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, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS
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CEO's MESSAGE

Q3-2013 marked another successful quarter for NorthWest International Healthcare Properties REIT ("**NorthWest International REIT**" or the "**REIT**") where it continued to diversify its portfolio of international healthcare real estate, deliver stable operating performance and accretive growth opportunities. Highlights from the REIT are financial and operating results for the three months ended September 30, 2013 include:

- NOI of $4,282,008, representing a 204% increase over the same period last year
- AFFO / unit of $0.044, in line with the prior quarter
- Annualized AFFO to distribution payout ratio of approximately 87%, in line with the prior quarter
- Continued near full portfolio occupancy at 95.3% (Canada = 92.0%; International = 98.8%)
- Weighted average lease term of 9.3 years (Canada = 4.8 years; International = 14.0 years)

During the quarter the REIT successfully completed a $17.5 million convertible debenture issuance and increased its exposure in Vital Healthcare Property Trust ("**Vital Trust**") bringing its proportionate ownership to approximately 24%. On November 14, 2013 Vital Trust reported consistent net property income underpinned by the continued stability of its tenant base as well as its accretive quality and income-enhancing hospital redevelopment program. The REIT continues to view its investment in Vital Trust as strategic and has previously announced its intention to increase its position to slightly less than 25% by mid Q2-2014.

On a regional basis, all of the REIT's investments continued to perform at or above expectations. Most significantly, during the third quarter the REIT completed external third party appraisals of its two Brazilian hospitals which resulted in an approximate $25 million fair market value gain representing an approximate 15% increase relative to their purchase price. The fair market value increase in the REIT's Brazilian investments was underpinned by increasing demand for healthcare real estate assets in the region as well as organic NOI growth driven by contractual annual inflation adjustments and reinforces the REIT's ability to drive increases in net asset value through focused and disciplined investment in international healthcare real estate markets.

In respect of acquisitions, the REIT continued to execute on its significant pipeline and on September 30, 2013 announced a $205 million sale leaseback of a portfolio of leading Brazilian Hospitals from Rede D'Or Sao Luiz S.A. (the "**Rede D'Or Hospital Portfolio Acquisition**"), which is expected to close in Q4-2013. Upon completion of the Rede D'Or Hospital Portfolio Acquisition, the REIT will have completed more than $500 million of acquisitions since its repositioning to focus on international healthcare real estate in October 2012 and will have increased its pro-forma AFFO/unit by 47%.

Looking through to the end of the year, the REIT will be focused on continuing to deliver stable operating performance and completing the Rede D'Or Hospital Portfolio Acquisition.

With the broader Canadian REIT landscape facing evolving capital market conditions underpinned by expectations of rising interest rates, I believe that NorthWest International REIT is uniquely positioned to deliver accretive growth opportunities while maintaining its objective of providing unitholders with stable and growing distributions over an increasingly diverse and sizeable portfolio.

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, 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 March 11, 2013 (the "**Annual Information Form**"). This MD&A is current as of November 20, 2013 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 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 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**");
- Net operating income ("**NOI**");
- Weighted average lease expiry ("**WALE**");
- Weighted average interest rate; and
- Occupancy levels.

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

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

"**FFO**" is defined as 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) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; and (vi) deferred income tax expense, 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, amortization of deferred financing and leasing costs, and compensation expense related to deferred unit incentive plans, (ii) adjusting for differences, if any, resulting from recognizing property revenues on a straight line basis as opposed to contractual rental amounts, and (iii) deducting actual costs for tenant inducements, leasing costs, financing 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.

"**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.

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

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, or as a point-in-time reference when analyzing future lease expiries, or as an assessment of the performance of each property period over period. Management considers this a useful measure in assessing the overall performance of its portfolio and is an essential tool to determine which properties require further investigation if performance lags.

KEY PERFORMANCE DRIVERS

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

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

PART II – BUSINESS OVERVIEW

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

The REIT

The REIT, previously known as "GT Canada Medical Properties Real Estate Investment Trust", 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 (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 internationally;
- 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.

Reconfiguration of the REIT to focus on International Healthcare Real Estate

During 2012, NorthWest Value Partners Inc. ("**NWVP**") acquired a majority interest in the REIT and, through a series of transactions, the REIT disposed of its entire portfolio of Canadian medical office buildings (the "**Former Canadian MOB Portfolio**") with effect from October 1, 2012.

In a separate series of transactions, with effect from October 1, 2012, the REIT acquired a portfolio of international assets (the "**Initial International Assets**") from NWVP. In conjunction with the acquisition of the Initial International Assets, 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 Developer for the REIT in respect of the REIT's investments.

On October 30, 2012, the REIT changed its name to "NorthWest International Healthcare Properties Real Estate Investment Trust", reflecting its new strategic direction.

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 diversify their real estate holdings beyond strictly the Canadian market. 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	26.3 Million	194.9 Million	81.7 Million	34.7 Million
GDP Growth (1)	2.14%	3.29%	1.90%	1.95%
Inflation (1)	1.70%	5.86%	1.24%	1.19%
5 Yr. Government Bond Yield (2)	3.25%	11.45%	0.79%	1.86%
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) For the quarter ended September 30, 2013
(2) As at September 30, 2013

Sources: Trading Economics; Bloomberg

RELATIONSHIP WITH NWVP

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. As at September 30, 2013, NWVP indirectly owned approximately 87% of the outstanding Trust Units (approximately 60% on a fully-diluted basis). Principals of NWVP serve as officers and trustees of the REIT.

HIGHLIGHTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

Closing of Over-Allotment Option on December 2012 Equity Offering of Trust Units

On January 14, 2013, the REIT announced that pursuant to its December 20, 2012 equity offering of 12,500,000 Trust Units of the REIT, the underwriters exercised their overallotment option and completed their purchase of 850,900 additional Trust Units of the REIT at a price of $2.00 per Trust Unit for additional gross proceeds of $1,701,800.

Distribution Reinvestment Plan

On January 23, 2013, the REIT implemented a distribution reinvestment plan (the "**DRIP**"). Eligible Unitholders (which includes holders of Class B LP exchangeable units) that elect to participate in the DRIP will have their cash distributions used to purchase units of the REIT and will also receive a "bonus distribution" of units equal in value to 3% of each distribution. The REIT may initially issue up to 10,000,000 Trust Units under the DRIP. The REIT may increase the number of Trust Units available to be issued under the DRIP at any time in its discretion subject to (a) the approval of the REIT's board of trustees, (b) the approval of any stock exchange upon which the Trust Units trade, and (c) public disclosure of such increase.

Issuance of $22.6 million, 6.5% Convertible Debentures

On March 25, 2013, the REIT completed the issuance of $20,000,000 aggregate principal amount of unsecured convertible subordinated debentures (the "**Series MOB.DB Debentures**"). The Series MOB.DB Debentures bear interest at 6.50% per annum, payable semi-annually on September 30 and March 31 each year, and mature on March 31, 2018.

On April 3, 2013, the REIT issued an additional $2,600,000 of Series MOB.DB Debentures in connection with the exercise of the overallotment option related to the Series MOB.DB Debenture issuance.

Acquisition of Fulda

On March 31, 2013, the REIT completed the acquisition of Medicum Muensterfeld ("**Fulda**"), a newly constructed medical office complex located in Fulda, Germany for $19,513,141, subject to customary closing adjustments. The investment was partially funded by a new $11,875,500 five year mortgage at a fixed interest rate of 2.37% with a 40 year amortization period.

Acquisition of Investment in NWHP REIT

Pursuant to the exercise of a put right held by NWVP under the Put/Call Agreement (defined herein), the REIT indirectly acquired an approximate 26% interest in NWHP REIT from NWVP and affiliates. The interest acquired by the REIT consists of 4,345,900 units of NWHP REIT and 7,551,546 class B limited partnership units of NHP Holdings Limited Partnership ("**NHP LP**"), which are exchangeable for trust units of NWHP REIT.

The purchase price for the interest in NWHP REIT was $157,284,236 ($13.22/unit). In connection with the completion of the transactions contemplated by the Put/Call Agreement, NWVP settled $15,000,000 of obligations that had previously been owing to the REIT. As a result, the net consideration payable to NWVP was $142,284,236, which was financed by (a) the issuance of 36,637,245 Class B LP exchangeable units of NWI Healthcare Properties LP, a subsidiary of the Trust, at a deemed price of $1.87 per unit ($68,511,648) and (b) the assumption of estimated existing debt ($73,772,588).

Issuance of $17.5 million, 7.5% Convertible Debentures

On August 29, 2013, the REIT completed the issuance of $17,500,000 aggregate principal amount of unsecured convertible subordinated debentures (the "**Series MOB.DB.A Debentures**"). The Series MOB.DB.A Debentures bear interest at 7.50% per annum, payable semi-annually on September 30 and March 31 each year, and mature on September 30, 2018.

Increase in investment in Vital Trust to 23.65%

During the nine months ended September 30, 2013, the REIT increased its investment in Vital Trust from 19.66% up to 23.65% through open market purchases as well as through participation in Vital Trust's Rights Offering (the "**Vital Rights Offering**") on August 23, 2013. Subsequent to the end of the quarter, the REIT made additional open market purchases and as of the date of this MD&A, the REIT's investment in Vital Trust is 24.14%

ASSETS OF THE REIT

Summary

The following table highlights certain information about the REIT's assets as at September 30, 2013:

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%	11.3
Hospital e Maternedade Brasil	Dec 27 2012	1970 - 2007	342,000	1	100.0%	24.5
			446,915	**2**	**100.0%**	**21.4**
Germany						
Adlershof 1	Nov 16 2012	2004	57,603	34	100.0%	2.3
Adlershof 2	Nov 16 2012	2010	48,539	15	96.5%	5.7
Berlin Neukölln	Nov 16 2012	2000	36,371	13	94.9%	2.3
Königs Wusterhausen 1	Nov 16 2012	2001	40,365	24	85.7%	2.7
Marktredwitz	Nov 16 2012	2008	47,215	12	96.7%	5.0
Fulda	Mar 31 2013	2008	99,515	38	100.0%	6.3
			329,608	**136**	**96.7%**	**4.4**
Australiasia - Vital Interest [2]			**1,620,110**	**106**	**99.2%**	**13.5**
Canada - NWHP REIT Interest [3]			**4,686,097**	**1,570**	**92.0%**	**4.8**
Portfolio Totals / Weighted Averages			**7,082,730**	**1,814**	**94.4%**	**7.8**
Portfolio Totals / Weighted Averages - Proportionate Consolidation [4]			**2,364,565**		**95.3%**	**9.3**

Notes
(1) As at September 30, 2013. 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.
(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 proporiontate 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, 2013, 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, 2013, Vital Trust owned a portfolio of 24 properties in New Zealand and Australia. Approximately 75% of Vital Trust's property portfolio is located in Australia with the remaining 25% 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 22, 2013 Vital Trust reported its audited results for the twelve months ended June 30, 2013. During the year ended June 30, 2013 Vital Trust increased its net property income (a similar measure to NOI) by 21% to NZ$57.9 million. The increase was primarily attributable to NZ$37.0 million of accretive acquisitions and NZ$41.7 million of accretive hospital redevelopments which have enhanced the quality of Vital Trust's portfolio and are averaging annual rental yields of approximately 10%. In addition, Vital Trust completed 107 rent reviews during the 12 months ended June 30, 2013 with an average 1.7% rental rate increase. Vital Trust's portfolio occupancy increased from 99.3% to 99.5% from June 30, 2012 to June 30, 2013, respectively.

On November 14, 2013 Vital Trust reported its unaudited interim results for the 3 months ended September 30, 2013 consisting of a consolidated balance sheet and consolidated statement of comprehensive income. For the three months ended September 30, 2013, Vital Trust reported net property income (a similar measure to NOI) of NZ$14.7 million and total comprehensive income after tax of NZ$5.1 million. There was no change to Vital Trust's property holdings or tenant base during the three months ended September 30, 2013.

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 months ended September 30, 2013, the REIT acquired an additional 18,494,373 Vital Trust units through a combination of open market purchases and participation in the Vital Rights Offering, increasing its interest in Vital Trust to 79,972,858 units or approximately 23.65% as at September 30, 2013. Subsequent to the end of the quarter, the REIT made additional open market purchases and increased its interest in Vital Trust to 81,659,865 units or approximately 24.14% as of the date of this MD&A.

At September 30, 2013, a significant portion of the REIT's interest in Vital Trust (74,191,089 units) is held primarily through a global master securities lending agreement (the "**Vital SLA**") as described in further detail below.

During the three months ended September 30, 2013, the REIT obtained a margin facility that provides for a maximum loan of $12,835,500 (NZ$15,000,000). As of September 30, 2013, the REIT has drawn approximately $2,542,700 against the facility and has pledged 4,466,427 Vital Trust units as collateral.

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 has 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 current 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 (11 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.

Germany – Initial focus on medical office buildings

Adlershof 1

Adlershof 1 is a five storey, purpose built medical office building completed in 2004. The fully 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 96% 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 95% occupied building has a gross leasable area (including storage) of 36,371 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 fully let building 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.

Marktredwitz

Marktredwitz is a three storey, detached, purpose built medical office building completed in 2008. The fully occupied building has a gross leasable area (including storage) of 47,215 square feet and 13 exterior covered parking stalls. The ground floor includes retail and conference centre space, the second storey is leased to a dialysis clinic and the third storey is leased to various medical tenants. Marktredwitz is a town in the district of Wunsiedel, in Bavaria, southeast Germany.

Fulda

Fulda is a newly constructed medical office complex located in Fulda, Germany, approximately 100km northeast of Frankfurt, Germany. At approximately 98,515 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.

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, 2013, 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, 2013, NWHP REIT owned a portfolio of 78 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 4, 2013, NWHP REIT reported its interim results for the three and nine months ended September 30, 2013. For the three months ended September 30, 2013, NWHP REIT reported $20.7 million of net operating income, which represents a 14.2% increase over the prior year. The increase was primarily attributable to accretive acquisitions during the period as well as a 0.8% increase in same property net operating income. NWHP REIT's portfolio occupancy increased from 91.2% to 92.0% from September 30, 2012 to September 30, 2013, respectively.

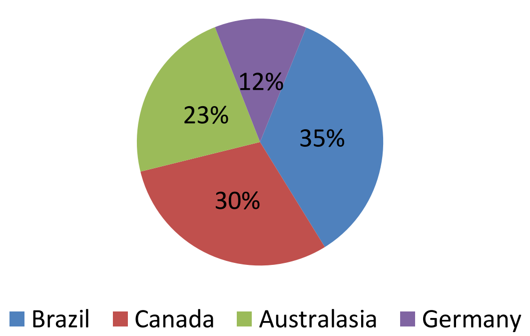
The REIT's interest in NWHP REIT

On June 21, 2013, pursuant to the exercise of a put right held by NWVP under the Put/Call Agreement, the REIT indirectly acquired an approximate 26% interest in NWHP REIT from NWVP and affiliates. The interest acquired by the REIT consists of 4,345,900 units of NWHP REIT and 7,551,546 class B limited partnership units of NHP LP, which are exchangeable for trust units of NWHP REIT.

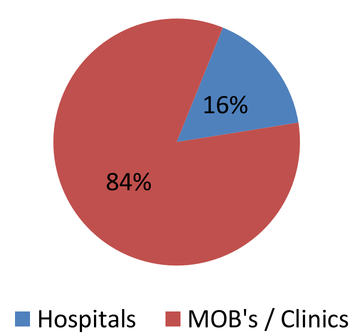
Diversification of Assets

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

Geographic Profile by Investment Value



Asset Mix by Number of Properties



Notes:
- As at September 30, 2013
- Australasia statistics represent 100% of Vital Trust. The REIT has an exposure to an approximate 24% interest in Vital Trust.
- Canada statistics represent 100% of NWHP REIT. The REIT has an exposure to an approximate 26% interest in NWHP REIT.

Geographic Diversification

The REIT aims to provide its investors with 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), 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.

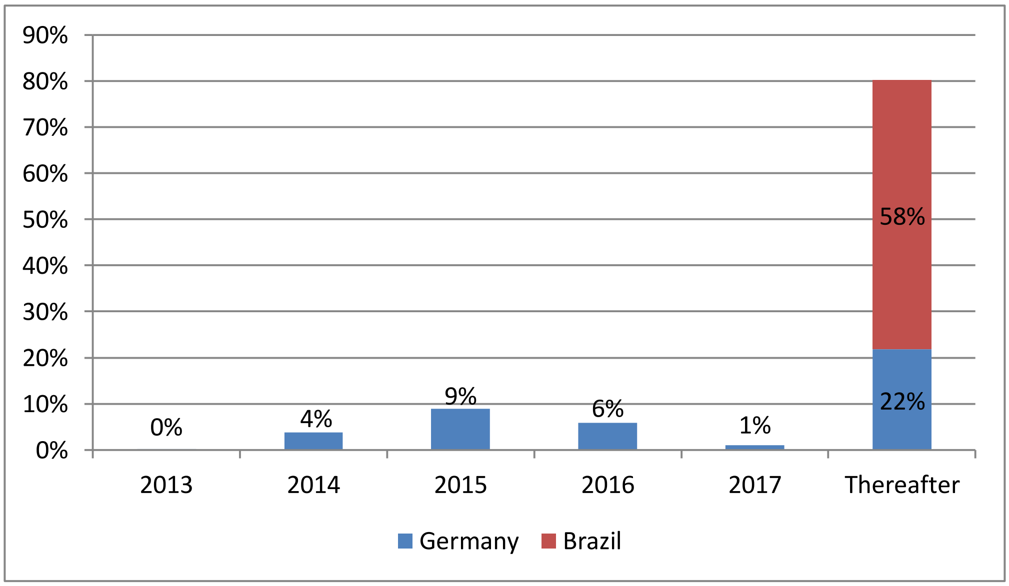
As at September 30, 2013 and including the REIT's interest in Vital Trust and NWHP REIT on a 100% basis, the REIT has interests in 18 hospitals and 92 medical office buildings.

Lease Maturities

As at September 30, 2013 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 7.5 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, 2013
- Excludes the REIT's interest in Vital Trust and NWHP REIT

As illustrated above, an average of 4.0% of the GLA related to the REIT's direct property holdings in Brazil and Germany is maturing each year, between 2013 and 2017. 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 13.5 years and 4.8 years, respectively. In respect of Vital Trust, 1.6% of its portfolio income is subject to lease expiry over the next twelve months and an average of 2.1% expiring each year for the four years thereafter. 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 2013 and 2017.

The REIT's longer term lease expiries primarily relate to its two hospital properties in Brazil. The Sabará Children's Hospital and Hospital e Maternedade Brasil, are each occupied by single tenants that are leading hospital operators and have leases expiring on September 30, 2024 and December 31, 2037, respectively.

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, 2013	**As at Dec. 31, 2012**
Operational Information [(1)]		
Number of Properties	110	31
Gross Leasable Area (sf) - 100% of associates	7,082,730	1,873,571
Occupancy % - 100% of associates	94.4%	99.5%
Summary of Financial Information		
Gross Book Value [(2)]	$ 560,867,595	$ 349,554,285
Debt - Declaration of Trust [(3)]	$ 238,475,203	$ 148,144,630
Debt to Gross Book Value - Declaration of Trust	42.5%	42.4%
Debt - Including convertible debentures [(3)]	$ 273,887,203	$ 148,144,630
Debt to Gross Book Value - Including convertible debentures	48.8%	42.4%
Percentage of Mortgages and Loans Payable at Fixed Rates	45.7%	77.1%
Weighted-Average Interest Rate on Fixed Rate Mortgages and Loans	5.05%	5.50%
Adjusted Units Outstanding - period end [(4)]		
Basic	136,591,492	98,541,704
Diluted [(7)]	136,943,738	98,541,704
	For the three months ended Sep. 30, 2013	**For the nine months ended Sep. 30, 2013**
Operating Results		
Net Income / (Loss)	$ 32,116,236	$ 47,886,543
NOI from Continuing Operations [(5)]	$ 4,282,008	$ 13,170,763
Funds From Operations ("FFO") [(5)]	$ 4,242,955	$ 11,595,261
Adjusted Funds From Operations ("AFFO") [(5)]	$ 6,064,083	$ 15,584,836
Distributions [(6)]	$ 5,463,249	$ 13,911,401
Per Unit Amounts [(4)]		
FFO per unit - Basic	$ 0.031	$ 0.102
FFO per unit - Adjusted fully diluted [(7)]	$ 0.031	$ 0.102
AFFO per unit - Basic	$ 0.044	$ 0.138
AFFO per unit - Adjusted fully diluted [(7)]	$ 0.044	$ 0.137
Distributions per unit	$ 0.040	$ 0.080
Adjusted Weighted Average Units Outstanding [(4)]		
Basic	136,566,427	113,251,501
Diluted [(7)]	136,661,749	113,344,953

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 exchangeable units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 91,068,320 Class B LP exchangeable units outstanding as at September 30, 2012 and 55,944,444 Class B LP exchangeable units outstanding at December 31, 2012.
(5)	NOI, FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. NOI, FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to NOI, FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to IFRS-based amounts reported in the consolidated financial statements of the REIT.
(6)	Represents distributions to Unitholders and Class B LP 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 conversion price is greater than the closing price of the Trust Unit as at the end of the reporting period. Otherwise the convertible debentures are considered anti-dilutive.

SUBSEQUENT EVENTS

Rede D'or Hospital Portfolio Acquisition

On September 30, 2013, the REIT signed a letter of intent to acquire a portfolio of three private hospitals in Brazil for a purchase price of approximately $205 million which includes deferred consideration of approximately $37 million. The REIT expects to finance the acquisition through a combination of some or all of: domestic level financing, an acquisition facility, corporate level financing and existing cash and receivables. The acquisition is expected to close before December 31, 2013 and is subject to certain closing conditions.

Renewal of Margin Facility on the REIT's investment in NWHP REIT

On November 8, 2013, the REIT repaid one margin facility related to its investment in NWHP REIT with an outstanding balance of $8,516,491 and entered into a new revolving margin facility with a limit of $15,000,000 and term of one year, bearing interest at prime plus 1.25% or the Banker's Acceptance rate plus 2.25% and a commitment fee on any unused portion of 0.5625%. The current balance outstanding on this facility is $8,551,491.

PART III – RESULTS FROM OPERATIONS

The following discussion of the REIT's results from operations for the three and nine months ended September 30, 2013 will focus primarily on its continuing operations related to the international assets.

NET INCOME

The following is a summary of selected financial information from the consolidated statements of operations for the three and nine months ended September 30, 2013 and September 30, 2012.

TABLE 6 - RESULTS FROM OPERATIONS

	Three months ended		Nine months ended	
	September 30, 2013	**September 30, 2012**	**September 30, 2013**	**September 30, 2012**
Net Operating Income (1)				
Revenue from investment properties	$ 4,876,996	$ -	$ 14,633,055	$ -
Property operating costs	(594,988)	-	(1,462,292)	-
	4,282,008	**-**	**13,170,763**	**-**
Other income				
Share of profit from associates	4,616,826	-	8,394,608	-
Management fee participation	469,838	-	1,280,083	-
Interest income	635,314	1,204	1,813,281	6,512
	5,721,978	**1,204**	**11,487,972**	**6,512**
	10,003,986	**1,204**	**24,658,735**	**6,512**
Other expenses				
Mortgage and loan interest expense	(3,722,434)	-	(7,500,785)	-
General and administrative expense	(866,369)	(177,829)	(2,062,405)	(953,193)
Transaction costs	-	(64,027)	(468,182)	(323,231)
Finance costs	12,816,657	-	(353,482)	(292,187)
Foreign exchange loss	(1,979,466)	-	(1,907,279)	-
Amortization of intangible asset	(390,318)	-	(1,170,956)	-
Income / (Loss) before the undernoted items	**15,862,056**	**(240,652)**	**11,195,646**	**(1,562,099)**
Other fair value gains	16,650	415,647	12,950	58,274
Fair value adjustment of investment properties	25,896,946	-	25,010,172	-
Gain on derivative finacial instrument	-	-	23,083,107	-
Income / (Loss) before taxes	**41,775,652**	**174,995**	**59,301,875**	**(1,503,825)**
Income tax expense	(9,659,416)	-	(11,415,332)	-
Net Income / (Loss) from continuing operations	**32,116,236**	**174,995**	**47,886,543**	**(1,503,825)**
Net income from discontinued operations	-	781,709	-	6,288,765
Net Income	**$ 32,116,236**	**$ 956,704**	**$ 47,886,543**	**$ 4,784,940**

Notes

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

Revenue from investment properties

Revenue from investment properties for the three months ended September 30, 2013 was $4,876,996 and for the nine months ended September 30, 2013 was $14,633,055, (for the three and nine months ended September 30, 2012 – $nil), which relates to the REIT's properties in Germany and Brazil.

For the three months ended September 30, 2013 revenue from investment properties from the German and Brazilian properties was $1,419,563 and $3,457,433 respectively (for the nine months ended September 30, 2013 - $3,614,963 and $11,018,092, respectively). Revenue from Sabará Children's Hospital in Brazil of $546,205 for the three months ended September 30, 2013 ($1,696,271 for the nine months ended September 30, 2013) includes the amortization of deferred revenue in the amount of $347,622 (for the nine months ended September 30, 2013 - $1,060,357), which represents the securitized portion of rents recognized into income on a straight line basis. Effective April 1, 2013, the tenant at Sabará Children's Hospital received their annual indexation adjustment notice which resulted in an increase to their annual rent by 6.31% from the prior year.

Revenue from HMB in Brazil was $2,911,277 for the three months ended September 30, 2013 ($9,321,821 for the nine months ended September 30, 2013).

Property operating costs

Property operating costs for the three months ended September 30, 2013 were $594,988 and for the nine months ended September 30, 2013, $1,462,292 (for the three and nine months ended September 30, 2012 – $nil), which relates to the REIT's properties in Germany and Brazil.

For the three months ended September 30, 2013, property operating costs from the German and Brazilian properties were $468,792 and $126,196 respectively (for the nine months ended September 30, 2013 - $1,060,132 and $402,160, respectively).

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.

Share of profit of associates

The share of profit 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 26% ownership of NWHP REIT using the equity method. During the three months ended September 30, 2013, the REIT recorded equity income from Vital Trust of $1,663,295 and $2,953,531 of equity income from NWHP REIT. For the nine months ended September 30, 2013, the REIT recorded income from associates of $5,040,752 and $3,353,856 from Vital Trust and NWHP REIT respectively.

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, 2013, the REIT received distributions of $3,371,170 from Vital Trust, of which $2,373,498 were received in cash and the remaining $997,672 was 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 for the nine months ended September 30, 2013 represent only the 4 months of distributions received since the acquisition of the interest in NWHP REIT on June 21, 2013.

Management Fee Participation

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

During the three and nine months ended September 30, 2013, the REIT earned $469,838 and $1,280,083 respectively, in respect the Management Fee Participation Agreement.

During the three months ended September 30, 2013, $319,383 ($1,006,802 for the nine months ended September 30, 2013) 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 $150,455 ($273,281 for the nine months ended September 30, 2013) of management fee participation revenue related to activity based fees from development and acquisition fees paid by Vital Trust.

Interest income

Interest income represents amounts earned on cash balances, the promissory note receivable, the accretion on the instalment note receivable and the effective economic return earned on the working capital and closing adjustment receivable from NWVP and its subsidiaries (see "Related Party Transactions"). For the three and nine months ended September 30, 2013, the REIT recorded interest income of $635,314 and $1,813,281 respectively. For the three and nine months ended September 30, 2012, the REIT recorded interest income of $1,204 and 6,512 respectively.

The increase in interest income from 2012 to 2013 for the 3 months ended September 30 is a result of: a) $550,000 effective economic return earned on the working capital and closing adjustment receivable from NWVP and its subsidiaries; b) instalment note accretion of $15,746; and c) an increase in interest on cash balances invested of $69,668. The increase in interest income from 2012 to 2013 for the nine months ended September 30, 2013 is a result of: a) interest earned on the promissory note receivable of $562,192; b) economic consideration on the working capital and closing adjustment receivable from NWVP and its subsidiaries of $1,100,000; c) instalment note accretion of $56,384; and d) interest earned on cash balances invested of $94,705.

In connection with the completion of the acquisition of the investment in NWHP REIT, NWVP settled the promissory note in full on June 21, 2013.

Mortgage and loan interest expense

Mortgage and loan interest expense for the three and nine months ended September 30, 2013 was $3,722,434 and $7,500,785 respectively (for the three and nine months ended September 30, 2012 – $nil).

For the three months ended September 30, 2013 interest on the mortgages on the German properties was $266,831 (nine months ended September 30, 2013 - $706,414). As at September 30, 2013, the weighted average effective interest rate on the German properties was 2.57%.

The REIT incurred interest of $490,103 on the Vital SLA and $929,857 on the term loan on HMB during the three months ended September 30, 2013 ($1,215,544 and $2,992,697 respectively for the nine months ended September 30, 2013).

For the three and nine months ended September 30, 2013, the REIT accrued interest of $487,045 and $877,295 on the Series MOB.DB and Series MOB.DB.A Debentures which bear interest at 6.5% per annum and 7.5% per annum respectively, payable semi-annually on September 30 and March 31 each year.

On June 21, 2013 as a result of the acquisition of the investment in NWHP REIT, the REIT assumed debt of $73,772,588 in the form of various margin facilities with two separate financial institutions. During the three months ended September 30, 2013, the REIT made net repayments to the NWHP REIT margin facilities in the amount of $6,500,000. Interest on the margin facilities is calculated daily and ranges from 4.25% to 10.75% per annum, with a weighted average interest rate of 8.72% as at September 30, 2013. Interest incurred for the three and nine months ended September 30, 2013 on the margin facilities associated with the investment in NWHP REIT was $1,544,100 and $1,704,337 respectively. 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.

General and Administrative Expenses

General and administrative expenses for the three months ended September 30, 2013 were $866,370 versus $177,829 in the comparable period in 2012. The increase of $688,541 primarily relates to asset management fees of $476,647 which were not incurred in 2012 and higher legal and audit fees relating to the change in the nature and size of the business of the REIT from 2012 to 2013.

For the nine months ended September 30, 2013 general and administrative expenses were $2,062,406, as compared to $953,193 for the nine months ended September 30, 2012. The increase of $1,109,213 primarily relates to asset management fees of $1,376,942 and higher legal and audit fees relating to the change in the nature and size of the business of the REIT from 2012 to 2013.General and administrative expenses were partially offset by an adjustment of $500,000 in respect of travel and other out of pocket costs from the Asset Manager.

Transaction Costs

For the three and nine months ended September 30, 2013 the REIT incurred $nil and $468,182 respectively of transaction costs primary related to the closing of the REIT's acquisition of the Initial International Assets from NWVP.

Transaction costs incurred in the three and nine months ended September 30, 2012 were as a result of professional fees related to the REIT's consideration of the proposed strategic transaction with NWVP.

Finance Costs

Finance costs for the three and nine months ended September 30, 2013 and 2012 consisted of the following:

TABLE 7 - FINANCE COSTS

	Three months ended		**Nine months ended**	
	September 30, 2013	**September 30, 2012**	**September 30, 2013**	**September 30, 2012**
Distributions on Class B LP exchangeable units	$ 3,642,915	$ -	$ 8,526,498	$ 13,937
Loss on revaluation of financial liabilities	822,682	-	3,665,333	-
Amortization of deferred financing costs	128,456	-	264,219	-
Fair value adjustment of convertible debentures	(2,891,300)	-	(4,688,000)	-
Convertible debenture issuance costs	1,872,887	-	3,566,115	-
Class B LP exchangeable units – Fair value adjustment	(16,392,297)	-	(10,980,683)	278,250
Total Finance Costs	**$ (12,816,657)**	**$ -**	**$ 353,482**	**$ 292,187**

Distributions on Class B LP exchangeable units

Under IFRS, the Class B LP exchangeable unit distributions are treated as a finance cost. Class B LP exchangeable units receive distributions on an equivalent per unit basis to the distributions declared on the Trust Units. During the three and nine months ended September 30, 2013, the REIT made distributions of $3,642,915 and $8,526,498 respectively on the Class B LP exchangeable units ($nil and $13,937 for the three and nine months ended September 30, 2012).

Loss on revaluation of financial liabilities

On maturity, the principal balance of both the term loan and holdback payable (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 and nine months ended September 30, 2013, accretion expense of $822,682 and $3,665,333 respectively was recorded to account for the related inflation adjustment to the term loan and holdback payable for the period.

Amortization of deferred financing costs

Included in Finance Costs is amortization of deferred financing costs incurred to arrange mortgage or equity financing. For the three and nine months ended September 30, 2013, amortization of deferred financing costs totaled $128,456 and $264,219 respectively.

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 and Series MOB.DB.A Debentures mirrors the trading price of the REIT's listed Debentures. From issuance on March 25, 2013 to September 30, 2013, the trading price of the Series MOB.DB Debentures decreased from $1,000 to $870 per debenture, while the trading price of the Series MOB.DB.A Debentures decreased from

$1,000 on issuance on August 29, 2013 to $900 on September 30, 2013. For the three and nine months ended September 30, 2013, this reduction in the trading price of the Series MOB.DB and MOB.DB.A Debentures resulted in a fair value gain of $1,872,887 and $3,566,115 respectively.

Convertible debenture issuance costs

Included in finance costs for the three months ended September 30, 2013 are costs related to the issuance of the Series MOB.DB.A Debentures of $1,872,887.

Included in finance costs for the nine months ended September 30, 2013 are costs related to the issuance of both the Series MOB.DB and Series MOB.DB.A Debentures which totaled $3,566,115.

Class B LP Exchangeable Units – Fair value adjustment

The Class B LP exchangeable units, under IFRS, are measured at fair value. The fair value of the Class B LP exchangeable units mirrors the trading price of the REIT's listed Trust Units. The trading price of the REIT's Trust Units decreased from $2.05 per unit at December 31, 2012 to $1.91 per unit at March 31, 2013, increased to $2.04 at June 30, 2013 and then decreased to $1.86 at September 30, 2013.

On June 21, 2013, there were 36,637,245 Class B LP exchangeable units issued at a price of $1.87 per unit as consideration for the investment in NWHP REIT.

For the three months ended September 30, 2013 the value of the Class B LP exchangeable unit liability decreased by $16,392,297, reflecting the decrease in the trading price of the REIT's Trust Units during the period from $2.04 to $1.86. During the nine months ended September 30, 2013, the value of the Class B LP exchangeable unit liability increased by $54,700,965. This reflected the issuance of 36,637,245 Class B LP exchangeable units on June 21, 2013 for $1.87 per unit for total value of $68,511,649 which was partially offset by both the decrease in the trading price of the REIT's Trust Units, resulting in a fair value adjustment of $10,980,683, and the conversion of 1,513,369 Class B LP exchangeable units at $1.87 per unit for a total value of $2,830,000.

Foreign Exchange Loss

The REIT's financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. The REIT's foreign exchange loss for the period relates primarily to the revaluation of the indebtedness related to the REIT's investment in Vital Trust which is denominated in New Zealand dollars, which is predominantly an unrealized loss. During the three and nine months ended September 30, 2013, the REIT recorded a foreign exchange loss of $1,979,466 and $1,907,279 respectively.

Amortization of Intangible Asset

In conjunction with the acquisition of the Initial 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 $390,318 of amortization for the three months ended September 30, 2013 ($1,170,956 for the nine months ended September 30, 2013).

Other Fair Value Gains

In 2013, other fair value gains are comprised of gains related to the changes in the fair value of the unit-based compensation liability associated with deferred units issued under the REIT's long-term incentive plan. During 2012, the other fair value gains also included fair value changes to the incentive unit options and warrants.

Total other fair value gains for the three months ended September 30, 2013 were $16,650 ($415,647 for the three months ended September 30, 2012). For the nine months ended September 30, 2013, the total fair value gains were $12,950 ($58,274 for the nine months ended September 30, 2012). The decrease during both the three months and nine months ended September 30, 2013 was a result of the significant reduction in the outstanding incentive unit options, warrants and deferred units as a consequence of the acquisition by NWVP in May 2012.

Fair Value Adjustment of Investment Properties

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 gain on investment properties for both the three and nine months ended September 30, 2013 is a result of the increase in fair value recorded for the REIT's Brazil portfolio by $25,891,258. The increase in the fair value of the Brazil portfolio is related to a decrease in discount rates based on expected investor returns related to hospital and healthcare related real estate properties, as well as the contractual increase in rents for inflation.. During the nine months ended September 30, 2013, the fair value gain on the Brazil portfolio was partially offset by a write off of transaction costs related to the REIT's acquisition of the Fulda property on March 31, 2013.

Gain on Derivative Financial Instrument

In conjunction with the acquisition of the Initial International Assets, the REIT entered into a Put/Call Agreement with NWVP with respect to securities of NWHP REIT owned by NWVP.

At December 31, 2012 and March 31, 2013, the Put/Call Agreement was a derivative financial instrument in a net liability position on the statement of financial position. 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. For the nine months ended September 30, 2013, this resulted in a gain of $23,083,104 related to the settlement of the derivative financial instrument. As at September 30, 2013, 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.

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, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net Income	$ 32,116,236	$ 956,704	$ 47,886,543	$ 4,784,940
Add / (Deduct):				
(i) Fair market value gains	(45,197,193)	(382,116)	(63,774,912)	(3,622,792)
(ii) Finance cost - Class B LP exchangeable unit distributions	3,642,915	-	8,526,498	13,670
(iii) Revaluation of financial liabilities	822,682	-	3,665,333	-
(iv) Foreign exchange loss	1,979,466	-	1,907,279	-
(v) Deferred taxes	9,261,740	-	10,194,732	-
(vi) Strategic transaction costs	-	-	468,182	-
(vii) Convertible debenture issuance costs	1,872,887	-	3,566,115	-
(viii) Net adjustments for equity accounted entities	(255,778)	-	(844,509)	-
Funds From Operations ("FFO") (1)	**$ 4,242,955**	**$ 574,588**	**$ 11,595,261**	**$ 1,175,818**
FFO per Unit - Basic	$ 0.031	$ 0.028	$ 0.102	$ 0.060
FFO per Unit - Adjusted and fully diluted (3)	$ 0.031	$ 0.028	$ 0.102	$ 0.060
Adjusted weighted average units outstanding: (2)				
Basic	136,566,427	20,219,095	113,251,501	19,679,958
Diluted (3)	136,661,749	20,219,095	113,344,953	19,679,958

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 exchangeable units are treated as a financial liability. As permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 91,068,320 Class B LP exchangeable units outstanding as at September 30, 2013 and nil Class B LP exchangeable units outstanding at September 30, 2012.

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

For the three and nine months ended September 30, 2013 the REIT's FFO per unit reflects the operations of the international assets and excludes any results from the REIT's Former Canadian MOB Portfolio.

FFO per unit of $0.102 for the nine months ended September 30, 2013 includes the impact of the REIT's investment in NWHP REIT from acquisition on June 21, 2013.

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, 2013 fair market value gains comprised of (a) $16,408,947 fair value gain on Class B LP exchangeable units and unit based compensation liabilities; (c) $25,896,946 fair value gain on investment properties; and (d) $2,891,300 fair value gain on the convertible debentures.

For the nine months ended September 30, 2013 fair market value gains comprised of (a) $23,083,107 fair value gain on derivative financial instruments; (b) $10,993,633 fair value gain on Class B LP 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) Derivative financial instruments

Under IFRS certain derivative financial instruments with non-cash settlements are classified as assets or liabilities 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 November 2012 ("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) Class B LP exchangeable units and unit based compensation liabilities

Under IFRS the REIT's Class B LP 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 Class B LP exchangeable units and unit based compensation liabilities have been added back to the REIT's net income.

(c) Investment properties

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

(d) Convertible debentures

Under IFRS the REIT's convertible debentures are classified as financial liabilities measured at fair value through profit and loss and any related unrealized fair value changes in re-measuring the financial liability impact net income. Consistent with 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 – Class B LP exchangeable unit distributions

Under IFRS the REIT's Class B LP exchangeable units are classified as financial liabilities and any related distributions on the Class B LP exchangeable units are regarded as finance cost. 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 Class B LP 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 loan and holdback payable (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, 2013, accretion expense of $822,682 (for the nine months ended September 30, 2013 - $3,665,333) was recorded to account for the related inflation adjustment to the term loan and holdback payable for the period. The accretion expense is treated as a fair value adjustment to the term loan and holdback payable, and therefore adjusted for to arrive at FFO.

(iv) 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 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. 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, these non-recurring finance costs, related to the issuance of the convertible debentures, have been added back to the REIT's net income.

(viii) Net adjustments for equity accounted entities

Under IFRS the REIT's investment in associates, which currently represents an approximate 24% direct and indirect interest in Vital Trust and an approximate 26% 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 September 30, 2013		**Nine months ended September 30, 2013**
Vital Trust - FFO (1)(2)		7,836,867	$	22,225,271
average % of Vital Trust owned during the period		22%		21%
Vital Trust Proportionate FFO		**1,751,801**	**$**	**4,614,424**
NWHP REIT - FFO (2)(3)	$	10,148,000	$	11,415,912
average % of NWHP REIT owned during the period		26%		26%
NWHP REIT Proportionate FFO	**$**	**2,609,247**	**$**	**2,935,675**
Funds From Operations from Associates ("FFO") (2)	**$**	**4,361,048**	**$**	**7,550,099**
Less: Share of income of associates		(4,616,826)		(8,394,608)
Net adjustments for equity accounted entities	**$**	**(255,778)**	**$**	**(844,509)**

Notes

(1) Represents the gross distributable income of Vital Trust's calculated from their unaudited results for three months ended September 30, 2013, adding the gross distributable income as reported by Vital Trust for the year ended June 30, 2013 and deducting the gross distribuable income reported for the six months ended December 31, 2012, 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 months ended September 30, 2013 and the FFO as reported by NWHP REIT for the three months ended June 30, 2013, prorated for the 10 day period from June 21 to June 30, 2013 to represent the income attributable to the period from acquisition by the REIT.

For the three months ended September 30, 2013, the REIT has included $1,751,801 ($4,614,424 for the nine months ended September 30, 2013) of FFO related to its proportionate direct and indirect interest in Vital Trust.

For the three months ended September 30, 2013, the REIT has included $2,609,247 ($2,935,675 for the nine months ended September 30, 2013) of FFO related to its approximate 26% proportionate interest in NWHP REIT. This FFO adjustment represents the proportionate FFO reported by NWHP REIT, from the date of acquisition on 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, subject to 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, 2013 (Unaudited)	**September 30, 2012 (Unaudited)**	**September 30, 2013 (Unaudited)**	**September 30, 2012 (Unaudited)**
Funds From Operations ("FFO") (1)	$ 4,242,955	$ 574,588	$ 11,595,261	$ 1,175,818
Add / (Deduct):				
(i) Asset management fees to be paid in units	476,647	-	1,376,942	-
(ii) Amortization of intangible asset	390,318	-	1,170,956	-
(iii) Instalment note	215,180	-	636,394	-
(iv) Interest rate subsidy	683,908	-	758,246	-
(v) Amortization of deferred financing charges	128,456	15,284	264,219	54,961
(vi) Securitized rent adjustment	(73,381)	11,796	(182,275)	36,493
(vii) Actual capex and leasing costs from continuing operations	-	(143,942)	(34,907)	(420,701)
(viii) Amortization of leasing costs and tenant inducements	-	(7,069)	-	(15,959)
(iv) Unit-based compensation expense	-	-	-	298,000
Adjusted Funds From Operations ("AFFO") (1)	**$ 6,064,083**	**$ 450,657**	**$ 15,584,836**	**$ 1,128,612**
AFFO per Unit - Basic	$ 0.044	$ 0.022	$ 0.138	$ 0.057
AFFO per Unit - Adjusted and fully diluted (3)	$ 0.044	$ 0.022	$ 0.137	$ 0.057
Adjusted weighted average units outstanding: (2)				
Basic	136,566,427	20,219,095	113,251,501	19,679,958
Diluted (3)	136,661,749	20,219,095	113,344,953	19,679,958

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 exchangeable units are treated as a financial liability. As permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 91,068,320 Class B LP exchangeable units outstanding as at September 30, 2012 and nil Class B LP exchangeable units outstanding at September 30, 2012.

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

For the three and nine months ended September 30, 2013 the REIT's AFFO per unit reflects the operations of the international assets and excludes any results from the REIT's Former Canadian MOB Portfolio.

AFFO per unit of $0.138 for the nine months ended September 30, 2013 includes the impact of the REIT's investment in NWHP REIT from acquisition on June 21, 2013.

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 $390,318 for the three months ended September 30, 2013 ($1,170,956 for the nine months ended September 30, 2013) of amortization related to 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 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.

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. 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 received in respect of the interest rate subsidy in AFFO.

(v) Amortization of deferred financing charges

Under IFRS, the REIT has recorded amortization of $128,456 for the three months ended September 30, 2013 ($264,219 for the nine months ended September 30, 2013) 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, 2013 the REIT recorded revenue of $546,205 (nine months ended September 30, 2013- $1,696,271) 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 net income reported under IFRS in AFFO by $73,381 for the three months ended September 30, 2013 ($182,275 for the nine months ended September 30, 2013).

(vii) Actual capital expenditures and leasing costs

For the three and nine months ended September 30, 2013 the REIT incurred $nil and $34,907 respectively of non-recoverable capital expenditures related to the parking garage at Königs Wusterhausen 1.

(viii) Amortization of leasing costs and tenant inducements

For the three and nine months ended September 30, 2013 the REIT did not amortize any leasing costs or tenant inducements.

(ix) Unit-based compensation expense

For the three and nine months ended September 30, 2013 the REIT did not incur any unit-based compensation expenses.

DISTRIBUTIONS

For the three months ended September 30, 2013, the REIT paid a total of $5,372,835 in distributions, reflecting an annualized distribution rate of $0.16 per unit per annum. Distributions to Unitholders over the last twelve months are summarized below:

TABLE 11 - MONTHLY DISTRIBUTIONS

	Sep-13	Aug-13	Jul-13	Jun-13	May-13	Apr-13	Mar-13	Feb-13	Jan-13	Dec-12	Nov-12	Oct-12
Monthly distribution ($)	0.0133	0.0133	0.0133	0.0133	0.0133	0.0133	0.0133	0.0133	0.0133	0.0133	0.0254	0.0053
Month-end closing price ($)	1.86	1.80	1.95	2.04	2.07	2.06	1.91	2.19	2.15	2.01	2.05	1.95
Date of Record	30-Sep-13	31-Aug-13	31-Jul-13	30-Jun-13	30-May-13	30-Apr-13	31-Mar-13	28-Feb-13	31-Jan-13	31-Dec-12	30-Nov-12	31-Oct-12
Date Paid	15-Oct-13	16-Sep-13	15-Aug-13	15-Jul-13	17-Jun-13	15-May-13	15-Apr-13	15-Mar-13	15-Feb-13	15-Jan-13	17-Dec-12	15-Nov-12

During the three and nine months ended September 30, 2013, a total of 49,842 and 104,651 trust units were issued under the DRIP 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, 2013 (Unaudited)	September 30, 2012 (Unaudited)	September 30, 2013 (Unaudited)	September 30, 2012 (Unaudited)
Net income	$ 32,116,236	$ 956,704	$ 47,886,543	$ 4,784,940
Cash flow from operating activities	$ 955,480	$ 495,296	$ 1,451,143	$ (1,633,589)
Distributions paid and payable				
Trust Units	$ 1,820,333	$ 323,413	$ 5,384,903	$ 866,128
Class B LP Exchangeable Units	$ 3,642,915	$ -	$ 8,526,498	$ 13,937
	$ 5,463,248	$ 323,413	$ 13,911,401	$ 880,065
Surplus (shortfall) of cash flow from operating activities over distributions paid and payable	$ (4,507,768)	$ 171,883	$ (12,460,258)	$ (2,513,654)
Surplus of net income over distributions paid and payable	$ 26,652,988	$ 633,291	$ 33,975,142	$ 3,904,875

TABLE 12A - ADJUSTMENT FOR DISTRIBUTION INCOME FROM ASSOCIATES

Surplus (shortfall) of cash flow from operating activities over distributions paid and payable	$ (4,507,768)	$ 171,883	$ (12,460,258)	$ (2,513,654)
Add: Distributions income from associates	$ 3,788,939	$ -	$ 5,546,241	$ -
Adjusted Surplus (shortfall) of cash flor from operating activities over distributions paid and payable	$ (718,829)	$ 171,883	$ (6,914,017)	$ (2,513,654)

For the three and nine months ended September 30, 2013, distributions paid and payable exceeded cash flow from operations by $4,507,768 and $12,460,258 respectively compared to a surplus of $171,883 and shortfall of $2,513,654 for the three and nine months ended September 30, 2012 respectively. For the three and nine months ended September 30, 2013 the REIT’s net income exceeded its distributions paid and payable by $26,652,987 and $33,975,141 respectively compared to a surplus of $633,291 and $3,904,875 respectively for the three and nine months ended September 30, 2012.

Cash flow from operating activities excludes the distribution income from associates and therefore is not considered in the surplus (shortfall) relative to the distributions paid. The distributions earned from its investment in associates are considered in the REIT’s distribution policy as reflected in Table 12A above.

Net income already includes a deduction for the distributions on the Class B LP exchangeable units which are considered finance costs under IFRS. 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.

QUARTERLY PERFORMANCE

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

TABLE 13 - QUARTERLY PERFORMANCE

	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11
Summary of Financial information								
Gross Book Value ("GBV") (1)	$ 560,867,595	$ 517,126,358	$ 380,465,080	$ 349,554,285	$ 88,473,236	$ 88,517,393	$ 75,705,892	$ 63,709,964
Debt - Declaration of Trust ("DOT") (2)	$ 238,475,203	$ 230,180,937	$ 162,905,626	$ 148,144,630	$ 48,163,959	$ 47,571,759	$ 42,689,621	$ 32,398,102
Debt to GBV - DOT	42.5%	44.5%	42.8%	42.4%	54.4%	53.7%	56.4%	50.9%
Debt - Including convertible debentures (2)	$ 273,887,203	$ 250,984,237	$ 181,401,901	$ 148,144,630	$ 48,163,959	$ 47,571,759	$ 42,689,621	$ 32,398,102
Debt to GBV - Incl. convertible debentures	48.8%	48.5%	47.7%	42.4%	54.4%	53.7%	56.4%	50.9%
Operating results								
Net income / (loss)	$ 32,116,236	$ 4,168,473	$ 11,601,834	$ (37,268,406)	$ 956,704	$ 2,290,406	$ 1,537,830	$ 60,314
NOI from Continuing Operations (3)	$ 4,282,008	$ 4,545,692	$ 4,343,063	$ 1,117,774	$ -	$ -	$ -	$ -
NOI from Discontinued Operations (3)	$ -	$ -	$ -	$ -	$ 1,407,008	$ 1,453,069	$ 1,291,973	$ 992,481
FFO (3)	$ 4,242,955	$ 3,656,092	$ 3,696,216	$ 1,636,707	$ 574,588	$ 759,959	$ (138,606)	$ (17,232)
AFFO (3)	$ 6,064,083	$ 4,820,943	$ 4,699,810	$ 1,959,356	$ 450,657	$ 649,873	$ 55,717	$ 317,313
Distributions (4)	$ 5,463,249	$ 4,472,101	$ 3,976,052	$ 3,608,382	$ 323,546	$ 319,183	$ 237,469	$ 237,469
Per Unit amounts								
FFO per unit - Basic	$ 0.031	$ 0.035	$ 0.037	$ 0.019	$ 0.028	$ 0.041	$ (0.009)	$ (0.001)
FFO per unit - Adjusted and fully diluted (6)	$ 0.031	$ 0.035	$ 0.037	$ 0.019	$ 0.028	$ 0.041	$ (0.009)	$ (0.001)
AFFO per unit - Basic	$ 0.044	$ 0.047	$ 0.047	$ 0.022	$ 0.022	$ 0.035	$ 0.004	$ 0.020
AFFO per unit - Adjusted and fully diluted (6)	$ 0.044	$ 0.047	$ 0.047	$ 0.022	$ 0.022	$ 0.035	$ 0.004	$ 0.020
Distributions	$ 0.040	$ 0.040	$ 0.040	$ 0.040	$ 0.016	$ 0.017	$ 0.015	$ 0.015
Adjusted Weighted Average units outstanding (5)								
Basic	136,566,427	103,506,425	99,271,825	87,400,400	20,219,095	18,647,389	15,520,847	15,520,847
Diluted (6)	136,661,749	103,598,923	99,364,324	87,400,400	20,219,095	18,647,389	15,520,847	15,520,847

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

(4) Represents distributions to Unitholders and Class B LP 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 exchangeable units are treated as a financial liability. As permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 91,068,320 Class B LP exchangeable units outstanding as at September 30, 2013 and nil Class B LP exchangeable units outstanding at September 30, 2012.

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

PART IV – CAPITALIZATION AND LIQUIDITY

INVESTMENT PROPERTIES

As at September 30, 2013 the REIT's investment properties comprised of international healthcare real estate assets. The fair value of investment properties as at September 30, 2013 was $244,736,066 representing an implied weighted average capitalization rate of 8.58% (as at Dec. 31, 2012 – 9.55%).

TABLE 14 - INVESTMENT PROPERTIES

	Sep. 30, 2013	Dec. 31, 2012
Opening Balance	$ 205,502,477	$ 61,332,333
Acquisition of Initial International Assets	-	84,412,292
Acquisitions of investment properties	19,513,141	128,212,296
Addition to investment properties	50,852	-
Fair value gain / (loss)	25,010,172	(8,535,836)
Foreign currency translation	(5,340,576)	1,413,725
Discontinued operations	-	(61,332,333)
Closing Balance	**$ 244,736,066**	**$ 205,502,477**

On March 31, 2013 the REIT acquired the Fulda Property for $19,513,141, which included $842,216 of transaction costs. During the nine months ended September 30, 2013, the value of investment properties decreased by $5,340,576 as a consequence of foreign currency translation losses attributable to the strengthening of the Euro and offset by the weakening of the Brazilian Real relative to the Canadian dollar. The value of investment properties increased by $25,010,172 as a result of the fair value gain on the Brazilian portfolio, partially offset by the write-off of transaction costs capitalized on acquisition of the Fulda Property.

The fair values of the investment properties at September 30, 2013 and December 31, 2012 were determined based on a combination of internal valuation models incorporating available market evidence and external appraisals. During the three months ended September 30, 2013, properties with an aggregate fair value of approximately $182,050,000 (during the year ended December 31, 2012 – $205,502,477) were valued by external valuation professionals with recognized and relevant professional qualification. 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.

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 all of its loan covenants.

The following table shows the REIT's total capital as at September 30, 2013 and December 31, 2012:

TABLE 15 - CAPITAL STRUCTURE		
	Sep. 30, 2013	**Dec. 31, 2012**
Mortgages and loans payable	$ 209,231,717	$ 116,497,806
Convertible debentures	35,412,000	-
Class B LP exchangeable units	169,387,075	114,686,110
Unit-based compensation liability	172,048	184,998
Unitholders equity	86,171,289	42,095,940
Total Capitalization	**$ 500,374,129**	**$ 273,464,854**

Equity

For the three months ended September 30, 2013 there was no change to the number of Class B LP exchangeable units outstanding.

For the nine months ended September 30, 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.

For the three months ended September 30, 2013 the number of Trust Units outstanding increased from 45,473,330 to 45,523,172. The increase in Trust Units was a result of the issuance of 49,842 Trust Units under the REIT's DRIP at a cost of $89,748.

For the nine months ended September 30, 2013 the number of Trust Units outstanding increased from 42,597,260 to 45,523,172. 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 456,992 Trust Units in June 2013 for gross proceeds of $900,295 which were used to settle the outstanding asset management fees payable to a subsidiary of NWVP; and (iv) the issuance of 104,651 Trust Units under the REIT's DRIP at a cost of $196,706.

Liabilities

The following table summarizes the mortgages and loans payable and convertible debentures by region as at September 30, 2013:

TABLE 16 - DEBT			
	As at September 30, 2013	**Weighted average interest rate**	**Maturity**
Brazil - Loans	$ 59,782,224	6.60%	December 2014
Australiasia - Vital SLA & Margin Loan	42,070,480	6.56%	January 2013 - August 2018
Germany - Loans & Mortgages	40,157,363	2.57%	June 2017 - March 2018
Total Mortgages and Loans Payable	**142,010,067**	**5.45%**	
Canada - Converible debentures	35,412,000	6.94%	March - September 2018
Canada - Margin facilities	67,221,650	8.72%	January 2014 - November 2014
Total Debt	**$ 244,643,717**	**6.56%**	

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

Brazil – Loans:

On December 27, 2012, in connection with the REIT's acquisition of HMB, the REIT entered into a new term loan facility in the amount of $60,737,500 at an effective interest rate of 6.60% for a two year term. The term loan is secured by the future rents of the HMB Property and the REIT has the right to prepay the term loan subject to yield maintenance.

On maturity, the principal balance of the term loan 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, 2013, accretion expense of $328,016 and $2,297,633 respectively was recorded to account for the related IPCA adjustment for the period.

Australasia – Vital SLA and Margin Facility:

On November 22, 2012, NWI LP, a subsidiary of the REIT, entered into the Vital SLA with a Canadian financial institution (the "**SLA Counterparty**").

During the nine months ended September 30, 2013, the REIT increased its borrowings under the Vital SLA by approximately $10,285,000 (NZ$10,662,000) and extended the maturity of the Vital SLA to January 19, 2014 as it increased its investment in Vital Trust. As at September 30, 2013, the REIT has drawn approximately $39,712,000 (NZ$46,408,357) against the facility and has pledged 74,088,881 Vital Trust units as collateral. The REIT is currently reviewing options with respect to the renewal or refinancing of the Vital SLA.

The REIT pays interest on the Vital SLA Collateral it holds to the SLA Counterparty at a rate that fluctuates with the New Zealand dollar LIBOR rate. Interest on the Vital SLA for the three and nine months ended September 30, 2013 was $490,103 and $1,215,544 respectively. As at September 30, 2013 the interest rate was 6.38%.

During the three months ended September 30, 2013, in connection with its participation in the Vital Rights Offering, the REIT obtained a margin facility that provides for a maximum loan of $12,835,500 (NZ$15,000,000). The margin facility bears interest at the New Zealand benchmark rate plus 110 bps on the balance drawn as well as 110 bps on the total facility and matures August 23, 2018. As of September 30, 2013, the REIT has drawn approximately $2,542,700 (NZ$2,971,000) against the facility and has pledged 4,466,427 Vital Trust units as collateral. Interest on the margin facility for the three and nine months ended September 30, 2013 was $4,498. As at September 30, 2013 the effective interest rate on the outstanding balance was 9.33%. As at the date of this MD&A, the balance outstanding on the margin facility is $4,326,656 (NZ$5,015,192).

Germany – Loans & Mortgages:

Upon acquisition of Fulda, the REIT obtained new mortgage financing of $11,804,379 (net of transaction costs of $71,121) with a five year term, a fixed interest rate of 2.37% per annum and a 40 year amortization period.

As at September 30, 2013, loans and mortgages related to the REIT's investment properties in Germany comprised of (i) $35,665,325 fixed rate mortgages maturing in November 2017 with an effective interest rate of 2.46% per annum; and (ii) $4,492,038 of floating rate loans maturing March 2018 with an effective interest rate of 3.50% per annum.

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

Canadian Margin 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.

The margin facilities expire between January 2014 and November 2014. The REIT is currently reviewing option with respect to the refinancing or renewal of the margin facilities maturing in January 2014.

The REIT expects that it will be able to refinance the balance of the Vital SLA and the Canadian margin facilities prior to their maturity dates in January 2014; however there can be no assurance that it will be able to do so, or that any such refinancing will be on terms favourable or otherwise satisfactory to the REIT. If the terms of any such refinancing are significantly less favourable than the terms of the existing loans, or if the REIT is not able to refinance its loans, or any of its other debt obligations, then the financial condition of the REIT, as well as the ability of the REIT to continue to pay distributions to Unitholders at current levels, or at all, would be materially adversely affected.

LIQUIDITY AND CASH RESOURCES

Cash resources and Liquidity

TABLE 17 - CASH AND LIQUIDITY

	As at Sep. 30, 2013	As at Dec. 31, 2012
Cash	$ 5,464,491	$ 3,749,911
Total	**$ 5,464,491**	**$ 3,749,911**

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 finance future acquisitions from: (i) existing cash balances and (ii) a mix of mortgage debt secured by investment properties, bridge facilities, operating facilities, issuance of equity and convertible/unsecured debentures. Cash flow generated from operating activities and related party receivables 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 availability through both conventional mortgage debt secured by income producing properties as well as unsecured debt; and (iii) to the extent possible, the issuance of new equity and debt securities.

The following table sets out the REIT's contractual cash flows as at September 30, 2013:

TABLE 18 - CONTRACTUAL CASH FLOWS

	Carrying amount	Contractual cash flow	2013	2014	2015	2016	2017	Thereafter
Accounts payable and accrued liabilities	$ 5,688,981	$ 5,688,981	$ 5,688,981	$ -	$ -	$ -	$ -	$ -
Distributions payable	307,006	307,006	307,006	-	-	-	-	-
Income tax payable	489,260	489,260	489,260	-	-	-	-	-
Deferred consideration	28,417,810	28,417,810	27,938,341	479,469	-	-	-	-
Convertible debentures	35,412,000	45,944,495	695,375	2,459,280	2,459,280	2,459,280	2,459,280	35,412,000
Mortgages and loans payable	209,231,717	218,372,322	1,462,209	172,930,254	2,001,425	1,988,345	33,980,269	6,009,819
Total	**$ 279,546,774**	**$ 299,219,874**	**$ 36,581,173**	**$ 175,869,003**	**$ 4,460,705**	**$ 4,447,625**	**$ 36,439,549**	**$ 41,421,819**

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

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, 2013 (Unaudited)	September 30, 2012 (Unaudited)	September 30, 2013 (Unaudited)	September 30, 2012 (Unaudited)
Cash provided by / (used in):				
Operating activities				
Continuing operations	$ 955,480	$ 370,638	$ 1,451,143	$ (4,567,301)
Discontinued operations	-	124,658	-	2,933,712
Net cash from operating activities	**955,480**	**495,296**	**1,451,143**	**(1,633,589)**
Investing activities				
Continuing operations	(17,547,452)	-	(36,641,217)	-
Discontinued operations	-	(40,601)	-	(6,103,031)
Net cash from investment activities	**(17,547,452)**	**(40,601)**	**(36,641,217)**	**(6,103,031)**
Financing activities				
Continuing operations	18,477,564	(323,012)	37,246,958	3,345,977
Discontinued operations	-	(127,748)	-	3,033,030
Net cash from financing activities	**18,477,564**	**(450,760)**	**37,246,958**	**6,379,007**
Net increase / (decrease) in cash during the period	**1,885,591**	**3,935**	**2,056,884**	**(1,357,613)**
Net increase (decrease) in cash from:				
Continuing operations	1,885,592	47,626	2,056,884	(1,221,324)
Discontinuing operations	-	(43,691)	-	(136,289)
Effect of foreign currency translation	(139,417)	-	(342,304)	-
Net increase / (decrease) in cash during the period	**$ 1,746,175**	**$ 3,935**	**$ 1,714,580**	**$ (1,357,613)**

Details on the cash used as part of continuing operations are below:

Operating activities

Cash generated in operating activities totaled $955,480 and $495,296 for the three months ended September 30, 2013 and 2012 respectively. Operating cash flow from continuing operations increased in the 2013 as compared to the prior period as a result of the cash flow generated from the international assets which did not exist during in 2012.

Investing activities

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.

Cash used in investing activities totaled $36,641,217 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 from financing activities totaled $18,477,564 for the three months ended September 30, 2013 as compared to cash used in financing activities of $450,760 during the three months ended September 30, 2012.

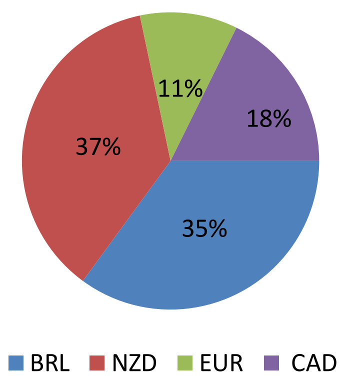
During the three months ended September 30, 2013 the REIT raised $17,500,000 of cash through issuing the Series MOB.DB.A Debentures, received net advances from mortgages, loans payable, and credit facilities of $7,446,395 and paid distributions of $5,372,835. For the REIT's continuing operations, during the comparable period in 2012, the REIT only paid distributions of $323,012. During the three months ended September 30, 2013, the REIT also 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 from financing activities totaled $37,246,958 for the nine months ended September 30, 2013 as compared to cash generated from financing activities of $6,379,007 during the nine months ended September 30, 2012. 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 as compared to only $4,193,704 in the nine months ended September 30, 2012. During the nine months ended September 30, 2013, the REIT 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. During the nine months ended September 30, 2012, the REIT's only other financing activity from continuing operations were the payment of distributions of $847,727.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months ended September 30, 2013, approximately 79% of the REIT's investments and operations were 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 for the three months ended September 30, 2013 is presented below:

AFFO by Currency [(1) (2)]



Trading Range [(1) (3)]

(Against CAD)	**BRL**	**EUR**	**NZD**
High	0.4720	1.4071	0.8614
Low	0.4284	1.3478	0.8074
Average	0.4543	1.3762	0.8295
Balance Sheet:			
December 31, 2012	0.4859	1.3118	0.8223
September 30, 2013	0.4633	1.3920	0.8557
Profit & Loss:			
Q3 Average Rate	0.4543	1.3762	0.8295

Notes:

1. For the three months ended September 30, 2013
2. Includes Canadian Dollar AFFO of $1,073,508 related to the REIT's proportionate share of AFFO from NWHP REIT and interest income less certain general and administrative expenses
3. Trading ranges and profit and loss rates are for the three months ended September 30, 2013. Rates are presented against the Canadian Dollar.

For the three months ended September 30, 2013, all 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. 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, 2013, AFFO generated in Canadian dollars totaled $1,073,508, while Canadian dollar distributions paid to Unitholders totaled $5,372,835. Any deficiencies were funded from the proceeds of the equity and convertible debenture offerings.

As at September 30, 2013 the REIT held approximately $35.9 million of cash and receivables denominated in Canadian Dollars.

The REIT monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. The REIT intends to implement a hedging policy to mitigate the impact of foreign currency fluctuations and to provide more certainty regarding the payment of distributions to Unitholders if the Canadian dollar increases in value compared to foreign currencies. The REIT's hedging policy could include natural currency hedges as well as 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

RELATED PARTIES TO THE CONTINUING OPERATIONS

a) As at September 30, 2013, NWVP indirectly owned approximately 87% of the outstanding Trust Units (approximately 60% on a fully-diluted basis). Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer of the REIT, is the sole shareholder of NWVP and the Chairman of the Board of Trustees of NWHP REIT.

b) On November 16, 2012 with an effective date of October 1, 2012 the REIT acquired the Initial International Assets from NWVP and affiliates. In conjunction with the acquisition of the Initial International Assets, the REIT entered into a put/call agreement (the "Put/Call Agreement"). Pursuant to the Put/Call Agreement, the REIT has granted NWVP the right (the "**Put Right**") to sell to the REIT any or all of up to 12,500,000 NWHP trust units and/or securities exchangeable trust units ("**Option Units**") held by NWVP to the REIT. NWVP has granted the REIT the right (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. On June 21, 2013, the REIT acquired 11,897,446 Option Units under the Put/Call Agreement. As at September 30, 2013, there remain put/call rights in respect of 602,554 Option Units under to the Put/Call Agreement.

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), Units or securities of the REIT or its subsidiaries that may be convertible into 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.

   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 had it been wholly-owned and subject 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.

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, 2013:

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Base asset management fees	$ 476,647	-	$ 1,376,942	-
Property management fees	49,671	-	114,345	-
Management fee participation	(469,838)	-	(1,280,083)	-
Reimbursement of out-of-pocket costs - completed transactions	189,803	-	502,996	-
Reimbursement of out-of-pocket costs - in-progress transactions	163,270	-	329,872	-
	$ 409,553	$ -	$ 1,044,072	$ -

d) The Asset Manager has agreed to an adjustment of $500,000 for travel and other out of pocket costs for the nine months ended September 30, 2013 ($nil for the three months ended September 30, 2013) and it is included as a reduction in general and administrative costs.

e) On November 16, 2012, with an effective date of October 1, 2012, the REIT sold the Existing Portfolio to NWHP REIT. As part of the post-closing adjustment, the REIT has made an accrual of an amount owing NWHP REIT of $488,167 for estimated post-closing working capital related items. During the nine months ended September 30, 2013, the REIT made an advance to NWHP REIT of $150,000 to reduce the working capital balance owing. As at September 30, 2013, the remaining amount of $338,167 is included in accounts payable and accrued liabilities.

f) To provide the REIT with an effective economic return on the working capital and closing adjustment receivable, NWVP has agreed to pay interest of $550,000 and $1,100,000 for the three and nine months ended September 30, 2013.

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

PART 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 March 11, 2013 (the "**AIF**") and audited financial statements and MD&A for the year ended December 31, 2012 (the "**2012 Financials and MD&A**") 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 2012 Financials and MD&A. The disclosures in this MD&A are subject to the risk factors outlined in the AIF and the 2012 Financials and MD&A, both of which are available on SEDAR at www.sedar.com.

PART VII – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies is described in note 2 of the REIT's condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2013

The preparation of financial statements in conformity with IFRS requires the REIT to make judgements, estimates, and assumptions that affect the reported amounts recognized in the financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the financial statements. Actual results could differ from estimates. 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, 2013, its audited consolidated financial statements and accompanying notes for the year ended December 31, 2012.

For the three and nine months ended September 30, 2013 the REIT has applied the following new accounting standards, or amendments to existing standards, for the first time:

- IFRS 7, Financial Instruments: Disclosures
- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- IAS 28, Investments in Associates and Joint Ventures
- IFRS 13, Fair Value Measurements
- IAS 1, Presentation of Financial Statements

The adoption of these new accounting standards, or amendments, did not have a material impact on the REIT's condensed consolidation 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, 2013.

PART VIII – OUTLOOK

During the three and nine months ended September 30, 2013, there have not been any material changes to the operating or economic environments in which the REIT operates.

Looking forward, the REIT remains committed to its key 2013 initiatives as outlined below:

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