NORTHWEST INTERNATIONAL HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

For the three and nine months ended

SEPTEMBER 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
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CEO's MESSAGE

In the third quarter of 2014, NorthWest International Healthcare Properties REIT ("the "**REIT**") continued to drive forward with its business plan to build a geographically diversified, growing global portfolio of healthcare properties. In August 2014, the REIT completed the final acquisition of its 14 medical office building portfolio in Germany, as previously announced earlier this year. The REIT acquired a medical office complex in the Hohenschoenhausen borough of East Berlin comprising approximately 57,000 square feet of gross leaseable area and a diverse tenant base of over 40 doctors and health care practitioners. The approximate $16.1 million acquisition completes the REIT's approximate $71 million investment in Germany this year, adding significant and deliberate scale to the REIT's German operations, and positioning the REIT as a lead consolidator of medical healthcare properties in the region. Further, the REIT remained active in the capital markets both in the third quarter and subsequently in November, raising over $68 million in new capital through a successful unsecured convertible debenture offering and equity issuance. The REIT's third quarter delivered solid and consistent financial results posting an 8.4% increase in Net Operating Income ("**NOI**") versus the second quarter of 2014, and nearly one and a half times the NOI relative to the same quarter last year. Further, Adjusted Funds From Operations ("**AFFO**") grew approximately 1% relative to the second quarter and approximately 42% relative to the same quarter of last year, largely due to the strength of our growing NOI.

Key highlights from the REIT's financial and operating results for the three and nine months ended September 30, 2014 include:

- Growth in total assets to $863.8 million, up $107.5 million from the beginning of 2014;
- Closed the $16.1 million acquisition of the Hohenschoenhausen medical office building in the city of Berlin;
- Recognition of a $16.0 million valuation gain in our Brazilian portfolio of 5 hospital assets, largely driven by incremental NOI as a result of increased rents associated with the portfolio's indexed leases;
- NOI of $10.5 million in Q3'14, representing a 144.5% increase over the same quarter last year (YTD NOI of $29.4 million);
- AFFO per unit (basic) of $0.05 for Q3'14, or $0.21 per Unit on an annualized basis, largely consistent with the previous two quarters of 2014 (AFFO per unit of $0.16 for the nine months ended September 30, 2014);
- AFFO payout ratio of 104% (AFFO payout ratio of 101% for the nine months ended September 30, 2014);
- Same property NOI growth of 9.7% driven by indexation of approximately 99% of the REIT's international revenues;
- Leading portfolio occupancy at 96.0% on a proportionate share basis (Canada = 91.8%; International = 98.3%), consistent with the second quarter of 2014;
- Weighted average lease term to maturity of 11.4 years on a proportionate share basis (Canada = 4.6 years; International = 15.3 years), consistent with the second quarter; and
- In September 2014, the REIT closed a successful $38.75 million bought deal unsecured convertible debt offering.

During the third quarter of 2014 the REIT continued to focus on key strategic corporate initiatives including the establishment of a fully-integrated internal management structure from which the REIT will benefit as it continues to grow, and the acquisition from NorthWest Value Partners Inc. ("**NWVP**") of all of the rights and obligations relating to the management of Vital Trust of which the REIT currently indirectly holds an approximate 24% interest.

Subsequent to the third quarter, the REIT renewed its existing Brazilian term financing and entered into new long-term financing arrangements that will provide stable, 12-year financing over the majority of its Brazilian portfolio and will significantly extend the REIT's debt maturity profile.

Additionally, the REIT's management team was significantly strengthened by the appointment of Mr. Vincent Cozzi as Co-President and Chief Investment Officer, a proven leader with a wealth of experience in the healthcare real estate industry. Mr. Cozzi will lead the REIT's international investment initiatives as well as oversee its strategic investments in Canada and Australia/New Zealand.

Through the final months of the year, the REIT will continue to focus on a number of initiatives including; the completion of the long-term refinancing of its Brazil term loans and its management internalization initiative; as well as continuing to source new accretive acquisition and development opportunities for 2015.

Sincerely,

(signed) Paul Dalla Lana
Chief Executive Officer

PART I - BASIS OF PRESENTATION

This Management's Discussion and Analysis of the results of operations and financial condition ("**MD&A**") of NorthWest International Healthcare Properties REIT ("**NorthWest International REIT**" or the "**REIT**") should be read in conjunction with the REIT's unaudited condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2014 together with the Consolidated Financial Statements and MD&A for the year ended December 31, 2013, prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are in Canadian dollars, except where otherwise stated.

This MD&A should also be read in conjunction with the Annual Information Form of the REIT dated April 23, 2014 (the "**Annual Information Form**"). This MD&A is current as of November 27, 2014 unless otherwise stated. Additional information relating to the REIT, including its continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and can be accessed electronically at www.sedar.com.

FORWARD-LOOKING INFORMATION ADVISORY

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

- the intention of the REIT to pay stable and growing distributions;
- the ability of the REIT to execute its growth strategies;
- the ability of the REIT to refinance maturing debt obligations;
- the intention of the REIT to internalize management and graduate to the Toronto Stock Exchange;
- the expected tax treatment of the REIT's distributions to holders ("**Unitholders**") of trust units of the REIT ("**Trust Units**"); and
- the expectations regarding real estate, the healthcare industry and demographic trends.

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

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

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

NOTICE REGARDING INFORMATION CONCERNING OTHER PUBLIC ENTITIES

The information concerning NorthWest Healthcare Properties Real Estate Investment Trust ("**NWHP REIT**") and Vital Healthcare Property Trust ("**Vital Trust**") contained in this MD&A have been taken from, or are based upon, publicly available documents and records on file with the Canadian Securities Administrators and other regulatory bodies. Although the REIT has no knowledge that would indicate that any of such information is untrue or incomplete, the REIT was not involved in the preparation of any such publicly available documents and neither the REIT, nor any of its officers or directors, assumes any responsibility for the accuracy or completeness of such information or the failure by NWHP REIT or Vital Trust to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to the REIT.

MARKET AND INDUSTRY DATA

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

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

PERFORMANCE MEASUREMENT

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

- Funds from operations ("**FFO**");
- Adjusted funds from operations ("**AFFO**");
- Weighted average lease expiry ("**WALE**");
- Weighted average interest rate;
- Occupancy levels;
- Debt – Declaration of Trust;
- Debt – Including Convertible Debentures; and
- Net operating income ("**NOI**").

<u>Explanation of Non-GAAP measures used in this MD&A</u>

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

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

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

We have provided an analysis of FFO and AFFO under “Part III – Results of Operations”.

FFO and AFFO should not be construed as alternatives to net income (loss) determined in accordance with IFRS as an indicator of the REIT’s performance. The REIT’s method of calculating FFO and AFFO may differ from other issuers’ methods and accordingly may not be comparable to measures used by other issuers.

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

The REIT’s “**weighted average interest rate**” in Table 5: Financial Highlights 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” are presented in different manners depending on its context. It could be presented as a weighted average portfolio occupancy, based on the area weightings, when analyzing the overall operating performance of the REIT’s portfolio, or as a point-in-time reference when analyzing future lease expiries, or as an assessment of the performance of each property period over period. Management considers this a useful measure in assessing the overall performance of its portfolio and is an essential tool to determine which properties require further investigation if performance lags.

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

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

Explanation of additional IFRS measure used in this MD&A

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

We have provided an analysis of NOI under "Part III – Results of Operations"

KEY PERFORMANCE DRIVERS

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

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

PART II – BUSINESS OVERVIEW

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

The REIT

The REIT is an unincorporated, open–ended real estate investment trust governed under the laws of the Province of Ontario pursuant to an amended and restated declaration of trust dated November 16, 2012, and further amended on January 3, 2014 and February 3, 2014 (the "**Declaration of Trust**"). The REIT's Trust Units trade on the TSX Venture Exchange ("**TSXV**") under the symbol "MOB.UN". The REIT's focus is to invest in healthcare real estate globally.

The REIT's objectives are to:

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

Strategic Direction

<u>Market Opportunity</u>

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

Over the past several years, some of Canada's largest pension funds and institutional investors have increasingly sought out investment opportunities outside of Canada in the real estate sector. These investors have increased the international component of their real estate investments for reasons that include diversification, the opportunity to enhance returns and the possibility of generating long-term, stable cash flows. Several of Canada's major pension funds reported having approximately half of their real estate assets outside of Canada, with a particular focus in Europe. Other significant markets for Canadian institutional buyers of foreign real estate include the United States, Asia, Australia, and South America. The REIT believes that it is providing a unique opportunity for Canadian retail and institutional investors to diversify their real estate investments, as large Canadian pension funds and other large Canadian institutional investors have done.

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

- Demographics: growing or aging population, increasing life expectancy, all key drivers in the need for healthcare;
- Economics: a balance of economic growth and stability, stabilized and/or increasing GDP per capita, and increasing healthcare spending as % of GDP or on an absolute basis; and

- Real estate and healthcare trends: fragmented healthcare real estate markets, healthcare operators focusing on "core business", demand for new infrastructure, and growing public and private healthcare services.

Target Markets

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

- **Australasia:** an established market with consolidation opportunities, inflation indexed triple net rents, exposure through an investment in Vital Trust;
- **Brazil:** a high-growth market with experienced hospital operators, exposure through long-term inflation indexed triple-net sale leaseback structure;
- **Germany:** a fragmented market with first mover advantage available, NOI growth through active management and scale, similar to NWHP REIT's experiences growing in Canada; and
- **Canada:** an established market with incremental growth opportunities, stability of a government backed tenant base, exposure through an investment in NWHP REIT.

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

TABLE 1 - KEY MARKET DATA

	Australasia	Brazil	Germany	Canada
Population	28.2 Million	198.2 Million	81.9 Million	35.6 Million
GDP Growth (1)	3.10%	-0.90%	0.80%	2.45%
Inflation (2)	2.30%	6.75%	0.80%	2.00%
5 Yr. Government Bond Yield (2)	3.02%	12.42%	0.15%	1.63%
Health Care System	Hybrid public and private healthcare systems	Hybrid public and private healthcare systems	Hybrid public and private healthcare systems	Publicly-funded healthcare system

Notes
(1) Annualized, as at June 30, 2014
(2) As at September 30, 2014

Sources: Trading Economics; Bloomberg; investing.com

Operating in an Emerging Market

In accordance with OSC Staff Notice 51-720 *Issuer Guide for Companies Operating in Emerging Markets* ("SN 51-720"), the Brazil region is considered an "emerging market" and therefore subject to potential risks. The REIT believes the risks of operating in the Brazil market are minimized as a result of the following:

- The REIT's business activities in Brazil are limited to the ownership of five well established, reputable and institutional quality hospitals in the urban centres of Sao Paulo, Brasilia and Rio de Janeiro.

- Each of the REIT's Brazilian hospitals are leased to investment grade single tenants.

- Each of the Brazil leases are "net leases", which in effect transfers the operating risk of the property to the tenant. As a result, the REIT's business in Brazil is not operationally intensive.

- The REIT is represented on local corporate and real estate legal matters by two of Brazil's leading law firms. On non-legal matters, the REIT only engages with leading, global service providers that perform at the highest governance levels; and all banking is conducted through leading global banks.

- The REIT's Brazilian leases have terms that mitigate any title risk on its assets whereby should expropriation of the assets occur, the lessee remains liable for all payments under the lease. The REIT believes there is a limited risk of the REIT's Brazilian assets being subject to government expropriation and nationalization.

Further, the REIT considers the Brazilian healthcare industry to be economically and politically stable, and free of many of the risks associated with other industries and emerging market jurisdictions. The Brazil healthcare market operates under a dual public and private system where approximately 23% of healthcare expenditures are made by the private healthcare insurance market, 30% of expenditures are made through private users and the remaining 47% of expenditures made by the public sector. Brazil is the third biggest private healthcare market, globally, behind the United States and China (source: *Anahp (associacao nacional de hospitals privados), 2010*). Due to positive macroeconomic indicators, including the size of Brazil's economy with a population nearing 200 million (seventh largest economy globally), low unemployment (~5% the past two years), rising wages, increasing consumer consumption and a growing middle class, the outlook for the Brazilian healthcare market is optimistic. Further, the increasing demand for private healthcare (since 2009, beneficiaries of private medical plans increased 17%) has resulted in the consolidation of private healthcare operators, resulting in larger, financially stable and technologically advanced, leading operators (source: *Pwc "The Healthcare market in Brazil", 2013*).

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

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

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

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

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

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

The REIT's Chief Executive Officer (CEO) has extensive experience in conducting business in Brazil. The REIT's CEO has been conducting business in Brazil since 2011. During that time the REIT's CEO has developed a deep familiarity with Brazil's real estate industry, regulatory environment, operating environment, financial markets, and culture and business practices. The REIT's CEO has developed the key relationships with the REIT's tenants and advisors locally. As noted above, the REIT's management team also relies heavily on the expertise of its reputable third party advisors with respect to legal, regulatory, tax and other matters in Brazil.

The REIT does not believe that geographical distance and cultural differences associated with operating in Brazil present significant operating risks to the REIT. However, it has adopted several formal procedures to address risks faced by the REIT, including certain risks related to Brazil. For example, the REIT has adopted a Code of Business Conduct and Ethics policy which requires all personnel to comply with applicable laws and explicitly prohibits improper payments to domestic and foreign officials. And as noted above, the REIT requires all significant contracts to be translated into English by a reputable legal translator prior to execution.

Lastly, as a matter of practice, all material Brazilian-based transactions are approved by the REIT's trustees, with input from the REIT's management team and Brazilian personnel as appropriate.

RELATIONSHIP WITH NWVP

As at September 30, 2014, NorthWest Value Partners ("**NWVP**") indirectly owned approximately 72% (approximately 62% on a fully-diluted basis assuming conversion of the REIT's convertible debentures and redemption of its deferred Trust Units) of the REIT through a combination of Trust Units of the REIT and Class B LP and Class D GP exchangeable units of NWI LP. Affiliates of NWVP serve as the REIT's asset manager, property manager and developer pursuant to certain management and partnership agreements that are filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. Established in 1994, Toronto-based NWVP is one of Canada's leading privately owned healthcare real estate companies. The scope of its business includes real estate development, ownership and management, in Canada and internationally with a significant focus on the healthcare sector. Principals of NWVP serve as officers and trustees of the REIT.

HIGHLIGHTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

Issuance of $35 million, 7.25% Convertible Debentures

On September 23, 2014, the REIT issued $35,000,000 principal amount of unsecured convertible subordinated debentures (the “Series MOB.DB.B Debentures”). The Series MOB.DB.B Debentures bear interest at 7.25% per annum, payable semi-annually on April 30 and October 31 each year, and mature on October 31, 2019.

Renewal of Margin Facilities

On September 26, 2014, two of the margin facilities related to the REIT’s investment in NWHP REIT were renewed, which extended the maturity to September 1, 2015.

On September 23, 2014, the third margin facility related to the REIT’s investment in NWHP REIT was renewed, which extended the maturity to November 1, 2015.

Acquisition of Hohenschoenhausen

On August 29, 2014, the REIT completed the acquisition of a medical office complex in Germany ("Hohenschoenhausen”), in the city of Berlin, for a gross purchase price of $16,135,258 including transaction costs of $1,382,067. The REIT's investment was funded from cash on hand including a portion of the proceeds from the issuance of equity pursuant to the exercise of warrants in August 2014, a holdback obligation and new mortgage financing from a German lending institution.

Exercise of Warrants

On September 2, 2014, the REIT received notice from the holder in respect of the early exercise of the entire balance of the 3,000,000 warrants outstanding. The warrants were exercised at a price of $2.15 for total cash proceeds to the REIT of $6,450,000.

Acquisition of the Core German MOB Portfolio

On June 25, 2014, the REIT completed the acquisition of a portfolio of 13 properties in Germany (the "Core German MOB Portfolio") for a gross purchase price of $54,950,235 including transaction costs of $3,546,164. The REIT's investment was funded from cash on hand including a portion of the net proceeds from the equity offering completed in May 2014, holdback and earnout obligations and new mortgage financing from a German lending institution of $30,395,233 (net of transaction costs of $891,567) with terms between 5 and 7 years, and a 26 year amortization period. To limit exposure to fluctuations in interest rates on the mortgages obtained for the Core German MOB Portfolio, the REIT also entered into interest rate swaps on the full mortgage balance to fix the interest rates between 2.23% and 2.58% over the terms of the loans.

The acquired portfolio comprises approximately 350,000 square feet with properties located in the cities of Berlin (1), Ingolstadt (1) and Leipzig (11) and had a weighted average occupancy rate of 95% and weighted average lease expiry of approximately 4.4 years at the time of purchase. The acquired portfolio has a diversified tenant base of over 100 tenancies consisting of a range of medical practitioners and related services.

Public Offering of Trust Units

On May 21, 2014, the REIT closed an equity offering of 11,219,513 Trust Units. The Trust Units were issued at a price of $2.05 per Trust Unit, for gross proceeds of $23,000,002, which included the exercise of the over-allotment option in full.

Extension of Interest Rate Subsidy

In May 2014 and again in September 2014 in relation to the interest rate subsidy on the margin facilities assumed by the REIT pursuant to the acquisition of the investment in NWHP REIT, NWVP and the REIT agreed to extend and amend the interest rate subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to September 30, 2014.

Management Internalization

On April 30, 2014 the REIT announced a proposal with NWVP providing for (a) the internalization of the REIT's external management function, and (b) the acquisition by the REIT of all rights and obligations relating to the management of Vital Trust (collectively, the "Internalization Transaction"). A non-binding letter of intent with respect to the Internalization Transaction was entered into between the REIT and NWVP on May 5, 2014. In connection with the Internalization Transaction:

- the REIT and its subsidiaries will no longer have any obligations owing to NWVP under the Asset Management Agreement, Property Management Agreement and Development Agreement;
- NWVP will no longer be eligible to realize any "incentive amounts" under the NWI Healthcare Properties LP ("**NWI LP**") amended and restated limited partnership agreement ("**NWI LP Agreement**");
- the REIT will indirectly acquire all of the assets, tangible and intangible, that are used by affiliates of NWVP to manage the REIT and Vital Trust free and clear of all encumbrances (other than permitted encumbrances to be agreed upon by the parties), and all employees involved in the management of the REIT and Vital Trust will be offered employment by the REIT or its subsidiaries;
- the REIT will indirectly receive the benefit of all management fees payable by Vital Trust; and
- all rights and obligations of NWVP under the REIT's Declaration of Trust and Exchange Agreement will remain unchanged.

See also "Part V – Related Party Transactions".

As consideration for the foregoing, NWVP will receive an amount (the "**Internalization Amount**") equal to the sum of:

- the entitlements of NWVP under the Asset Management Agreement, Property Management Agreement, Development Agreement (all defined herein) and the NWI LP Agreement for the 12 months ended December 31, 2014 (for greater certainty, in addition to the receipt of such entitlements for such period); and
- the amount of fees to be earned by Vital Healthcare Management Limited (net of amounts to be received by the REIT pursuant to the Vital Trust management fee participation arrangement) for the 12 months ended December 31, 2014,

in each case adjusted for the full year effect of acquisitions and committed capital expenditures. The Internalization Amount may be payable in equity of the REIT or NWI LP valued at $2.05 per unit, except for amounts required to pay liabilities of NWVP arising from the Internalization Transaction, which will be payable in cash.

Due to the manner by which the Internalization Amount is calculated, it is not possible to determine the exact Internalization Amount at this time. However, the following table sets forth what the Internalization Amount would have been had the Internalization Transaction been completed on the terms described above as at December 31, 2013:

(in thousands)	**As at December 31, 2013**(1)
	(unaudited – pro forma) (2)
Base Asset Management Fees	$3,502
Property Management Fees	393
Incentive Amount	4,104
Total	$ 7,999
Add: Fees earned by Vital Healthcare Management Limited (3)	2,737
Internalization Amount	**$10,735**

Notes:

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(1) Adjusted for the full year effect of 2013 acquisitions.
(2) Assumes the German acquisitions closing in 2014 were completed on January 1, 2013.
(3) Net of amounts received pursuant to the Vital Trust management fee participation arrangement.

If such Internalization Amount were satisfied entirely in Class B LP Units, NWVP would receive 5,236,787 Class B LP Units upon closing of the Internalization Transaction. This would result in NWVP, owning, directly or indirectly, (a) 23,747,350 Units, (b) 96,305,107 Class B LP Units, and (c) 1,110,580 Class D GP Units, based on NWVP's ownership interest as at the date of this MD&A.

Based on ownership as at the date of this MD&A, assuming the exchange by NWVP of all of its Class B LP Units and Class D GP Units for Units, NWVP would directly or indirectly own approximately 64.0% of the issued and outstanding Units (or 55.0% on a fully-diluted basis assuming conversion of the REIT's convertible debentures and redemption of its deferred Trust Units).

The foregoing calculations assume completion of the Internalization Transaction on December 31, 2013 and are presented for illustrative purposes only. The actual Internalization Amount (and as a result the interest of NWVP in the REIT following the Internalization Transaction) will be calculated based on figures not yet available and information not yet known by the REIT. Several factors, in particular the REIT's growth during the balance of 2014, could cause the Internalization Amount to differ materially from the illustration provided above. For example, the Internalization Amount will increase by $500,000 for every $100,000,000 of assets acquired by the REIT during the balance of 2014 due to the manner by which the base asset management fees are calculated under the Asset Management Agreement. In addition, the Internalization Amount may also be higher (or lower) if there is a significant increase (or decrease) in the net asset value of the REIT's assets during 2014 due to the manner by which the incentive amount is calculated under the NWI LP Agreement. In addition to the Internalization Amount, the REIT will be incurring other costs in connection with the Internalization Transaction, such as legal and advisory fees, employee-related costs and other costs associated with the asset management, property management and development functions of the REIT.

The Internalization Transaction is expected to close on or before December 31, 2014, subject to certain conditions including, but not limited to, the entering into of a definitive binding implementation agreement for the internalization and the receipt of all necessary approvals.

NWVP currently owns an approximate 65% interest in the REIT and Paul Dalla Lana, Chairman and Chief Executive Officer of the REIT, is the sole shareholder of NWVP. As a result, a special committee of independent trustees was established by the REIT for the purposes of considering the Internalization Transaction. The special committee retained independent legal and financial advisors in connection with the Internalization Transaction. If a binding agreement in respect of the Internalization Transaction is reached on the terms proposed above, the Internalization Transaction is expected to constitute a "related party transaction" for the REIT as defined in Multilateral Instrument

61-101 – Protection of Minority Securityholders in Special Transactions ("MI 61-101"). MI 61-101 requires, among other things, that issuers obtain formal valuations and minority approvals in connection with related party transactions, unless an exemption is available. The REIT will consider the available exemptions if and when it enters into a binding agreement in respect of the Internalization Transaction. For example, the Internalization Transaction may be exempt from the formal valuation and minority approval requirements if neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the Internalization Transaction, exceeds 25 per cent of the REIT's market capitalization. If an exemption is not available, the REIT will obtain a formal valuation and minority approval for the Internalization Transaction in accordance with MI 61-101.

Proposed TSX Graduation and Expansion of the REIT's Board

On April 30, 2014, the REIT announced plans to seek a listing on the Toronto Stock Exchange (the "TSX") and concurrently expand the size of its board of trustees. The REIT continues to work towards the completion of this objective.

Incentive Fee

In April 2014, the independent trustees of the REIT determined that the Class C Amount (defined herein) earned by an affiliate of NWVP for the 2013 financial year was $4,103,617 in accordance with the terms of the NWI LP partnership agreement. The NWVP affiliate elected to receive such Class C Amount in the form of Class D GP units of NWI LP, which resulted in the issuance of 1,891,068 Class D GP units. Each Class D GP unit is exchangeable for one Trust Unit and carries one Trust level voting right. On April 23, 2014 and on May 15, 2014, 744,187 and 36,301, respectively, for a total of 780,488 of the Class D GP units were exchanged into Trust Units.

Refinancing of Vital SLA

On March 21, 2014, the Vital Securities Lending Agreement ("Vital SLA") was terminated and settled by means of a new margin facility with Macquarie Bank Limited executed on February 28, 2014. The margin facility bears interest at a rate that fluctuates with the one-month rate for New Zealand dollar bills of exchange (the "**BKBM**" rate) and requires a minimum loan-to-fair market value of the Vital Trust units pledged of 50%. The margin facility matures on December 31, 2014.

Sale of Marktredwitz Property

On February 17, 2014, the REIT sold its leasehold interest in a building in Marktredwitz, Germany for approximately $6,924,000. The REIT realized net proceeds of approximately $1,948,000 after the repayment of the mortgage relating to the property in the amount of approximately $4,887,000 and selling cost of approximately $9,000.

Closing of Over-Allotment Option on December 2013 Equity Offering of Trust Units

On January 14, 2014, the REIT announced that pursuant to the December 2013 equity offering, the underwriters partially exercised the overallotment option and 852,070 additional units of the REIT were issued at a price of $2.00 per unit for gross proceeds of $1,704,140.

SUBSEQUENT EVENTS

- On October 17, 2014, the REIT declared a distribution of $0.018333 per Trust Unit to unitholders of record on October 31, 2014, payable November 17, 2014. On November 20, 2014, the REIT declared a distribution of $0.018333 per Trust Unit to unitholders of record on November 28, 2014, payable December 15, 2014

- Between October 1, 2014 and November 27, 2014, the REIT issued an additional 263,075 Trust Units to settle outstanding asset management fees owing to a subsidiary of NWVP. As at November 27, 2014 NWVP has an economic interest of approximately 65% of the REIT.

- On October 1st, 2014 the REIT repaid deferred consideration of $27,176,984 related to the acquisition of HMB.

- On October 3, 2014, the REIT issued an additional $3,750,000 of Series MOB.DB.B Debentures in connection with the exercise of the overallotment option related to the Series MOB.DB.B Debenture issuance. The total face value amount outstanding of the Series MOB.DB.B Debentures is currently $38,750,000.

- On October 17, 2014, the REIT announced the appointment of Mr. Vince Cozzi as Co-President and Chief Investment Officer of the REIT. Prior to joining the REIT, Mr. Cozzi was a Senior Vice President of Ventas, Inc., a U.S. healthcare REIT, and Executive Vice President and Chief Investment Officer of its Lillibridge Healthcare Services subsidiary.

- On October 17, 2014, the purchase and sale agreement with respect to the Rede D'Or Hospital Acquisition on December 23, 2013 was amended to extend the payment date of the hold back related to Hospital Caxias D´Or to the later of December 15, 2015 or 180 days after the completion of certain conditions by the vendor. Effective from the date of amendment (October 17, 2014) until the date of payment the balance of the holdback will be adjusted by the variation of the CDI plus 7.34% annually.

- On October 28, 2014 the REIT renewed one of the margin facilities with an outstanding balance of $36,745,458 related to the REIT's investment in Vital Trust, which was to mature on December 31, 2014. The renewal extends the maturity of this margin facility to December 31, 2015.

- On October 31, 2014, the REIT entered a contract to refinance the existing term loans, up to $183,080,000 (R$400,000,000) for one year, subject to final documentation. The term loans are interest-only and will bear interest on similar terms to the existing loans. The remaining $10,552,465 or R$23,055,419 (as at September 30, 2014) will be repaid with existing cash and/or proceeds from the November 2014 equity offering. Further on November 19, 2014, the REIT entered into a term sheet with a Brazilian financial institution for long-term financing for a portion of its Brazilian portfolio consisting of a combination of three of four of the REIT's Brazilian properties: Hospital e Maternedade Brasil, Hospital do Coração do Brasil, Hospital Santa Luzia, and Hospital Caxias D´Or. The financing is for an amount of up to $170 million (R$370 million) with a term of 12 years and is subject to due diligence and regulatory approvals. The REIT expects to complete the long term-financing in early second quarter 2015 and net proceeds will be used to refinance the extended term loans associated with the properties referenced above.

- On November 25, 2014, the REIT closed an equity offering of 13,954,000 Trust Units. The Trust Units were issued at a price of $2.15 per Trust Unit, for gross proceeds of $30,001,100.

- On November 26, 2014, the REIT made a repayment to two of its margin facilities related to its investment in NWHP REIT totaling $4,115,820.

ASSETS OF THE REIT

Summary

The following table highlights certain information about the REIT's assets as at September 30, 2014:

TABLE 2 - SUMMARY OF ASSETS						
Property	**Date Acquired**	**Year Built**	**Approximate Area (sf)**	**# of Tenants**	**Occupancy %**	**WALE (1)**
Brazil						
Sabará Children's Hospital	Nov 16 2012	2010	104,915	1	100.0%	10.0
Hospital e Maternedade Brasil	Dec 27 2012	1970 - 2007	342,000		100.0%	23.3
Hospital Santa Luzia	Dec 23 2013	2003	185,139	1	100.0%	24.3
Hospital Do Coracao	Dec 23 2013	2007	96,875		100.0%	24.3
Hospital Caxias	Dec 23 2013	2013	290,626		100.0%	24.3
			1,019,555	**2**	**100.0%**	**22.4**
Germany						
Adlershof 1	Nov 16 2012	2004	57,603	33	99.9%	1.7
Adlershof 2	Nov 16 2012	2010	48,539	15	96.9%	6.0
Berlin Neukölln	Nov 16 2012	2000	36,370	16	100.0%	2.1
Königs Wusterhausen 1	Nov 16 2012	2001	40,365	23	84.1%	1.7
Fulda	Mar 31 2013	2010	99,515	27	100.0%	5.5
Polimedica Centre	Jun 25 2014	2007	101,020	32	95.9%	8.3
Hollis Centre	Jun 25 2014	1996	79,029	28	100.0%	4.1
Leipzig	Jun 25 2014	1975-1989	169,576	102	89.6%	4.3
Hohenschonhausen	Aug 30 2014	1996	57,695	36	95.2%	4.7
			689,712	**312**	**95.3%**	**4.7**
Australasia - Vital Interest (2)			**1,620,110**	**105**	**99.3%**	**15.1**
Canada - NWHP REIT Interest (3)			**4,562,195**	**1,500**	**91.8%**	**4.6**
Portfolio Totals / Weighted Averages			**7,891,572**	**1,919**	**94.7%**	**9.1**
Portfolio Totals / Weighted Averages - Proportionate Consolidation (4)			**3,263,418**		**96.0%**	**11.4**

Notes
(1) As at September 30, 2014. Weighted average lease expiry in years.
(2) Represents 100% of Vital Trust. The REIT has an exposure to an approximate 24% interest in Vital Trust. Figures are current as at June 30, 2014.
(3) Represents 100% of NWHP REIT. The REIT has an exposure to an approximate 26% interest in NWHP REIT.
(4) Calculation is based on the REIT's proportionate interest in Vital Trust and NWHP REIT.

Australasia – Exposure to Vital Trust

The REIT's investments in Australasia are held through its strategic shareholding by way of exposure to an equity interest in Vital Trust. Table 2 above highlights certain information about Vital Trust as at September 30, 2014, on a 100% basis; noting, however, that the REIT has exposure to an approximate 24% interest in Vital Trust.

Overview of Vital Trust

Vital Trust is a New Zealand Stock Exchange (**"NZSX"**) listed investment fund that invests in high-quality health and medical-related properties in New Zealand and Australia. As at September 30, 2014, Vital Trust owned a portfolio of 24 properties in New Zealand and Australia. Approximately 74% of Vital Trust's property portfolio is located in Australia with the remaining 26% located in New Zealand. Across both regions, Vital Trust's portfolio is tenanted by hospital and healthcare operators who provide a wide range of medical and health services.

On August 14, 2014 Vital Trust reported its audited consolidated financial statements for the year ended June 30, 2014. For the year ended June 30, 2014, Vital Trust delivered strong and stable financial results as well as successfully executing on its operational plan. Vital Trust's rental income was consistent with fiscal 2013; however, rental income was negatively impacted by a strengthening New Zealand dollar of approximately NZ$6.5 million. Before the impact of currency translation, the increase in rental income is a result of the full year benefit of incremental acquisitions, completed development projects, and structured rental reviews. Gross distributable income for fiscal 2014 was

NZ$34.9M, which is NZ$1.3M or 4% greater than fiscal 2013. The positive operating results are underpinned by a portfolio occupancy of 99.3%, which remained consistent with the prior year, and a notable increase in the weighted average lease term of 15.1 years from 11.8 years the prior year.

During fiscal 2014 Vital Trust recorded a fair value gain related to the revaluation of their investment property portfolio of NZ$15.2M. The key drivers for the revaluation gains include structured annual rent growth, close to full occupancy of the portfolio at 99.3%, and the weighted average capitalization rate decreasing from 9.1% at June 30, 2013 to 8.9% at June 30, 2014. The increase in fair value of approximately NZ$15.2M was also the driver of Vital Trust accruing an incentive fee payable of NZ$0.5M to its external asset manager (a subsidiary of NWVP) for the first time in 3 years.

The REIT's interest in Vital Trust

On April 1, 2013, the REIT announced its intention to increase its interest in Vital Trust to slightly less than 25% through the acquisition of additional units of Vital Trust in the open market over the NZSX.

During the three and nine months ended September 30, 2014, the REIT did not acquire additional units in Vital Trust. As at September 30, 2014, the REIT owned 81,659,866 units which represented a 23.97% interest in Vital Trust (December 31, 2013 - 81,659,866 units which represented a 24.11% interest).

Vital Management Fee Participation Agreement and Management Rights

Pursuant to a management services agreement and management rights contract entered into in connection with the acquisition of the Initial International Assets, (a) affiliates of NWVP have agreed to pay, in consideration for certain management services rendered, a subsidiary of the REIT, a management fee participation equal to the difference between all management fees paid by Vital Trust to NWVP or any of its wholly-owned subsidiaries and the amount that Vital Trust would have paid had it been wholly-owned and subject to the asset management fee arrangements of the REIT (the "**Management Fee Participation Agreement**"), and (b) the REIT is indirectly entitled to direct NWVP, subject to NWVP's fiduciary duties, with respect to any control or direction rights of NWVP pursuant to agreements entered into with Vital Trust (the "**Vital Management Rights**").The purpose of the Management Fee Participation Agreement is to provide the REIT with any incremental economic benefit that may be associated with the management arrangements currently in place between NWVP and Vital Trust.

Brazil – Long term net leases to private hospital operators

Sabará Children's Hospital

The Sabará Children's Hospital, located in São Paulo, is a 104,915 square foot private hospital facility. The facility is leased for 15 years (10.8 years remaining) and operated by a single tenant, Hospital Sabará (the "**Sabará Tenant**"), who uses the property to operate one of the region's largest private children's hospitals.

*Hospital e Maternedade Brasil ("**HMB**")*

HMB, located in a Santo Andre – a suburb of Sao Paulo, is a 342,000 square feet full-service hospital with 305 beds. The facility is leased for 25 years (24 years remaining) and operated by a single tenant, Rede D'Or Sao Luiz, a privately owned Brazilian hospital operator with 26 hospitals across the country.

Hospital Santa Luzia

Hospital Santa Luzia is a 190 bed, 185,139 square feet, private hospital located in Brasilia's South Wing, one of its two primary healthcare nodes. The facility is leased for 25 years (expiring December 31, 2038) and is operated by a single tenant, Rede D'Or Sao Luiz.

Hospital do Coração do Brasil

Hospital do Coração do Brasil is a 56 bed, 98,875 square feet, specialized cardiovascular hospital located in Brasilia's South Wing, one of its two primary healthcare nodes. The facility is leased for 25 years (expiring December 31, 2038) and is operated by a single tenant, Rede D'Or Sao Luiz.

Hospital Caxias D´Or

Hospital Caxias D'Or is a 190 bed, 290,625 square feet, private hospital located in suburban Rio de Janeiro. The facility is leased for 25 years (expiring December 31, 2038) and is operated by a single tenant, Rede D'Or Sao Luiz.

Germany – Initial focus on medical office buildings

Adlershof 1

Adlershof 1 is a five-storey, purpose-built medical office building completed in 2004. The approximately 100% occupied building has a gross leasable area (including storage) of 57,603 square feet and offers 34 below grade parking stalls. A large atrium invites visitors to the ground floor where tenant signage identifying a wide range of medical/dental service providers and a pharmacy is located. Adlershof is a district in the Berlin borough of Treptow-Köpenik, an area commonly known as the "city of science, technology and media".

Adlershof 2

Adlershof 2 is a four-storey, purpose-built medical office building directly adjacent to Adlershof 1 which was completed in 2010. The 97% occupied building has a gross leasable area (including storage) of 48,539 square feet and offers 66 below grade parking stalls. A ground floor physiotherapy tenant includes a swimming pool as well as a private elevator and staircase to the second floor demise. A large atrium invites visitors to the ground floor where tenant signage reflecting a wide range of medical/dental service providers can be found.

Berlin Neukölln

Berlin Neukölln is a six-storey terraced building with prominent corner location completed in 2000. The 100% occupied building has a gross leasable area (including storage) of 36,370 square feet and underground parking for 10 vehicles. Tenants include a wide range of medical service providers including a ground floor pharmacy. The property is located in Neukölln, one of the 12 boroughs of Berlin in the southeastern part of the city.

Königs Wusterhausen 1

Königs Wusterhausen 1 comprises a three-storey (with additional attic space), detached, purpose built medical office building completed in 2001. The building is 84% occupied and has a gross leasable area (including storage) of 40,365 square feet. An underground garage park contains 66 stalls. Tenants include a range of medical service providers as well as municipal agencies and legal practices. The property is located in Königs Wusterhausen, a town in the Dahme-Spreewald district of the state of Brandenburg.

Fulda

Fulda is a newly constructed medical office complex located in Fulda, Germany, approximately 100km northeast of Frankfurt, Germany. At approximately 99,515 square feet, Fulda is 100% occupied with a diversified tenant base focused on healthcare related users and orthopedic services which benefit from the building's close proximity to the Klinikum Fulda – one of region's leading hospitals.

Polimedica Centre

Polimedica Centre is a three-storey, multi-tenanted, purpose built medical office building completed in 2007 located in a suburb of Berlin adjacent to significant commercial infrastructure. Polimedica Centre is 95.6% occupied and has a gross leasable area of approximately 101,020 square feet.

Hollis Centre

Hollis Centre is a three-storey, multi-tenanted, purpose built medical office building located in Ingolstadt and is adjacent to the local hospital and healthcare campus. Hollis Centre is 100% occupied and has a gross leasable area of approximately 79,029 square feet. Ingolstadt is approximately 80 kilometres north of Munich and is home to the headquarters of German automobile manufacturer Audi.

Leipzig Portfolio

A portfolio of 11 multi-tenanted, low-rise medical office buildings located in Leipzig, a city approximately 150km south of Berlin that houses large automobile manufacturing plants for both BMW and Porsche. The Leipzig portfolio comprises over 100 tenancies including a range of medical practitioners and pharmacies, totals approximately 169,576 square feet of gross leasable area, and is approximately 90% occupied.

Hohenschoenhausen

Hohenschoenhausen is a five-storey, multi-tenanted, medical office building located in the City of Berlin. Hohenschoenhausen is 95% occupied and has a gross leasable area of approximately 57,695 square feet.

Canada – Exposure to NWHP REIT

The REIT's investments in Canada are held through its strategic shareholding by way of exposure to an equity interest in NWHP REIT. Table 2 above highlights certain information about NWHP REIT as at September 30, 2014, on a 100% basis; noting, however, that the REIT has exposure to an approximate 26% interest in NWHP REIT.

Overview of NWHP REIT

NWHP REIT is a Toronto Stock Exchange (**"TSX"**) listed real estate investment trust and is Canada's largest non-government owner and manager of medical office buildings and healthcare facilities. As at September 30, 2014, NWHP REIT owned a portfolio of 75 properties located in seven provinces of Canada. The NWHP REIT portfolio has a well-diversified tenant profile, reflecting an attractive mix of healthcare-related tenants, including regional health authorities, primary care networks, family health teams, medical and diagnostic imaging clinics, medical practitioners, pharmacies and laboratories, as well as institutional and non-healthcare tenants.

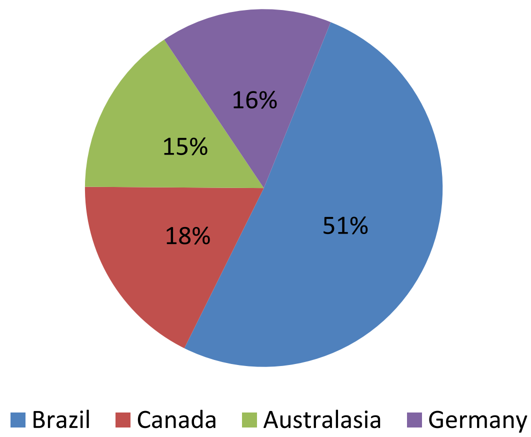
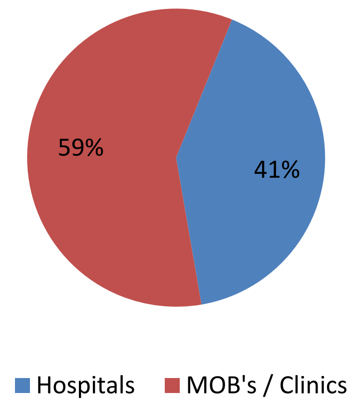
On November 7, 2014, NWHP REIT reported its unaudited condensed consolidated interim financial results for the three and nine months ended September 30, 2014. For the three months ended September 30, 2014, NWHP REIT reported AFFO per unit of $0.21 which was consistent with the three months ended June 30, 2014 and $0.01 per unit less than three months ended September 30, 2013, which is mainly a result of the disposition of three properties that occurred during the first half of 2014. For the three months ended September 30, 2014, NWHP reported $20.0 million of net operating income, which represents a 4% decrease over the prior year. The decrease was attributable to a slight decrease in same property NOI of less than 1% and the dispositions of three properties during the nine months ended September 30, 2014. NWHP REIT's portfolio occupancy increased from 91.3% to 91.8% from December 31, 2013 to September 30, 2014.

The REIT's interest in NWHP REIT

As at September 30, 2014, the REIT indirectly owned an approximate 26% interest in NWHP REIT (December 31, 2013 – 26%). The interest acquired by the REIT consists of 4,345,900 units (December 31, 2013 - 4,345,900 units) of NWHP REIT and 7,551,546 class B limited partnership units (December 31, 2013 - 7,551,546) of NHP Holdings LP ("**NHP LP**"), which are exchangeable for trust units of NWHP REIT.

Diversification of Assets

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

Geographic Profile by Investment Value (1)(2)	Asset Mix (3)
	

Notes:
1. As at September 30, 2014
2. Based on investment value, defined as Investment Properties, Investment in Associates and Intangible Assets
3. Based on proportionate share of Total GLA, which includes NWI REIT's proportionate interest in Vital Trust (approximately 24%) and NWHP REIT (approximately 26%).

Geographic Diversification

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

Asset Mix

The REIT's asset mix can be broadly categorized into hospitals and medical office buildings / clinics. A brief summary of each asset type is below:

Hospitals:

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

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

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

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

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

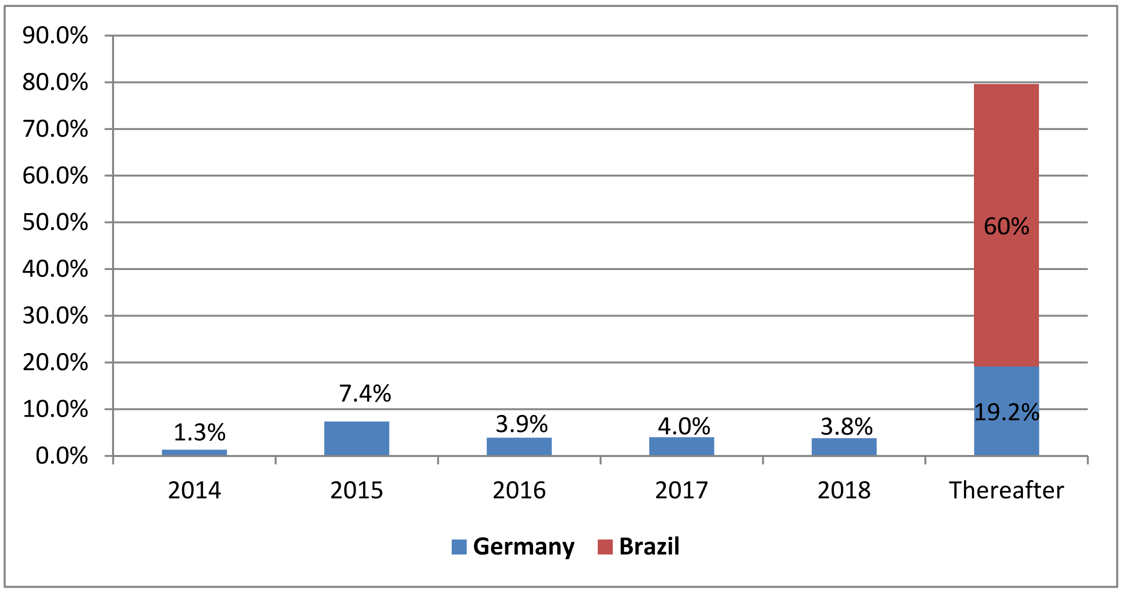
As at September 30, 2014 and including the REIT's interest in Vital Trust and NWHP REIT on a 100% basis, the REIT had interests in 21 hospitals and 101 medical office buildings.

Lease Maturities

As at September 30, 2014 and including the REIT's interest in Vital Trust and NWHP REIT on a 100% basis, the REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 9.1 years.

A summary of lease expiries in respect of the REIT's direct property holdings in Brazil and Germany is presented below:

Lease Maturities by Year (as a % of GLA)



Notes:
- As at September 30, 2014
- Excludes the REIT's interest in Vital Trust and NWHP REIT

As illustrated above, an average of 4.1% of the GLA related to the REIT's direct property holdings in Brazil and Germany is maturing each year, between 2014 and 2018. In addition to the strong lease profile, the REIT's investment in Vital Trust and NWHP REIT are underpinned by weighted average lease expiries of 15.1 years and 4.6 years, respectively. NWHP REIT's maturity profile reflects the shorter term nature of MOB tenants as opposed to larger hospital tenants embedded within the Vital Trust portfolio. NWHP REIT's diverse tenant base is complemented by a balanced lease maturity profile, with an average of 13% of its GLA maturing each year between 2015 and 2018.

The REIT's longer term lease expiries primarily relate to its five hospital properties in Brazil, which are each occupied by single tenants that are leading hospital operators and have leases expiring on September 30, 2024 and December 31, 2038.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

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

TABLE 5 - FINANCIAL HIGHLIGHTS				
		As at Sep. 30, 2014		**As at Dec. 31, 2013**
Operational Information [1]				
Number of Properties - 100% of associates		122		113
Gross Leasable Area (sf) - 100% of associates		7,891,572		7,664,605
Occupancy % - 100% of associates		94.7%		94.4%
Summary of Financial Information				
Gross Book Value [2]	$	863,768,660	$	756,258,230
Debt - Declaration of Trust [3]	$	483,808,250	$	437,642,389
Debt to Gross Book Value - Declaration of Trust		56.0%		57.9%
Debt - Including convertible debentures [3]	$	557,153,810	$	473,065,389
Debt to Gross Book Value - Including convertible debentures		64.5%		62.6%
Percentage of Mortgages and Loans Payable at Fixed Rates		65.6%		59.1%
Weighted-Average Interest Rate on Fixed Rate Mortgages and Loans		5.59%		6.11%
Adjusted Units Outstanding - period end [4]				
Basic		164,478,610		146,046,705
Diluted [7]		164,868,636		146,347,916
		For the three months ended Sep. 30, 2014		**For the nine months ended Sep. 30, 2014**
Operating Results				
Net Income / (Loss)	$	(11,922,697)	$	(47,842,286)
NOI	$	10,470,000	$	29,360,454
Funds From Operations ("FFO") [5]	$	3,878,945	$	11,696,515
Adjusted Funds From Operations ("AFFO") [5]	$	8,620,918	$	25,321,184
Distributions [6]	$	8,981,352	$	25,711,881
Per Unit Amounts [4]				
FFO per unit - Basic	$	0.02	$	0.08
FFO per unit - fully diluted [7]	$	0.02	$	0.08
AFFO per unit - Basic	$	0.05	$	0.16
AFFO per unit - fully diluted [7]	$	0.05	$	0.16
Distributions per unit	$	0.06	$	0.17
AFFO Payout Ratio		104%		101%
AFFO Payout Ratio - fully diluted [7]		104%		101%
Adjusted Weighted Average Units Outstanding [4]				
Basic		162,384,317		154,536,353
Diluted [7]		162,612,832		154,742,238

Notes follow on next page.

TABLE 5 - FINANCIAL HIGHLIGHTS CONT.

Notes

(1) Operational information includes 100% of Vital Trust and NWHP REIT. The REIT has an exposure to an approximate 24% interest in Vital Trust and approximate 26% interest in NWHP REIT.

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

(3) Indebtedness as defined in the Declaration of Trust includes the principal balance of mortgages, securities lending agreement, margin facilities, term loan, line of credit, and deferred consideration. The REIT's total debt also includes convertible debentures (at fair value).

(4) Under IFRS the REIT’s Class B LP and Class D GP exchangeable units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP and Class D GP exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 91,068,320 Class B LP and 1,110,580 Class D GP exchangeable units outstanding as at September 30, 2014 and 91,068,320 Class B LP exchangeable units outstanding at December 31, 2013.

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

(6) Represents distributions to Unitholders and Class B LP and Class D GP exchangeable 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.

(7) Diluted units include the conversion of the REIT’s convertible debentures if the closing price of the Trust Unit is greater than conversion price or exercise price as at the end of the reporting period. Otherwise the convertible debentures are considered anti-dilutive.

PART III – RESULTS FROM OPERATIONS

NET INCOME

The following is a summary of selected financial information from the consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2014 and September 30, 2013.

TABLE 6 - RESULTS FROM OPERATIONS

	Three months ended		Nine months ended	
	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)
Net Operating Income [(1)]				
Revenue from investment properties	$ 11,833,642	$ 4,876,996	$ 32,488,801	$ 14,633,055
Property operating costs	(1,363,642)	(594,988)	(3,128,347)	(1,462,292)
	10,470,000	**4,282,008**	**29,360,454**	**13,170,763**
Other income				
Share of profit (loss) from associates	3,403,384	4,616,826	422,127	8,394,608
Management fee participation	596,661	469,838	1,935,716	1,280,083
Interest income	392,435	635,314	1,274,067	1,813,281
	4,392,480	**5,721,978**	**3,631,910**	**11,487,972**
	14,862,480	**10,003,986**	**32,992,364**	**24,658,735**
Other expenses				
Mortgage and loan interest expense	(7,546,261)	(3,722,434)	(21,617,075)	(7,500,785)
General and administrative expenses	(1,362,180)	(866,369)	(3,871,381)	(2,062,405)
Transaction costs	-	-	-	(468,182)
Other Finance costs	(28,045,181)	12,816,657	(56,010,248)	(353,482)
Foreign exchange gain (loss)	3,475,201	(1,979,466)	578,145	(1,907,279)
Amortization of intangible asset	(390,319)	(390,318)	(1,170,957)	(1,170,956)
Income / (Loss) before the undernoted items	**(19,006,260)**	**15,862,056**	**(49,099,153)**	**11,195,646**
Fair value adjustment of DUP liability	(34,255)	16,650	(35,514)	12,950
Fair value adjustment of investment properties	14,693,663	25,896,946	11,150,834	25,010,172
Net loss on disposal of investment properties	(894)	-	(98,489)	-
Gain / (Loss) on derivative financial instruments	(816,663)	-	(1,167,370)	23,083,107
Income / (Loss) before taxes	**(5,164,409)**	**41,775,652**	**(39,249,691)**	**59,301,875**
Income tax expense	(6,758,288)	(9,659,416)	(8,592,595)	(11,415,332)
Net Income	**$ (11,922,697)**	**$ 32,116,236**	**$ (47,842,286)**	**$ 47,886,543**

Notes

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

Revenue from investment properties

Revenue from investment properties for the three months ended September 30, 2014 was $11,833,642 which is $6,956,646 greater than the three months ended September 30, 2013. This is a result of the three Brazilian property acquisitions on December 23, 2013 which increased revenue by $5,053,139 and the acquisitions of the Core German MOB Portfolio and Hohenschoenhausen which increased revenues for the three months ended September 30, 2014 by $1,459,501 and $140,285 respectively.

Revenue from investment properties for the nine months ended September 30, 2014 was $32,488,802 which is $17,855,747 greater than the nine months ended September 30, 2013. This is a result of the three Brazilian property acquisitions on December 23, 2013 that increased revenue by $15,152,025; the March 2013 acquisition of Fulda which increased revenues by $595,060; the 2014 acquisitions of the Core German MOB Portfolio and Hohenschoenhausen which increased revenues for the nine months ended September 30, 2014 by $1,526,728 and $140,285 respectively; and partially offset by reduced revenue due to the disposed property in 2014 in Germany (Marktredwitz) of $104,522.

Property operating costs

In Germany, property operating costs are comprised of amounts recoverable from tenants (including property taxes, maintenance, utilities and insurance) and non-recoverable expenses including certain property management costs. In Brazil, property operating costs are comprised of social taxes levied on revenues. The nature of the leases in Brazil is such that the tenant is responsible for all operating costs of the property.

Property operating costs for the three months ended September 30, 2014 were $1,363,642 as compared to $594,988 for the three months ended September 30, 2013. The increase is a result of the three Brazilian property acquisitions on December 23, 2013 that increased property operating costs by $297,045 and the acquisitions of the Core German MOB Portfolio and Hohenschoenhausen which increased property operating costs for the three months ended September 30, 2014 by $443,951 and $34,026 respectively. In addition, property operating costs in Brazil were up by $90,036 for the existing Brazil portfolio as a result of an election made by the REIT on January 1, 2014 to change the tax status of the Brazilian properties which results in an increase to taxes on revenues, but is offset by a decrease to current income taxes.

Property operating costs for the nine months ended September 30, 2014 were $3,128,347 as compared to $1,462,292 for the nine months ended September 30, 2013. The increase is a result of the three Brazilian property acquisitions on December 23, 2013 that increased property operating costs by $890,825; the March 2013 acquisition of Fulda which increased property operating costs by $103,656; the acquisitions of the Core German MOB Portfolio and Hohenschoenhausen which increased property operating costs for the nine months ended September 30, 2014 by $443,951 and $34,026 respectively; and partially offset by the operating cost savings from the disposed property in Germany (Marktredwitz) of $63,179. In addition, property operating costs in Brazil were up by $248,105 for the existing Brazil portfolio as a result of the election made by the REIT on January 1, 2014 to change the tax status of the Brazilian properties which results in an increase to taxes on revenues, but is offset by a decrease to current income taxes.

Share of profit (loss) of associates

The share of profit (loss) of associates relates to the REIT's investments in Vital Trust and NWHP REIT and represents its proportionate share of the underlying net income. The share of profit of associates related to the REIT's investment in NWHP REIT (acquired on June 21, 2013), for the nine months ended September 30, 2013, only reflects results for the period from June 21 to September 30, 2013.

The REIT accounts for its approximate 24% ownership of Vital Trust and approximate 26% ownership of NWHP REIT using the equity method. During the three months ended September 30, 2014, the REIT recorded equity income from Vital Trust of $1,495,288 and $1,908,096 from NWHP REIT. For the three months ended September 30, 2013, the REIT recorded equity income from its investment in Vital Trust of $1,663,295 and $2,953,531 for its investment in NWHP REIT.

During the nine months ended September 30, 2014, the REIT recorded equity income from Vital Trust of $6,186,030 and $5,763,903 of equity loss from NWHP REIT. For the nine months ended September 30, 2013, the REIT recorded equity income from its investment in Vital Trust of $5,040,752 and $3,353,856 for its investment in NWHP REIT, which represented its share of income of NWHP REIT from the date of acquisition on June 21, 2013 to September 30, 2014.

During the three months ended September 30, 2014 the REIT received cash distributions of $1,485,740 from Vital Trust and $2,379,608 from NWHP REIT. During the three months ended September 30, 2013 the REIT received cash distributions of $1,409,331 from Vital Trust and $2,379,609 from NWHP REIT.

During the nine months ended September 30, 2014 the REIT received cash distributions of $4,536,190 from Vital Trust and $7,138,824 from NWHP REIT. During the nine months ended September 30, 2013, the REIT received distributions of $3,371,170 from Vital Trust, of which $964,167 were received in cash and the remaining $2,407,003 were taken through the Vital Trust's Distribution Reinvestment Plan ("DRP"). During the nine months ended September 30, 2013, the distributions from NWHP REIT of $3,172,744 were received in cash. The distributions from

NWHP REIT represent only 4 months of distributions for the nine months ended September 30, 2013 as a result of the REIT acquiring its investment in NWHP REIT on June 21, 2013.

Management Fee Participation

Pursuant to the Management Fee Participation Agreement with an affiliate of NWVP, the REIT receives the difference between all management fees paid by Vital Trust and the amount that Vital Trust would have paid had it been subject to the same asset management fee arrangements as the REIT.

During the three months ended September 30, 2014, the REIT earned $596,611 in respect of the Management Fee Participation Agreement, which is $126,823 greater than the three months ended September 30, 2013. The increase in the management fee participation is a result of increased acquisition fees earned during the three months ended September 30, 2014.

During the nine months ended September 30, 2014, the REIT earned $1,935,716 in respect of the Management Fee Participation Agreement, which is $655,633 greater than the nine months ended September 30, 2013. The increase in the management fee participation is a result of an additional incentive fee payable by Vital Trust to its external manager for the year ended September 30, 2014 of $508,848, as well as increased acquisition fees.

During the three months ended September 30, 2014, $378,135 of the Management Fee Participation Agreement related to the variance in base fees paid by the REIT and those paid by Vital Trust. The remaining $218,526 of management fee participation revenue related to activity based fees from development and acquisitions as well as the incentive fees payable by Vital Trust. For the three months ended September 30, 2013, the management fee participation income earned was made up of $319,383 from the variance in base fees and $150,455 from activity based fees.

During the nine months ended September 30, 2014, $1,118,728 of the Management Fee Participation Agreement related to the variance in base fees paid by the REIT and those paid by Vital Trust. The remaining $816,988 of management fee participation revenue related to activity based fees from development and acquisitions as well as the incentive fees payable by Vital Trust. The incentive fee earned and recorded by Vital Trust's external manager for the three months ended September 30, 2014, was $508,848. Incentive fees are only payable when there is an average annual increase in the gross value of the assets of Vital Trust over the relevant financial year and the two preceding financial years. For the nine months ended September 30, 2013, the management fee participation income earned was made up of $1,006,802 from the variance in base fees and $273,281 from activity based fees. For the nine months ended September 30, 2013, an incentive fee was not earned or accrued as the increase gross asset values of Vital Trust had not been achieved.

Interest income

Interest income represents amounts earned on cash balances and related party balances (see "Related Party Transactions"). For the three months ended September 30, 2014, the REIT recorded interest income of $392,435, which is $242,879 less than the three months ended September 30, 2013.

The decrease in interest income from 2013 to 2014 is a result of lower interest earned on balances from related parties. During the three months ended September 30, 2014, interest income was comprised of interest earned from a subsidiary of NWVP of $340,000 which represents approximately 8% interest on the working capital and closing adjustment receivable. For the three months ended September 30, 2013 the REIT earned $550,000 of economic interest on the working capital and closing adjustment receivable. The balance of the working capital and closing adjustment receivable was $16,966,652 at September 30, 2014, as compared to $27,216,652 at September 30, 2013.

The decrease in interest on related party balances is offset by an increase in the interest earned on cash balances invested in Brazil. For the three months ended September 30, 2014, the REIT earned $50,857 on cash balances invested in Brazil, as compared to $69,668 for the three months ended September 30, 2013. The lower interest income earned in Brazil is a result of the lower average cash balances in Brazil during the three months ended September 30, 2014 compared to the three months ended September 30, 2013 as cash was being repatriated to Canada during the three months ended September 30, 2014.

For the nine months ended September 30, 2014, the REIT recorded interest income of $1,274,067, which is $539,214 less than the nine months ended September 30, 2013.

The decrease in interest income from 2013 to 2014 is a result of lower interest earned on balances from related parties. During the nine months ended September 30, 2014, interest earned from a subsidiary of NWVP was $1,020,000 which represents approximately 8% interest on the working capital and closing adjustment receivable. For the nine months ended September 30, 2013 the REIT earned $1,110,000 of economic interest on the working capital and closing adjustment receivable as well as $562,192 of interest on a $15,000,000 note receivable, which was repaid at the end of June 2013.

The decrease in interest on related party balance is offset by an increase the interest earned on cash balances invested in Brazil. For the nine months ended September 30, 2014, the REIT earned $220,487 on cash balances invested in Brazil, as compared to only $92,875 for the nine months ended September 30, 2013. The additional interest income earned in Brazil is a result of the higher average cash balances in Brazil during the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013.

Mortgage and loan interest expense

Mortgage and loan interest expense for the three months ended September 30, 2014 was $7,546,261, which is $3,823,827 greater than the mortgage and loan interest expense for the three months ended September 30, 2013. For the nine months ended September 30, 2014, mortgage and loan interest expense was $21,617,075, which was $14,116,290 greater than the mortgage and loan interest expense for the nine months ended September 30, 2013.

For the three months ended September 30, 2014, interest on the mortgages on the German properties was $446,130 (nine months ended September 30, 2014 - $978,870) as compared to $266,831 for the three months ended September 30, 2013 (nine months ended September 30, 2013 - $706,414). The increase is primarily a result of the 2014 acquisitions of the Core German MOB Portfolio and Hohenschoenhausen, partially offset by the sale of the Marktredwitz property in February 2014 and repayment of the related mortgage. As at September 30, 2014, the weighted average effective interest rate of the mortgages on the German properties was 2.35% (September 30, 2013 – 2.57%).

In Brazil, for the three months ended September 30, 2014, the REIT incurred interest expense of $3,303,929 (nine months ended September 30, 2014 - $9,669,926) as compared to $929,857 for the three months ended September 30, 2013 (nine months ended September 30, 2013 - $2,992,697) on the outstanding term loans on HMB and the three hospital portfolio acquired December 23, 2013 (the “Rede D’Or Hospital Portfolio”). The increase in interest expense from 2013 to 2014 relates to the interest on the Rede D’Or Hospital Portfolio.

Interest related to the REIT’s debt on its investment in Vital Trust for the three months ended September 30, 2014 was $862,222 (nine months ended September 30, 2014 - $2,464,585). For the three months ended September 30, 2013, interest on the debt related to the REIT’s investment in Vital Trust was $490,103 (nine months ended September 30, 2013 - $1,215,544). The primary increase in interest expense for the three and nine months ended September 30, 2014 as compared to September 30, 2013 is a result of the REIT’ increasing its investment in Vital Trust from approximately 20% at the beginning of 2013 to approximately 24% at September 30, 2014 and accordingly increasing its borrowings under the Vital Trust margin loans. The additional increase in interest expense is a result of rising floating interest rates in New Zealand. The effective interest rate on the REIT’s debt related to Vital Trust at September 30, 2014 was 8.20% as compared to 6.56% at September 30, 2013.

Interest related to the REIT’s debt on its investment in NWHP REIT for the three months ended September 30, 2014 was $1,633,088 (nine months ended September 30, 2014 - $4,862,153). For the three and nine months ended September 30, 2013, interest on the debt related to the REIT’s debt on its investment in NWHP REIT was $1,544,100 and $1,704,337 respectively, as the REIT only acquired its investment in NWHP REIT on June 21, 2013. As part of the acquisition of the investment in NWHP REIT, NWVP has committed, by means of a capital contribution, that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014, which has been recorded as a receivable from NWVP at the date of acquisition of the investment in NWHP REIT. In May 2014 and again in September 2014, NWVP and the REIT agreed to extend and amend the interest rate subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to September 30, 2014.

For the three months ended September 30, 2014, the REIT recorded interest of $758,855 (nine months ended September 30, 2014 - $2,138,371) on the Series MOB.DB (issued March 25, 2013), Series MOB.DB.A Debentures (issued August 29, 2013, and Series MOB.DB.B Debentures (issued September 23, 2014) (each Series defined herein) which bear interest at 6.5% per annum, 7.5% per annum and 7.25% per annum respectively. Interest on the debentures is payable semi-annually. For the three months ended September 30, 2013, the REIT accrued interest of $487,045 (nine months ended September 30, 2013 - $877,295) on the Series MOB.DB Debentures and MOB.DB.A Debentures.

Interest related to the REIT's acquisition facility for the three months ended September 30, 2014 was $496,044 (nine months ended September 30, 2014 - $1,471,956). There was no interest accrued on the acquisition facility for the three or nine months ended September 30, 2013 as the acquisition facility was obtained in December 2013.

General and administrative expenses

General and administrative expenses for the three months ended September 30, 2014 were $1,362,180 as compared to $866,369 in the comparable period in 2013. The increase of $495,811 primarily relates to the increase in asset management fees to the REIT's external manager (a subsidiary of NWVP) pursuant to the Asset Management Agreement, which increased by $391,913 as a result of the incremental acquisitions that occurred during the second half of 2013 and first half of 2014. The increase in general and administrative expenses is also attributable to the increase in size of the portfolio from 2013 to 2014.

General and administrative expenses for the nine months ended September 30, 2014 were $3,871,382 as compared to $2,062,405 in the comparable period in 2013. The increase of $1,808,977 primarily relates to the increase in asset management fees to the REIT's external manager, which increased by $1,065,629 as a result of the incremental acquisitions that occurred during the second half of 2013 and first half of 2014. The increase in general and administrative expenses is also attributable to an adjustment of $500,000 received by the REIT during the nine months ended September 30, 2013 in respect of travel and other out of pocket costs of the Asset Manager that was not repeated in the same period of 2014.

Transaction costs

For the three and nine months ended September 30, 2014 the REIT did not incur any strategic transaction costs. For the three and nine months ended September 30, 2013, the REIT recognized strategic transactions costs of $nil and $468,182, respectively, related to the closing of the REIT's acquisition of the initial international portfolio from NWVP.

Other Finance costs

Other finance costs for the three and nine months ended September 30, 2014 and 2013 consisted of the following:

TABLE 7 - OTHER FINANCE COSTS				
	Three months ended		**Nine months ended**	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Distributions on Class B LP and Class D GP exchangeable units	$ 5,069,741	$ 3,642,915	$ 15,148,820	$ 8,526,498
Loss on revaluation of financial liabilities	2,413,252	822,682	11,798,844	3,665,333
Amortization of deferred financing costs	2,808,478	128,456	7,802,497	264,219
Fair value adjustment of convertible debentures	1,092,050	(2,891,300)	2,922,560	(4,688,000)
Convertible debenture issuance costs	2,834,825	1,872,887	2,838,057	3,566,115
Class B LP and Class D GP exchangeable units – Fair value adjustment	13,826,835	(16,392,297)	15,499,470	(10,980,683)
Total Finance Costs	**$ 28,045,181**	**$ (12,816,657)**	**$ 56,010,248**	**$ 353,482**

Distributions on Class B LP and Class D GP Exchangeable Units

Under IFRS, the Class B LP and Class D GP exchangeable unit (the "Exchangeable Units") distributions are treated as a finance cost. The Exchangeable Units receive distributions on an equivalent per unit basis to the distributions declared on the Trust Units. During the three months ended September 30, 2014, the REIT declared distributions of $5,069,741 (nine months ended September 30, 2014 - $15,148,820) on the Exchangeable Units as compared to $3,642,915 for the three months ended September 30, 2013 (nine months ended September 30, 2013 - $8,526,498). The increase in distributions is a result of both the additional 36,637,245 Exchangeable Units issued in June 2013, as well as the increase to the annual distribution rate effective January 1, 2014 from $0.16/unit to $0.22/unit.

Loss on revaluation of financial liabilities

On maturity, the principal balance of both of the Brazilian term loans and the holdback payable in respect of HMB (included in deferred consideration) will be adjusted by the inflation rate from the date of inception of these liabilities to their respective maturities. For the three months ended September 30, 2014, a revaluation loss of $2,413,252 (nine months ended September 30, 2013 - $11,798,844) was recorded to account for the related inflation adjustment to the term loans and holdback payable for the period, which is an increase of $1,590,570 over the three months ended September 30, 2013 (increase of $8,133,512 over the nine months ended September 30, 2013). The increase is due to the additional term loans obtained as a result of the Rede D'Or Hospital Portfolio acquisition on December 23, 2013, which have an aggregate principal balance of approximately $124,000,000 (R$270,000,000). The annual inflation rate for September 30, 2014 was 6.75% as compared to 5.86% at September 30, 2013.

Amortization of deferred financing costs

Included in Finance Costs is amortization of deferred financing costs incurred to arrange mortgage or debt financing. For the three months ended September 30, 2014, amortization of deferred financing costs totaled $2,808,478 (nine months ended September 30, 2014 - $7,802,497). For the three months ended September 30, 2013, the REIT recorded amortization of deferred financing charges in the amount of $128,456 (nine months ended September 30, 2013 - $264,219). The increase in deferred financing costs relative to 2013 reflects the increased debt and refinancing activity of the REIT during the fiscal year 2013, specifically the the additional term loans obtained as a result of the Rede D'Or Hospital Portfolio acquisition, which have an aggregate principal balance of approximately $124,000,000 (R$270,000,000).

Fair value adjustment of convertible debentures

Under IFRS, the REIT has elected to measure convertible debentures at fair value. The fair value of the Series MOB.DB Debentures, Series MOB.DB.A Debentures, and Series MOB.DB.B Debentures is based on the trading price of the REIT's listed convertible debentures (the "**Debentures**"). Table 7A summarizes the closing prices of the REIT's listed Debentures at each quarter end for the last eight quarters:

TABLE 7A - CLOSING PRICE OF CONVERTIBLE DEBENTURES

	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12
Month-end closing price ($)								
MOB.DB	945.60	905.10	950.00	855.00	870.00	920.50	1,000.00	N/A
MOB.DB.A	1,020.00	959.90	1,000.00	920.00	900.00	N/A	N/A	N/A
MOB.DB.B	975.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A

For the three months ended September 30, 2014 the trading price of the Series MOB.DB and MOB.DBA Debentures increased resulting in a fair value loss of $1,967,050, which was only partially offset by the decrease in the trading price of the Series MOB.DB.B Debentures from issuance on September 23, 2014 to September 30, 2014, resulting in a fair value gain of $875,000, netting a fair value loss of $1,092,050.

For the nine months ended September 30, 2014 the trading price of the Series MOB.DB and MOB.DBA Debentures increased resulting in a fair value loss of $3,797,560, which was only partially offset by the decrease in the trading price of the Series MOB.DB.B Debentures from issuance on September 23, 2014 to September 30, 2014, which resulted in a fair value gain of $875,000, resulting in a net fair value loss of $2,922,560.

From the issuance of the Series MOB.DB Debentures on March 25, 2013 to September 30, 2013, the trading price of the Series MOB.DB and MOB.DBA Debentures decreased which resulted in a gain of $2,891,300 and $4,688,000 for the three and nine months ended September 30, 2013 respectively.

Convertible debenture issuance costs

Included in finance costs for the three months ended September 30, 2014 are costs related to the issuance of the Series MOB.DB.B Debentures which totaled $2,834,825 (for the nine months ended September 30, 2013 - $2,838,057). Included in finance costs for the three and nine months ended September 30, 2013 are costs related to the issuance of the Series MOB.DB Debentures issued on March 25, 2013 and Series MOB.DB.A Debentures issued on August 29, 2013, which totaled $1,872,887 and $3,566,115 for the three and nine month periods, respectively.

Class B LP and Class D GP Exchangeable Units – Fair value adjustment

The Class B LP and Class D GP exchangeable units (the "Exchangeable Units"), under IFRS, are measured at fair value. The fair value of the Exchangeable Units mirrors the trading price of the REIT's listed Trust Units. Table 7B summarizes the closing prices of the REIT's listed Trust Units at each quarter end for the last eight quarters:

TABLE 7B - CLOSING PRICE OF MOB.UN

	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12
Month-end closing price ($)	2.19	2.04	2.15	2.02	1.86	2.04	1.91	1.87

For the three months ended September 30, 2014 the value of the Exchangeable Units liability increased by $13,826,835, reflecting the increase in the trading price of the REIT's Trust Units during the period from $2.04 to $2.19 per Unit. During the three months ended September 30, 2013, the value of the Class B LP exchangeable unit liability decreased by $16,392,297 which reflected a fair value gain as a result of the $0.18 per Unit decrease in the trading price of the REIT's Trust Units during the period.

For the nine months ended September 30, 2014 the value of the Exchangeable Units liability increased by $15,499,470, reflecting the increase in the trading price of the REIT's Trust Units during the period from $2.02 to $2.19 per Unit. During the nine months ended September 30, 2013, the value of the Class B LP liability decreased by $10,980,683 reflecting the decrease in the trading price of the REIT's Trust units by $0.05 during the period.

Foreign exchange gain/loss

The REIT's financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. For the three months ended September 30, 2014, the REIT recorded a foreign exchange gain of $3,745,201, which is made up of a realized exchange gain of $561,079 and an unrealized exchange gain of $3,184,122. The realized exchange gain for the three months ended September 30, 2014 relates to foreign exchange gains realized on translation of Canadian dollars to Brazilian Real to settle outstanding intercompany loans between a Canadian subsidiary and a Brazilian subsidiary. The unrealized foreign exchange gain for the three months ended September 30, 2014 is primarily a result of the revaluation of the indebtedness related to the REIT's investment in Vital Trust which is denominated in New Zealand dollars. During the three months ended September 30, 2014, the New Zealand dollar weakened by approximately 7% relative to the Canadian dollar, thus decreasing the value of the New Zealand debt.

For the nine months ended September 30, 2014, the REIT recorded a foreign exchange gain of $578,145, which is made up of a realized exchange gain of $456,148 and an unrealized exchange gain of $121,997. The realized exchange gain for the nine months ended September 30, 2014 relates to foreign exchange gains realized on translation of Canadian dollars to Brazilian Real to settle outstanding intercompany loans between a Canadian subsidiary and a Brazilian subsidiary. The unrealized foreign exchange gain for the nine months ended September 30, 2014 is primarily a result of the revaluation of the indebtedness related to the REIT's investment in Vital Trust which is denominated in New Zealand dollars. During the nine months ended September 30, 2014, the New Zealand dollar weakened by less than 1% relative to the Canadian dollar, thus only slightly decreasing the value of the New Zealand debt.

For the three months ended September 30, 2013, the REIT recorded a foreign exchange loss of $1,979,466 (nine months ended September 30, 2013 - $1,907,279). During 2013, the REIT's foreign exchange fluctuations relates primarily to the revaluation of the indebtedness related to the REIT's investment in Vital Trust which is denominated in New Zealand dollars, and which is predominantly an unrealized loss.

See "Foreign Exchange and Currency Management".

Amortization of intangible asset

In conjunction with the acquisition of the initial portfolio of international assets, the REIT indirectly acquired rights under a Management Fee Participation Agreement. At the time of acquisition, the value ascribed to the agreement was $15,612,750. The intangible asset is being amortized on a straight line basis over its determined useful life of 10 years. The REIT has recorded $390,319 of amortization for the three months ended September 30, 2014 and $390,318 for September 30, 2013 (nine months ended September 30, 2014 $1,170,957 and September 30, 2013 - $1,170,956).

Fair value adjustment of DUP liability

The REIT's unit-based deferred unit compensation liability ("DUP liability"), under IFRS, is measured at fair value. The fair value of the DUP liability mirrors the trading price of the REIT's listed Trust Units.

The fair value adjustment on revaluation of the DUP liability for the three months ended September 30, 2014 was a loss of $34,255 (nine months ended September 30, 2014 – loss of $35,514) as compared to a fair value gain of $16,650 for the three months ended September 30, 2013 (nine months ended September 30, 2013 – gain of $12,950).

Fair value adjustment of investment properties

For the three months ended September 30, 2014, the REIT recorded a fair value gain on investment properties of $14,693,663 primarily related to the revaluation of the Brazil portfolio of $16,016,114, partially offset by a write off of transaction costs related to the acquisition of the Core German MOB Portfolio on June 25, 2014 and Hohenschoenhausen on August 29, 2014. For the nine months ended September 30, 2014, the REIT recorded a fair value gain of $11,150,834 which is largely a result of the revaluation of the Brazil portfolio of $16,016,114 and the fair value gain recorded on the investment property in Germany that was disposed in February 2014 recognized to bring the investment property value to its disposition selling price of $170,723, partially offset by a write off of transaction costs related to the acquisition of the Core German MOB Portfolio on June 25, 2014 and Hohenschoenhausen on August 29, 2014.

The revaluation of the Brazil portfolio during the three months ended September 30, 2014 is related to the contractual increase in rents for inflation, increasing the portfolio's net operating income. Assumptions in respect of capitalization rates and discount rates remain unchanged from the prior quarter.

For the three months ended September 30, 2013, the REIT recorded a fair value gain of $25,896,946 related to its investment properties (for the nine months ended September 30, 2013 - $25,010,172). The fair value gain related primarily to the revaluation of the Brazilian investment properties during the three months ended September 30, 2013. The increase in fair value of the Brazil portfolio was a result of a decrease in discount rates and the contractual increase in rents for inflation. The fair value gain recorded in 2013 as a result of the Brazil portfolio revaluation was partially offset by the write off of transaction costs related to the acquisition of the Fulda property in March 2013.

Net loss on disposal of investment properties

During the three and nine months ended September 30, 2014, the REIT recognized a loss on sale of its leasehold interest in a building in Marktredwitz, Germany of $894 and $98,489 respectively due to transaction costs realized on the sale.

Gain on derivative financial instruments

During the three months ended September 30, 2014, the REIT recorded a loss on derivative financial instruments of

$816,663 (nine months ended September 30, 2014 - $1,167,371). The loss during the three months ended September 30, 2014 relates to the revaluation of the warrant liability of $347,047 which was exercised in August 2014, partially offset by the increase in the fair value of the interest rate swaps liability of $469,616. The loss during the nine months ended September 30, 2014 is a result of the REIT entering into 3 new interest rate swaps obtained in June 2014 related to the mortgages obtained for the Core German MOB portfolio which resulted in a loss of $929,135, and the revaluation loss on the warrant liability of $238,235.

During the three months ended September 30, 2013, the REIT did not have any derivative financial instruments. During the nine months ended September 30, 2013, the REIT recorded a gain of $23,083,107 related to the settlement of the financial liability related to the Put/Call Agreement. In conjunction with the acquisition of the initial international portfolio, the REIT entered into a Put/Call Agreement with NWVP with respect to securities of NWHP REIT owned by NWVP. The Put/Call rights were initially measured at fair value based on the Black-Scholes option pricing model. Subsequent changes in the fair values were recognized through the consolidated statement of comprehensive income / (loss). On June 21, 2013, the REIT's acquisition of the investment in NWHP REIT closed, and as a result, the derivative financial liability related to the Put/Call Agreement was settled. As at September 30, 2014, 602,554 Option Units under to the Put/Call Agreement remain outstanding. Should the remaining Option Units be exercised, the price of the units and consideration paid would be at market value.

Income tax expense

The current tax and deferred tax expense of the REIT for the three months ended September 30, 2014 was $6,758,285 (nine months ended September 30, 2014 - $8,592,740). The current taxes primarily relate to the income taxes payable in Brazil. For the three months ended September 30, 2014, current taxes were $240,822 compared to $397,676 for the three months ended September 30, 2013. The decrease in the current tax expense for the three months ended September 30, 2014 as compared to September 30, 2013 is a result the election made by the REIT on January 1, 2014 to change the tax status of the Brazilian properties which results in an increase to taxes on revenues (included in property operating costs), but is offset by a decrease to current taxes.

For the nine months ended September 30, 2014, current taxes were $446,921 compared to $1,220,600 for the nine months ended September 30, 2013. The decrease in the current tax expense for the nine months ended September 30, 2014 as compared to September 30, 2013 is a result the election made by the REIT on January 1, 2014 to change the tax status of the Brazilian properties which results in an increase to taxes on revenues (included in property operating costs), but is offset by a decrease to current taxes.

The REIT records deferred tax liabilities in Germany and Brazil arising primarily due to the difference between the book value and tax cost of its investment properties. The deferred tax expense of the REIT for the three months ended September 30, 2014 was $6,517,466 (nine months ended September 30, 2014 - $8,145,819). For the three months ended September 30, 2013, the REIT recorded deferred tax expense of $9,261,740 (nine months ended September 30, 2013 - $10,194,732). The driver of the large deferred tax expense during the three months ended September 30, 2014 and 2013 is the Brazil portfolio revaluations which increased the carrying value of the assets in Brazil but not the tax value.

NET OPERATING INCOME

NOI is an additional IFRS measure of the REIT's operating performance, defined as property and property related revenue less operating expenses, inclusive of property management recovery fees and amortization of straight line rent. The REIT uses NOI to assess its property operating performance on an unleveraged basis. Same property NOI for the three months ended September 30, 2014 represents income from investment properties held prior to July 1, 2013. Same property NOI for the nine months ended September 30, 2014 represents income from currently owned investment properties acquired prior to January 1, 2013.

The REIT's NOI for the three and nine months ended September 30, 2014 is summarized below on a same property basis consolidated in Canadian dollars (Table 6A) and then separately by region in source currency (Table 6B - Germany and Table 6C- Brazil):

TABLE 6A - SAME PROPERTY NOI

	Three months ended			Nine months ended		
	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	Variance (Unaudited)	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	Variance (Unaudited)
Same property NOI (1)						
Same propety revenue from investment properties	$ 5,167,836	$ 4,730,293	$ 437,543	$ 14,096,771	$ 13,323,233	$ 773,538
Same property operating costs	(566,463)	(534,469)	(31,994)	(1,424,907)	(1,142,049)	(282,858)
	4,601,373	**4,195,824**	**405,549**	**12,671,864**	**12,181,184**	**490,680**
Acquisitions	5,887,903	-	5,887,903	16,647,246	705,608	15,941,638
Dispositions	(19,276)	86,184	(105,460)	41,344	283,972	(242,628)
NOI (1)	**$ 10,470,000**	**$ 4,282,008**	**$ 6,187,992**	**$ 29,360,454**	**$ 13,170,763**	**$ 16,189,691**

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

TABLE 6B - SAME PROPERTY NOI - GERMANY

	Three months ended			Nine months ended		
in Euro	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	Variance (Unaudited)	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	Variance (Unaudited)
Same property NOI (1) - in Euro						
Same propety revenue from investment properties	€ 927,699	€ 929,190	€ (1,491)	€ 1,775,936	€ 1,709,411	€ 66,525
Same property operating costs	(241,922)	(299,158)	57,236	€ (521,743)	(548,675)	26,932
	685,777	**630,032**	**55,745**	**1,254,193**	**1,160,736**	**93,457**
Acquisitions - in Euro	784,780	-	784,780	1,630,033	523,253	1,106,780
Dispositions - in Euro	(13,366)	63,910	(77,276)	26,883	210,584	(183,701)
NOI (1) - in Euro	**€ 1,457,191**	**€ 693,942**	**€ 763,249**	**€ 2,911,108**	**€ 1,894,573**	**€ 1,016,536**
FX Rate	**1.4422**	**1.3696**		**1.4728**	**1.3485**	
NOI (1) - in CAD	**$ 2,101,561**	**$ 950,432**	**$ 1,151,129**	**$ 4,287,371**	**$ 2,554,831**	**$ 1,732,540**

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

TABLE 6C - SAME PROPERTY NOI - BRAZIL

	Three months ended			Nine months ended		
in BRL	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	Variance (Unaudited)	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	Variance (Unaudited)
Same property NOI (1) - in BRL						
Same propety revenue from investment properties	$ 8,003,986	$ 7,605,464	$ 398,522	$ 23,969,205	$ 22,717,716	$ 1,251,489
Same property operating costs	(455,038)	(277,599)	(177,439)	(1,363,033)	(829,197)	(533,836)
	7,548,948	**7,327,865**	**221,083**	**22,606,172**	**21,888,519**	**717,653**
Acquisitions - in BRL	9,939,591	-	9,939,591	29,818,773	-	29,818,773
Dispositions - in BRL	-	-	-	-	-	-
NOI (1) - in BRL	**$ 17,488,539**	**$ 7,327,865**	**€ 10,160,674**	**$ 52,424,945**	**$ 21,888,519**	**€ 30,536,426**
FX Rate	**0.4785**	**0.4546**		**0.4783**	**0.4850**	
NOI (1) - in CAD	**$ 8,368,439**	**$ 3,331,576**	**$ 5,036,863**	**$ 25,073,083**	**$ 10,615,932**	**$ 14,457,151**

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

Revenue from investment properties

Germany

Table 6B summarizes the REIT's NOI from Germany in source currency (Euro). Same property revenue from Germany's investment properties was lower by €1,491 for the three months ended September 30, 2014, but higher by

€66,525 for the nine months ended September 30, 2014, as compared to actual results for the three and nine months ended September 30, 2013. The same property NOI during the three months ended September 30, 2014 compared to the same period in 2013, is a result of an increase due to inflationary rental adjustments across the portfolio, offset by lower operating cost recovery revenues at Adlershof 1 in 2014 as a result of a €20,000 adjustment made during the three months ended September 30 2013 to true up the recovery estimates to actual, not realized in the current quarter.

The higher same property revenue for the nine months ended September 30, is primarily due to inflationary rental adjustments across the portfolio as well as to increased occupancy at the Berlin Neukölln property which increased occupancy from 94.9% at September 30, 2013 to 100.0% at September 30, 2014, partially offset by lower occupancy at the Königs Wusterhausen property which was 85.7% at September 30, 2013, decreasing to 84.1% at September 30, 2014.

Brazil

Table 6C summarizes the REIT's NOI from Brazil in source currency (Brazilian Real). In Brazil, same property revenues for the three and nine months ended September 30, 2014 were R$8,003,986 and R$23,969,205 respectively, as compared to R$7,605,464 and R$22,717,716 for the three and nine months ended September 30, 2013. The increase in same property revenue is a result of inflationary adjustments which are implemented annually across the portfolio, in accordance with the REIT's leasing contracts. The annual inflation rate for September 30, 2014 was 6.75% as compared to 5.86% at September 30, 2013.

Property operating costs

Germany

Same property operating costs for the three and nine months ended September 30, 2014 for the German portfolio was €241,922 and €521,743 respectively, as compared to €299,158 and €548,675 for the three and nine months ended September 30, 2013.

For the three months ended September 30, the property operating costs in 2013 were higher than 2014 as a result of additional provisions made for bad debts and higher leasing and repairs and maintenance costs, which do not occur linearly. For the nine month period the operating costs are comparable, and the slight decrease in costs for the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013 are a result of timing of provisions for bad debts and repairs and maintenance expenditures.

Brazil

In Brazil, same property operating costs for the three and nine months ended September 30, 2014 were R$455,038 and R$1,363,033 respectively, as compared to R$277,599 and R$829,197 for the three and nine months ended September 30, 2013. The increase in property operating costs on a same store basis is a result of the election made by the REIT on January 1, 2014 to change the tax status of the HMB property which resulted in an increase to the tax rate on revenues for this property from approximately 3.65% to 5.95%. While the change in tax regime results in slightly higher revenue tax, it results in the current income taxes payable being fully eliminated.

FUNDS FROM OPERATIONS ("FFO")

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

TABLE 8 - FUNDS FROM OPERATIONS

	Three months ended		Nine months ended	
	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)
Net Income	$ (11,922,697)	$ 32,116,236	$ (47,842,286)	$ 47,886,543
Add / (Deduct):				
(i) Fair market value losses (gains)	1,076,140	(45,197,193)	8,474,079	(63,774,912)
(ii) Finance cost - Class B LP and Class D GP exchangeable unit distributions	5,069,741	3,642,915	15,148,821	8,526,498
(iii) Revaluation of financial liabilities	2,413,252	822,682	11,798,844	3,665,333
(iv) Unrealized foreign exchange loss (gain)	(3,184,122)	1,979,466	(121,997)	1,907,279
(v) Deferred taxes	6,517,466	9,261,740	8,145,674	10,194,732
(vi) Non-recurring transaction costs	-	-	-	468,182
(vii) Convertible debenture issuance costs	2,834,825	1,872,887	2,838,057	3,566,115
(viii) Net adjustments for equity accounted entities	1,073,446	(255,778)	13,156,835	(844,509)
(viiii) Net loss on disposal of investment properties	894	-	98,488	-
Funds From Operations ("FFO") (1)	**$ 3,878,945**	**$ 4,242,955**	**$ 11,696,515**	**$ 11,595,261**
FFO per Unit - Basic	$ 0.02	$ 0.03	$ 0.08	$ 0.10
FFO per Unit - fully diluted (3)	$ 0.02	$ 0.03	$ 0.08	$ 0.10
Adjusted weighted average units outstanding: (2)				
Basic	162,384,317	136,566,427	154,536,353	113,251,501
Diluted (3)	162,612,832	136,661,749	154,742,238	113,344,953

Notes

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

(2) Under IFRS the REIT's Class B LP and Class D GP exchangeable units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP and Class D GP exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 91,068,320 Class B LP and 1,110,580 Class D GP exchangeable units outstanding as at September 30, 2014 and 91,068,320 Class B LP exchangeable units outstanding at September 30, 2013.

(3) Diluted units include the conversion of the REIT's convertible debentures if the closing price of the Trust Unit is greater than conversion price or exercise price as at the end of the reporting period. Otherwise the convertible debentures are considered anti-dilutive.

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

(i) Fair market value gains/ losses

For the three months ended September 30, 2014 the net fair market value gain comprised of (a) $816,663 fair value loss on derivative financial instruments; (b) $13,861,090 fair value loss on the Exchangeable Units and unit based compensation liabilities; (c) $14,693,663 fair value gain on investment properties; and (d) $1,092,050 fair value loss on the convertible debentures.

For the three months ended September 30, 2013, the net fair market value gain comprised of (a) $16,408,947 fair value gain on the Exchangeable Units and unit based compensation liabilities; (b) $25,896,946 fair value gain on investment properties; and (c) $2,891,300 fair value gain on the convertible debentures.

For the nine months ended September 30, 2014 the net fair market value loss comprised of (a) $1,167,370 fair value loss on derivative financial instruments; (b) $15,534,984 fair value loss on the Exchangeable Units and unit based compensation liabilities; (c) $11,150,834 fair value gain on investment properties; and (d) $2,922,560 fair value loss on the convertible debentures.

For the nine months ended September 30, 2013, net fair market value gain comprised of (a) $23,083,107 fair value gain on derivative financial instruments; (b) $10,993,633 fair value loss on the Exchangeable Units and unit based compensation liabilities; (c) $25,010,172 fair value gain on investment properties; and (d) $4,688,000 fair value gain on the convertible debentures.

Additional details are below:

(a) <u>Derivative financial instruments</u>

Under IFRS derivative financial instruments are measured at fair value and any related unrealized fair value changes in re-measuring the derivative financial instrument impact net income. Consistent with the REALpac White Paper on Funds From Operations dated April 2014 ("REALpac guidance") and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to derivative financial instruments have been added back to the REIT's net income.

(b) <u>Class B LP exchangeable units and unit based compensation liabilities</u>

The REIT has extended this guidance to the Class D GP units of NWI LP which are also exchangeable units similar to the Class B LP exchangeable units (the "**Exchangeable Units**"). Under IFRS the REIT's Exchangeable Units and unit based compensation liabilities are classified as financial liabilities and any related unrealized fair value changes in re-measuring the financial liability impact net income. Consistent with REALpac guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to Exchangeable Units and unit based compensation liabilities have been added back to the REIT's net income.

(c) <u>Investment properties</u>

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

(d) <u>Convertible debentures</u>

Under IFRS the REIT's convertible debentures are classified as financial liabilities measured at fair value through profit and loss and any related unrealized fair value changes in re-measuring the financial liability impact net income. Consistent with REALpac guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to the convertible debentures have been added back to the REIT's net income.

(ii) Finance cost – Exchangeable Unit distributions

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

(iii) Revaluation of financial liabilities

On maturity, the principal balance of both the term loans and holdback payables (included in deferred consideration) will be adjusted by the inflation rate from the date of inception of these liabilities to their respective maturities. For the three months ended September 30, 2014 and 2013, revaluation losses of $2,413,252 and $822,682 respectively (for the nine months ended September 30, 2014 and 2013 - $11,798,844 and $3,665,333) was recorded to account for the related inflation adjustments to the term loans and holdback payable for the period. The accretion expense is treated as a fair value adjustment to the Brazilian term loans and holdback payable related to the acquisition of HMB, and therefore adjusted for to arrive at FFO. Although this adjustment is not consistent with REALpac guidance, the REIT believes the adjustment is consistent with industry practice.

(iv) Unrealized foreign exchange losses

Under IFRS, financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. The REIT's unrealized foreign exchange loss for the period relates primarily to the revaluation of the debt (related to the REIT's investment in Vital Trust) which is denominated in New Zealand dollars. Consistent with REALpac guidance, the foreign exchange loss on the indebtedness associated with the REIT's investment in Vital Trust has been added back to the REIT's net income, as it relates to borrowings that arise due to the REIT's interest in a foreign operation (Vital Trust).

(v) Deferred taxes

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

(vi) Strategic transaction costs

Under IFRS the REIT expensed non-recurring strategic transaction costs related to its reconfiguration to focus on international assets. The strategic and non-recurring nature of these costs is akin to those of a business combination. To allow for consistent treatment of transaction costs and to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, strategic transaction costs related to the REIT's reconfiguration have been added back to net income. Although this adjustment is not consistent with REALpac guidance, the REIT believes the adjustment is consistent with industry practice.

(vii) Convertible debenture issuance costs

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

(viii) Net adjustments for equity accounted entities

Under IFRS the REIT's investment in associates, which currently represents an approximate 24% direct interest in Vital Trust and an approximate 26% indirect interest in NWHP REIT, are accounted for using the equity method of accounting. As such, the REIT's share of its associates' post acquisition net income / (loss) is recognized in its net income / (loss), and its share of post-acquisition movements in other comprehensive income / (loss) is recognized in other comprehensive income / (loss). Consistent with REALpac guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, the REIT's share of its associates' post acquisition net income / (loss) has been added/(deducted) to/(from) net income and FFO is presented after including the REIT's proportionate share of the associates' FFO.

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

TABLE 9 - NET ADJUSTMENTS FOR EQUITY ACCOUNTED ENTITIES

	Three months ended		Nine months ended	
	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)
Vital Trust - FFO (1)(2)	6,222,485	$ 7,836,867	$ 19,372,131	$ 22,225,271
average % of Vital Trust owned during the period	24%	22%	24%	21%
Vital Trust Proportionate FFO	**1,493,396**	**1,751,801**	**$ 4,658,302**	**4,614,424**
NWHP REIT - FFO (2)(3)	$ 11,655,000	$ 10,148,000	$ 34,944,000	$ 11,415,912
average % of NWHP REIT owned during the period	26%	26%	26%	26%
NWHP REIT Proportionate FFO	**$ 2,983,434**	2,609,247	**$ 8,920,660**	**$ 2,935,675**
Funds From Operations from Associates ("FFO") (2)	**$ 4,476,830**	**$ 4,361,048**	**$ 13,578,962**	**$ 7,550,099**
Less: Share of profit (loss) of associates	(3,403,384)	(4,616,826)	(422,127)	(8,394,608)
Net adjustments for equity accounted entities	**$ 1,073,446**	**$ (255,778)**	**$ 13,156,835**	**$ (844,509)**

Notes

(1) Represents the gross distributable income of Vital Trust's calculated from their unaudited results for three months ended September 30, 2014, adding the gross distributable income as reported by Vital Trust for the year ended June 30, 2014 and deducting the gross distribuable income reported for the six months ended December 31, 2013, coverted to Canadian dollars using the average rate during the period

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

(3) Represents the FFO as reported by NWHP REIT for the three and six months ended September 30, 2014.

For the three months ended September 30, 2014, the REIT has included $1,493,396 of FFO related to its proportionate direct interest in Vital Trust, which is $258,405 less than the proportional FFO related to Vital Trust attributable to the REIT for the three months ended September 30, 2013. The largest contributor to the decrease is the increase in current taxes expense by Vital Trust resulting from a $9,165,000 (NZ$10,000,000) rental termination payment received on July 1, 2014, which is fully taxable at 28%. This one-time current tax liability is partially offset by the strengthening of the New Zealand Dollar as compared to the Canadian Dollar, and the REIT's increase in its investment in Vital Trust from approximately 22% during the three months ended September 30, 2013 as compared to approximately 24% during the three months ended September 30, 2014.

For the three months ended September 30, 2014, the REIT has included $2,983,434 of FFO related to its approximate 26% proportionate indirect interest in NWHP REIT, which is an increase of $374,187 over the three months ended September 30, 2013. The increase in FFO from NWHP REIT is a result of NHWP REIT revising their calculation of FFO (in accordance with an update to the REALpac FFO White Paper) to exclude from FFO non-incremental internal leasing costs.

For the nine months ended September 30, 2014, the REIT has included $4,658,302 of FFO related to its proportionate direct interest in Vital Trust, which is $43,878 greater than the proportional FFO related to Vital Trust attributable to the REIT for the nine months ended September 30, 2013. The slight increase is due to the strengthening of the New Zealand Dollar as compared to the Canadian Dollar, and the REIT's increase in its investment in Vital Trust from approximately 21% during the nine months ended September 30, 2013 as compared to approximately 24% during the nine months ended September 30, 2014. The increased FFO is offset by Vital Trust recording a loss of approximately $1,676,000 (NZ$1,800,000) on the early retirement of interest rate swaps and a higher current tax expense as result of a $9,165,000 (NZ$10,000,000) rental termination payment received on July 1, 2014, which is fully taxable at 28% during the nine months ended September 30, 2014.

For the nine months ended September 30, 2014, the REIT has included $8,920,660 of FFO related to its approximate 26% proportionate indirect interest in NWHP REIT. The REIT acquired its investment in NWHP REIT on June 21, 2013; therefore the FFO adjustment of $2,935,675 for the nine months ended September 30, 2013 represents the proportionate FFO reported by NWHP REIT, prorated for the period from June 21 to September 30, 2013.

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

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

TABLE 10 - ADJUSTED FUNDS FROM OPERATIONS

	Three months ended		Nine months ended	
	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)
Funds From Operations ("FFO") (1)	$ 3,878,945	$ 4,242,955	$ 11,696,515	$ 11,595,261
Add / (Deduct):				
(i) Asset management fees to be paid in units	868,560	476,647	2,442,571	1,376,942
(ii) Amortization of intangible asset	390,319	390,318	1,170,957	1,170,956
(iii) Instalment note	-	215,480	214,562	636,394
(iv) Interest rate subsidy	683,908	683,908	2,029,424	758,246
(v) Amortization of deferred financing charges	2,808,478	128,456	7,802,497	264,219
(vi) Straight line revenue	(17,519)	(73,381)	(32,077)	(182,275)
(vii) Actual capex and leasing costs	(49,678)	-	(164,455)	(34,907)
(viii) Unit-based compensation expense	57,905	-	161,190	-
Adjusted Funds From Operations ("AFFO") (1)	**$ 8,620,918**	**$ 6,064,383**	**$ 25,321,184**	**$ 15,584,836**
AFFO per Unit - Basic	$ 0.05	$ 0.04	$ 0.16	$ 0.14
AFFO per Unit - fully diluted (3)	$ 0.05	$ 0.04	$ 0.16	$ 0.14
Distributions per Unit - Basic	$ 0.06	$ 0.04	$ 0.17	$ 0.14
AFFO Payout Ratio - Basic	104%	90%	101%	102%
Adjusted weighted average units outstanding: (2)				
Basic	162,384,317	136,566,427	154,536,353	113,251,501
Diluted (3)	162,612,832	136,661,749	154,742,238	113,344,953

Notes

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

(2) Under IFRS the REIT's Class B LP and Class D GP exchangeable units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP and Class D GP exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 91,068,320 Class B LP and 1,110,580 Class D GP exchangeable units outstanding as at September 30, 2014 and 91,068,320 Class B LP exchangeable units outstanding at September 30, 2013.

(3) Diluted units include the conversion of the REIT's convertible debentures if the closing price of the Trust Unit is greater than conversion price or exercise price as at the end of the reporting period. Otherwise the convertible debentures are considered anti-dilutive.

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

(i) Asset management fees to be paid in units

As part of the REIT's external asset management arrangements, the Asset Manager has the option to receive its fees in Trust Units. To account for the non-cash nature of the asset management fees paid in Trust Units, the REIT has included an adjustment in AFFO.

(ii) Amortization of intangible asset

Under IFRS, the REIT has recorded $390,319 for the three months ended September 30, 2014 and $390,318 for the three months ended September 30, 2013 (nine months ended September 30, 2014 and 2013 - $1,170,957 and $1,170,956 respectively) of amortization related to the Management Fee Participation Agreement and Vital Management Rights. As amortization is non-cash, the REIT has included an adjustment in AFFO.

(iii) Instalment note

As part of the REIT's acquisition of the Initial International Assets, NWVP agreed to provide an effective interest rate subsidy on the securitization facility related to the Sabara Children's Hospital to reduce the in place interest rate of 9.25% plus IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy) to 8% to April 2014.

Under IFRS, payments received in relation to the instalment note decrease the REIT's instalment note receivable. To date, no payments have been received in relation to the instalment note. To account for the economic impact of the reduced rate on the securitization facility related to the Sabara Children's Hospital, the REIT includes an accrual of the amount to be received in respect of the instalment note in AFFO.

(iv) Interest rate subsidy

As part of the acquisition of the investment in NWHP REIT, NWVP has committed, by means of a capital contribution, that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014. In May 2014 and again in September 2014, NWVP and the REIT agreed to extend and amend the interest rate subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to September 30, 2014.

Under IFRS, at the date of acquisition the present value of the interest rate subsidy was $1,873,898 and has been recorded as a receivable from NWVP. To reflect the extension of the interest rate subsidy in May 2014, the REIT recorded an additional receivable from NWVP of $913,772 with the offset recorded directly to equity as a capital contribution. To reflect the extension of the interest rate subsidy in September 2014, the REIT recorded an additional receivable from NWVP of $683,908 with the offset recorded directly to equity as a capital contribution. Subsequent cash payments made by NWVP will be recorded as a reduction of the receivable balance. To account for the economic impact of the reduced rate on the margin facilities related to the investment in NWHP REIT, the REIT includes an accrual of the cash to be received in respect of the interest rate subsidy in AFFO. To date, no cash payments have been made by NWVP in respect of the capital contributions.

(v) Amortization of deferred financing charges

Under IFRS, the REIT has recorded amortization of deferred financing charges of $2,808,478 for the three months ended September 30, 2014 (nine months ended September 30, 2014 - $7,802,497) and $128,456 for the three months ended September 30, 2013 (nine months ended September 30, 2013 - $264,219) relating to amortization of deferred financing costs. As amortization is a non-cash item, the REIT has included an adjustment in AFFO.

(vi) Securitized rent adjustment

Under IFRS, the REIT has recorded deferred revenue in respect of the securitization facility related to the Sabara Children's Hospital, which is amortized into income over the remaining term of the lease. To account for the actual revenue received and to eliminate any principal repayment components on the securitization, the REIT includes an adjustment in AFFO.

For the three months ended September 30, 2014 the REIT recorded revenue of $587,145 related to Sabara Children's Hospital (nine months ended September 30, 2014 - $1,740,598), while the actual rent received, less interest on the securitization, totaled $569,626 (nine months ended September 30, 2014 - $1,708,521). As such, the REIT has reduced net income reported under IFRS in AFFO by $17,519 for the three months ended September 30, 2014 (nine months ended September 30, 2014 - $32,077).

For the three months ended September 30, 2013 the REIT recorded $546,205 (nine months ended September 30, 2013- $1,696,271) in deferred revenue related to Sabara Children's Hospital, while the actual rent received less interest on the securitization totaled $472,824 (for the nine months ended September 30, 2013 - $1,513,996) . As such the REIT has reduced IFRS net income by $73,381 in AFFO ($182,275 for the nine months ended September 30, 2013).

(vii) Actual maintenance capital expenditures and leasing costs

For the three months ended September 30, 2014 the REIT incurred $49,678 (nine months ended September 30, 2014 - $164,455) of non-recoverable maintenance capital expenditures and leasing costs, primarily related to new leases and renewals signed throughout the Berlin portfolio. The REIT has included this adjustment in AFFO as it represents the cost of maintaining the productive capacity of the current portfolio.

(viii) Unit-based compensation expense

For the three and nine months ended September 30, 2014 the REIT incurred unit-based compensation expense of $57,905and $161,190 respectively related to trustee compensation issued in deferred Trust Units. As the unit-based compensation is a non-cash item, the REIT has included an adjustment in AFFO.

DISTRIBUTIONS

For the three and nine months ended September 30, 2014, the REIT declared a total of $8,981,346 and $25,711,875, respectively, in distributions, reflecting an annualized distribution rate of $0.22 per unit per annum. For the three and nine months ended September 30, 2013, the REIT declared a total of $5,463,248 and $13,911,401, respectively, in distributions, reflecting an annualized distribution rate of $0.16 per unit per annum. Distributions paid over the last twelve months are summarized below:

TABLE 11 - MONTHLY DISTRIBUTIONS

	Sep-14	Aug-14	Jul-14	Jun-14	May-14	Apr-14	Mar-14	Feb-14	Jan-14	Dec-13	Nov-13	Oct-13
Monthly distribution ($)	0.0183	0.0183	0.0183	0.0183	0.0183	0.0183	0.0183	0.0183	0.0183	0.0133	0.0133	0.0133
Month-end closing price ($)	2.19	2.25	2.10	2.04	1.99	2.15	2.15	2.16	2.24	2.02	2.00	2.05
Date of Record	30-Sep-14	31-Aug-14	31-Jul-14	30-Jun-14	30-May-14	30-Apr-14	31-Mar-14	28-Feb-14	31-Jan-14	31-Dec-13	30-Nov-13	31-Oct-13
Date Paid	10-Dec-01	15-Sep-14	15-Aug-14	15-Jul-14	16-Jun-14	15-May-14	15-Apr-14	17-Mar-14	17-Feb-14	15-Jan-14	16-Dec-13	15-Nov-13

During the three and nine months ended September 30, 2014, a total of 149,317 and 345,999 trust units were issued under the REIT's distribution reinvestment plan (the "DRIP") (three and nine months ended September 30, 2013 – 49,842 and 104,561, respectively).

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

TABLE 12 - DIFFERENCES BETWEEN CASH FLOW FROM OPERATIONS/NET INCOME AND CASH DISTRIBUTIONS				
	Three months ended		Nine months ended	
	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)
Net income	$ (11,922,697)	$ 32,116,236	$ (47,842,286)	$ 47,886,543
Cash flow from operating activities	$ 3,033,928	$ 2,828,367	$ 7,597,793	$ 1,451,143
Distributions paid and payable				
Trust Units	$ 3,911,605	$ 1,820,333	$ 10,563,055	$ 5,384,903
Class B LP and Class D GP Exchangeable Units	$ 5,069,741	$ 3,642,915	$ 15,148,820	$ 8,526,498
	$ 8,981,346	$ 5,463,248	$ 25,711,875	$ 13,911,401
Surplus (shortfall) of cash flow from operating activities over distributions paid and payable	$ (5,947,418)	$ (2,634,881)	$ (18,114,082)	$ (12,460,258)
Surplus (shortfall) of net income over distributions paid and payable	$ (20,904,043)	$ 26,652,988	$ (73,554,161)	$ 33,975,142

TABLE 12A - ADJUSTMENT FOR DISTRIBUTION INCOME FROM ASSOCIATES				
	Three months ended		Nine months ended	
	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)
Surplus (shortfall) of cash flow from operating activities over distributions paid and payable	$ (5,947,418)	$ (2,634,881)	$ (18,114,082)	$ (12,460,258)
Add: Distribution income from associates	$ 3,865,348	$ 3,788,939	$ 11,675,013	$ 5,546,241
Adjusted surplus (shortfall) of cash flor from operating activities over distributions paid and payable	$ (2,082,070)	$ 1,154,058	$ (6,439,069)	$ (6,914,017)

For the three months ended September 30, 2014, distributions paid and payable exceeded cash flow from operations by $5,947,418 compared to $2,634,881 for the three months ended September 30, 2013. For the three months ended September 30, 2014 the REIT's distributions paid and payable exceeded net income by $20,904,043 compared to net income exceeding distributions paid and payable by $26,652,988 for the three months ended September 30, 2013.

For the nine months ended September 30, 2014, distributions paid and payable exceeded cash flow from operations by $18,114,082 compared to $12,460,258 for the nine months ended September 30, 2013. For the nine months ended September 30, 2014 the REIT's distributions paid and payable exceeded net income by $73,554,161. For the nine months ended September 30, 2013 the REIT's net income exceeded distributions paid and payable by $33,975,142.

Cash flow from operating activities excludes the distribution income from associates which is classified as cash flows from investing activities under IFRS, and therefore is not considered in the surplus (shortfall) relative to the distributions paid. The distributions earned from its investment in associates are considered by management to be an integral part of the REIT's cash flow from operations due to the strategic nature of these equity investments. After considering the distribution income earned from the REIT's investments in associates, Table 12A therefore identifies that a remaining $2,082,070 and $6,439,069 of distributions paid and payable for the three and nine months ending September 30, 2014, respectively ($6,914,017 for the nine months ending September 30, 2013), were financed from other sources. The remaining distributions paid and payable not funded by cash flow from operations or from distribution income earned from associates, were funded through: i) the deferral of the payment of distributions owing on the Class B LP units of $5,008,667 and $10,569,444 for the three and nine months ending September 30, 2014, respectively ($nil and $nil for the three and nine months ending September 30, 2013); and ii) a portion of the REIT's financing activities including the issuance of Trust Units in January 2014 and May 2014 where a total of 12,071,583 Trust Units were issued for gross proceeds of $24.7 million, and the issuance in September 2014 of the $38.75 million 7.25% Convertible Debentures maturing October 31, 2019. See section "Highlights for the Nine Months Ended September 30, 2014" and section "Part IV – Capitalization and Liquidity".

In assessing its distribution policy, the REIT considers not only cash flows from operating activities but also AFFO. Due to the timing of cash receipts relating to certain adjustments affecting AFFO and the fact that certain AFFO adjustments are non-cash, a portion of the 2014 distributions are funded by financing activities. The REIT believes that it will be able to sustain distributions in the near term as the REIT measures distributions in relation to the AFFO earned and in the nine months ended September 30, 2014, the REIT's distribution payout ratio relative to

AFFO was 101%. The REIT expects distributions in the near term will continue to be financed through the deferral of distributions payable on the Class B LP Units and through new financing activities.

The shortfall in net income is due to the fact that net income already includes a deduction for the distributions on the Class B LP exchangeable units which are considered finance costs under IFRS, and where the same Class B LP distributions are included in distributions paid and payable. Net income for the period also reflects material non-cash items such as fair value adjustments to investment properties and financial instruments and deferred taxes, which do not impact cash flow and are not considered in the REIT's distribution policy. In establishing distribution payments, the REIT does not take fluctuations in working capital into consideration.

In the fiscal year 2013, 100% of the REIT's distributions were deemed a return of capital for tax purposes. For the fiscal year 2014, the REIT expects that the majority of distributions paid shall also be deemed a return of capital. As the REIT has a relatively short operating history (being October 1, 2012, the effective date of the vend-in of the initial international assets), the real estate assets of the REIT have a relatively higher tax base. As such, the REIT will experience a lower taxable income due to tax deductions available to it. Over time, as the REIT grows, its taxable income is expected to grow, and a greater proportion of the REIT's distributions will be allocated to a return on capital (and less a return of capital). The REIT has chosen to make distributions partly representing an economic return on capital as its distribution policy is based on AFFO earned rather than the expected tax attributes of the distributions.

The REIT believes that distributions can continue to be funded from a combination of cash flows from operations, the distribution income earned from its strategic investments in associates and future financing activities. However, distributions paid may be in excess of cash available to the REIT from AFFO from time to time due to the timing of certain items affecting AFFO. The REIT may be required to use part of its debt capacity to fund such shortfalls through new financing. There can be no assurance that the REIT shall have sufficient debt capacity or the ability to raise new financing to meet its cash obligations, and as such the REIT may reduce distributions in order to accommodate such cash shortfalls.

QUARTERLY PERFORMANCE

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

TABLE 13 - QUARTERLY PERFORMANCE	Q3-14	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12
Summary of Financial information								
Gross Book Value ("GBV") (1)	$ 863,768,660	$ 821,503,979	$ 793,358,386	$ 756,258,230	$ 560,867,595	$ 517,126,358	$ 380,465,080	$ 349,554,285
Debt - Declaration of Trust ("DOT") (2)	$ 483,808,250	$ 492,630,516	$ 463,946,840	$ 437,642,389	$ 238,475,203	$ 230,180,937	$ 162,905,626	$ 148,144,630
Debt to GBV - DOT	56.0%	60.0%	58.5%	57.9%	42.5%	44.5%	42.8%	42.4%
Debt - Including convertible debentures (2)	$ 557,153,810	$ 529,884,026	$ 502,916,810	$ 473,065,389	$ 273,887,203	$ 250,984,237	$ 181,401,901	$ 148,144,630
Debt to GBV - Incl. convertible debentures	64.5%	64.5%	63.4%	62.6%	48.8%	48.5%	47.7%	42.4%
Operating results								
Net income / (loss)	$ (11,922,697)	$ (8,899,911)	$ (27,019,676)	$ (26,809,534)	$ 32,116,236	$ 4,168,473	$ 11,601,834	$ (37,268,407)
NOI from Continuing Operations	$ 10,470,000	$ 9,659,644	$ 9,230,811	$ 4,855,484	$ 4,282,008	$ 4,545,692	$ 4,343,063	$ 1,117,774
NOI from Discontinued Operations	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,407,008
FFO (3)	$ 3,878,945	$ 4,069,349	$ 3,583,153	$ (815,635)	$ 4,242,955	$ 3,656,092	$ 3,696,216	$ 1,636,707
AFFO (3)	$ 8,620,918	$ 8,552,032	$ 7,983,166	$ 5,639,399	$ 6,064,083	$ 4,820,943	$ 4,699,810	$ 1,959,356
Distributions (4)	$ 8,981,352	$ 8,635,814	$ 8,094,715	$ 5,590,562	$ 5,463,249	$ 4,472,101	$ 3,976,052	$ 3,608,382
Per Unit amounts								
FFO per unit - Basic	$ 0.02	$ 0.03	$ 0.02	$ (0.01)	$ 0.03	$ 0.04	$ 0.04	$ 0.02
FFO per unit - fully diluted (6)	$ 0.02	$ 0.03	$ 0.02	$ (0.01)	$ 0.03	$ 0.04	$ 0.04	$ 0.02
AFFO per unit - Basic	$ 0.05	$ 0.06	$ 0.05	$ 0.04	$ 0.04	$ 0.05	$ 0.05	$ 0.02
AFFO per unit - fully diluted (6)	$ 0.05	$ 0.06	$ 0.05	$ 0.04	$ 0.04	$ 0.05	$ 0.05	$ 0.02
Distributions	$ 0.06	$ 0.06	$ 0.06	$ 0.04	$ 0.04	$ 0.04	$ 0.04	$ 0.04
Adjusted Weighted Average units outstanding (5)								
Basic	162,384,317	154,012,230	147,043,933	138,120,778	136,566,427	103,506,425	99,271,825	87,400,400
Diluted (6)	162,612,832	154,218,763	147,249,723	138,228,362	136,661,749	103,598,923	99,364,324	87,400,400

Notes

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

(2) Indebtedness as defined in the Declaration of Trust includes the principal balance of mortgages, securities lending agreement, margin facilities, term loan, line of credit, and deferred consideration. The REIT's total debt also includes convertible debentures (at fair value).

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

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

(5) Under IFRS the REIT's Class B LP and Class D GP exchangeable units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP and Class D GP exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 91,068,320 Class B LP and 1,110,580 Class D GP exchangeable units outstanding as at September 30, 2014 and 91,068,320 Class B LP exchangeable units outstanding at September 30, 2013.

(6) Diluted units include the conversion of the REIT's convertible debentures if the closing price of the Trust Unit is greater than conversion price or exercise price as at the end of the reporting period. Otherwise the convertible debentures are considered anti-dilutive.

PART IV – CAPITALIZATION AND LIQUIDITY

INVESTMENT PROPERTIES

The fair value of investment properties as at September 30, 2014 was $527,770,473 representing an implied weighted average capitalization rate of 8.66% (as at December 31, 2013 – 8.75%).

TABLE 14 - INVESTMENT PROPERTIES

	As at Sep. 30, 2014 (Unaudited)	As at Dec. 31, 2013 (Audited)
Opening Balance, January 1	$ 448,832,353	$ 205,502,477
Acquisitions of investment properties	72,467,560	225,993,435
Disposition of investment properties	(6,923,586)	-
Addition to investment properties	258,039	50,852
Fair value gain / (loss)	11,150,834	24,119,615
Foreign currency translation	1,985,273	(6,834,026)
Closing Balance	**$ 527,770,473**	**$ 448,832,353**

During the nine months ended September 30, 2014, the REIT sold its leasehold interest in a building in Marktredwitz, Germany for $6,923,586; completed the acquisition of a portfolio of the Core German MOB Portfolio for a gross purchase price of $54,950,235, including transaction costs of $3,546,164; and completed the acquisition of Hohenschoenhausen for gross purchase price of $16,135,258, including transaction costs of $1,382,067. From December 31, 2013 to September 30, 2014, the value of the REIT's investment properties increased by $1,985,273 as a result of foreign exchange movements caused by the strengthening Brazilian Real relative to the Canadian dollar, partially offset by the weakening of the Euro relative to the Canadian dollar. The value of investment properties also increased as a result of fair value adjustments on the revaluation of the Brazil portfolio of $16,016,114 and increased due to additions to investment properties totaling $258,039 mainly related to capitalized leasing costs and tenant improvements but was offset by a fair value loss of $4,865,280 primarily due to the write off of transaction costs capitalized on the acquisition of the Core German MOB Portfolio and Hohenschoenhausen, as required under IFRS. See "Highlights for the Nine months ended September 30, 2014".

The fair values of the investment properties at September 30, 2014 and December 31, 2013 were determined based on a combination of internal valuation models incorporating available market evidence, external appraisals and in the case of the Core German MOB Portfolio and Hohenschoenhausen the fair value reflects the purchase price transacted. During the three and nine months ended September 30, 2014, properties with an aggregate fair value of $405,010,493 (year ended December 31, 2013 - $404,127,000), representing the REIT's assets in Brazil, were valued by external valuation professionals with recognized and relevant professional qualifications. Estimates and assumptions used in determining the fair value of the investment properties include discount rates, terminal capitalization rates, inflation rates, vacancy rates, and property level net operating income. See note 6 of the REIT's condensed consolidated interim financial statements for the three and nine months ended September 30, 2014 for additional details.

CAPITAL STRUCTURE

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

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

The following table shows the REIT's total capital as at September 30, 2014 and December 31, 2013:

TABLE 15 - CAPITAL STRUCTURE

	As at Sep. 30, 2014 (Unaudited)	As at Dec. 31, 2013 (Audited)
Mortgages and loans payable	$ 406,216,193	$ 357,526,759
Convertible debentures	73,345,560	35,423,000
Deferred revenue	13,842,664	14,636,638
Class B LP and Class D GP exchangeable units	201,871,791	183,958,006
Unit-based compensation liability	566,758	370,054
Unitholders' equity	59,520,625	77,703,372
Total Capitalization	**$ 755,363,591**	**$ 669,617,829**

Equity

For the nine months ended September 30, 2014 the number of Trust Units outstanding increased from 54,978,385 to 72,299,709. The increase in Trust Units was a result of (i) the issuance of 852,070 Trust Units on January 14, 2014 for gross proceeds of $1,704,140 before transaction costs of $85,769; (ii) the issuance of 11,219,513 Trust Units on January 14, 2014 for gross proceeds of $23,000,002 before transaction costs of $1,880,142; (iii) the issuance of 1,123,254 Trust Units for gross proceeds of $2,411,966 which were used to settle the outstanding asset management fees payable to a subsidiary of NWVP; (iv) the conversion of 780,488 Class D GP exchangeable units to Trust Units with a value of $1,689,303; (v) the issuance of 345,999 Trust Units under the REIT's DRIP at a cost of $717,257; and (vi) the issuance of 3,000,000 Trust Units on September 2, 2014 for gross proceeds of $6,450,000 before transaction costs of $570,786. See also "Subsequent Events".

For the year ended December 31, 2013 the number of Trust Units outstanding increased from 42,597,260 to 54,978,385. The increase in Trust Units was a result of (i) the issuance of 850,900 Trust Units on January 14, 2013 for gross proceeds of $1,701,800 before transaction costs of $304,310; (ii) 1,513,396 Class B LP exchangeable units being converted into 1,513,369 Trust Units at a cost of $2,830,000 on March 11, 2013 by NWVP; (iii) the issuance of 865,238 Trust Units in June 2013 and December 2013 for gross proceeds of $1,703,545 which were used to settle the outstanding asset management fees payable to a subsidiary of NWVP; (iv) the issuance of 9,000,000 Trust Units on December 18, 2013 for gross proceeds of $18,000,000 before transaction costs of $1,770,774 and (v) the issuance of 151,618 Trust Units under the REIT's DRIP at a cost of $288,010.

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

For the three and nine months ended September 30, 2014 there was no change to the number of Class B LP exchangeable units outstanding.

For the year ended December 31, 2013 the number of Class B LP exchangeable units outstanding increased by 35,123,876, as a result of the issuance of 36,637,245 Class B LP exchangeable units as consideration for the acquisition of the investment in NWHP REIT on June 21, 2013, which was offset by the conversion of 1,513,369 Class B LP exchangeable units into Trust Units at a cost of $2,830,000 on March 11, 2013 by NWVP.

In April 2014, the independent trustees of the REIT determined that the Class C Amount, earned by an affiliate of NWVP, for the 2013 financial year was $4,103,617 in accordance with the terms of the NWI LP partnership agreement. The NWVP affiliate elected to receive such incentive amount in the form of Class D GP units from a general partner of NWI LP which is also an affiliate of NWVP, which resulted in the issuance of 1,891,068 Class D GP units. Each Class D GP unit is exchangeable for one Trust Unit and carries one Trust level voting right. On April 23, 2014 and on May 15, 2014, 744,187 and 36,301, respectively, for a total of 780,488 of the Class D GP units were exchanged into Trust Units.

Liabilities

The following table summarizes the mortgages and loans payable and convertible debentures by region as at September 30, 2014:

TABLE 16 - DEBT

	As at September 30, 2014 (Unaudited)	Weighted average interest rate	Maturity
Brazil - Loans	$ 191,335,920	6.87%	December 2014
Australasia - Margin Loans	44,673,209	7.19%	December 2015 - August 2018
Germany -Mortgages	75,234,001	2.35%	November 2017 - June 2021
Canada - Margin and acquisition facilities	94,973,062	8.66%	September 2015 - January 2017
Total Mortgages and Loans Payable	**406,216,192**	**6.49%**	
Canada - Convertible debentures	73,345,560	7.09%	March 2018 - October 2019
Total Debt Excluding Deferred Consideration	**$ 479,561,752**	**6.58%**	

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

Brazil – Loans:

On December 20, 2013, in connection the Rede D’Or Hospital Portfolio Acquisition, the REIT obtained an interest-only term loan from a Brazilian lending institution which has a principal of approximately $124,000,000 (R$270,000,000) and bears interest at a fixed rate of 7.00%, payable monthly. The term loan related to the Rede D’Or Hospital Portfolio Acquisition is secured by the future rental income stream of the properties and matures December 22, 2014.

During the year ended December 31, 2012, in connection with its acquisition of HMB, the REIT obtained an interest-only term loan from a Brazilian lending institution which had an original principal of $57,000,000 (R$125,000,000) and bears interest at a fixed rate of 6.60%, payable monthly. The term loan related to HMB is secured by the future rental income stream of the properties and matures December 23, 2014.

On October 31, 2014, the REIT entered a contract to refinance the existing term loans, up to $183,080,000 (R$400,000,000) for one year, subject to final documentation. The term loans are interest-only and will bear interest on similar terms to the existing loans. The remaining $10,552,465 or R$23,055,419 (as at September 30, 2014) will be repaid with existing cash and/or proceeds from the November 2014 equity offering. Further on November 19, 2014, the REIT entered into a term sheet with a Brazilian financial institution for long-term financing for a portion of its Brazilian portfolio consisting of a combination of three of four of the REIT’s Brazilian properties: Hospital e Maternedade Brasil, Hospital do Coração do Brasil, Hospital Santa Luzia, and Hospital Caxias D´Or. The financing is for an amount of up to $170 million (R$370 million) with a term of 12 years and is subject to due diligence and regulatory approvals. The REIT expects to complete the long term-financing in early second quarter 2015 and net proceeds will be used to refinance the extended term loans associated with the properties referenced above.

On maturity, the principal balance of the term loans will be adjusted by IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy). For the three and nine months ended September 30, 2014, accretion expense of $2,413,252 and $11,798,844 (for the three and nine months ended September 30, 2013 - $822,682 and $3,665,333) was recorded to account for the related IPCA adjustment for the period.

Australasia – Vital SLA and Margin Facility:

On March 21, 2014, the Vital SLA was terminated and settled by means of a new margin facility with Macquarie Bank Limited executed on February 28, 2014. The margin facility bears interest at a rate that fluctuates with the one-month rate for New Zealand dollar bills of exchange (the “BKBM” rate) and requires a minimum loan-to-fair market value of the Vital Trust units pledged of 50%. The margin facility matures on December 31, 2015.

As at September 30, 2014, the REIT has pledged 81,659,865 units of Vital Trust as security for the margin facilities.

As at September 30, 2014, the principal balance outstanding on the margin facilities with respect to the REIT’s investment in Vital Trust was $44,876,286.

The REIT has entered into an interest rate swap with respect to one of the margin facilities secured by the Vital Trust units to limit its exposure to fluctuations in the interest rates on approximately $4,102,000 (NZ $4,700,000) of the outstanding loan balance. The interest rate swap fixes the interest rate at 4.03% and terminates on March 29, 2016.

Germany – Loans & Mortgages:

In August 2014, in connection with the acquisition of Hohenschoenhausen, the REIT obtained new mortgage financing of $11,175,840 (net of transaction costs of $81,373) with a term of 3.5 years, a fixed interest rate of 1.65%, and a 40 year amortization period.

In June 2014, in connection with the acquisition of the Core German MOB Portfolio, the REIT obtained new mortgage financing of $30,395,233 (net of transaction costs of $891,567) with terms between 5 and 7 years, variable interest rates, and a 26 year amortization period. To limit exposure to fluctuations in interest rates on the mortgages obtained for the Core German MOB Portfolio, the REIT also entered into interest rate swaps on the full mortgage balance to fix the interest rates between 2.23% and 2.58% over the term of the loan.

In connection with the disposition of one of the Marktredwitz investment property, the REIT repaid $4,886,613 of mortgage debt associated with the investment property.

As at September 30, 2014, loans and mortgages related to the REIT’s investment properties in Germany comprised of $76,357,201 fixed rate mortgages maturing between November 2017 and June 2021 with an effective interest rate of 2.35% per annum.

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

Canadian Margin and Credit Facilities

The debt assumed on acquisition of the interest in NWHP REIT consists of various revolving margin facilities with two separate financial institutions. The margin facilities allow the REIT to borrow funds against the market value of the units of NWHP REIT. The REIT has pledged substantially all of the units it acquired of NWHP REIT as security for the margin facilities.

Interest on the margin facilities is calculated daily and ranges from 4.25% to 10.75% per annum. As part of the acquisition, NWVP has committed, by means of a capital contribution, that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014, which has been recorded as a receivable from NWVP at the date of acquisition of the investment in NWHP REIT. In May 2014 and again in September 2014, NWVP and the REIT agreed to extend and amend the interest rate subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to September 30, 2014.

As at September 30, 2014, the REIT has pledged 4,345,900 units of NWHP REIT and 7,551,546 class B limited partnership units of NHP Holdings LP as security for the margin facilities. As at September 30, 2014, the principal balance outstanding on the margin facilities, expiring between September 1, 2015 and November 1, 2015, with respect to the REIT's investment in NWHP REIT was $73,273,630.

On December 19, 2013, in connection with the Rede D'Or Hospital Portfolio Acquisition, the REIT obtained an interest-only credit facility which has a principal of $24,000,000. The credit facility bears interest at the greater of 8.20% per annum or the Canadian prime rate plus 4.00% per annum, payable monthly. The credit facility is secured by a general security agreement (with the exclusion of certain specific assets) and matures on January 1, 2017. In addition, the lender was granted warrants to acquire 3,000,000 Trust Units. Each whole warrant entitled the holder to acquire one Trust Unit of the REIT at an exercise price of $2.15 per Trust Unit at any time until January 2, 2017. On September 2, 2014, the REIT received notice from the holder in respect of the early exercise of the 3,000,000 warrants. The warrants were exercised at a price of $2.15 for total cash proceeds to the REIT of $6,450,000. Costs associated with the exercise of the warrants totaled $570,786 which has been charged directly to equity.

Deferred Revenue

At the same time the lease with Hospital Sabará was signed, the owner of Sabará securitized a portion of the rents receivable in return for a lump sum payment of approximately R$40.4M (the "Brazil Securitization"). As a result of the Brazil Securitization, the REIT is only entitled to receive 20.25% of the total rent payment owing during the remainder of the term of the lease. The Brazil Securitization in effect serves as an amortizing loan, with the 78.75% of total annual rent not being retained by the REIT serving as a mixed payment of "principal and interest" on the amount of the original advance. The Brazil Securitization bears an interest rate of IPCA + 9.25%.

The Brazil Securitization runs through the term of the lease, with all obligations under the Brazil Securitization to be repaid on September 30, 2024. However, under the terms of the Brazil Securitization, the REIT has the ability to exercise an early redemption feature on April 2, 2014 (the "Early Redemption Date") to buy-back the Brazil Securitization at the unamortized face value of the Brazil Securitization, adjusted for accrued IPCA + 9.25% to the date of redemption. At this time, the REIT has no plans to exercise the redemption feature on the Brazilian Securitization.

At the time of securitization, deferred revenue was recognized at an amount equal to the present value of the proceeds received upon the securitization. The deferred revenue is amortized into revenue from investment properties on a straight-line basis over the term of the lease. As at September 30, 2014, the balance outstanding on the Brazil Securitization instrument was R$49.3 (C$22.6M).

LIQUIDITY AND CASH RESOURCES

Cash resources and Liquidity

TABLE 17 - CASH AND LIQUIDITY

	As at Sep. 30, 2014 (Unaudited)	As at Dec. 31, 2013 (Audited)
Cash	$ 32,805,487	$ 2,635,859
Restricted Cash	2,317,069	1,778,685
Total	**$ 35,122,556**	**$ 4,414,544**

The REIT also has margin facilities that provide additional liquidity. The liquidity of the margin facilities fluctuates based on the market price (as defined in the respective agreements) of the pledged units securing the facilities.

On the assumption that occupancy levels remain strong, the price of NWHP REIT and Vital Trust units do not decrease materially, and that the REIT will be able to obtain financing on reasonable terms, the REIT anticipates meeting all current and future obligations as they come due. Management expects to refinance maturing debt and finance future acquisitions from: (i) existing cash balances, (ii) related party receivables, and (iii) 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 and distribution income received from investments in associates are sources of liquidity to service debt (except maturing debt), sustain maintenance capital expenditures, leasing costs and unit distributions.

Contractual cash flows

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

The following table sets out the REIT's contractual cash flows as at September 30, 2014:

TABLE 18 - CONTRACTUAL CASH FLOWS

	Carrying amount	Contractual cash flow	2014	2015	2016	2017	2018	Thereafter
Accounts payable and accrued liabilities	$ 16,473,451	$ 16,473,451	$ 16,473,451	$ -	$ -	$ -	$ -	$ -
Distributions payable	1,325,471	1,325,471	1,325,471	-	-	-	-	-
Income tax payable	79,295	79,295	79,295	-	-	-	-	-
Deferred consideration	71,668,664	71,668,664	71,668,664	-	-	-	-	-
Convertible debentures	73,345,560	97,783,935	-	5,590,875	5,590,875	5,590,875	44,076,935	36,934,375
Mortgages and loans payable	406,216,193	437,816,384	243,984,363	78,009,143	4,755,056	71,254,492	10,737,929	29,075,401
Total	**$ 569,108,634**	**$ 625,147,200**	**$ 333,531,244**	**$ 83,600,018**	**$ 10,345,931**	**$ 76,845,367**	**$ 54,814,864**	**$ 66,009,776**

The REIT currently intends to distribute a high percentage of its AFFO to Unitholders. As such, the REIT will not retain a material amount, or possibly none of operating cash flow or any distribution income earned from its investments in associates 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 and entering into of additional credit facilities.

As at September 30, 2014, the REIT's current liabilities totaled $384,971,166, exceeding current assets of $66,398,954, resulting in a working capital deficiency of $318,572,212. Subsequent to the quarter ended September 30, 2014, a number of items comprising the current liabilities were extended to 2015 or repaid (see section "Subsequent Events"):

- The deferred consideration in the amount of $33,412,000 related to the Caixas property was extended to December 2015;
- the REIT extended one of the margin facilities associated with its investment in Vital Trust by one year to December 31, 2015 in the amount of $36,745,458

Therefore the current liabilities and working capital deficiency have been reduced by $70,157,458, subsequent to the quarter ended September 30, 2014. The remaining current liabilities are largely represented by the two Brazil term loans totaling $193,632,465, that mature in December 2014. The REIT is actively refinancing these term loans and expects to refinance the loans prior to the loan maturity dates. On October 31, 2014, the REIT entered a contract to refinance the existing term loans by $183,080,000 (R$400,000,000) for one year, subject to final documentation. The term loans are interest-only and will bear interest on similar terms to the existing loans. The remaining $10,552,465 or R$23,055,419 (as at September 30, 2014) will be repaid with existing cash and/or proceeds from the November 2014 equity offering. (See Subsequent Events). As a result of these refinancing actions, loan extensions and equity offering subsequent to quarter end, the REIT's working capital deficiency is eliminated.

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

Changes in Cash

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

TABLE 19 - NET CHANGE IN CASH	Three months ended		Nine months ended	
	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)
Cash provided by / (used in):				
Operating activities	$ 3,033,928	$ 955,480	$ 7,597,793	$ 1,436,373
Investing activities	(14,031,194)	(17,547,452)	(53,061,566)	(36,849,754)
Financing activities	40,756,319	18,477,564	76,556,267	37,246,958
Net increase / (decrease) in cash during the period	**29,759,053**	**1,885,592**	**31,092,493**	**1,833,577**
Effect of foreign currency translation	(644,061)	(139,417)	(922,865)	(118,997)
Net increase / (decrease) in cash during the period	**$ 29,114,992**	**$ 1,746,175**	**$ 30,169,628**	**$ 1,714,580**

Operating activities

Cash provided by operating activities totaled $3,033,928 for the three months ended September 30, 2014 as compared to cash flow provided by operating activities of $955,480 for the three months ended September 30, 2013. Operating cash flow increased for the three months ended September 30, 2014 as compared to the prior period as a result of the net additional operating cash flow related incremental acquisitions in the fourth quarter of 2013 and first three quarters of 2014, partially offset by additional asset management fees related to the incremental acquisitions and borrowing costs on the REIT's incremental debt such as the acquisition facility (obtained in December 2103); Series MOB.DB.A Debentures (issued in August 2013) and Series MOB.DB.B Debentures (issued in September 2014).

For the nine months ended September 30, 2014, cash provided by operating activities totaled $7,597,793 for the three months ended September 30, 2014 as compared to cash flow provided by operating activities of $1,436,373 for the nine months ended September 30, 2013. Operating cash flow increased for the nine months ended September 30, 2014 as compared to the prior period as a result of the net additional operating cash flow related to related incremental acquisitions in the fourth quarter of 2013 and first three quarters of 2014, partially offset by additional asset management fees related to the incremental acquisitions and borrowing costs on the REIT's incremental debt such as the acquisition facility (obtained in December 2103); Series MOB.DB.A Debentures (issued in August 2013) and Series MOB.DB.B Debentures (issued in September 2014); and margin loans on the REIT's investment in NWHP REIT (obtained June 21, 2013).

Investing activities

Cash used in investing activities totaled $14,031,194 for the three months ended September 30, 2014, which is a result of the cash consideration paid on the acquisition of Hohenschoenhausen on August 29, 2014 of $17,030,173, additional transaction costs and deferred consideration paid for the German MOB Portfolio acquisition of $815,577, additions to investment properties of $49,898 and additional transaction costs paid of $894 for the disposal of the Marktredwitz property in Germany. These outflows were partially offset by the cash distributions received from Vital Trust and NWHP REIT totaling $3,865,348.

Cash used in investing activities totaled $17,547,452 for the three months ended September 30, 2013, reflecting the cash distributions received from Vital Trust and NWHP REIT offset by the acquisition of additional units of Vital Trust.

For the nine months ended September 30, 2014, cash used in investing activities totaled $53,061,566, which is a result of the cash consideration paid on the acquisition of the Core German MOB Portfolio on June 25, 2014 of $53,733,619, cash consideration paid on the acquisition of Hohenschoenhausen on August 29, 2014 of $17,030,173, additions to investment properties of $258,259 and a net decrease to restricted cash of $539,626. These outflows were partially offset by the cash distributions received from Vital Trust and NWHP REIT totaling $11,675,014 and the proceeds of $6,825,097 on disposal of the Marktredwitz property in Germany.

Cash used in investing activities totaled $36,849,754 for the nine months ended September 30, 2013, reflecting the acquisition of Fulda and additional units of Vital Trust, offset partially by the cash distributions received from Vital Trust and NWHP REIT.

Financing activities

Cash generated by financing activities totaled $40,756,319 for the three months ended September 30, 2014 as compared to cash generated by financing activities of $18,477,564 during the three months ended September 30, 2013.

During the three months ended September 30, 2014, the REIT obtained new mortgages related to the acquisition of Hohenschoenhausen of $11,175,840, raised net proceeds of $37,917,681 through the issuance of a combination of Trust Units through exercise of the warrants (net of costs) and Series MOB.DB.B Debentures, made net repayments of mortgages and loans payable and credit facilities of $686,559, paid deferred consideration of $1,277,206, paid financing fees of $1,396,446, received net advances from related parties of $36,400, and paid distributions of $5,975,061.

During the three months ended September 30, 2013 the REIT raised $17,500,000 of cash through issuing the Series MOB.DB.A Debentures, received net advances from mortgages, loans payable, and credit facilities of $7,446,395 and paid distributions of $5,372,835, made net advances of $840,873 to NWVP and affiliates in connection with its role as Asset Manager, and paid financing costs of $287,181.

Cash generated by financing activities totaled $76,556,266 for the nine months ended September 30, 2014 as compared to cash generated by financing activities of $37,246,958 during the nine months ended September 30, 2013.

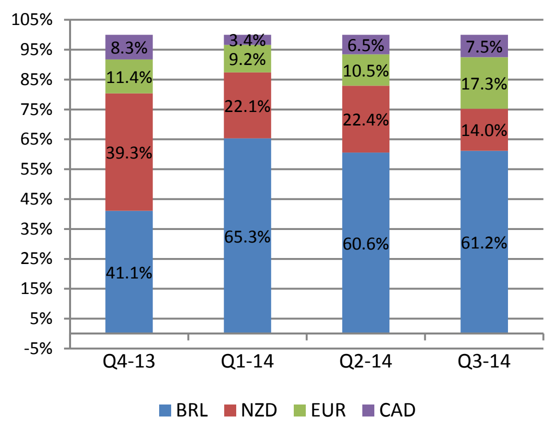
During the nine months ended September 30, 2014, the REIT obtained new mortgages related to the acquisition of the Core German MOB Portfolio and Hohenschoenhausen of $42,462,640, discharged the mortgage related to the disposal of the Marktredwitz property of $4,886,613, raised net proceeds of $60,779,338 through a combination of the issuance of Trust Units (net of costs) and Series MOB.DB.B Debentures, made net repayments of mortgages and loans payable and credit facilities of $2,499,489, paid deferred consideration of $3,853,971, paid financing fees of $3,061,944, received net advances from related parties of $1,281,315, and paid distributions of $14,626,729.

During the nine months ended September 30, 2013 the REIT raised $42,397,785 of cash through issuing a combination of Trust Units and Series MOB.DB and MOB.DB.A Debentures, received net advances from mortgages, loans payable and credit facilities of $15,950,649 to fund the acquisition of Fulda, paid $2,804,235 of deferred consideration related to the acquisition of HMB, made net advances of $4,650,836 to NWVP and affiliates in connection with its role as Asset Manager, and paid distributions of $13,207,339.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months ended September 30, 2014, approximately 100% of the REIT's AFFO was conducted in currencies other than Canadian dollars, while its distributions to Unitholders, certain general and administrative expenses, interest expenses and interest income were denominated in Canadian dollars. A summary of the REIT's currency exposure by quarter for the last four quarters is presented below:

AFFO by Currency by Quarter [(2)]



Trading Range [(1) (3)]

(Against CAD)	**BRL**	**EUR**	**NZD**
High	0.4873	1.4729	0.9438
Low	0.4555	1.4042	0.8676
Average	0.4785	1.4422	0.9165
Balance Sheet:			
December 31, 2013	0.4503	1.4655	0.8751
September 30, 2014	0.4577	1.4153	0.8727
Profit & Loss:			
Q3 2014 Average Rate	0.4782	1.5036	0.9312
Q3 2013 Average Rate	0.5059	1.3319	0.8418

Notes:

1. For the three months ended September 30, 2014
2. Canadian Dollar AFFO represents the REIT's proportionate share of FFO from NWHP REIT and interest income less interest expense paid on Canadian-denominated debt and certain general and administrative expenses.
3. Rates are presented against the Canadian Dollar

For the three months ended September 30, 2014, a portion of the AFFO generated in foreign currencies was retained in those foreign currencies to provide funds for operations, future acquisitions in those foreign jurisdictions and minimize currency conversion costs, while a portion has been repatriated back to Canada to fund distributions and acquisitions in other regions. A significant portion of the funds raised in Canadian dollars from the equity and convertible debenture offerings were converted into foreign currencies to fund acquisitions in foreign jurisdictions.

For the three months ended September 30, 2014, AFFO generated in Canadian dollars totaled $646,770 (three months ended September 30, 2013 – $1,073,508), while Canadian dollar distributions paid to Unitholders totaled $8,981,346 (for the three months September 30, 2013 - $5,463,248). Any deficiencies were funded from cash repatriated to Canada from Brazil, Germany and New Zealand, the existing working capital and receivables from related parties, and the proceeds from the May 2014 equity offering and September issuance of Series MOB.DB.B Debentures.

As at September 30, 2014 the REIT held approximately $32,049,000 of cash and receivables denominated in Canadian Dollars (December 31, 2013 - $26,147,000).

The REIT monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. The REIT has not executed any formal hedging arrangements in the past year. The REIT intends to implement its formal hedging policy, when necessary, practicable and economically feasible to do so, to mitigate the impact of foreign currency fluctuations and to provide more certainty regarding the payment of distributions to Unitholders if the Canadian dollar increases in value compared to foreign currencies. The REIT's current hedging arrangements includes natural currency hedges through local-currency denominated debt, inflation-indexed leases that provide protection against currency devaluation, and exposure to a diversified basket of currencies. Future hedging arrangements may include implementing specific foreign currency hedging transactions. The REIT does not currently have any specific foreign currency hedging transactions in place.

PART V – RELATED PARTY TRANSACTIONS

a) As at September 30, 2014, NWVP indirectly owned approximately 72% (approximately 62% on a fully-diluted basis assuming conversion of the REIT's convertible debentures and redemption of its deferred Trust Units) of the REIT through a combination of Trust Units of the REIT and Class B LP and Class D GP exchangeable units of NWI LP. Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer of the REIT, is the sole shareholder, sole director and President of NWVP. Bernard Crotty, a Trustee and President of the REIT, serves as Senior Vice-President of NWVP. Teresa Neto, Chief Financial Officer of the REIT, serves as Chief Financial Officer of NWVP.

b) In conjunction with the acquisition of the Initial International Assets, the REIT entered into a Put/Call Agreement. Pursuant to the Put/Call Agreement, the REIT had granted NWVP the Put Right to sell to the REIT any or all of up to 12,500,000 NWHP trust units and/or securities exchangeable into Option Units held by NWVP to the REIT. NWVP had granted the REIT the Call Right to acquire any or all of the Option Units. The Put/Call Agreement specifies the price at which the Option Units may be purchased/sold and the put/call rights expire on November 16, 2014. As at September 30, 2014, there remains put/call rights in respect of 602,554 Option Units under the Put/Call Agreement. Should the remaining Option Units be exercised, the price of the units and consideration paid would be at market value. Paul Dalla Lana, Robert Baron and Bernard Crotty, all Trustees of the REIT, also serve as trustees of NWHP REIT.

c) The REIT and its affiliates entered into a series of agreements with affiliates of NWVP, whereby such affiliates have agreed to act as Property Manager, Asset Manager and Development Manager for the REIT.

The Asset Manager is entitled to receive a base annual management fee calculated and payable on a monthly basis, equal to 0.50% of the sum of (a) the historical purchase price of the REIT's assets, and (b) the cost of any capital expenditures incurred by the REIT or its affiliates in respect of the assets subject to the Asset Management Agreement. The foregoing amounts are payable, at the option of the Asset Manager, in either cash, Deferred Units (which would vest immediately), Trust Units or securities of the REIT or its subsidiaries that may be convertible into Trust Units.

Pursuant to the Asset Management Agreement, the REIT must reimburse the Asset Manager for all reasonable and necessary actual out-of-pocket costs and expenses paid by the Asset Manager in connection with the performance of the services under the Asset Management Agreement, including, but without limitation, the costs and expenses incurred by the Asset Manager for travel, lodging and reasonable and necessary costs for experts and consultants reasonably required by the Asset Manager and approved by the REIT.

Pursuant to the Property Management Agreement, the Property Manager is entitled to receive a market-based management fee for each property as appropriate for the specific properties and specific markets the properties are located in, which fee may include compensation for building operations, property administration, leasing, construction management and any other reasonable property management service that is required in the context of managing the properties.

The REIT also entered into an agreement whereby an affiliate of NWVP has agreed to pay the REIT, in consideration for certain management services rendered, a fee equal to the difference between all management fees paid by Vital Trust to NWVP (or any of its wholly-owned subsidiaries) and the amount that Vital Trust would have paid should it have been wholly-owned and subject to the REIT's Asset Management Agreement described above (the "Management Fee Participation Agreement"). NWVP's management arrangements with Vital Trust currently provide for a base management fee of 0.75% (as opposed to the 0.50% payable under the Asset Management Agreement), as well as an opportunity to earn certain transaction fees and an incentive fee.

An affiliate of NWVP serves as general partner of NWI LP, and in such capacity is entitled to an annual incentive fee payment based on Gross All In Returns (being distributions plus the growth of the REIT's net asset value), referred to as the "**Class C Amoun**t". The Class C Amount is equal to (a) 15% of Gross All In Return in excess of 8%, and (b) 20% of Gross All In Return in excess of 12%. Should there be a substantial change to the REIT's operating policies (including but not limited to: (i) leverage, (ii) payout ratio, and (iii) corporate structure) ("Operating Policies"), the Class C Amount shall be adjusted to provide for an amount equal to what the Class C Amount would have been had the REIT's Operating Policies remained consistent with the prior year.

For purposes of the Class C Amount, "Gross All In Return" means the annual increase in net asset value of the REIT over the relevant year. The increase shall be measured between the first and last days of each year. Should there be a distribution of capital, such distribution shall be added back for the purposes of this calculation. Should there be any issuances of capital during the year, such amounts shall be excluded for the purposes of this calculation. The REIT's net asset value (for purpose of determining excess Gross All In Return) shall be subject to a three year trailing "high water mark".

In April 2014, the independent trustees of the REIT determined that the Class C Amount for the 2013 Performance Period was $4,103,618. The NWVP affiliate elected to receive such Class C Amount in the form of Class D GP Units, which resulted in the issuance of 1,891,068 Class D GP Units. Each Class D GP Unit is exchangeable for one Unit of the REIT and carries one REIT level voting right.

The following table summarizes the related party transactions with NWVP and its subsidiaries related to the Asset Management Agreement, Property Management Agreement, Development Agreement and Management Fee Participation Agreement during the three and nine months ended September 30, 2014 and 2013:

	Three months ended September 30,		Nine months ended September 30,	
	2014	**2013**	**2014**	**2013**
Base asset management fees [1]	$ 868,560	476,647	$ 2,442,571	$ 1,376,942
Property management fees	303,111	49,671	438,410	114,345
Management fee participation	(596,661)	(469,838)	(1,935,716)	(1,280,083)
Reimbursement of out-of-pocket costs	(75,620)	353,073	1,330,347	832,868
	$ 499,390	$ 409,553	$ 2,275,612	$ 1,044,072

(1) During the three and nine months ended September 30, 2014, the REIT issued 400,296 and1,123,254 units respectively to settle outstanding asset management fees owing to a subsidiary of NWVP (three months ended September 30, 2013 – nil and nine months ended September 30, 2013 – 456,992).

On April 30, 2014 the REIT announced plans to internalize the REIT's external management function. See "Highlights for the Nine months ended September 30, 2014".

d) Included in accounts payable and accrued liabilities is an amount totaling $338,167 owing from NWHP REIT and a subsidiary of NWVP related to the transactions that transpired in 2012 related to the sale of the existing portfolio to NWHP REIT.

e) The following table summarizes the balance owing from/(to) NWVP and its subsidiaries:

	As at Sep. 30, 2014 (Unaudited)	**As at Dec. 31, 2013 (Audited)**
Working capital and closing adjustment receivable (i)	$ 16,966,652	$ 18,236,652
Interest rate subsidy (ii)	3,471,578	1,873,898
Instalment note receivable (iii)	1,385,555	1,369,191
Vital Management Fee Participation	4,109,874	2,296,860
Interest (i)	2,600,957	2,431,781
Other	437,142	45,665
Total	**$ 28,971,758**	**$ 26,254,047**

(i) Working capital and closing adjustment receivable - Initial International Assets

The working capital and closing adjustment receivable from a subsidiary of NWVP arises as a result of the differences in the values of the working capital and debt indirectly assumed on acquisition of the Initial International Assets as compared to the values assigned at the time of the signing of the agreement entered into in connection with the acquisition. During the nine months ended September 30, 2014, repayments of the working capital and closing adjustment receivable were received in the amount of $1,270,000. The working capital and closing adjustment receivable is unsecured was previously due on December 31, 2013, however, as it remains unpaid, it is now due on demand. The working capital and closing adjustment receivable accrues an approximate economic return of 8% per annum when permissible. For the three and nine months ended September 30, 2014, NWVP has agreed to pay interest of $340,000 and $1,020,000 respectively (for the three and months ended September 30, 2013 – $550,000 and $1,100,000 respectively).

(ii) Interest rate subsidy

As part of the acquisition of the investment in NWHP REIT, NWVP has committed, by means of a capital contribution, that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014. At the date of acquisition the present value of the interest rate subsidy was $1,873,898 and has been recorded as a receivable from NWVP, and subsequent cash payments by NWVP will be recorded as a reduction of the receivable balance.

In May 2014 and again in September 2014, NWVP and the REIT agreed to extend and amend the interest rate subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to September 30, 2014. To reflect the extension of the interest rate subsidy in May 2014, the REIT recorded an additional receivable from NWVP of $913,772 with the offset recorded directly to equity as a capital contribution.

(iii) Instalment note receivable

In connection with the REIT's acquisition of the Initial International Assets, the REIT entered into an arrangement with an affiliate of NWVP to partially compensate the REIT for assuming obligations associated with the Sabará Children's Hospital in Brazil (the "Instalment Note"). Pursuant to the Instalment Note, the REIT earned and will earn from an affiliate of NWVP, two instalment note receipts – on April 2, 2013 (extended to April 2, 2014) and April 2, 2014 respectively. The Instalment Note receipts remain outstanding as of the date of this MD&A. The Instalment Note is non-interest bearing. The receipt of the principal portion of the installment receipts will be recorded as a reduction of the Instalment Notes and is, therefore, not recorded as revenue. The Instalment Note was initially recorded at the present value of the future cash flows.

f) At September 30, 2014, included in accounts payable and accrued liabilities are Class B LP exchangeable unit distributions payable owing to related parties in the amount of $10,969,444.

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

PART VI – RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Trust Units and in the activities of the REIT which current and prospective Unitholders should carefully consider. The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT. The REIT's annual information form dated April 23, 2014 (the "AIF"), the audited consolidated financial statements and MD&A for the year ended December 31, 2013 (the "2013 Financials and MD&A"), and the short-form prospectus filed by the REIT on [November 18], 2014 in relation to the equity offering (the "November 2014 Prospectus") each contain a detailed summary of risk factors pertaining to the REIT and its business. There have been no material changes to the nature or the number of risk factors pertaining to the REIT since the issuance of the November 2014 Prospectus. The disclosures in this MD&A are subject to the risk factors outlined in the AIF, the 2013 Financials and MD&A, and the November 2014 Prospectus each of which are available on SEDAR at www.sedar.com.

Risks Related to the Internalization Transaction

Currently, the financial performance of the REIT is dependent in part on the efficient and effective performance of NWVP as a provider of various management services to the REIT. As a result of the Internalization Transaction, the REIT will assume responsibility for all of the costs associated with the asset management, property management and development functions of the REIT, along with all of the rights and obligations relating to the management of Vital Trust.

The success of the management internalization will depend in large part on the ability of management of the REIT to integrate NWVP personnel into the REIT. Going forward, the REIT will depend on the diligence, experience and skill of NWVP personnel that join the REIT and future success of the REIT will depend on the continued service of these individuals. The REIT may be unable to hire members of management and retain former employees of NWVP to the same extent that NWVP has been able to do so in the past. Such individuals may depart because of issues relating to the uncertainty or difficulty associated with the integration, including potential differences in corporate cultures and management philosophies. Further, the REIT cannot predict the impact that any employee departures will have on its ability to achieve its objectives. The departure of a significant number of such individuals for any reason following the management internalization, or the failure to appoint qualified or effective successors in the event of such departures, could have a material adverse effect on the REIT's ability to achieve its objectives and the market price or value of the REIT's securities.

In addition, the overall integration of the operations, procedures, systems and technologies of NWVP will present risks and challenges to the REIT, including possible unanticipated operational problems, expenses and liabilities, as well as potential disruption of the REIT's ongoing business, higher than expected integration costs and an overall post-closing integration process that takes longer than originally expected. The management internalization will require the dedication of substantial management effort, time and resources, and any delays in the process could divert management's focus, as well as financial and other resources, from other strategic opportunities of the REIT.
The management internalization involves risks, including the failure of the internalization process to realize the benefits the REIT expects. If the management internalization fails to realize the benefits that the REIT expects, it could materially and adversely affect the REIT's business plan and could have a material adverse effect on the REIT and its financial results and the market price or value of the REIT's securities.

The Internalization Transaction is subject to the satisfaction of certain conditions including, but not limited to, the entering into of a definitive binding agreement and the receipt of all necessary approvals. There is no certainty, nor can the REIT provide any assurance, that the conditions precedent will be satisfied or, if satisfied, when they will be satisfied. The terms of the Internalization Transaction may also change based on any material changes in circumstances prior to December 31, 2014. Accordingly, there is no assurance that the Internalization Transaction, if and when completed, will be on terms that are exactly the same as disclosed in this Prospectus. If the completion of the Internalization Transaction does not occur as contemplated, the REIT will not realize the expected benefits of the management internalization, and could suffer adverse consequences, including loss of investor confidence.

PART VII – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies is described in note 3 of the REIT's unaudited condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2014 and note 3 of the REIT's audited consolidated interim financial statements and accompanying notes for year ended December 31, 2013.

The preparation of financial statements in conformity with IFRS requires the REIT to make judgments, estimates, and assumptions that affect the reported amounts recognized in the financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the financial statements. Actual results could differ from estimates. Please refer to note 3 in the REIT's condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2014 and its audited consolidated financial statements and accompanying notes for the year ended December 31, 2013.

For the nine months ended September 30, 2014 the REIT has applied the following new accounting standards, or amendments to existing standards, for the first time:

- Amendments to IFRS 7, Financial Instruments: Disclosures
- IAS 32, Financial Instruments: Presentation
- IFRIC 21, Levies

The adoption of these new accounting standards, or amendments, did not have a material impact on the REIT's condensed consolidated interim financial statements. For additional information on the adoption of these standards see note 3 of the REIT's condensed consolidated interim financial statements for the three and nine months ended September 30, 2014.

PART VIII – OUTLOOK

During the three and nine months ended September 30, 2014, there have not been any material changes to the operating or economic environments in which the REIT operates.

Through the fourth quarter of 2014, the REIT will focus on the internalization of the REIT's external management function, continue to pursue new acquisitions and accretive development opportunities in the REIT's existing markets, and continue to execute on a focused investor relations outreach program.

Looking forward, the REIT remains committed to its key 2014 initiatives as outlined below:

1. The internalization of the REIT's external management function;
2. Continue to enhance our platform and its operational performance where possible;
3. Expand the portfolio and augment its quality through reinvestment in existing assets and acquiring new assets in each of our core markets;
4. Increase investor liquidity by raising new capital and broadening our investor base; and,
5. Increase our profile through measured investor relations and communication strategies.