ 13,761
Interest rate derivatives liabilities						
Australasia	Swap	BBSY	$ 290,098	2.0	3.84%	$ (841)
Corporate	Swap	BKBM	85,920	2.0	4.87%	(2,068)
			$ 376,018			$ (2,909)
Future dated						
Australasia	Swap	BBSY	280,740	2.6	3.53%	(991)
Australasia	Swap	BKBM	85,920	4.5	4.10%	(2,406)
Australasia	Swaptions[(1)]	BBSY	187,160	2.5	3.75%	(2,103)
			$ 553,820			$ (5,500)
			$ 929,838			$ (8,409)

(1) Exercisable at the election of the bank counterparty.

Sensitivity to a 1.0% increase or decrease in the interest rate would impact net income (loss) and comprehensive income (loss) by $27.5 million annually with all mortgages and loans, being fixed and variable rate debts, held constant (September 30, 2023 - $37.2 million).

Price Risk

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 value derived from prices of the units underlying the REIT's investments in associates may impact the value of its investments and may also impact the amount available under related financings. The market price for the REIT's trust units, the REIT's convertible debentures, units of Vital Trust, shares of Assura, and units in unlisted securities 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 REIT's Trust Unit price impacts the cost of raising new capital. A sustained decline in the market price of the units of Vital Trust, shares of Assura, and unlisted securities may impact the value of the REIT's investments which may result in impairment losses, and may require the REIT to repay amounts owing under its related financings. To adapt to an increasingly volatile macro environment, the REIT amended certain covenants during the period and subsequently to provide additional flexibility. Additionally, the REIT is subject to covenants in respect of its unitholders' equity balance. These covenants may be impacted by changes in investment property valuation or changes in the REIT's capital structure.

Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments resulting in the REIT incurring a financial loss. The REIT attempts to mitigate this risk by conducting credit assessments on new lessees, by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. The REIT's credit risk is primarily attributable to cash and accounts receivable. Cash consists of cash on hand with reputable financial institutions which are closely monitored by management. Accounts receivable consists of rental income and other revenue receivables from its commercial tenant base for monthly rental charges and interest receivable from term deposits. Management believes that the potential loss from credit risk with respect to financial instruments included in cash and accounts receivable is minimal.

Credit risk also arises in the event that the joint venture partners default on amount owing in respect of the REIT's management fees charged, as well as the payment their proportionate share of liabilities associated with joint arrangements. The REIT is only liable for its proportionate share of the debt obligations of the joint arrangements in which it participates, except in limited circumstances. Management believes that the assets of its joint arrangements are sufficient for the purpose of satisfying any obligation of the REIT should the REIT's partner default.

Foreign Currency Exchange Risk

The REIT has exposure to currency risk as a result of Australasian secured financing under the term debt denominated in New Zealand dollars. The REIT's Australasian secured facility balance and related interest are subject to fluctuations depending on exchange rates. The effects of such fluctuations are recognized in profit or loss in the period.

The REIT has operating subsidiaries in Europe, Brazil, US, Australia and New Zealand, and as a result has exposure to currency risk as a result of the REIT's net investments. There is significant exposure to foreign exchange translation risk on the consolidation of the REIT's investment in foreign subsidiaries.

Assets and liabilities of the REIT's foreign subsidiaries are translated at the period end exchange rate, and therefore have different values depending on exchange rate fluctuations and the effects of such fluctuations are recognized in other comprehensive income (loss). The statements of income and comprehensive income of the foreign subsidiaries are translated into Canadian dollars using the period's average exchange rate and, accordingly, exchange rate fluctuations impact revenue, net income (loss) and comprehensive income (loss), denominated in Canadian dollars.

The REIT monitors its foreign exchange exposure and its economic hedging strategy on an ongoing basis.

20. Subsequent Events

1. On September 13, 2024, the REIT announced a distribution of $0.03 per unit to unitholders of record on September 30, 2024, and was paid on October 15, 2024.
2. On October 15, 2024, the REIT announced a distribution of $0.03 per unit to unitholders of record on October 31, 2024, and will be paid on November 15, 2024.
3. Subsequent to September 30, 2024, the REIT sold approximately $12.6 million of its investment in unlisted securities. The proceeds were used towards repaying balances outstanding on credit facilities.
4. Subsequent to September 30, 2024, the REIT extended its North American interest rate derivative swaps with a notional amount of $185.4 million by two years to mature in January 2027, in line with the underlying term debt.
5. Subsequent to September 30, 2024, the REIT received lender commitments or executed refinancing for all remaining 2024 debt maturities totaling $48.8 million increasing the weighted average interest rates from 3.30% to 4.80% and to extend the weighted average term on these debts by 4 years.