GT CANADA MEDICAL PROPERTIES

GT CANADA MEDICAL PROPERTIES REAL ESTATE INVESTMENT TRUST

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

For the year ended

DECEMBER 31, 2011

MANAGEMENT’S DISCUSSION AND ANALYSIS

TABLE OF CONTENTS

This Managementôs Discussion and Analysis of the results of operations and financial condition (ñ**MD&A**ò) of GT Canada Medical Properties Real Estate Investment Trust (ñ**GT Canada Medical Properties REIT**ò or the ñ**REIT**ò) should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2011. All amounts are in Canadian dollars, except where otherwise stated. This MD&A should also be read in conjunction with the REITôs audited consolidated financial statements for the year ended December 31, 2011, prepared in accordance with International Financial Reporting Standards (ñIFRSò). This MD&A is current as of at April 24, 2012 unless otherwise stated. Additional information relating to the REIT, including its continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval (ñ**SEDAR**ò) and can be accessed electronically at www.sedar.com.

IFRS replaces current Canadian GAAP for publicly accountable enterprises, including the REIT, effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the accompanying audited consolidated financial statements for the year ended December 31, 2011 have been prepared in accordance with IFRS. The transition to IFRS required a restatement of the REITôs 2010 financial information from its original Canadian GAAP basis such that the 2010 comparative information presented in the financial statements and the MD&A are on an IFRS basis. Financial information for periods prior to January 1, 2010 have not been restated. For the purposes of this MD&A, the term ñCanadian GAAPò refers to Canadian generally accepted accounting principles for the REIT before the adoption of IFRS.

Readers of the MD&A should refer to ñChanges in Accounting Policiesò below, and Note 20 of the audited consolidated financial statements for the year ended December 31, 2011, for a discussion of IFRS and its impact on the REITôs financial statements.

FORWARD-LOOKING INFORMATION ADVISORY

This MD&A may contain forward-looking statements and information within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements concerning the REITôs objectives, strategies to achieve those objectives, as well as statements with respect to managementôs beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can, but not always, be identified by the use of forward-looking terminology such as ñoutlookò, ñobjectiveò, ñmayò, ñwillò, ñexpectò, ñintendò, ñestimateò, ñanticipateò, ñbelieveò, ñproposesò, ñshouldò, ñplansò or ñcontinueò, or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect managementôs current beliefs and are based on information currently available to management. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. Examples of such statements include the intention to complete future financings, acquisitions or investments. Factors that could cause such differences include: the ability of the REIT to obtain necessary financing, satisfaction of the conditions under any definitive purchase agreement to acquire future properties. This list is not exhaustive of the factors that may impact the REITôs forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the REITõs forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the REIT nor any other person assumes responsibility for the accuracy and completeness of these forward looking statements. The factors underlying current expectations are dynamic and subject to change. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this MD&A may be considered ñfinancial outlookò for purposes of applicable securities laws, and such financial outlook may not be appropriated for purposes other than this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Except as required by applicable law, the REIT undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Some of the specific forwardïlooking statements in this MD&A include, but are not limited to, statements with respect to the following:

- the intention of the REIT to pay stable and growing distributions;
- the ability of the REIT to execute its growth strategies;
- the expected tax treatment of the REITõs distributions to Unitholders;
- the ability of the REIT to qualify as a ñSIFT trustò (as discussed below); and
- the expectations regarding real estate, the healthcare industry and demographic trends.

Forward-looking statements may include statements related to acquisitions; development and capital expenditure activities; future maintenance and leasing expenditures; financing; the availability of financing sources; and income taxes.

Factors that could cause actual results, performance, or achievements to differ materially from those set forth in the forward-looking statements and information include, but are not limited to: general economic conditions; local real estate conditions, timely leasing of newly developed properties and releasing of occupied square footage upon expiration; dependence on tenantsô financial condition; changes in operating costs, government regulations and taxation; the uncertainties of real estate development and acquisition activity; the ability to effectively integrate acquisitions; interest rates; availability of equity and debt financing; the ability of the REIT to maintain stable cash flow and distributions; the impact of newly adopted accounting principles on the REITõs accounting policies and on period-to-period comparisons of financial results, including changes in accounting policies to be adopted under IFRS as issued by the International Accounting Standards Board; and other risks and factors described from time to time in the documents filed by the REIT. The REIT undertakes no obligations to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by law. Additional information about these risks and uncertainties and any corresponding plan to mitigate these risks, where possible, is contained in the REITõs filings with securities regulators, including the REITõs most recently filed prospectus dated December 17, 2010 (the ñ**Prospectus**ò), which is available on SEDAR.

PART I – OVERVIEW & FINANCIAL HIGHLIGHTS

OVERVIEW

The REIT is an unincorporated, openï ended real estate investment trust established pursuant to a declaration of trust under the laws of the Province of Ontario.

On March 12, 2010, the REITôs corporate predecessor, GT Canada Medical Properties Inc. (ñ**GTC Inc.**ò) acquired a medical office building located in Hamilton Ontario (the ñ**Hamilton Property**ò) as part of its ñqualifying transactionò (the ñ**Qualifying Transaction**ò) under the policies of the TSX Venture Exchange (the ñ**TSXV**ò).

On October 19, 2010, GTC Inc. approved the conversion (the ñ**Conversion**ò) of GTC Inc. into a real estate investment trust which management believes complies with the ñSIFTò rules (as discussed under Taxation in Part V below).

On December 24, 2010, the REIT completed the following:

- a public offering (the ñ**Offering**ò) of equity securities for aggregate gross proceeds of $25,550,000;
- the acquisition (the ñ**Acquisition**ò) of a portfolio of five medical office buildings, including one substantially pre-leased property currently under construction, for a purchase price of $39,950,000 (subject to a price adjustment); and
- the conversion of GTC Inc. into the REIT.

Under the Offering the REIT issued 12,775,000 investment units (the ñ**Investment Units**ò) at a price of $2.00 per Investment Unit. Each Investment Unit consists of one trust unit of the REIT (each a ñ**Unit**ò and, collectively, the ñ**Units**ò) and one-half of a Unit purchase warrant (each whole Unit purchase warrant being referred to as a ñ**Warrant**ò). Each Warrant will entitle the holder thereof to purchase one Unit at any time prior to 5:00 p.m. (Toronto time) on or before December 24, 2012 at a price of $2.25.

The REIT used approximately $23.2 million of the net proceeds of the Offering to fund the cash portion of the purchase price payable under the Acquisition and related expenses. The balance of the Offering proceeds was allocated for working capital purposes. The non-cash portion of the Acquisition purchase price included 662,500 units, each comprised of one Class B limited partnership unit (ñ**Class B LP Units**ò) of GT Canada Operating Partnership (I) L.P. (the ñ**Operating Partnership**ò), a subsidiary of the REIT, and one-half of a Warrant. Each Class B LP Unit is exchangeable on a one-for-one basis for a Unit.

Immediately prior to the completion of the Offering and the Acquisition, the Conversion was made effective. As part of the Conversion, the outstanding shares in the capital of GTC Inc. were exchanged for Units, on the basis of ten common shares for each Unit. For the purposes of presenting certain financial information, this MD&A assumes that the Conversion (and accompanying consolidation) was completed at the beginning of the applicable financial period.

The objectives of the REIT are to: (i) provide Unitholders with stable and growing cash distributions from investments focused on medical office buildings and related healthcare properties in Canada, on a tax efficient basis; (ii) enhance the value of the REITõs assets and maximize longï term Unit value; and (iii) expand the asset base of the REIT.

The REIT is focusing on achieving its goal of becoming a significant owner of medical office properties throughout Canada through a disciplined acquisition, development and management program aimed at creating a geographically diversified portfolio of properties that will generate stable and growing rental income and capital appreciation opportunities.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following is a summary of key financial information and statistics for the periods indicated (see Part II ï Performance Measurement for a description of the key terms):

		As at December 31, 2011		**As at December 31, 2010**
		(Unaudited)		(Unaudited)
Summary of Operational Information				
Number of properties[(1)]		8		6
Gross Leasable Area[(1)]		210,000		170,200
Portfolio occupancy		96.0%		96.0%
Summary of Financial Information				
Gross Book Value[(2)]	$	63,709,964	$	46,455,851
Debt	$	32,398,102	$	18,874,856
Debt to Gross Book value		50.9%		40.6%
Weighted average mortgage interest rate		4.87%		5.51%
Units outstanding - basic and fully diluted[(3)]		15,520,847		15,520,847

(1) Includes 89 Dawson Road, Guelph, construction of which was substantially completed in June 2011.
(2) Gross book value is comprised of total assets.
(3) Under IFRS, the REIT's Class B LP units are treated as a financial liability rather than equity. As permitted under IFRS, the REIT has chosen to present an adjusted basic and diluted earnings per share unit measure that includes the Class B LP units in basic and diluted units outstanding/weighted average units outstanding. As a result, the adjusted basic and diluted units outstanding and the adjusted basic and diluted weighted average units outstanding include 662,500 outstanding Class B LP units.

Summary of Financial Information	Three months ended December 31, 2011	Three months ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2010
(in $ except unit amounts)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
NOI(1)	992,481	103,275	3,493,884	275,928
FFO(1)	(17,232)	(271,727)	621,767	(1,042,966)
Per unit - basic and fully diluted(1)(2)	(0.001)	(0.088)	0.040	(0.505)
AFFO(1)	317,313	(285,666)	568,362	(1,075,867)
Per unit - basic and fully diluted(1)(2)	0.020	(0.092)	0.037	(0.521)
Net income (loss)	60,314	(379,794)	9,339,759	(1,151,033)
Per unit - basic and fully diluted (2)	0.004	(0.122)	0.602	(0.557)
Distributions(3)	237,469	14,858	950,539	14,858
Per unit - basic and fully diluted(2)(3)	0.015	0.005	0.061	0.007
Weighted average units outstanding for the period:				
Basic and diluted(4)	15,520,847	3,102,995	15,520,847	2,066,388

(1) Net operating income (ñNOIò), funds from operations (ñFFOò) and adjusted funds from operations ("AFFO") are non-IFRS financial measures widely used in the real estate industry. See ñPart II ï Performance Measurementò for further details and advisories.

(2) Per unit calculations based on weighted average units outstanding for the period, including the Class B LP units.

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

(4) On December 24, 2010 GT Canada Medical Properties Inc. converted to GT Canada Medical Properties Real Estate Investment Trust. As a result of this conversion all issued shares, options and warrants for GT Canada Medical Property Inc. were exchanged for units, options or warrants to purchase units in GT Canada Medical Properties Real Estate Investment Trust at a ratio of 10 shares per 1 unit. The above assumes post conversion units for all periods.

REAL ESTATE PORTFOLIO

As at December 31, 2011, the REIT owns eight medical office buildings in Ontario as follows:

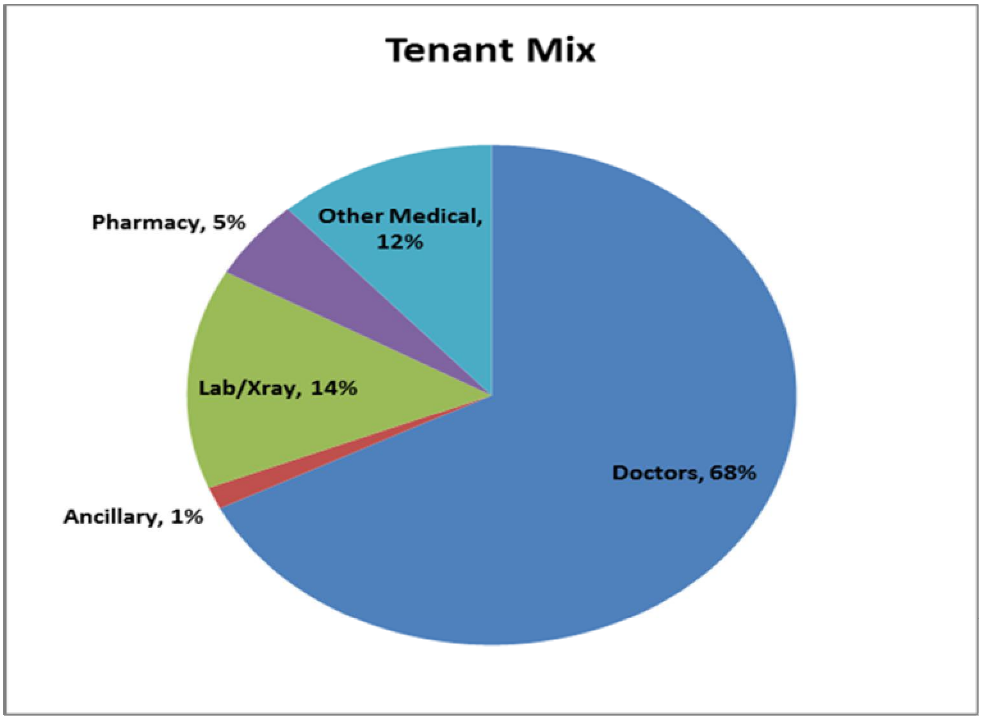
Property	Date Acquired	Year Built / Expanded	Approximate Area (sf)	Number of Tenants	Occupancy
83 Dawson Road, Guelph, Ontario	24-Dec-10	1991/2008	32,400	13	94%
89 Dawson Road, Guelph, Ontario[(1)]	24-Dec-10	2011	25,000	7	100%
631 Queenston Road, Hamilton, Ontario	12-Mar-10	1992	15,600	16	100%
240 Penetanguishene, Midland, Ontario	21-Sep-11	1986	24,000	22	100%
100 Colborne, Orillia, Ontario	06-Dec-11	1982	20,800	17	100%
65 Larch Street, Sudbury, Ontario	24-Dec-10	1981/1990	52,200	34	93%
570 King Street, Welland, Ontario	24-Dec-10	Mid 1960ʹs/1989	12,200	12	86%
220 Dundas Street West, Whitby, Ontario	24-Dec-10	1987	27,800	23	100%
Totals			**210,000**	**144**	**96%**[(2)]

(1) Construction of the property was completed in the third quarter. The total rentable area is subject to a head lease with a related party. The building is currently 75% occupied with third party tenants.

(2) Represents weighted average occupancy calculated by taking the occupancy by property and averaging this occupancy based on the area (square feet) weightings of each property.

Tenant Profile

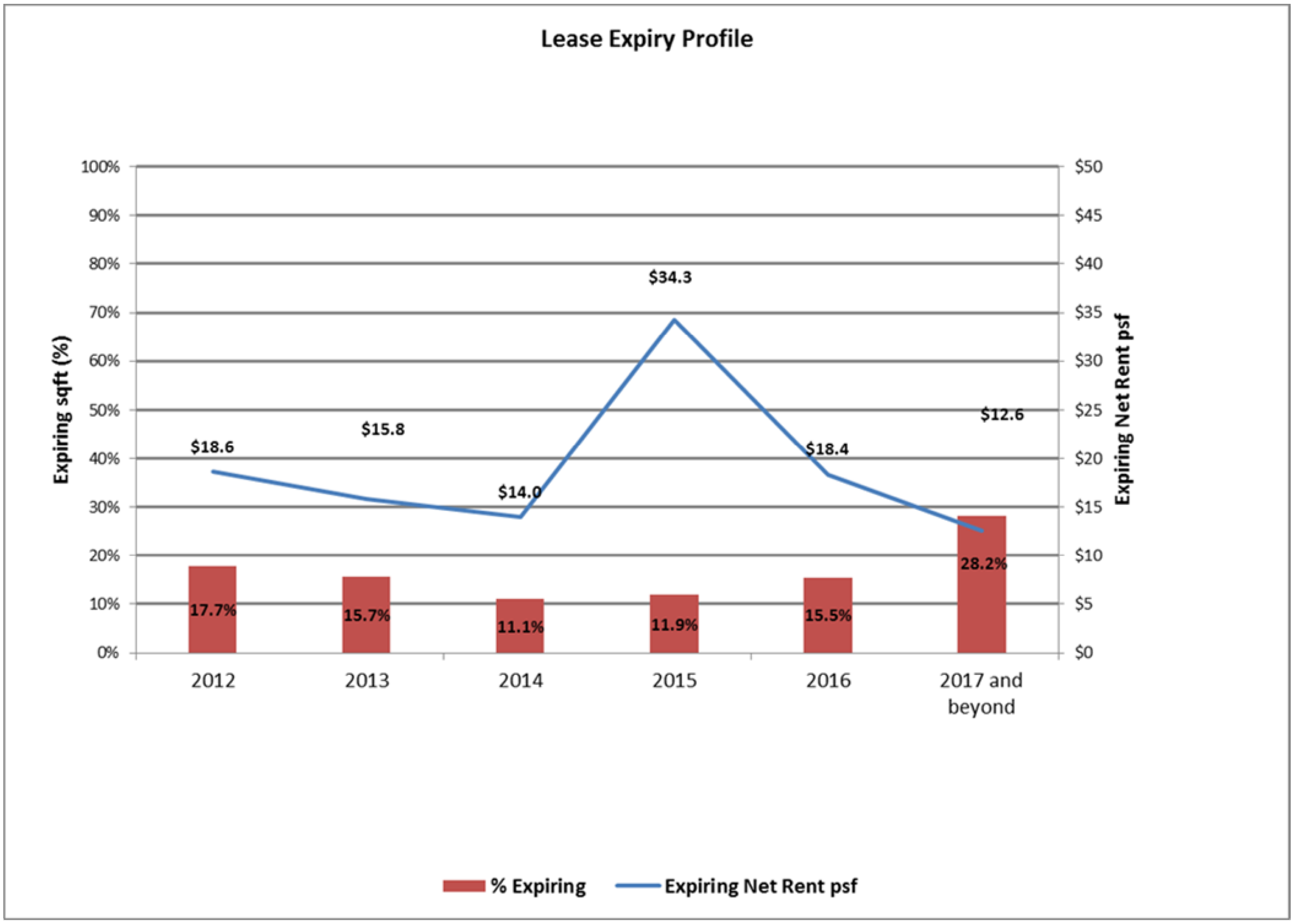
The tenant mix, excluding head leases, for the properties as at December 31, 2011 is as follows:



Leasing Profile

Current in-place net rents average $16.71 per square foot.

The following table sets out the number of leases within the REITôs property portfolio having maturities during the periods indicated (assuming tenants do not exercise renewal options or termination rights), the renewal area and the percentage of the total gross leasable area of the property portfolio represented by such maturities (excluding the property currently under construction).



Leasing Activity and Occupancy

There has been no significant leasing activity or changes to occupancy in the year ending December 31, 2011.

PART II – PERFORMANCE MEASUREMENT

The key performance indicators by which management measures the REITøs performance are as follows:

Funds from operations (ñ**FFO**ò);
Adjusted funds from operations (ñ**AFFO**ò);
Net operating income (ñ**NOI**ò);
Weighted average interest rate; and
Occupancy levels.

We have provided an analysis of NOI, FFO and AFFO under Part IV ï Results of Operations.

NON-IFRS MEASURES

FFO, AFFO and NOI are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. FFO, AFFO and NOI are supplemental measures of a Canadian real estate investment trustøs performance and the REIT believes that FFO, AFFO and NOI are relevant measures of its ability to earn and distribute cash returns to Unitholders. The IFRS measurement most directly comparable to FFO, AFFO and NOI is comprehensive income.

FFO is defined as comprehensive income (computed in accordance with IFRS) plus distributions on Class B LP units and adjusted for fair value adjustments on investment properties, Class B LP units, Deferred Unit Plan units, warrants and incentive unit options. The REITøs method of calculating FFO may differ from other issuersô methods and accordingly may not be directly comparable to FFO reported by other issuers.

AFFO is defined as comprehensive income (computed in accordance with IFRS), subject to certain adjustments, including: (i) adding back the following items: distributions on Class B LP units and any fair value losses on investment properties, Class B LP units, Deferred Unit Plan units, warrants and incentive unit options; (ii) deducting any fair value gains on investment properties, Class B LP units, Deferred Unit Plan units, warrants and incentive unit options; (iii) adjusting for differences, if any, resulting from recognizing rental revenues on a straight-line basis as opposed to contractual rental amounts; (iv) adjusting for differences, if any, resulting from non-cash compensation expenses; and (v) deducting reserves for tenant inducements, leasing commissions and sustaining capital expenditures, as determined by the REIT. Other adjustments may be made to AFFO as determined by the trustees in their discretion.

NOI is a non-IFRS measure of a REITøs operating performance, defined as property and property related revenue after operating expenses have been deducted, but before deducting interest expense, general and administrative expenses, income taxes, leasehold improvement and leasing costs, and unrecoverable capital costs.

FFO, AFFO and NOI should not be construed as alternatives to comprehensive income determined in accordance with IFRS as an indicator of the REITôs performance. The REITôs method of calculating FFO, AFFO and NOI may differ from other issuersô methods and accordingly may not be comparable to measures used by other issuers.

A reconciliation of FFO, AFFO and NOI to comprehensive income is set out below on page 22 under the heading ñFunds From Operationsò.

Weighted Average Interest Rate

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

Occupancy Levels

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

KEY PERFORMANCE DRIVERS

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

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

PART III – RECENT DEVELOPMENTS

The REIT paid distributions to Unitholders in the amount of $0.0061 per unit in February 2011 and $0.0051 per unit in each of the remaining months of 2011.

On April 20, 2011, the REIT announced that it had entered into a Credit Facility agreement in the amount of $5,655,000 to be drawn on by the REIT for property acquisitions and working capital. Amounts outstanding under the Credit Facility bear interest at a rate equal to the lenderõs prime rate plus 200 basis points. The Credit Facility has an initial two-year term and is secured by a first ranking mortgage on the property located at 89 Dawson Road, in Guelph Ontario. The REIT was unable to access the Credit Facility until achievement of substantial completion of the property at 89 Dawson Road, Guelph, Ontario. Such substantial completion was achieved and announced on June 6, 2011.

On April 20, 2011, the REIT also announced that it had completed the Refinancing of four of its properties for a gross amount of $17,345,000 which generated additional net proceeds available for general corporate purposes of $4,157,726. The Refinancing reset the mortgage terms for three of the properties to five years and increased the mortgage amortizations to 25 years. The weighted average interest rate on the REITõs secured mortgage portfolio was decreased from 5.51% to 5.13% as a result of the Refinancing.

On April 21, 2011 the REIT adopted a deferred unit plan (which was subsequently approved by Unitholders at the annual general meeting on June 23, 2011) to promote a greater alignment of interests between the trustees and management of the REIT and Unitholders. Under the terms of the deferred unit plan, they have the right to receive a percentage of their annual remuneration in the form of deferred units.

On June 6, 2011, the REIT announced that Guelph Medical Place 2 - a new, 30,000 square foot medical office building located at 89 Dawson Road in Guelph, Ontario - had been certified substantially complete. Guelph Medical Place 2 is part of a family medical campus that includes its sister building Guelph Medical Place 1 - home to the 'Guelph Family Health Team', one of the largest family health teams in Ontario. Guelph Medical Place 2 was acquired December 24, 2010, while under construction and 80% pre-leased, for an 8.25% cap rate.

On September 21, 2011, the REIT completed the purchase of a 24,000 square foot medical office building in Midland, Ontario for approximately $5,200,000.

On December 6, 2011, the REIT acquired a 21,000 square foot medical office building in Orillia, Ontario for a total purchase cost of $7,092,827, which includes $142,827 of acquisition costs, from Thornley Holdings Limited, a related party (see note 5, investment properties). The Orillia property is subject to a head lease with respect to approximately 4,000 sq. ft. of space and the parking lot, for a period of three years. The head lease is provided by the vendor, Thornley Holdings Limited. As a condition of providing the head lease, CMD, a related party to the REIT and Thornley Holdings Limited, shall remain the property manager of the Orillia property until the expiry of the head lease.

Subsequent Events

(a) Subsequent to December 31, 2011, the REIT declared distributions of $75,777 for the trust units, and $3,379 for the Class B LP units ($0.0051 per trust unit and Class B LP unit) for each of the months of January, February, and March 2012.

(b) On January 6, 2012, the REIT acquired a portfolio of three medical office buildings located in Lindsay, Hamilton and St. Thomas, Ontario (the ñPortfolio). The Portfolio was acquired for approximately $10.6 million. Approximately $7.8 million of the purchase price was comprised of a combination of assumed mortgage debt on the Portfolio and coterminous vendor take-back financing with a combined average interest rate of 4.09%. The balance of the purchase price was funded with existing resources.

(c) On January 31, 2012, the REIT announced a 5% increase in its distribution rate to $0.0054 per unit effective April 1, 2012, to unitholders of record on April 30, 2012.

(d) On March 5, 2012, the REIT refinanced its Orillia property for a gross amount of $4,300,000, which generated net proceeds of $843,000. The refinancing shortened the maturity date to July 2016 while the interest rate was unchanged at 4.19%.

(e) On March 12, 2012, the REIT announced an offering of rights to acquire up to 3,880,212 units of the REIT to unitholders of record on March 30, 2012 at a price of $1.15 per unit. The rights expired on April 24, 2012 and investors subscribed for 3,880,212 units for proceeds of $4,462,244, before costs.

(f) On April 16, 2012, the REIT announced that it had entered into a definitive agreement with NorthWest Value Partners Inc. (ñNorthWestò) pursuant to which NorthWest will offer to acquire all of the REITôs outstanding units for $2.05 per unit (the ñOfferò). The Offer price is subject to adjustment for dilution that may result from the issuance of additional units pursuant to the rights offering noted above. The Offer is subject to a number of conditions, including acceptance of the Offer by the holders of at least 66 2/3% of the outstanding units.

Outlook

The REIT continues to seek growth through acquisitions, with a discipline of continuing to build a portfolio comprised exclusively of medical office buildings that are physician intensive with high occupancy rates. The REIT will see further growth in net operating income in the first quarter of 2012 as a result of the acquisiton of the Orillia property on December 6, 2011 and the three building portfolio acquired on January 6, 2012.

PART IV – RESULTS OF OPERATIONS

The REIT acquired itsô first property on March 12, 2010. On December 24, 2010, the REIT acquired 5 additional properties. The REIT subsequently acquired two additional properties, one on September 21, 2011 and a second on December 6, 2011. Accordingly, the results from operations for 2010 reflect the results primarily of only one property while the results for 2011 reflect primarily six properties.

NET INCOME (LOSS)

The following is a summary of selected financial information from the consolidated statements of operations for the three months and year ended December 31, 2011 and December 31, 2010.

	Three months ended		Year ended	
	December 31, 2011 (Unaudited)	December 31, 2010 (Unaudited) (Restated for IFRS)	December 31, 2011 (Unaudited)	December 31, 2010 (Unaudited) (Restated for IFRS)
Net operating income	$ 992,481	$ 103,275	$ 3,493,884	$ 275,928
Interest and other income	4,316	1,746	12,027	3,598
	996,797	105,021	3,505,911	279,526
Mortgage interest expense	347,296	53,259	1,148,892	111,382
General and administrative expense	617,706	323,489	1,686,225	1,211,110
Finance costs	58,530	-	89,601	-
	1,023,532	376,748	2,924,718	1,322,492
Income (loss) before the undernoted	(26,735)	(271,727)	581,193	(1,042,966)
Fair value gain (loss) on investment properties	81,777	(108,067)	4,047,578	(108,067)
Other fair value gains	5,272	-	4,710,988	-
Net income (loss)	$ 60,314	$ (379,794)	$ 9,339,759	$ (1,151,033)

Net Operating Income

Net operating income was $992,481and $3,493,884 for the three and twelve months ended December 31, 2011 respectively. The increase of $889,206 and $3,217,956 for the three and twelve months ended December 31, 2011 respectively, versus the comparable period in 2010, was primarily as a result of the five properties acquired in December 2010. There was no meaningful comparable same property net operating income for the periods discussed.

Interest and Other Income

Interest and other income represents primarily interest income earned on a guaranteed investment certificate that matured on December 1, 2011.

Mortgage Interest Expense

The majority of the REITôs secured debt has fixed interest rates. The REIT owned one property, with a mortgage, for a portion of the year ended December 31, 2010 which resulted in the REIT incurring a minimal interest expense during that period. The REITôs secured, fixed rate, mortgages had a weighted average interest rate of 4.87% as at December 31, 2011.

The REIT has two, interest only, floating rate mortgages with rates of prime plus 200 basis points and prime plus 300 basis points.

Mortgage interest expense totaled $347,296 and $1,148,892 for the three and twelve months ended December 31, 2011, respectively. The increase of $294,037 and $ 1,037,510 from the three and twelve months ended December 31, 2010 respectively, is primarily as a result of the five properties acquired in December 2010.

General and Administrative Expenses

General and administrative expenses increased by $294,217 for the three months ended December 31, 2011 to $617,706 versus $323,489 in the comparable period in 2010. The increase reflected increases in salary and performance bonus accruals in 2011 which were partially offset by reduced professional fees and filing and regulatory costs associated with the conversion to a REIT and the equity raise in December 2010.

For the year ended December 31, 2011, general and administrative expenses increased by $475,115 to $1,686,225 from $1,211,110 for the year ended December 31, 2010. Salary costs were higher in 2011 reflecting increased staffing levels and larger accruals for incentive compensation. Professional fees were higher in 2011 as a consequence of the conversion to IFRS and greater business activity. These increased costs were partially offset by reduced filing and regulatory costs incurred in 2010 with respect to the conversion to a REIT and the equity raise in December 2010.

Finance Cost

Under IFRS, the Class B LP unit distributions are treated as a finance cost. Class B LP units receive distributions on an equivalent per unit basis to the distributions declared on the REIT units. During the three months and year ended December 31, 2011 the REIT made distributions of $9,503 and $40,573 respectively on the Class B LP units. No distributions were made in 2010.

Also included in Finance Costs is amortization of deferred financing costs incurred to arrange mortgage or equity financing. For the three months and year ended December 31, 2011, amortization of deferred financing costs totaled $49,027 and $49,027 respectively. There was no amortization of deferred financing costs in 2010.

Fair value gains (losses) on investment properties

Under IFRS the REIT has elected to use the fair value model to account for its investment properties. Under the fair value model, investment properties are carried on the consolidated balance sheet at fair value. The properties are not depreciated and changes in the fair value of the properties are recognized in income in the period in which they occur. Rental revenues are recognized on a straight-line basis over the term of the lease. The fair value of investment properties is reduced by the amount of any straight-line rent receivable.

For the three month period and year ended December 31, 2011, the value of investment properties increased by $81,777 and $4,155,645 respectively, reflecting the revaluation of the investment properties, primarily as a result of declining capitalization rates. During the three and twelve month period ended December 31, 2011, the fair value of the REITõs investment properties was increased by $12,895 and reduced by $144,985 respectively, as a consequence of the effect of the amortization of straight-line rent.

During the three and twelve months ended December 31, 2010 there was no change in the value of investment property. The fair value was reduced by $nil and $108,067 respectively, as a consequence of the effect of straight-line rent.

Other fair value gains

Other fair value gains are comprised of gains in the fair value of the incentive unit options, Deferred Unit Plan liability, warrants and Class B LP units. Total other fair value gains for the three months and year ended December 31, 2011 were $5,272 and $4,710,988 respectively. The were no such gains or losses in the comparable prior periods.

Under IFRS, the incentive unit options are carried at fair value, which is estimated using the Black Scholes Option Pricing Model. The value of the incentive unit options decreased from $195,476 at December 31, 2010 to $108,099 at December 31, 2011. This reflects the change in the trading price of the REIT units from the grant date of the options.

Under IFRS, the Deferred Unit Plan units are carried at fair value. DUP units were issued for the first time in June 2011 at a fair value of $218,496. At December 31, 2011, the value of the outstanding DUP units was $287,517, reflecting the change in the trading price of the REIT units from the grant date.

Under IFRS, the warrant liability is carried at fair value, which is estimated using the Black Scholes Option Pricing Model. The value of the warrants decreased from $6,733,837 at December 31, 2010 to $2,474,543 at December 31, 2011.

Under IFRS, the Class B LP units are carried at fair value. During the three and twelve month period ended December 31, 2011 the value of the 662,500 outstanding Class B LP units decreased from $2.00 per unit at December 31, 2010 to $1.45 per unit at December 31, 2011, which mirrors the change in the trading price of the REITõs listed units.

OPERATING RESULTS

NET OPERATING INCOME

The REIT acquired itsô first property on March 12, 2010. On December 24, 2010, the REIT acquired 5 additional properties. The REIT subsequently acquired two additional properties, on September 21, and December 6, 2011. Accordingly, the results from operations for 2010 reflect the results primarily of only one property while the results for 2011 reflect primarily six properties.

(Unaudited)	Three months ended December 31, 2011	Three months ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2010
Revenue from Investment Properties				
Base rent	$ 826,044	$ 115,325	$ 3,011,751	$ 280,511
Operating cost recoveries	633,675	104,217	2,207,153	255,068
Parking and other income	237,293	12,770	800,856	12,770
	1,697,012	232,312	6,019,760	548,349
Property Operating Costs				
Recoverable operating costs	506,547	91,733	1,717,176	189,894
Realty taxes	203,266	32,199	662,332	77,388
Non-recoverable costs	(5,282)	5,105	146,368	5,139
	704,531	129,037	2,525,876	272,421
Net Operating Income	**$ 992,481**	**$ 103,275**	**$ 3,493,884**	**$ 275,928**

Revenue from Investment Properties

Base rent

Base rent totaled $826,044 and $3,011,751 for the three months and year ended December 31, 2011 versus $115,325 and $280,511 for the comparable periods in 2010. The increase in base rents reflects the additional properties acquired on December 24, 2010 and in 2011.

Operating cost recoveries

Operating cost recoveries for the three months and year ended December 31, 2011 were $633,675 and $2,207,153 respectively, versus $104,217 and $225,068 in the comparable periods in 2010. The increases reflect the additional properties acquired on December 24, 2010 and in 2011. Virtually all of the REITõs leases are on a net basis, providing for a recovery of most operating costs. The REIT recovered a significant portion of its recoverable operating costs as a consequence of occupancy rates exceeding 96%.

Parking and other income

Parking and other income primarily represents revenue from parking operations. The increase in parking and other income in 2011 reflects the additional properties acquired on December 24, 2010 and in 2011. The REIT continues to seek to add to the parking revenues of newly acquired properties through adjusting parking rates to market.

Property Operating Costs

Recoverable operating costs

Recoverable operating costs totaled $506,547 and $1,717,176 for the three months and year ended December 31, 2011 versus $91,733 and $189,894 for the comparable periods in 2010. The increase in recoverable operating costs reflects the additional properties acquired on December 24, 2010 and in 2011.

Realty taxes

Realty taxes for the three months and year ended December 31, 2011 were $203,266 and $662,332 respectively, versus $32,199 and $77,388 in the comparable periods in 2010. The increases reflect the additional properties acquired on December 24, 2010 and in 2011. Realty tax rates increased at a rate exceeding general inflation in fiscal 2011.

Non-recoverable operating costs

Non-recoverable operating costs primarily relate to the costs of operating parking lots. The increase in non-recoverable operating costs in 2011 reflects the additional properties acquired on December 24, 2010 and in 2011.

QUARTERLY PERFORMANCE

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

	Q4-2011 IFRS	Q3-2011 IFRS	Q2-2011 IFRS	Q1-2011 IFRS	Q4-2010 IFRS	Q3-2010 IFRS	Q2-2010 IFRS	Q1-2010 IFRS
Quarterly Performance (in $)								
Revenue from investment properties	1,697,012	1,429,120	1,418,613	1,475,015	232,312	142,050	143,439	30,548
Property operating costs	704,531	625,709	584,236	611,400	129,037	60,952	67,787	14,645
Net operating income	992,481	803,411	834,377	863,615	103,275	81,098	75,652	15,903
Net income (loss)	60,314	2,529,368	1,990,600	4,759,477	(379,794)	(209,968)	(259,219)	(302,052)
Cash provided by (used in) operating activities	514,687	224,915	(24,687)	(483,837)	403,026	85,815	(409,815)	163,808
FFO	(17,232)	250,315	98,580	290,104	(271,727)	(209,968)	(259,344)	(302,052)
Per unit	(0.0011)	0.0161	0.0064	0.0195	(0.0876)	(0.1027)	(0.1308)	(0.4122)
AFFO	317,313	192,154	(61,289)	120,184	(285,666)	(218,491)	(267,950)	(303,886)
Per Unit	0.0204	0.0124	(0.0039)	0.0081	(0.0921)	(0.1068)	(0.1351)	(0.4147)
Total distributions(2)	237,469	237,469	237,469	238,132	14,858	n/a	n/a	n/a
Per unit - basic and diluted	0.0153	0.0153	0.0153	0.0163	0.0050	n/a	n/a	n/a
Distributions as percentage of AFFO (Payout ratio)	75%	124%	n/a	198%	n/a	n/a	n/a	n/a
Total assets	63,709,964	56,733,443	53,043,001	49,438,980	46,455,851	5,015,939	4,677,292	5,147,720
Total mortgages payable	32,398,102	25,687,323	22,612,479	18,659,422	18,874,856	2,017,630	2,088,316	2,100,955
Other Data								
Debt to Gross Book Value	50.9%	45.3%	42.6%	37.7%	40.6%	40.2%	44.6%	40.8%
Number of Properties	8	7	6	6	6	1	1	1
Gross Leaseable Area (sq. ft.)	210,000	189,200	170,200	170,200	15,600	15,600	15,600	15,600
Occupancy	96.3%	96.3%	96.8%	96.0%	96.2%	100.0%	100.0%	100.0%
Weighted average units o/s	15,520,847	15,520,847	15,520,847	14,858,347	3,102,995	2,045,139	1,983,380	732,852

Net Operating Income

Net operating income reflected seasonal variation from the first quarter through the fourth quarter. Fourth quarter net operating income increased from the previous quarters as a consequence of the addition of the two properties on September 26, 2011 and December 6, 2011.

Net income

Net income was significantly impacted by changes in fair values of investment properties and other fair value adjustments. The fair values of investment properties increased as a consequence of declining cap rates during the year. The other fair value adjustments relate to various unit-based liabilities which declined due to a fall in the market price of the REITÕs units.

Cash provided by (used in) operating activities

In 2011, cash from operations swung from a deficit in the first quarter to a surplus in the fourth quarter. This was a result of income before fair value adjustments increasing with the effect of the newly acquired properties in the third and fourth quarter and a significant pay-down of net liabilities in the first quarter.

AFFO

AFFO and AFFO per unit increased steadily quarter over quarter in fiscal 2011. This reflected a decline in general and administration expense, after adjusting for non-cash unit-based compensation expense, and impact of the step-up in rents imbedded in certain leases. The fourth quarter was positively effected by the properties acquired in the third and fourth quarter.

Pay-out ratio

Distributions as a percentage of AFFO (the ñpay-out ratioò) improved in accordance with the improvement in AFFO. The pay-out ratio steadily declined in fiscal 2011 from 198% in the first quarter to 75% in the fourth quarter.

Debt to Gross Book Value

Debt to gross book value increased from 37.7% in the first quarter of 2011 to 50.9% in the fourth quarter. This reflected the growth in the portfolio of investment properties, both through gains in fair value and the addition of new properties in the third and fourth quarter of fiscal 2011. The increase in the asset base was offset by the refinancing of mortgages in the second quarter, additional first mortgage financing assumed with the acquisitions and the draw down on the acquisition facility to fund the acquisitions.

Gross Leaseable Area

Gross leaseable area increased in fiscal 2011 with the completion of construction on 89 Dawson Rd., Guelph and the purchase of buildings in the third and fourth quarters.

Occupancy

Occupancy levels remained above 96% throughout fiscal 2011, reflecting a stable tenant base with minimal movement.

FUNDS FROM OPERATIONS

A reconciliation of net income, as determined under IFRS, to FFO and AFFO is as follows:

	Three months ended December 31, 2011 (Unaudited)	Three months ended December 31, 2010 (Unaudited)	Year ended December 31, 2011 (Unaudited)	Year ended December 31, 2010 (Unaudited)
Net income (loss)	$ 60,314	$ (379,794)	$ 9,339,759	$ (1,151,033)
Add back / (Deduct)				
Finance cost[(1)]	9,503	-	40,574	-
Fair value (gain) loss on investment properties[(1)]	(81,777)	108,067	(4,047,578)	108,067
Other fair value (gains)	(5,272)	-	(4,710,988)	-
Funds From Operations (FFO)	**(17,232)**	**(271,727)**	**621,767**	**(1,042,966)**
FFO per unit - basic and fully diluted[(2)(3)]	(0.001)	(0.088)	0.040	(0.505)
Add back / (Deduct)				
Amortization of straight-line rent	12,895	-	(144,985)	-
Amortization of leasing costs and tenant inducements	14,029	-	14,029	-
Amortization of deferred financing charges	49,027	-	49,027	-
Unit-based compensation expense	360,415	-	389,710	-
Reserve for stabilized capital expenditures[(4)]	(33,940)	(4,646)	(120,395)	(10,967)
Reserve for stabilized leasing commissions and tenant inducements[(5)]	(67,880)	(9,292)	(240,790)	(21,934)
Adjusted Funds From Operations (AFFO)	**$ 317,313**	**$ (285,666)**	**$ 568,362**	**$ (1,075,867)**
AFFO per unit - basic and fully diluted[(2)(3)]	$ 0.020	$ (0.092)	$ 0.037	$ (0.521)
Weighted average units outstanding for the period:				
Basic and diluted(2)(3)	15,520,847	3,102,995	15,520,847	2,066,388

(1) Under IFRS, the distributions on the REIT's Class B LP units (Finance Cost), the fair value changes related to these units, the fair value of the warrant liability, the fair value of the incentive unit options, the fair value of the Deferred Unit Plan and the fair value changes related to the investment properties are included in the determination of net income. The impact of these amounts has been eliminated when determining FFO in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT.

(2) Under IFRS, the REIT's Class B LP units are treated as a financial liability rather than equity. As permitted under IFRS, the REIT has chosen to present an adjusted basic and diluted earnings per share unit measure that includes the Class B LP units in basic and diluted units outstanding/weighted average units outstanding. As a result, the adjusted basic and diluted units outstanding and the adjusted basic and diluted weighted average units outstanding include 662,500 outstanding Class B LP units for the three and six months ended June 30, 2011.

(3) Weighted average basic and fully diluted units outstanding, including the Class B LP units.

(4) Based on an estimate of 2.0% of property revenue

(5) Based on an estimate of 4.0% of property revenue

LIQUIDITY AND CAPITAL RESOURCES

Cash Resources and Liquidity	**December 31, 2011**	**December 31, 2010**
Cash	$ 1,700,067	$ 1,188,992
Investments - short term	-	400,000
Unused operating credit faclility	1,000,000	-
	$ 2,700,067	$ 1,588,992

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

REIT established a revolving credit facility agreement (the ñCredit Facilityò) in April 2011 in the amount of $5,655,000 to be drawn on by the REIT for property acquisitions and working capital. Of that Credit Facility, $1.0 million may be used for working capital.

Changes in cash and cash equivalents

Liquidity risk arises from the REITõs financial obligations and in the management of its assets, liabilities and capital structure. This risk is managed by regularly evaluating the liquid financial resources to fund current and long-term obligations and to meet the REITõs capital commitments in a cost- effective manner. The REIT expects to be able to meet all of its obligations as they become due and have sufficient liquidity from the following sources: (i) cash flow from operating activities; (ii) financing availability through conventional mortgage debt secured by income producing properties and its revolving credit facility; and (iii) to the extent possible, the issuance of new equity.

The REITõs contractual financial commitments consist of mortgage obligations and general and administrative (overhead) expenses, which the REIT expects to be able to finance through working capital and cash flows from operating activities.

The following table sets out the REITõs contractual cash flows:

	Carrying amount	Contractual cash flow	2012	2013	2014	2015	2016	Thereafter
Mortgages	$ 32,523,340	$ 36,392,660	$ 9,205,061	$ 4,847,816	$ 1,289,482	$ 1,289,482	$ 19,760,819	$ -
Accounts Payable and accrued liabilities	1,316,940	1,316,940	1,316,940	-	-	-	-	-
Distributions payable	75,778	75,778	75,778	-	-	-	-	-
TOTAL	$ 33,916,058	$ 37,785,378	$ 10,597,779	$ 4,847,816	$ 1,289,482	$ 1,289,482	$ 19,760,819	$ -

The REIT intends to distribute a high percentage (approximately 90%) of its AFFO to Unitholders. As such, the REIT will not retain a material amount of operating cash flow to finance other capital requirements, such as acquisitions and significant capital expenditures. Instead, the REIT intends to finance such initiatives through the issuance of additional equity or debt securities. From time to time, the REIT may also consider other financing initiatives, such as the refinancing of mortgages on existing properties, the entering into of a senior credit facility and/or the adoption of a distribution reinvestment plan.

	Three months ended December 31, 2011	Three months ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash provided by / (used in):				
Operating activities	$ 504,522	$ 403,026	$ 231,078	$ 242,834
Investing activities	(51,235)	(23,143,473)	(1,999,080)	(24,736,441)
Financing activities	(631,240)	22,868,670	2,279,077	25,375,184
Net increase (decrease) in cash during the period	(177,953)	128,223	511,075	881,577
Cash, beginning of period	1,878,020	1,060,769	1,188,992	307,415
Cash, end of period	$ 1,700,067	$ 1,188,992	$ 1,700,067	$ 1,188,992

The REIT acquired itsô first property on March 12, 2010. On December 24, 2010, the REIT acquired 5 additional properties. During 2011, the REIT acquired two additional properties, on September 26, 2011 and December 6, 2011. Accordingly, the cash from operations for 2010 reflect the results primarily of only one property while the results for 2011 reflect primarily six properties.

Operating activities

For the three months ended December, 2011 and 2010, net cash was provided from operations. Net cash provided by operations increased to $504,522 in the three months ended December 31, 2011 from $403,026 in the prior year. The increase in cash provided from operations reflected the addition of 5 properties in December 2010 and subsequent purchase of two additional properties in September and December 2011. In 2011, cash from operations swung from a deficit in the first quarter to a surplus in the fourth quarter.

Net cash was provided by operating activities in the year ended December 31, 2011 and 2010. For the year ended December 31, 2011, income before fair value adjustments totaled $581,193 versus a loss of $1,042,966 for the year ended December 31, 2010. This was a result of the increase in net operating income as a consequence of the growth in the investment property portfolio. Cash provided by operations, before changes in non-cash working capital balances, increased to $1,079,264 in the year ended December 31, 2011. A reduction in non-cash working capital of $848,186 reduced the total cash provided by operations to $231,078.

For the year ended December 31, 2010, $871,605 of cash was used in operations, before changes in non-cash working capital balances. An increase in non-cash working capital of $1,114,439 resulted in total cash provided by operations of $242,834.

Investing activities

For the year ended December 31, 2011, the REIT invested a net $2,317,664 in acquiring two investment properties compared to the $24,463,060 invested in the year ended December 31, 2010 to acquire six investment properties. The REIT invested a net $2,317,644 to acquire two properties in the three months ended December 31, 2011 compared to $24,463,060 to acquire five properties in the three months ended December 31, 2010.

Financing activities

The refinancing of the mortgages outstanding in April 2011 generated net new funds of $4,157,726 for general corporate purposes for the year ended December 31, 2011. Cash was used for principal repayments of $906,892 and unitholder distributions of $848,412 in the year ended December 31, 2011 ($91,471 and $nil respectively for the year ended December 30, 2011). For the year ended December 31, 2010, the issuance of units generated $25,466,655 of cash.

For the three months ended December 31, 2011 cash was used in financing activities of $634,619 to acquire the Orillia property and scheduled mortgage principal repayments. For the three months ended December 31, 2010, cash was provided by financing activities totaling $22,868,670, primarily as a consequence of the equity issue in December 2010, less the net funds expended to acquire five properties.

Capital Structure

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

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

The following table shows the REITôs total capital as at December 31, 2011 and December 31, 2010.

Capital Structure	December 31, 2011	December 31, 2010	Variance
Mortgages payable	$ 32,398,102	$ 18,874,856	$ 13,523,246
Unit-based compensation liability	108,099	195,476	(87,377)
Warrant liability	2,474,543	6,733,837	(4,259,294)
Class B LP unit liability	960,625	1,325,000	(364,375)
Deferred Unit Plan liability	287,517	-	287,517
Unitholders Equity	26,056,087	17,712,444	8,343,643
Total Capitalization	**$ 62,284,973**	**$ 44,841,613**	**$ 17,443,360**

Mortgages Payable

The following table sets out, as at December 31, 2011, scheduled principal payments, debt maturity amounts and weighted average interest rate of maturing mortgages.

Year	Principal payments	Balance maturing	Total	Weighted average interest rate on maturing mortgages	% of total maturing mortgages
Fixed Rate Loans					
2012	$ 770,468	$ 4,848,787	$ 5,619,255	5.17%	20.2%
2013	500,081	$ -	500,081		
2014	524,041	-	524,041		
2015	549,351	-	549,351		
2016	299,384	19,201,227	19,500,612	4.80%	79.8%
	$ 2,643,326	$ 24,050,014	$ 26,693,340	4.87%	100.0%
Floating Rate Loans					
2012			2,330,000	Prime + 3%	
2013			3,500,000	Prime + 2%	
			$ 32,523,340		

In December 2010, in conjunction with the Acquisition, the REIT assumed $16,865,372 of mortgages.

During the year ended December 31, 2011, the REIT assumed additional mortgages of $3,250,000 and $3,473,385 in respect the acquisition of the Midland and Orillia properties respectively.

Acquisition and Working Capital Facility (the ñCredit Facilityò)

In April 2011, the REIT announced that it had entered into a Credit Facility agreement in the amount of $5,655,000 to be drawn on by the REIT for property acquisitions and working capital. Amounts outstanding under the Credit Facility bear interest at a rate equal to the lenderôs prime rate plus 200 basis points. The Credit Facility has an initial two-year term and is secured by a first ranking mortgage on the property located at 89 Dawson Road, in Guelph, Ontario. The REIT was unable to access the Credit Facility until achievement of substantial completion of the property at 89 Dawson Road, Guelph, Ontario. Such substantial completion was achieved and announced on June 6, 2011.

Refinancing

In April 2011, the REIT also announced that it had completed the Refinancing of four of its properties for a gross amount of $17,345,000, which generated additional net proceeds of $4,157,726 available for general corporate purposes. The Refinancing reset the mortgage terms for three of the properties to five years and increased the mortgage amortizations to 25 years. The weighted average interest rate on the REITõs secured mortgage portfolio was decreased from 5.51% to 5.13% as a result of the Refinancing.

As part of the Refinancing described above the REIT entered into a new mortgage on the Whitby property. It established a floating rate, second mortgage which matures in August 2012, co-terminus with the maturity of the existing first mortgage on Whitby. The mortgage commitment provides for a new first mortgage to be created at that time to payout the existing first mortgage, consolidate the second mortgage and provide additional funds. The new first mortgage will total $6,955,000, with a five year term and a fixed rate of interest.

Equity

As of the date of this MD&A, the REIT had issued and outstanding 14,858,347 Units, 662,500 Class B LP units, 164,000 incentive options, 194,491 Deferred Unit Plan (DUP) units and 6,774,957 warrants. The REIT issued 194,491 DUP units during the year ended December 31, 2011 in respect of Trusteesô fees and performance bonuses for certain officers for 2010 and 2011.

Off Balance Sheet Arrangements

As at December 31, 2011, the Company had no off-balance sheet arrangements.

Financial Instruments

Estimated fair value amounts are designed to approximate amounts at which financial instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act.

The REIT uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value of financial instruments. 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). The Company had no Level 3 financial instruments at December 31, 2011 and there have been no transfers between levels.

RELATED PARTY TRANSACTIONS

(a) On March 12, 2010, the REIT acquired 631 Queenston Road for $3,569,000, excluding acquisition costs, from a related party. The vendor was a corporation owned by Thornley Holdings Limited (an Ontario corporation that is indirectly controlled by Edward Thornley, a trustee of the REIT, and Darren Thornley, an officer of the REIT) and two individuals who are not related to the REIT. The purchase price of $3,569,000,was satisfied as follows: (i) the assumption of approximately $2,101,000 in mortgage debt (ii) the issuance of 120,000 common shares (with a value of $30,000), and (iii) the balance in cash.

(b) On December 24, 2010, the REIT completed the acquisition (the ñAcquisitionò) of a portfolio of five medical office buildings, including one substantially pre-leased property that was under construction (collectively, the ñAcquired Propertiesò). The Acquired Properties were purchased for an aggregate purchase price of $39,950,000, subject to adjustments and excluding acquisition costs. In connection with the Acquisition, the REIT retained Altus Group Ltd. (the ñAppraiserò) to provide an independent appraisal of the market value of the Acquired Properties. The Appraiser estimated the market value of the Acquired Properties (land and building) as at June 15, 2010 to be approximately $40,200,000.

The vendors of the Acquired Properties (the ñVendorsò) were: Guelph Medical Place 1 Ltd.; Guelph Medical Place 2 Ltd.; Welland Medical Developments Limited; Whitby Medical Investment Ltd.; Sudbury Medical Holdings Limited; and Ardcraig Developments Ltd. Related parties, being Thornley Holdings Limited, Douglas Friars, M.D., a trustee of the REIT, and Darren Thornley, an officer of the REIT, all held partial interests in certain of the Acquired Properties (through shareholdings in certain of the Vendors). As a result of such shareholdings, Thornley Holdings Limited, Douglas Friars, M.D. and Darren Thornley each indirectly received approximately $9,600,000, $5,200,000 and $250,000, respectively, in proceeds from the Acquisition (in the case of Thornley Holdings Limited, and Douglas Friars, M.D., $500,000 and $150,000 in Class B LP units, respectively).

The REIT has agreed to pay a post-closing adjustment in respect of the two Acquired Properties located in Guelph, Ontario on the second anniversary of closing (being December 24, 2012, the ñRe-Adjustment Dateò) to the extent that the net operating income, based on annualized revenues and expenses for the following 12-month period and parking revenues for the trailing 12-month period, implies, with a capitalization rate of 8.25%, a value in excess of the purchase price paid.

(c) The property acquired from Guelph Medical Place 2 Ltd. (being 89 Dawson Road, Guelph, Ontario) is subject to a Development and Construction Agreement. The purchase price in respect of 89 Dawson Road, Guelph, Ontario was placed into escrow on closing and subject to release based on an escrow agreement entered into between the REIT and the Vendor of such property. Substantial completion of the building was achieved on June 6, 2011and all remaining amounts were released from escrow.

A Head Lease has also been entered into between the Operating Partnership, a subsidiary of the REIT, and Guelph Medical Place 2 Ltd., a related party as itsô shareholders include Ed Thornley and Douglas Friars, M.D. (trustees of the REIT) and Darren Thornley (an officer of the REIT).

Pursuant to the Head Lease, which Guelph Medical Place 2 Ltd. has leased the total rentable area of the building being constructed at 89 Dawson Road, Guelph, Ontario (the ñBuilding Head Leaseò), and a portion of the property comprising and intended for use as parking facilities serving the building (The ñLot Head Leaseò). The Building Head Lease will terminate on the date which is the earlier of (i) the second anniversary of the closing of the Acquisition, and (ii) the date on which the aggregate of the fully net rents payable under end user leases in respect of a particular month are equal to or exceed the Building Head Lease rent in respect of such month. Under the Lot Head Lease, the right to operate the parking facilities, and to receive parking revenues, will be assigned back to the Operating Partnership; the Lot Head Lease provides the terms upon which the benefit of such rental revenues are allocated between the parties. The Lot Head Lease will terminate on the date that is the earlier of (i) the day immediately preceding the second anniversary of the closing of the Acquisition, and (ii) the first day of a month where the aggregate gross parking revenues received by the Operating Partnership from such operations at 89 Dawson Road, Guelph, Ontario (based on the allocation of parking revenues contemplated by the Lot Head Lease) for the preceding six (6) consecutive months is equal to or greater than $397,500.

(d) On December 6, 2011, the REIT acquired a 21,000 square foot medical office building in Orillia, Ontario for a total purchase cost of $7,092,827, which included $142,827 of acquisition costs, from Thornley Holdings Limited, a related party. The Orillia property is subject to a head lease with respect to approximately 4,000 sq. ft. of space and the parking lot, for a period of three years. The head lease is provided by the vendor, Thornley Holdings Limited. As a condition of providing the head lease, CMD, a related party to the REIT and Thornley Holdings Limited, shall remain the property manager of the Orillia property until the expiry of the head lease.

(e) All of the investment properties are managed by CMD Management Limited (ñCMDò) which is indirectly owned by Edward Thornley and Darren Thornley.

The REIT entered into a property management agreement with CMD for a period of two years ending December 31, 2012. At the closing of the two year period, the agreement provides the option to extend the agreement as well as the option for both the REIT and CMD to terminate the agreement under a no fault termination. Should the REIT decide to cancel the agreement at the end of the two year period or any extension thereof; it would be required to reimburse CMD for lease termination costs and penalties and any other penalties or costs relating to the termination satisfaction of any other contract or commitment that was entered into by CMD in order to fulfill its obligations as property manager. In addition, the REIT would be required to offer employment to all employees and independent contractors (excluding Darren Thornley and Ed Thornley) of CMD. Should the employees or independent contractors not accept the employment offer, the REIT would be required to reimburse CMD for any terminations or severance costs incurred by CMD as a result of the termination of the agreement, if any.

During the year ended December 31, 2011, the REIT was charged $238,733, (for the year ended December 31, 2010 - $15,500) by CMD for property management fees. Such costs are recoverable from tenants as property operating costs.

In addition, during the year ended December 31, 2011, the REIT was charged $21,000 (year ended December 31, 2010 - $nil) by CMD for leasing commissions.

(f) For the year ended December 31, 2011, the REIT received $580,380 (December 31, 2010 - $16,896) in respect of head leases from related parties.

(g) Transactions with related parties disclosed above, are in the normal course of business and are recorded at the transaction amount, being the price agreed between the parties.

PART V – RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units and in the activities of the REIT, including the following, which current and prospective Unitholders should carefully consider. Additional information about these and other risks and uncertainties and any corresponding plan to mitigate these risks, where possible, is contained in the REITôs filings with securities regulators, including the REITôs Prospectus, which is available on SEDAR.

Real Property Ownership and Tenant Risks
All real property investments are subject to elements of risk. By specializing in a particular type of real estate, the REIT is exposed to adverse effects on that segment of the real estate market and does not benefit from a diversification of its portfolio by property type. The value of real property and any improvements thereto depends on the credit and financial stability of tenants, and upon the vacancy rates of the properties. Cash flows will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties in which the REIT will have an interest become vacant and are not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the REITôs investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which the REIT has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the disclaimer and termination of such tenantôs lease, any of which events could have an adverse effect on the REITôs financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. Certain of the REITôs tenants, such as laboratories, may require licences to operate their business. To the extent these businesses are unable to obtain licences or maintain existing licences, the REITôs operations may be adversely impacted. The ability to rent unleased space in the properties in which the REIT will have an interest will be affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises and various other factors, many of which are beyond the REITôs control.

Fixed Costs
The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the REITôs financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. Certain significant expenditures, including property

taxes, ground rent, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgageeôs exercise of its rights of foreclosure or sale. Costs may also be incurred in making improvements or repairs to property required by a new tenant and income may be lost as a result of any prolonged delay in attracting suitable tenants to the vacant space. The timing and amount of capital expenditures by the REIT will indirectly affect the amount of cash available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

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

Competition
The real estate business is competitive. Numerous other developers, managers and owners of office properties will compete with the REIT in seeking tenants. Some of the properties located in the same markets as the REITôs properties are newer, better located, less levered or have stronger tenant profiles than the REITôs properties. Some property owners with properties located in the same markets as the REITôs properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn. The existence of developers, managers and owners in such markets and competition for the REITôs tenants could have a negative effect on the REITôs ability to lease space in its properties in such markets and on the rents charged or concessions granted, which could have an adverse effect on the REITôs financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. An increase in the availability of investment funds, an increase in interest in real property investments or a decrease in interest rates may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Current Economic Environment
Continued concerns about the uncertainty over whether the economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of increased unemployment, volatile energy costs, geopolitical issues, the availability and cost of credit, the Canadian mortgage market and a distressed commercial real estate market have contributed to increased market volatility and weakened business and consumer confidence. Although the healthcare real estate industry is an asset class that is not typically impacted by recessions or economic slowdowns, this difficult operating environment could adversely affect the REITôs ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the REIT to maintain occupancy rates in the REITôs properties,

which could harm the REITôs financial condition. If these economic conditions continue, the REITôs tenants and operators may be unable to meet their rental payments and other obligations due to the REIT, which could have a material adverse effect on the REIT.

Acquisition and Development Strategy

The REITôs strategy will involve expansion through acquisitions and co-development projects. These activities require the REIT to identify acquisition or development candidates or investment opportunities that meet its criteria and are compatible with its growth strategy. The REIT may not be successful in identifying commercial real estate properties that meet its acquisition or development criteria or in completing acquisitions, co-developments, or investments on satisfactory terms. Failure to identify or complete acquisitions or co-developments will slow the REITôs growth. The REIT could also face significant competition for acquisitions and development opportunities. Some of the REITôs competitors have greater financial resources than the REIT and, accordingly, have a greater ability to borrow funds to acquire and develop properties. These competitors may also be willing and/or able to accept more risk than the REIT can prudently manage, including risks with respect to the geographic concentration of investments and the payment of higher prices. This competition for investments may reduce the number of suitable investment opportunities available to the REIT and may increase acquisition costs in certain areas where the REITôs facilities are located or in areas targeted for growth and, as a result, may adversely affect the REITôs operating results. Even if the REIT were successful in identifying suitable acquisitions or co-development projects, newly acquired properties may fail to perform as expected and management of the REIT may underestimate the costs associated with the integration of the acquired properties. In addition, any expansions the REIT undertakes in the future are subject to a number of risks, including, but not limited to, construction delays or cost overruns that may increase project costs, financing risks, the failure to meet anticipated occupancy or rent levels, failure to receive required zoning, land use and other governmental permits and authorizations and changes in applicable zoning and land use laws. If any of these problems occur, expansion costs for a project will increase, and there may be significant costs incurred for projects that are not completed. In deciding whether to acquire or expand a particular property, the REIT will make certain assumptions regarding the expected future performance of that property. If the REITôs acquisition or expansion of properties fail to perform as expected or if the costs thereof exceed projected costs, the REITôs rental revenues could be lower, and its operating expenses higher, than expected. The REIT may invest in co-developments which carry a certain risk that projected financial returns may not be achieved and that cost overruns or start-up losses may trigger requirements for further equity injections. The REIT expects to manage this risk through detailed evaluation of each development separately and ensuring certain criteria have been met, including a supply and demand analysis. Certain acquisition and development opportunities may not be consistent with the detailed rules underlying the requirement for the REIT to comply with the ñSIFTò rules as a real estate investment trust (described under Taxation below). Accordingly, the REIT may be restricted in participating in some acquisition and development opportunities because of its desire to qualify as a SIFT real estate investment trust.

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and any planned capital expenditures from time to time. There can be no assurances that the REIT will have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Failure by the REIT to access required capital could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Financing and Interest Rate Risks

The REIT intends to incur indebtedness in the future in connection with the future acquisition or expansion of facilities and its properties. The REIT may incur unsecured debt or mortgage debt secured by some or all of its real estate properties or assets. The REIT's debt may harm its financial position and operating results by:

- requiring the REIT to use a substantial portion of its cash flow from operations to pay principal and interest, which will reduce the amount of cash available for other purposes;
- limiting the REIT's ability to borrow more money for operating or capital needs or to finance acquisitions in the future; and
- making the REIT more vulnerable to economic and industry downturns and reducing its flexibility in responding to changing business and economic conditions.

In addition to the risks discussed above and those normally associated with debt financing, including the risk that the REIT's cash flow will be insufficient to meet required payments of principal and interest, the REIT will also be subject to the risk that it may not be able to refinance existing indebtedness on its properties and that the terms of any refinancing it could obtain may not be as favourable as the terms of its existing indebtedness. If the REIT is not successful in refinancing debt when it becomes due, it may be forced to dispose of properties on disadvantageous terms, which might adversely affect its ability to service other debt and to meet its other obligations. The REIT intends to finance future acquisitions in part with debt borrowings, which could bear interest at fixed or variable rates. The interest expense on any variable rate indebtedness will increase when interest rates increase. Interest rates are currently low relative to historical levels and may increase significantly in the future. A significant increase in interest expense could adversely affect the REIT's results of operations.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As an owner of interests in real property in Canada, the REIT will be subject to various Canadian federal, provincial and municipal laws relating to environmental matters. Such laws provide that the REIT could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. Further, liability may be incurred by the REIT with respect to the release of such substances from the REIT's properties to properties owned by third parties, including properties adjacent to the REIT's properties. The failure to remove or otherwise address such substances or properties, if any, may adversely affect the REIT's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against the REIT by public or private parties by way of civil action. The REIT's operating policy will be to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment. Although such environmental site assessments would provide the REIT with some level of assurance about the condition of property, the REIT may become subject to liability for undetected contamination or other environmental conditions at its properties against which the REIT cannot insure, or against which the REIT may elect not to insure, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. The REIT will implement policies and procedures to assess, manage and monitor environmental conditions at its properties to manage exposure to liability. The REIT intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters may have a material adverse effect on the REIT's properties, financial condition or results of operation and decrease the amount of cash available for distribution. However, environmental laws can change and the REIT may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

General Insured and Uninsured Risks

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

Joint Venture Investments

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

Risks Related to the Healthcare Industry

The healthcare industry is heavily regulated by various federal, provincial and local regulatory bodies. As a result, the REITôs tenants will generally be subject to significant laws and regulations regarding licensing and reimbursement programs. Changes in these laws and regulations, including the imposition of federal or provincial caps on healthcare spending and claw-backs to doctor billings, could negatively affect the ability of the REITôs tenants to make lease payments. Management believes that one factor driving the future growth of the medical office property industry in Ontario is the Ontario Ministry of Health and Long Term Careôs ñFamily Health Teamò initiative. Any significant changes to this initiative, or to any other policies or programs developed by the federal and provincial governments, could adversely affect the financial position of the REIT. Medical office buildings may be highly customized and may not be easily adaptable to alternative uses. The improvements necessary to conform a building to healthcare use may be costly and tenant specific. A new or replacement tenant may require different features in a property, depending on the tenantôs particular operations. If the REIT or its tenants terminate the leases for these properties, the REIT may not be able to locate suitable replacement tenants to lease the properties for their specialized uses. Consequently, the REIT may be required to spend substantial amounts to adapt the properties to other uses. Any loss of revenues and/or additional capital expenditures occurring as a result may adversely affect the financial position of the REIT.

Taxation

The REIT is a mutual fund trust by definition under the Income Tax Act (Canada) (the ñ**Tax Act**ò). The distributions made during 2010 are expected to be tax deferred and, therefore, would not be included in the income of a unitholder for tax purposes. Instead, the distributions would reduce the adjusted cost base of the unitholderôs units. Also, as currently structured, management believes that the REIT qualifies as a ñreal estate investment trustò under the Specified Investment Flow-Through (ñ**SIFT**ò) rules of the Tax Act. Under the SIFT rules, certain distributions to investors from certain publicly listed or traded trusts and partnerships, other than real estate investment trusts, will be subject to tax at a rate that is equivalent to the general tax rate applicable to Canadian corporations and will be taxed in the hands of the unitholders as though they were a dividend from a taxable Canadian corporation. The result is that trusts and partnerships that are subject to the SIFT rules will be taxed in a similar manner to corporations and their investors will be taxed in a manner similar to investors in a corporation. The SIFT rules became applicable in the 2007 taxation year. The SIFT rules do not apply to certain trusts that qualify as real estate investment trusts. Should it be found that the REIT fails to qualify as a real estate investment trust or that the REIT undertakes subsequent activities that cause it to fail to qualify as a real estate investment trust, the REIT will become subject to the SIFT rules in that taxation year.

Dependence on and Relationship with Property Manager

The Property Manager provides property management services to the REIT pursuant to the Property Management Agreement. The REIT depends on the Property Manager for all aspects of the day-to-day management of the REIT's properties. If the Property Manager stopped providing these services, there can be no assurances that a suitable replacement would be found in a timely manner or at all. The Property Manager continues to own, develop and manage medical office properties independently of the REIT. These properties may in some circumstances compete with properties owned by the REIT. The Property Manager is not required to provide services exclusively to the REIT.

Reliance on Key Personnel

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

Cash Distributions are Not Guaranteed

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

The Trust commenced operations on December 24, 2010 and established a monthly distribution of $0.0051 per Unit. During the three reported fiscal quarters of 2011, cash provided by operating activities was not sufficient to fund these distributions on a monthly basis. For the period January 1, 2011 to June 30, 2011, distributions were fully funded from the proceeds of previous equity and debt financings. For the period July 1, 2011 to September 30, 2011 (the latest period for which financial results are available), 99% of distributions were funded by cash provided from operating activities. For the period October 1, 2011 to December 31, 2011, 47.1% of distributions were funded by cash provided from operating activities. The distributions paid in 2011 constituted a return of capital.

PART VI – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the REIT to apply judgment when making estimates and assumptions that affect the reported amounts recognized in the financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the financial statements. Actual results could differ from estimates.

Financial instruments – recognition and measurement

The REIT recognizes financial assets and financial liabilities when the REIT becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets classified as at fair value through profit or loss, are measured at fair value plus transaction costs on initial recognition. Financial assets at fair value through profit or loss are measured at fair value on initial recognition and transaction costs are expensed when incurred.

Measurement in subsequent periods depends on the classification of the financial instrument:

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management, or if they are derivative assets. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of operations and comprehensive income.

The Trust does not currently hold any financial assets classified as FVTPL.

Available- for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such by management or not classified in any of the other categories. Available-for-sale financial assets are measured at fair value with changes recognized in other comprehensive income. Upon sale or impairment, the accumulated fair value adjustments recognized in other comprehensive income are recorded in the consolidated statements of comprehensive income. If there is objective evidence that an asset is impaired, its recoverable amount is determined and any impairment loss is recognized in the consolidated statements of comprehensive income. Objective evidence would include a significant or prolonged decline in the fair value of an asset below its original cost.

Available-for-sale financial assets include investments.

Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method. If there is objective evidence that an asset is impaired, its recoverable amount is determined and any impairment loss is recognized in the statement of comprehensive income.

Other receivables, cash and cash held in trust are classified as loans and receivables.

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL if they are designated as such by management, or they are derivative liabilities. Financial liabilities classified as FVTPL are measured at fair value, with changes recognized in the consolidated statement of comprehensive income.

The Class B LP unit liability, the Deferred Unit Plan unit liability and unit based compensation liabilities as FVTPL. The warrant liability is considered to be a derivative liability, and is classified as FVTPL by definition.

Other financial liabilities
Other financial liabilities are financial liabilities that are not classified as FVTPL. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Trustôs other financial liabilities include mortgages payable, accounts payable and accrued liabilities and distributions payable.

The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or disbursements (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount on initial recognition.

CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards

International Financial Reporting Standards (IFRS) replaced the previous Canadian GAAP (CGAAP) for the REIT, effective for its 2011 interim and annual financial statements. Accordingly, the REITôs first interim financial statements prepared using accounting policies consistent with IFRS were for the quarter ended March 31, 2011.

The adoption of IFRS resulted in changes to the REITôs accounting policies. The accounting policies described in note 3 to the accompanying unaudited condensed consolidated financial statements have been applied consistently to all periods presented.

The impact of the transition from Canadian GAAP to IFRS is explained in detail in note 22 to the consolidated financial statements for the year ended December 31, 2011. The changes in accounting policy have not been applied to any information for periods prior to January 1, 2010.

First-time adoption of IFRS – Impact on January 1, 2010

The first-time adoption of IFRS generally requires retrospective application of the resulting changes in accounting policies.

Subject to certain optional exemptions and mandatory exceptions, the REIT has applied the changes in accounting policies resulting from the adoption of IFRS retrospectively in the preparation of its opening IFRS statement of financial position as at January 1, 2010, the REITôs ñTransition Dateò.

The impact of first-time adoption of IFRS on the REITôs opening IFRS statement of financial position is described in detail in note 22 to the consolidated financial statements for the year ended December 31, 2011.

Impact of Changes in Accounting Policies on the REIT's Financial Statements

The adoption of IFRS resulted in changes to the REITǿs accounting policies, which has an impact on the recognition and measurement of transactions and balances during the year ended December 31, 2011 and the comparative periods.

Investment properties

On adoption of IFRS, the REIT decided to adopt the fair value model for its investment properties. Under the fair value model, investment properties are initially recognized at cost and then re-measured to fair value at each reporting date, with changes recorded in the statement of comprehensive income.

This change in accounting policy resulted in an increase in the carrying value of the investment properties for the year ended December 31, 2011, with a corresponding gain recorded in the statement of comprehensive income. In future periods, the investment properties will continue to be re-measured to fair value, with a corresponding gain or loss recorded in the statement of comprehensive income. In addition, investment properties are no longer amortized.

Class B LP units

Under IFRS, the Class B LP units are classified as a liability. Previously the Class B LP units were classified as equity. Management has designated the Class B LP unit liability as FVTPL; the liability is re-measured each reporting period to fair value.

For the year ended December 31, 2011 the re-measurement of the Class B LP unit liability resulted in a decrease in the carrying value, and a corresponding gain was recorded in the statement of comprehensive income. The decrease in fair value was due to changes in the assumptions used to measure fair value such as the market price of the unit and the expected remaining life of the Class B LP units. In future periods, the Class B LP unit liability will continue to be re-measured to fair value, with a corresponding gain or loss recorded in the statement of comprehensive income.

Unit-based compensation liability

Under IFRS, the incentive unit options and deferred unit plan units are considered cash-settled instruments under IFRS and classified as a liability. The liability is re-measured to fair value each reporting period.

For the year ended December 31, 2011 the re-measurement of the unit-based compensation liability resulted in a net decrease in the carrying value, and a corresponding net gain was recorded in the statement of comprehensive income. The decrease in fair value was due to changes in the assumptions used to measure fair value such as the market price of the unit and the expected remaining life of the incentive unit options and deferred unit plan units. In future periods, the unit-based compensation liability will continue to be re-measured to fair value, with a corresponding gain or loss recorded in the statement of comprehensive income.

Warrants

Under IFRS the warrants are considered a derivative instrument and classified as a liability. Under Canadian GAAP, the warrants were classified as equity. The warrant liability is re-measured to fair value each reporting period, with changes recorded in the statement of comprehensive income.

For the year ended December 31, 2011 the re-measurement of the warrant liability resulted in a decrease in the carrying value, and a corresponding gain was recorded in the statement of comprehensive income. The decrease in fair value was due to changes in the assumptions used to measure fair value such as the market price of the unit and the expected remaining life of the warrants. In future periods, the warrant liability will continue to be re-measured to fair value, with a corresponding gain or loss recorded in the statement of comprehensive income.

Intangible assets and liabilities

Under IFRS the previously recognized intangible assets and liabilities are not recognized as separate assets and liabilities, instead they form part of the carrying value of the investment properties. Investment properties are not amortized. As a result of this change in accounting policy, no amortization was recorded on the amounts that were previously recognized as intangible assets and liabilities.

FUTURE ACCOUNTING POLICY CHANGES

With respect to future changes in accounting pronouncements, management monitors the IASBõs recently issued accounting pronouncements to assess the applicability and impact, if any, of those pronouncements on the REITõs consolidated financial statements and note disclosures.

IFRS 7 Financial Instruments: Disclosures

In October 2010, the IASB issued amendments to IFRS 7 regarding Disclosures ï Transfer of Financial Assets, which are effective for annual periods beginning on or after July 1, 2011 with earlier application permitted. These amendments comprise additional disclosures on transfer transactions of financial assets and will not have an impact on the results of operations or financial position of the REIT as they are only disclosure requirements.

IFRS 9 Financial Instruments

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS9 *Financial Instruments* (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the REITõs consolidated financial statements

IFRS 10 ***Consolidated Financial Statements,*** **IFRS 11** ***Joint Arrangements*** **IFRS 12** ***Disclosure of Interests in Other Entities*** **,and** ***IAS 28 - Investments in Associates and Joint Ventures***

In May 2011, the IASB issued IFRS 10, IFRS 11 and IFRS 12, which are all effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation Special Purpose Entities, and provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entitiesï Non-monetary Contributions by Venturers, and established principles for the financial reporting by parties to a joint arrangement. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. In conjunction with IFRS 10, IFRS 11 and IFRS 12, the IASB also issued amended and retitled IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. Management has not yet determined the potential impact the adoption of IFRS 10, IFRS 11, IFRS 12 and the amendments to IAS 28 will have on the REITôs consolidated financial statements.

IFRS 13 Fair Value Measurement

On May 12, 2011, the IASB issued IFRS 13 *Fair Value Measurement* (IFRS 13). IFRS 13, which is to be applied prospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the REITôs consolidated financial statements.