NORTHWEST INTERNATIONAL HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

For the three months ended

MARCH 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
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CEO's MESSAGE

In the first quarter of 2014 NorthWest International Healthcare Properties REIT ("the "**REIT**") realized the benefits of its significant acquisitions in Brazil that closed in the fourth quarter of 2013, posting a 53% growth in Net Operating Income ("**NOI**") and an approximate 15% growth in Adjusted Funds From Operations ("**AFFO**") per Unit over the same quarter of last year. Further, the REIT persisted with its commitment to diversify its portfolio of international healthcare real estate and deliver accretive growth opportunities through the announcement it made in February 2014 regarding the pending acquisition of 16 medical office buildings in Germany. This approximate $100 million acquisition will add significant scale to the REIT's German operations and will solidify the REIT as a leading healthcare landlord in that country, complementing its existing leadership positions in Australia, New Zealand, Brazil and Canada.

Key highlights from the REIT's financial and operating results for the three months ended March 31, 2014 include:

- NOI of $9,230,811 in Q1'14, representing a 53% increase over the same quarter last year
- AFFO / unit of $0.054 for Q1'14, or $0.22 per Unit on an annualized basis representing a 15% increase over the same quarter last year;
- AFFO to distribution payout ratio of 101%
- Leading portfolio occupancy at 96.3% (Canada = 91.8%; International = 99.4%), a sequential 30 bps increase from Q4'13
- Weighted average lease term of 12.5 years (Canada = 4.7 years; International = 17.9 years), slightly ahead of Q4'13 at 12.4 years.

Subsequent to the first quarter end, in May 2014, in support of the REIT's active acquisition program, the REIT closed a successful $23 million bought deal equity offering which saw an expanded syndicate and new institutional support.

Also in May 2014, the REIT announced two exciting and transformative plans for the remainder of the year. First, the REIT announced that it had entered into an agreement with NorthWest Value Partners Inc. ("**NWVP**") with respect to the internalization of its external management arrangements. This internalization will also result in the REIT acquiring from NWVP all of the rights and obligations relating to the management of Vital Healthcare Property Trust of which the REIT currently indirectly holds an approximate 24% interest. The REIT and NWVP are working towards the completion of the internalization by December 31st, 2014. Second, the REIT announced plans to initiate the process of graduating to the Toronto Stock Exchange (the "TSX"). Subject to TSX approval, the REIT intends to graduate on or before July 1, 2014.

The management team of the REIT is excited to take the significant structural steps of internalizing the management team and graduating to the TSX. While the external management structure and TSX Venture Exchange listing have served the REIT well in the past eighteen months during a period of transition and significant growth, I believe that a fully-integrated internal management structure and listing on the TSX is the right approach for the long-term success of the REIT.

The REIT will focus on these important initiatives throughout the summer and fall of this year, while at the same time, it will not relent on its objectives of delivering stable distributions and superior returns to its unitholders by executing on its leading healthcare real estate strategies in Australia, Brazil, Canada, Germany and New Zealand.

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 condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2014, prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are in Canadian dollars, except where otherwise stated.

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

FORWARD-LOOKING INFORMATION ADVISORY

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

- the intention of the REIT to pay stable and growing distributions;
- the ability of the REIT to execute its growth strategies;
- the ability of the REIT to refinance maturing debt obligations
- the intention of the REIT to internalize management
- the intention of the REIT to graduate to the TSX
- 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) revaluation adjustments of financial liabilities; (vi) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vii) deferred income tax expense; (viii) convertible debentures issuance costs; and (ix) transaction costs incurred in the reconfiguration of the REIT to focus on international assets, all after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties.

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

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

The REIT's objectives are to:

- manage its investments to provide stable, sustainable and growing cash flows through investments in healthcare real estate 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.

Strategic Direction

Market Opportunity

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

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

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

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

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

Target Markets

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

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

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

TABLE 1 - KEY MARKET DATA

	Australasia	Brazil	Germany	Canada
Population	28.2 Million	198.2 Million	81.9 Million	35.6 Million
GDP Growth (1)	2.10%	3.58%	2.50%	2.66%
Inflation (1)	2.90%	6.15%	1.00%	1.50%
5 Yr. Government Bond Yield (2)	3.33%	12.36%	0.55%	1.67%
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 March 31, 2014
(2) As at March 31, 2014

Sources: Trading Economics; Bloomberg; investing.com

RELATIONSHIP WITH NWVP

As at March 31, 2014, NorthWest Value Partners ("**NWVP**") indirectly owned approximately 80% of the outstanding Trust Units (approximately 60% on a fully-diluted basis). Affiliates of NWVP serve as the REIT's asset manager, property manager and developer pursuant to certain management and partnership agreements that are filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. Established in 1994, Toronto-based NWVP is one of Canada's leading privately owned healthcare real estate companies. The scope of its business includes real estate development, ownership and management, in Canada and internationally with a significant focus on the healthcare sector. Principals of NWVP serve as officers and trustees of the REIT.

HIGHLIGHTS FOR THE QUARTER

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

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

Sale of Marktredwitz Property

On February 17, 2014, the REIT sold its leasehold interest in a building in Marktredwitz, Germany for approximately $6,924,000. The REIT realized net proceeds of approximately $1,948,000 after the repayment of the mortgage relating to the property in the amount of approximately $4,887,000 and selling cost of approximately $89,000.

Refinancing of Vital SLA

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

Renewal of Margin Facilities

On February 19, 2014, two of the margin facilities related to the REIT's investment in NWHP REIT were renewed, which extended the maturity to September 1, 2014.

SUBSEQUENT EVENTS

German Acquisitions

On February 18, 2014, the REIT announced agreements to acquire 16 German medical office buildings (the "**German MOB Portfolio**") located in the markets of Berlin, Ingolstadt and Leipzig in two separate transactions. The acquisition more than doubles the size of the REIT's existing German portfolio and solidifies its position as a leading owner of healthcare real estate in the country.

The portfolio is comprised of four assets in Berlin of approximately 250,000 square feet, one asset in Ingolstadt of approximately 80,000 square feet and 11 assets in Leipzig of approximately 170,000 square feet. The Berlin assets include two centrally located managed clinic buildings, an established medical complex originally owned and expanded by a consortium of medical practitioners, and the medical component of a recently constructed commercial development project with significant healthcare infrastructure. The Ingolstadt asset is a three-storey building with medical tenancies adjacent to the local hospital campus, while the Leipzig portfolio houses over 100 tenancies including a range of medical practitioners and pharmacies.

The REIT currently expects to close the German MOB Portfolio acquisition in two stages (through three separate transactions) during the second quarter of 2014, subject to customary closing conditions.

The first closing stage (under two separate transactions) includes 14 of the 16 assets, being two multi-tenant assets in Berlin (the medical complex and recently constructed commercial development assets), the existing building in Ingolstadt and the entire Leipzig portfolio (the "Core Portfolio"). The Core Portfolio is comprised of approximately 410,000 square feet and will be acquired for a gross purchase price of approximately $71 million (€47 million).

The second stage includes the two remaining assets in Berlin, being the centrally located managed clinic buildings, (the "Option Portfolio") and can be acquired at the REIT's sole discretion on or before June 30, 2014, subject to customary closing conditions. The Option Portfolio is comprised of approximately 90,000 square feet and can be acquired for approximately $27 million (€18 million).

Collectively, the Core Portfolio and Option Portfolio comprise approximately 500,000 square feet, and are approximately 96% occupied with an approximate weighted average lease expiry of seven years. The aggregate purchase price of approximately $98 million (€65 million) represents an approximate 8.0% stabilized capitalization rate.

The REIT expects to fund the Core Portfolio from existing resources (including, to the extend required, a portion of the net proceeds from the equity offering completed in May 2014 and described below) and new mortgage financing in the amount of approximately $46 million (€30 million) with a weighted average five year term, a fixed interest rate of approximately 2.50% per annum and a 30 year blended amortization period.

Incentive Fee

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

Public Offering of Trust Units

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

Management Internalization

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

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

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

- the entitlements of NWVP under the Asset Management Agreement, Property Management Agreement, Development Agreement and the NWI LP Agreement for the 12 months ended December 31, 2014 (for greater certainty, in addition to the receipt of such entitlements for such period); and

- the amount of fees to be earned by Vital Healthcare Management Limited (net of amounts to be received by the REIT pursuant to the Vital Trust management fee participation arrangement) for the 12 months ended December 31, 2014,

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

Due to the manner by which the Internalization Amount is calculated, it is not possible to determine the exact Internalization Amount at this time. However, the following table sets forth what the Internalization Amount would have been had the Internalization Transaction been completed on the terms described above as at December 31, 2013 (and assuming the completion of the German MOB Portfolio acquisition on January 1, 2013):

(in thousands)	**As at December 31, 2013**[1]	**As at December 31, 2013**[1]
	(unaudited)	(unaudited – pro forma) [2]
Base Asset Management Fees	$ 2,972	$3,462
Property Management Fees	177	634
Incentive Amount	4,104	4,104
Total	$7,253	$ 8,200
Add: Fees earned by Vital Healthcare Management Limited [3]	2,737	2,737
Internalization Amount	**$9,989**	**$10,937**

Notes:
(1) Adjusted for the full year effect of 2013 acquisitions.
(2) Assumes the German MOB Portfolio acquisition was completed on January 1, 2013.
(3) Net of amounts received pursuant to the Vital Trust management fee participation arrangement.

If such Internalization Amount were satisfied entirely in Class B LP Units, NWVP would receive 4,872,852 Class B LP Units upon closing of the Internalization Transaction (5,334,966 Class B LP Units if the German MOB Portfolio is included). This would result in NWVP, owning, directly or indirectly, based on units outstanding as at May 26, 2014, (a) 27,624,778 Units, (b) 95,941,173 Class B LP Units, and (c) 1,110,580 Class D GP Units (or (i) 27,624,778 Units, (ii) 96,403,287 Class B LP Units, and (iii) 1,110,580 Class D GP Units if the German MOB Portfolio is included).

Assuming the inclusion of the German MOB Portfolio and the exchange by NWVP of all of its Class B LP Units and Class D GP Units for Units, NWVP would directly or indirectly own approximately 75.4% of the issued and outstanding Units (or 67.8% on a fully diluted basis assuming conversion of the REIT's convertible debentures, exercise of its outstanding warrants and redemption of its deferred trust units).

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

The Internalization Transaction is expected to close on or before December 31, 2014, subject to certain conditions including, but not limited to, to the entering into of a definitive binding implementation agreement for the internalization and the receipt of all necessary approvals. Accordingly, there can be no assurances that the Internalization Transaction will be completed on the terms proposed. See "*Risk Factors – Risks Related to the Internalization Transaction*".

NWVP currently owns an approximate 75% interest in the REIT and Paul Dalla Lana, Chairman and Chief Executive Officer of the REIT, is the sole shareholder of NWVP. As a result, a special committee of independent trustees consisting of Robert Baron and David Naylor was established by the REIT for the purposes of considering the Internalization Transaction. The special committee retained independent legal and financial advisors in connection with the Internalization Transaction. If a binding agreement in respect of the Internalization Transaction is reached on the terms proposed above, the Internalization Transaction is expected to constitute a "related party transaction" for the REIT as defined in Multilateral Instrument 61-101 – *Protection of Minority Securityholders in Special Transactions* ("**MI 61-101**"). MI 61-101 requires, among other things, that issuers obtain formal valuations and minority approvals in connection with related party transactions, unless an exemption is available. The REIT will consider the available exemptions if and when it enters into a binding agreement in respect of the Internalization Translation. For example, the Internalization Transaction may be exempt from the formal valuation and minority approval requirements if neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the Internalization Transaction, exceeds 25 per cent of the REIT's market capitalization. If an exemption is not available, the REIT will obtain a formal valuation and minority approval for the Internalization Transaction in accordance with MI 61-101.

Proposed TSX Graduation and Expansion of the REIT's Board

Also, on April 30, 2014, the REIT announced that it intends to initiate the process of graduating to the TSX. Subject to TSX approval, the REIT intends to graduate on or before July 1, 2014. Concurrent with graduation, the REIT would appoint three additional Trustees (two independent Trustees and one nominee of NWVP), which would result in a total of seven Trustees (four independent Trustees and three nominees of NWVP). Any graduation would be subject to regulatory approval. See "*Risk Factors – Risks Related to Proposed TSX Graduation and Expansion of the REIT's Board*".

Extension of Interest Rate Subsidy

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

ASSETS OF THE REIT

Summary

The following table highlights certain information about the REIT's assets as at March 31, 2014:

TABLE 2 - SUMMARY OF ASSETS

Property	Date Acquired	Year Built	Approximate Area (sf)	# of Tenants	Occupancy %	WALE (1)
Brazil						
Sabará Children's Hospital	Nov 16 2012	2010	104,915	1	100.0%	10.5
Hospital e Maternedade Brasil	Dec 27 2012	1970 - 2007	342,000		100.0%	23.8
Hospital Santa Luzia	Dec 23 2013	2003	185,139	1	100.0%	24.8
Hospital Do Coracao	Dec 23 2013	2007	96,875		100.0%	24.8
Hospital Caxias	Dec 23 2013	2013	290,626		100.0%	24.8
			1,019,555	**2**	**100.0%**	**22.9**
Germany						
Adlershof 1	Nov 16 2012	2004	57,603	34	100.0%	1.8
Adlershof 2	Nov 16 2012	2010	48,539	15	96.6%	5.1
Berlin Neukölln	Nov 16 2012	2000	36,370	14	98.9%	2.1
Königs Wusterhausen 1	Nov 16 2012	2001	40,365	24	85.7%	2.2
Fulda	Mar 31 2013	2008	99,515	38	100.0%	5.8
			282,392	**125**	**97.2%**	**3.9**
Australasia - Vital Interest (2)			**1,620,110**	**105**	**99.4%**	**14.9**
Canada - NWHP REIT Interest (3)			**4,634,670**	**1,530**	**91.8%**	**4.7**
Portfolio Totals / Weighted Averages			**7,556,727**	**1,762**	**94.7%**	**9.3**
Portfolio Totals / Weighted Averages - Proportionate Consolidation (4)			**2,882,392**		**96.3%**	**12.5**

Notes
(1) As at March 31, 2014. Weighted average lease expiry in years.
(2) Represents 100% of Vital Trust. The REIT has an exposure to an approximate 24% interest in Vital Trust. Figures are current as at December 31, 2013.
(3) Represents 100% of NWHP REIT. The REIT has an exposure to an approximate 26% interest in NWHP REIT.
(4) Calculation is based on the REIT's proportionate interest in Vital Trust and NWHP REIT.

Australasia – Exposure to Vital Trust

The REIT's investments in Australasia are held through its strategic shareholding by way of exposure to an equity interest in Vital Trust. Table 2 above highlights certain information about Vital Trust as at March 31, 2014, on a 100% basis; noting, however, that the REIT has exposure to an approximate 24% interest in Vital Trust.

Overview of Vital Trust

Vital Trust is a New Zealand Stock Exchange (**"NZSX"**) listed investment fund that invests in high-quality health and medical-related properties in New Zealand and Australia. As at March 31, 2014, Vital Trust owned a portfolio of 24 properties in New Zealand and Australia. Approximately 74% of Vital Trust's property portfolio is located in Australia with the remaining 26% located in New Zealand. Across both regions, Vital Trust's portfolio is tenanted by hospital and healthcare operators who provide a wide range of medical and health services.

On February 14, 2014 Vital Trust reported its unaudited interim consolidated financial statements for the 6 months ended December 31, 2013. For the six months ended December 31, 2013, Vital Trust delivered strong financial results as well as successfully executed on its operational plan. Vital Trust increased rental income by 3.8% to NZ$ 29.9 million in the first half of fiscal year 2014, and operating profit increased 3.6% to NZ$25.7 million during the same period. The positive operating results are underpinned by a portfolio occupancy of 99.4%, which remained consistent with the same period of the prior year, and a notable increase in the weighted average lease term of 14.9 years from 12.1 years the prior year, due to the releasing of a key New Zealand hospital asset. On May 9, 2014 Vital Trust reported its unaudited interim financial results for the 9 months ended March 31, 2014. For the nine months ended March 31, 2014 Vital Trust increased its net property income by 0.6% over the nine months ended March 31,

2014. There was no change to Vital Trust's property holdings or tenant base during the nine months ended March 31, 2014.

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 March 31, 2014, the REIT did not acquire additional units in Vital Trust. As at March 31, 2014, the REIT owned 81,659,866 units which represented a 24.06% interest in Vital Trust (December 31, 2013 - 81,659,866 units which represented a 24.11% interest).

Vital Management Fee Participation Agreement and Management Rights

Pursuant to a management services agreement and management rights contract entered into in connection with the acquisition of the Initial International Assets, (a) affiliates of NWVP have agreed to pay, in consideration for certain management services rendered, a subsidiary of the REIT, a management fee participation equal to the difference between all management fees paid by Vital Trust to NWVP or any of its wholly-owned subsidiaries and the amount that Vital Trust would have paid had it been wholly-owned and subject to the asset management fee arrangements of the REIT (the "**Management Fee Participation Agreement**"), and (b) the REIT is indirectly entitled to direct NWVP, subject to NWVP's fiduciary duties, with respect to any control or direction rights of NWVP 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 (10.8 years remaining) and operated by a single tenant, Hospital Sabará (the "**Sabará Tenant**"), who uses the property to operate one of the region's largest private children's hospitals.

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

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

Hospital Santa Luzia

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

Hospital do Coração do Brasil

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

Hospital Caxias D´Or

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

Germany – Initial focus on medical office buildings

Adlershof 1

Adlershof 1 is a five-storey, purpose-built medical office building completed in 2004. The 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 97% occupied building has a gross leasable area (including storage) of 48,539 square feet and offers 66 below grade parking stalls. A ground floor physiotherapy tenant includes a swimming pool as well as a private elevator and staircase to the second floor demise. A large atrium invites visitors to the ground floor where tenant signage reflecting a wide range of medical/dental service providers can be found.

Berlin Neukölln

Berlin Neukölln is a six-storey terraced building with prominent corner location completed in 2000. The 99% occupied building has a gross leasable area (including storage) of 36,370 square feet and underground parking for 10 vehicles. Tenants include a wide range of medical service providers including a ground floor pharmacy. The property is located in Neukölln, one of the 12 boroughs of Berlin in the southeastern part of the city.

Königs Wusterhausen 1

Königs Wusterhausen 1 comprises a three-storey (with additional attic space), detached, purpose built medical office building completed in 2001. The building is 86% occupied and has a gross leasable area (including storage) of 40,365 square feet. An underground garage park contains 66 stalls. Tenants include a range of medical service providers as well as municipal agencies and legal practices. The property is located in Königs Wusterhausen, a town in the Dahme-Spreewald district of the state of Brandenburg.

Fulda

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

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 March 31, 2014, on a 100% basis; noting, however, that the REIT has exposure to an approximate 26% interest in NWHP REIT.

Overview of NWHP REIT

NWHP REIT is a Toronto Stock Exchange (**"TSX"**) listed real estate investment trust and is Canada's largest non-government owner and manager of medical office buildings and healthcare facilities. As at March 31, 2014, NWHP REIT owned a portfolio of 76 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 May 8, 2014, NWHP REIT reported its condensed consolidated interim financial results for the three months ended March 31, 2014. For the three months ended March 31, 2014, NWHP REIT reported AFFO per unit of $0.21 which was $0.01 per unit below the three months ended December 31, 2013 and consistent three months ended March 31, 2013. For the three months ended March 31, 2014, NWHP reported $20.1 million of net operating income, which represents a 1% increase over the prior year. The slight increase was primarily attributable to an increase in same property NOI of 4% and the impact of completed accretive acquisitions during the period, but was offset partially by dispositions of two properties during the period. NWHP REIT's portfolio occupancy increased from 91.8% to 91.3% from December 31, 2013 to March 31, 2014.

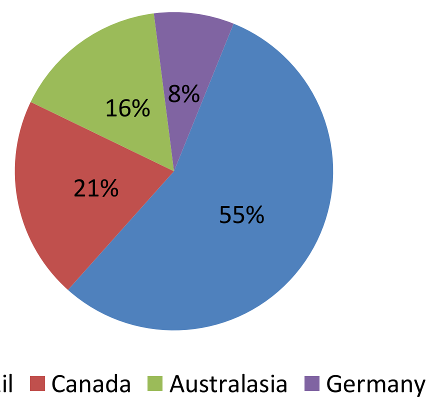
The REIT's interest in NWHP REIT

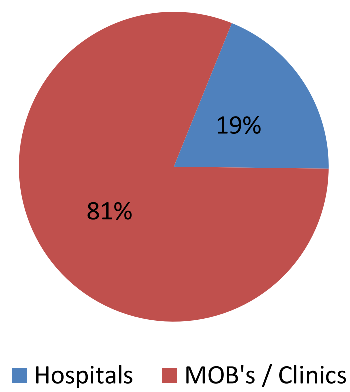
As at March 31, 2014, the REIT indirectly owned an approximate 26% interest in NWHP REIT (December 31, 2013 – 26%). The interest acquired by the REIT consists of 4,345,900 units (December 31, 2013 - 4,345,900 units) of NWHP REIT and 7,551,546 class B limited partnership units (December 31, 2013 - 7,551,546) of NHP 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 March 31, 2014
- 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 an exposure to a well-diversified portfolio of healthcare real estate located in cities such as: Auckland (NZ), Berlin (Germany), Calgary (Canada), Edmonton (Canada), Halifax (Canada), Melbourne (Australia), Montreal (Canada), Quebec City (Canada), Rio de Janeiro (Brazil), Sao Paulo (Brazil), Sydney (Australia) and Toronto (Canada).

Asset Mix

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

Hospitals:

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

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

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

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

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

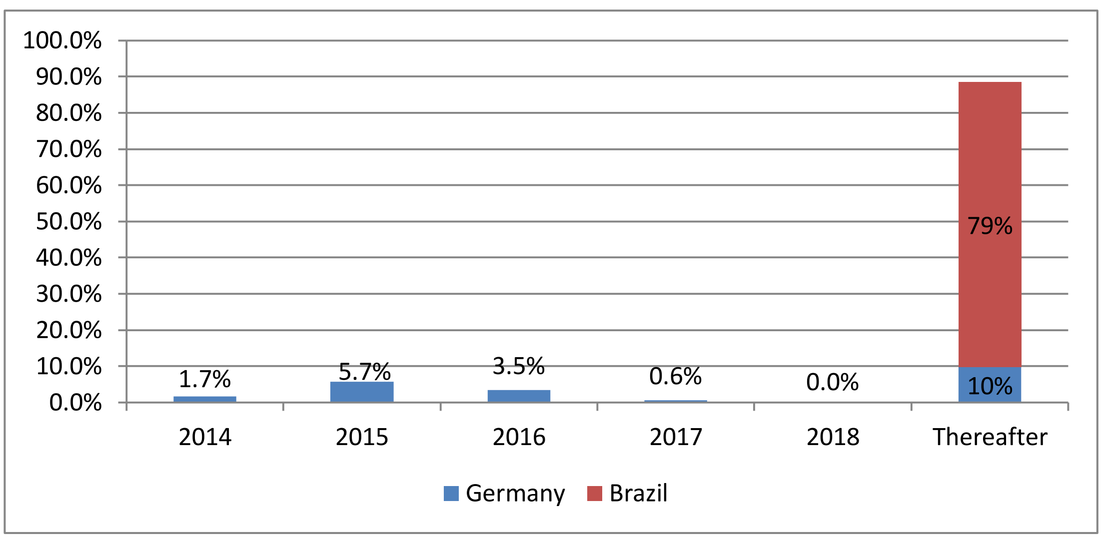
As at March 31, 2014 and including the REIT's interest in Vital Trust and NWHP REIT on a 100% basis, the REIT has interests in 21 hospitals and 89 medical office buildings.

Lease Maturities

As at March 31, 2014 and including the REIT's interest in Vital Trust and NWHP REIT on a 100% basis, the REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 9.3 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 March 31, 2014
- Excludes the REIT's interest in Vital Trust and NWHP REIT

As illustrated above, an average of 2.3% of the GLA related to the REIT's direct property holdings in Brazil and Germany is maturing each year, between 2014 and 2018. In addition to the strong lease profile, the REIT's investment in Vital Trust and NWHP REIT are underpinned by weighted average lease expiries of 14.9 years and 4.7 years, respectively. In respect of Vital Trust, on average, 2.1% of its portfolio income is subject to lease expiry each year for the next four years. 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 12% of its GLA maturing each year between 2014 and 2018.

The REIT's longer term lease expiries primarily relate to its five hospital properties in Brazil, which are each occupied by single tenants that are leading hospital operators and have leases expiring on September 30, 2024 and December 31, 2038, 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 Mar. 31, 2014	**As at Dec. 31, 2013**
Operational Information [(1)]		
Number of Properties - 100% of associates	110	113
Gross Leasable Area (sf) - 100% of associates	7,556,727	7,664,605
Occupancy % - 100% of associates	94.7%	94.4%
Summary of Financial Information		
Gross Book Value [(2)]	$ 793,358,386	$ 756,258,230
Debt - Declaration of Trust [(3)]	$ 463,946,840	$ 437,642,389
Debt to Gross Book Value - Declaration of Trust	58.5%	57.9%
Debt - Including convertible debentures [(3)]	$ 502,916,810	$ 473,065,389
Debt to Gross Book Value - Including convertible debentures	63.4%	62.6%
Percentage of Mortgages and Loans Payable at Fixed Rates	61.9%	59.1%
Weighted-Average Interest Rate on Fixed Rate Mortgages and Loans	6.16%	6.11%
Adjusted Units Outstanding - period end [(4)]		
Basic	147,327,109	146,046,705
Diluted [(7)]	149,543,830	146,347,916
	For the three months ended Mar. 31, 2014	**For the three months ended Dec. 31, 2013**
Operating Results		
Net Income / (Loss)	$ (27,019,676)	$ (26,809,534)
NOI [(5)]	$ 9,230,811	$ 4,855,484
Funds From Operations ("FFO") [(5)]	$ 3,583,153	$ (815,635)
Adjusted Funds From Operations ("AFFO") [(5)]	$ 7,983,166	$ 5,639,399
Distributions [(6)]	$ 8,094,715	$ 5,590,562
Per Unit Amounts [(4)]		
FFO per unit - Basic	$ 0.02	$ (0.01)
FFO per unit - Adjusted fully diluted [(7)]	$ 0.02	$ (0.01)
AFFO per unit - Basic	$ 0.05	$ 0.04
AFFO per unit - Adjusted fully diluted [(7)]	$ 0.05	$ 0.04
Distributions per unit	$ 0.06	$ 0.04
AFFO Payout Ratio	101%	98%
AFFO Payout Ratio - Adjusted fully diluted [(7)]	101%	98%
Adjusted Weighted Average Units Outstanding [(4)]		
Basic	147,043,933	138,120,778
Diluted [(7)]	147,249,723	138,228,362

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 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 March 31, 2014 and 91,068,320 Class B LP exchangeable units outstanding at December 31, 2013.

(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 and warrants if the conversion price or exercise price is greater than the closing price of the Trust Unit as at the end of the reporting period. Otherwise the convertible debentures and warrants are considered anti-dilutive.

PART III – RESULTS FROM OPERATIONS

NET INCOME

The following is a summary of selected financial information from the consolidated statements of operations for the three months ended March 31, 2014 and March 31, 2013.

TABLE 6 - RESULTS FROM OPERATIONS

	Three months ended	
	March 31, 2014 (Unaudited)	**March 31, 2013 (Unaudited)**
Net Operating Income [1]		
Revenue from investment properties	$ 10,158,628	$ 4,715,218
Property operating costs	(927,817)	(372,155)
	9,230,811	**4,343,063**
Other income		
Share of profit from associates	4,882,568	1,356,821
Management fee participation	417,091	399,878
Interest income	438,184	328,133
	5,737,843	**2,084,832**
	14,968,654	**6,427,895**
Other expenses		
Mortgage and loan interest expense	(6,910,818)	(1,649,500)
General and administrative expenses	(1,046,406)	(331,021)
Transaction costs	-	(78,863)
Finance costs	(28,187,674)	3,957,029
Foreign exchange loss	(4,219,344)	(1,078,796)
Amortization of intangible asset	(390,319)	(390,319)
Income / (Loss) before the undernoted items	**(25,785,907)**	**6,856,425**
Fair value adjustment of DUP liability	(23,712)	8,325
Fair value adjustment of investment properties	115,714	(870,760)
Net loss on disposal of investment properties	(88,768)	-
Gain / (Loss) on derivative financial instruments	(104,916)	6,462,057
Income / (Loss) before taxes	**(25,887,589)**	**12,456,047**
Income tax expense	(1,132,087)	(854,213)
Net Income	**$ (27,019,676)**	**$ 11,601,834**

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 March 31, 2014 was $10,158,628 which is $5,443,410 greater than the three months ended March 31, 2013. This is a result of the three Brazilian property acquisitions on December 23, 2013 and the one German property acquisition (Fulda) on March 31, 2013 that increased revenue by $5,449,855, partially offset by the revenue from the disposed property in Germany (Marktredwitz) of $88,822.

Property operating costs

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

In Brazil, property operating costs are comprised of social taxes levied on revenues. The nature of the leases in Brazil is such that the tenant is responsible for all operating costs of the property.

Property operating costs for the three months ended March 31, 2014 were $927,817 as compared to $372,155 for the three months ended March 31, 2013. The increase is a result of the three Brazilian property acquisitions on December 23, 2013 and the one German property acquisition March 31, 2013 that increased property operating costs by $380,844. In addition, property operating costs in Brazil were up by $73,203 for the existing Brazil portfolio as a result in the election made by the REIT on January 1, 2014 to change the tax status of the Brazilian properties which results in an increase to taxes on revenues, but which is offset by a decrease to current income taxes.

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 REIT accounts for its approximate 24% ownership of Vital Trust and approximate 26% ownership of NWHP REIT using the equity method. During the three months ended March 31, 2014, the REIT recorded equity income from Vital Trust of $1,209,521 and $3,673,047 of equity income from NWHP REIT. For the three months ended March 31, 2013, the REIT recorded income only from its investment in Vital Trust of $1,356,821 as the investment in NWHP REIT was made on June 21, 2013.

During the three months ended March 31, 2014 the REIT received cash distributions of $1,543,127 from Vital Trust and $2,379,608 from NWHP REIT. During the three months ended March 31, 2013 the REIT did not receive any cash distributions from Vital Trust as the distribution was elected by the REIT to be taken under the Distribution Reinvestment Plan ("**DRP**") and there were no distributions received from NWHP REIT as the investment in NWHP REIT was made 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 months ended March 31, 2014, the REIT earned $417,091 in respect of the Management Fee Participation Agreement, which is $17,213 greater than the three months ended March 31, 2013. The increase in the management fee participation is a result of the strengthening of the New Zealand Dollar relative to the Canadian Dollar.

During the three months ended March 31, 2014, $366,109 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 $50,982 of management fee participation revenue related to activity based fees from development and acquisition fees paid by Vital Trust. For the three months ended March 31, 2014, the management fee participation income earned was made up of $342,897 from the variance in base fees and $56,981 from activity based fees.

Interest income

Interest income represents amounts earned on cash balances and related party balances (see "Related Party Transactions"). For the three months ended March 31, 2014, the REIT recorded interest income of $438,184, which is $110,051 greater than the three months ended March 31, 2013.

The increase in interest income from 2013 to 2014 is a result of interest income earned on cash balances invested in Brazil in the amount of $74,432 for the three months ended March 31, 2014, as compared to only $6,276 for the three months ended March 31, 2013. The additional interest income earned in Brazil is a result of the average cash balance in Brazil increasing from to $700,000 during the three months ended March 31, 2013 to approximately $2,950,000 during the three months ended March 31, 2014.

Mortgage and loan interest expense

Mortgage and loan interest expense for the three months ended March 31, 2014 was $6,910,818, which is $5,261,318 greater than the mortgage and loan interest expense for the three months ended March 31, 2013.

For the three months ended March 31, 2014 interest on the mortgages on the German properties was $258,170 as compared to $185,578 for the three months ended March 31, 2013. The increase is primarily a result of the interest on the German property acquisition on March 31, 2013 which for the three months ended March 31, 2014 was $79,100. The remaining increase is a result of the strengthening of the Euro relative to the Canadian Dollar from 2013 to 2014. As at March 31, 2014, the weighted average effective interest rate of the mortgages on the German properties was 2.46% (March 31, 2013 – 2.55%).

In Brazil, for the three months ended March 31, 2014, the REIT incurred interest expense of $3,094,314 as compared to $1,053,147 for the three months ended March 31, 2013 respectively on the outstanding term loans on HMB and Rede D'Or Hospital Portfolio. The increase in interest expense from 2013 to 2014 relates to the interest on the three Brazilian property acquisitions on December 23, 2013.

Interest related to the REIT's debt on its investment in Vital for the three months ended March 31, 2014 was $773,072. For the three months ended March 31, 2013, interest on the debt related to the REIT's investment in Vital Trust was $385,843. The increase in interest expense for the three months ended March 31, 2014 as compared to March 31, 2013 is a result of the REIT' increasing its investment in Vital Trust from 19.66% to 24.06% from March 31, 2013 to March 31, 2014 and accordingly increasing its borrowings under the Vital Trust margin loans.

Interest related to the REIT's debt on its investment in NWHP REIT for the three months ended March 31, 2014 was $1,613,956. As the REIT only acquired its investment in NWHP REIT in June 2013, there was no interest paid during the three months ended March 31, 2013 related to the REIT's margin loans on its investments in NWHP REIT. 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.

For the three months ended March 31, 2014, the REIT accrued interest of $686,046 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. For the three months ended March 31, 2013, the REIT accrued interest of $24,932 on the Series MOB.DB Debentures which were issued on March 25, 2013.

Interest related to the REIT's acquisition facility for the three months ended March 31, 2014 was $485,260. There was no interest accrued on the acquisition facility for the three months ended March 31, 2013 as the acquisition facility was obtained in December 2013.

General and administrative expenses

General and administrative expenses for the three months ended March 31, 2014 were $1,046,406 as compared to $331,021 in the comparable period in 2013. The increase of $715,385 relates to the increase in asset management fees to the REIT's external manager, which increased by $347,517 as a result of the incremental acquisitions that occurred during 2013. The increase in general and administrative expenses is also attributable to an adjustment of $500,000 received by the REIT during the three months ended March 31, 2013 in respect of travel and other out of pocket costs of the Asset Manager.

Transaction costs

For the three months ended March 31, 2014 the REIT did not incur any strategic transaction costs. For the three months ended March 31, 2013, the REIT's transactions costs of $78,863 primary related to the closing of the REIT's acquisition of the initial portfolio from NWVP.

Finance costs

Finance costs for the three months ended March 31, 2014 and 2013 consisted of the following:

TABLE 7 - FINANCE COSTS				
	Three months ended			
	March 31, 2014		**March 31, 2013**	
	(Unaudited)		**(Unaudited)**	
Distributions on Class B LP exchangeable units	$	5,008,667	$	2,217,710
Loss on revaluation of financial liabilities		5,441,140		1,650,394
Amortization of deferred financing costs		2,348,753		67,624
Fair value adjustment of convertible debentures		3,547,000		-
Convertible debenture issuance costs		3,232		-
Class B LP exchangeable units – Fair value adjustment		11,838,882		(7,892,757)
Total Finance Costs	**$**	**28,187,674**	**$**	**(3,957,029)**

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 months ended March 31, 2014, the REIT declared distributions of $5,008,667 on the Class B LP exchangeable units as compared to $2,217,710 for the three months ended March 31, 2013. The increase in distributions is a result of both the additional 36,637,245 Class B LP exchangeable units issued in June 2013, as well as the increase to the annual distribution rate effective January 1, 2014 from $0.16/unit to $0.22/unit.

Loss on revaluation of financial liabilities

On maturity, the principal balance of both of the Brazilian term loans and the holdback payable in respect of HMB (included in deferred consideration) will be adjusted by the inflation rate from the date of inception of these liabilities to their respective maturities. For the three months ended March 31, 2014, accretion expense of $5,441,140 was recorded to account for the related inflation adjustment to the term loans and holdback payable for the period, which is an increase of $3,790,746 over the three months ended March 31, 2013. The increase is due to the additional term loans obtained as a result of the three Brazilian property acquisitions on December 23, 2013, which have an aggregate principal balance of approximately $132,408,000 (R$270,000,000). The annual inflation rate for March 31, 2014 was 6.15% as compared to 6.59% at March 31, 2013.

Amortization of deferred financing costs

Included in Finance Costs is amortization of deferred financing costs incurred to arrange mortgage or debt financing. For the three months ended March 31, 2014, amortization of deferred financing costs totaled $2,348,753. For the three months ended March 31, 2013, the REIT recorded amortization of deferred financing charges in the amount of $67,624. The increase in deferred financing costs relative to 2013 reflects the increased debt and refinancing activity of the REIT during the fiscal year 2013, specifically the the additional term loans obtained as a result of the three Brazilian property acquisitions on December 23, 2013, which have an aggregate principal balance of approximately $132,408,000 (R$270,000,000).

Fair value adjustment of convertible debentures

Under IFRS, the REIT has elected to measure convertible debentures at fair value. The fair value of the Series MOB.DB and Series MOB.DB.A Debentures mirrors the trading price of the REIT's listed Debentures. For the three months ended March 31, 2014 the trading price of the Series MOB.DB and MOB.BDA Debentures increased resulting in a fair value loss of $3,547,000. For the three months ended March 31, 2013, there was not a fair value adjustment to the outstanding MOB.DB Debentures as the trading price at March 31, 2013 had not changed from the issue price on March 23, 2013.

Convertible debenture issuance costs

Included in finance costs for the three months ended March 31, 2014 are costs related to the issuance of the Series MOB.DB.A Debentures which totaled $3,232.

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. For the three months ended March 31, 2014 the value of the Class B LP exchangeable unit liability increased by $11,838,882, reflecting the increase in the trading price of the REIT's Trust Units during the period from $2.02 to $2.15 per Unit. During the three months ended March 31, 2013, the value of the Class B LP exchangeable unit liability decreased by $7,892,757 which reflected a fair value gain as a result in the $0.14 per Unit decrease in the trading price of the REIT's Trust Units during the period.

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, and which is predominantly an unrealized loss. During the three months ended March 31, 2014, the REIT recorded a foreign exchange loss of $4,219,344 as a result of the New Zealand dollar strengthening relative to the Canadian dollar, thus increasing the value of the New Zealand debt. For the three months ended March 31, 2013, the REIT recorded a foreign exchange loss of $1,078,796. See "Foreign Exchange and Currency Management".

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 $390,319 of amortization for both the three months ended March 31, 2014 and March 31, 2013.

Fair value adjustment of DUP liability

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

The fair value loss on revaluation of the DUP liability for the three months ended March 31, 2014 was $23,712 as compared to a fair value gain for the three months ended March 31, 2013.

Fair value adjustment of investment properties

For the three months ended March 31, 2014, the REIT recorded a fair value gain on investment properties of $115,714 primarily related to the investment property in Germany that was disposed in February 2014 to bring the investment property value to its disposition selling price. During the three months ended March 31, 2013, the REIT recorded a fair value loss of $870,760 as a result of the write-off of transaction costs capitalized on acquisition of the Fulda Property.

Net loss on disposal of investment properties

During the three months ended March 31, 2014, the REIT sold its leasehold interest in a building in Marktredwitz, Germany and recognized a net loss on sale of $88,768 due to transaction costs.

Gain on derivative financial instruments

During the three months ended March 31, 2014, the REIT recorded a loss on derivative financial instruments of $104,916. The loss relates to the change in the increase to the fair value of the warrant liability by $114,593, partially offset by the decrease in fair value of the interest rate swap.

During the three months ended March 31, 2013, the REIT recorded a gain on derivative financial instruments of $6,462,057 in respect of the derivative financial liability related to the Put/Call Agreement. In conjunction with the acquisition of the initial portfolio, the REIT entered into a Put/Call Agreement with NWVP with respect to securities of NWHP REIT owned by NWVP. The Put/Call rights were initially measured at fair value based on the Black-Scholes option pricing model. Subsequent changes in the fair values were recognized through the consolidated statement of comprehensive income / (loss). On June 21, 2013, the REIT's acquisition of the investment in NWHP REIT closed, and as a result, the derivative financial liability related to the Put/Call Agreement was settled. As at March 31, 2014, 602,554 Option Units under to the Put/Call Agreement remain outstanding. Should the remaining Option Units be exercised, the price of the units and consideration paid would be at market value.

Income tax expense

The current tax and deferred tax expense of the REIT for the three months ended March 31, 2014 was $60,741. The current taxes primarily relate to the income taxes paid in Brazil. For the three months ended March 31, 2013, current taxes were $414,213. The decrease in the current tax expense for the three months ended March 31, 2014 as compared to March 31, 2013 is a result the election made by the REIT on January 1, 2014 to change the tax status of the Brazilian properties which results in an increase to taxes on revenues (included in property operating costs), but is offset by a decrease to current taxes.

The REIT records deferred tax liabilities in Germany and Brazil arising primarily due to the difference between the book value and tax cost of its investment properties. The deferred tax expense of the REIT for the three months ended March 31, 2014 was $1,071,346. For the three months ended March 31, 2013, the REIT recorded deferred tax expense of $440,000. The increase in the deferred tax expense from 2013 to 2014 is due to the increase in the value of investment properties as a result of the three Brazilian property acquisitions on December 23, 2013.

NET OPERATING INCOME

NOI is a non-IFRS measure of a REIT's operating performance, defined as property and property related revenue less operating expenses, inclusive of property management recovery fees and amortization of straight line rent. The REIT uses NOI to assess its property operating performance on an unleveraged basis. Same property NOI for the three months ended March 31, 2014 represents income from investment properties held prior to January 1, 2013. The REIT's NOI for the three months ended March 31, 2014 is summarized below:

TABLE 6A - SAME PROPERTY NOI

	Three months ended		
	March 31, 2014	March 31, 2013	Variance
	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI [(1)]			
Same propety revenue from investment properties	$ 4,619,950	$ 4,569,427	$ 50,523
Same property operating costs	(498,094)	(328,460)	(169,634)
	4,121,856	**4,240,967**	**(119,111)**
Acquisitions	5,069,011	-	5,069,011
Dispositions	39,944	102,096	(62,152)
NOI [(1)]	**$ 9,230,811**	**$ 4,343,063**	**$ 4,887,748**

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

Same property revenue from investment properties for the three months ended March 31, 2014 is $50,523 greater than the actual results for the three months ended March 31, 2013 which is a result of a net decrease in revenue in Brazil by $112,377 and a net increase in Germany by $162,901.

In Brazil, the net decrease is due to the weakening of the Reais to relative to the Canadian Dollar resulting in a decrease in revenue from investment properties of $294,398, partially offset by inflationary rental adjustments on rents of $182,021.

In Germany, the net increase was primarily due to the strengthening of the Euro relative to the Canadian Dollar resulting in an increase in revenue from investment properties by $98,273, and the impact from inflationary rental adjustments on rents and higher operating cost recoveries of $64,628.

Property operating costs

Same property operating costs for the three months ended March 31, 2014 is $169,634 greater than the actual results for the three months ended March 31, 2013 which is a result of a net increase in Brazil by $71,864 and a net increase in Germany by $97,770.

In Brazil, the net increase was primarily a result of the election made by the REIT on January 1, 2014 to change the tax status of the Brazilian properties which resulted in an increase to taxes on revenues in the amount of $82,610, partially offset by the weakening of the Reais relative to the Canadian Dollar resulting in a decrease in property operating costs of $10,746.

In Germany, the net increase was primarily due higher operating costs of $72,352, partially offset by the strengthening of the Euro relative to the Canadian Dollar resulting in an increase in property operating costs of $25,417. The increase in property operating costs before the impact of foreign exchange is a result of general price increases, which are passed on to the tenants, and timing of repairs and maintenance expenditures.

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			
	March 31, 2014 **(Unaudited)**		**March 31, 2013** **(Unaudited)**	
Net Income	$	(27,019,676)	$	11,601,834
Add / (Deduct):				
(i) Fair market value losses (gains)		15,398,796		(13,492,379)
(ii) Finance cost - Class B LP exchangeable unit distributions		5,008,667		2,217,710
(iii) Revaluation of financial liabilities		5,441,140		1,650,394
(iv) Foreign exchange loss		4,219,344		1,078,796
(v) Deferred taxes		1,071,346		440,000
(vi) Strategic transaction costs		-		78,863
(vii) Convertible debenture issuance costs		3,232		-
(viii) Net adjustments for equity accounted entities		(628,464)		120,998
(viiii) Net loss on disposal of investment properties		88,768		-
Funds From Operations ("FFO") [(1)]	**$**	**3,583,153**	**$**	**3,696,216**
FFO per Unit - Basic	$	0.02	$	0.04
FFO per Unit - Adjusted and fully diluted [(3)]	$	0.02	$	0.04
Adjusted weighted average units outstanding: [(2)]				
Basic		147,043,933		99,271,825
Diluted [(3)]		147,249,723		99,271,825

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 rather than equity. 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 March 31, 2014 and 54,431,075 Class B LP exchangeable units outstanding at March 31, 2013.

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

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

(i) Fair market value gains/ losses

For the three months ended March 31, 2014 fair market value losses comprised of (a) $104,916 fair value loss on derivative financial instruments; (b) $11,862,594 fair value loss on Class B LP exchangeable units and unit based compensation liabilities; (c) $115,714 fair value gain on investment properties; and (d) $3,547,000 fair value loss on the convertible debentures.

For the three months ended March 31, 2013, 2013 fair market value gains comprised of (a) $6,462,057 fair value gain on derivative financial instruments; (b) $7,901,082 fair value gain on Class B LP exchangeable units and unit based compensation liabilities; and (c) $870,760 fair value loss on investment properties.

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 April 2014 ("REALpac guidance") and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to derivative financial instruments have been added back to the REIT's net income.

(b) 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 costs. Consistent with REALpac guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, distributions related to the 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 March 31, 2014 and 2013, accretion expense of $5,441,140 and $1,650,394 respectively was recorded to account for the related inflation adjustments to the term loans and holdback payable for the period. The accretion expense is treated as a fair value adjustment to the Brazilian term loans and holdback payable related to the acquisition of HMB, and therefore adjusted for to arrive at FFO.

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

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

TABLE 9 - NET ADJUSTMENTS FOR EQUITY ACCOUNTED ENTITIES				
	Three months ended			
	March 31, 2014		**March 31, 2013**	
	(Unaudited)		**(Unaudited)**	
Vital Trust - FFO [(1)(2)]		5,577,017	$	7,470,107
average % of Vital Trust owned during the period		24%		20%
Vital Trust Proportionate FFO		**1,343,689**		**1,477,819**
NWHP REIT - FFO [(2)(3)]	$	11,327,000	$	-
average % of NWHP REIT owned during the period		26%		-
NWHP REIT Proportionate FFO	**$**	**2,910,415**		-
Funds From Operations from Associates ("FFO") [(2)]	**$**	**4,254,104**	**$**	**1,477,819**
Less: Share of income of associates		(4,882,568)		(1,356,821)
Net adjustments for equity accounted entities	**$**	**(628,464)**	**$**	**120,998**

Notes

(1) Represents the net distributable income of Vital Trust's calculated from their unaudited results for nine months ended March 31, 2014, and deducting the net distribuable income reported for the six months ended December 31, 2013, coverted to Canadian dollars using the average rate during the period

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

(3) Represents the FFO as reported by NWHP REIT for the three months ended March 31, 2014.

For the three months ended March 31, 2014, the REIT has included $1,343,689 of FFO related to its proportionate direct interest in Vital Trust, which is $134,130 lower than the proportional FFO related to Vital Trust attributable to the REIT for the three months ended March 31, 2013. The reason for the decrease is a result of Vital Trust recording a loss of approximately $1,660,000 (NZ$1,800,000) on the early retirement of interest rate swaps, partially offset by the strengthening of the New Zealand Dollar as compared to the Canadian Dollar, and the REIT's increase in its investment in Vital Trust from approximately 20% during the three months ended March 31, 2013 as compared to approximately 24% during the three months ended March 31, 2014.

For the three months ended March 31, 2014, the REIT has included $2,910,415 of FFO related to its approximate 26% proportionate indirect interest in NWHP REIT. The REIT acquired its investment in NWHP REIT in June 2013; therefore no adjustment was made for the REIT's interest in NWHP REIT for the three months ended March 31, 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 March 31, 2014 (Unaudited)	Three months ended March 31, 2013 (Unaudited)
Funds From Operations ("FFO") (1)	$ 3,583,153	$ 3,696,216
Add / (Deduct):		
(i) Asset management fees to be paid in units	782,352	434,835
(ii) Amortization of intangible asset	390,319	390,319
(iii) Instalment note	214,562	205,734
(iv) Interest rate subsidy	669,041	-
(v) Amortization of deferred financing charges	2,348,753	67,624
(vi) Straight line revenue	(7,676)	(74,267)
(vii) Actual capex and leasing costs	(44,252)	(20,651)
(viii) Unit-based compensation expense	46,914	-
Adjusted Funds From Operations ("AFFO") (1)	**$ 7,983,166**	**$ 4,699,810**
AFFO per Unit - Basic	$ 0.05	$ 0.05
AFFO per Unit - Adjusted and fully diluted (3)	$ 0.05	$ 0.05
Distributions per Unit - Basic	$ 0.06	$ 0.04
AFFO Payout Ratio - Basic	101%	84%
Adjusted weighted average units outstanding: (2)		
Basic	147,043,933	99,271,825
Diluted (3)	147,249,723	99,271,825

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 rather than equity. 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 March 31, 2014 and 54,431,075 Class B LP exchangeable units outstanding at March 31, 2013.

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

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

(i) Asset management fees to be paid in units

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

(ii) Amortization of intangible asset

Under IFRS, the REIT has recorded $390,319 for both the three months ended March 31, 2014 and the three months ended March 31, 2013 of amortization related to the Management Fee Participation Agreement and Vital Management Rights. As amortization is non-cash, the REIT has included an adjustment in AFFO.

(iii) Instalment note

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

Under IFRS, payments received in relation to the instalment note decrease the REIT's instalment note receivable. To 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. Subsequent to March 31, 2014, NWVP and the REIT agreed to extend and amend the interest rate subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to June 30, 2014 (see "Subsequent Events").

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

(v) Amortization of deferred financing charges

Under IFRS, the REIT has recorded amortization of deferred financing charges of $2,348,753 for the three months ended March 31, 2014 and $67,624 for the three months ended March 31, 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 March 31, 2014 the REIT recorded revenue of $563,964 related to Sabara Children's Hospital, while the actual rent received, less interest on the securitization, totaled $556,288. As such, the REIT has reduced net income reported under IFRS in AFFO by $7,676 for the three months ended March 31, 2014.

For the three months ended March 31, 2013 the REIT recorded revenue of $600,645 related to Sabara Children's Hospital, while the actual rent received, less interest on the securitization, totaled $526,378. As such, the REIT has reduced net income reported under IFRS in AFFO by $74,267 for the three months ended March 31, 2013.

(vii) Actual maintenance capital expenditures and leasing costs

For the three months ended March 31, 2014 the REIT incurred $44,252 respectively of non-recoverable capital expenditures and leasing costs, primarily related to new leases signed at the Berlin Neukölln and Adlershof 2 properties in Berlin. The new lease at Berlin Neukölln increased the occupancy of this property from 94.9% to 98.9%. The new lease at Adlershof 2 did not impact occupancy of the building as the lease replaced the existing head lease that did not expire until October 2014.

(viii) Unit-based compensation expense

For the three months ended March 31, 2014 the REIT incurred unit-based compensation expense of $46,914 related to trustee compensation issued in deferred Trust Units.

DISTRIBUTIONS

For the three months ended March 31, 2014, the REIT declared a total of $8,094,715 in distributions, reflecting an annualized distribution rate of $0.22 per unit per annum. Distributions to Unitholders over the last twelve months are summarized below:

TABLE 11 - MONTHLY DISTRIBUTIONS

	Mar-14	Feb-14	Jan-14	Dec-13	Nov-13	Oct-13	Sep-13	Aug-13	Jul-13	Jun-13	May-13	Apr-13
Monthly distribution ($)	0.0183	0.0183	0.0183	0.0133	0.0133	0.0133	0.0133	0.0133	0.0133	0.0133	0.0133	0.0133
Month-end closing price ($)	2.15	2.16	2.24	2.02	2.00	2.05	1.86	1.80	1.95	2.04	2.07	2.06
Date of Record	31-Mar-14	28-Feb-14	31-Jan-14	31-Dec-13	30-Nov-13	31-Oct-13	30-Sep-13	31-Aug-13	31-Jul-13	30-Jun-13	30-May-13	30-Apr-13
Date Paid	15-Apr-14	17-Mar-13	17-Feb-14	15-Jan-14	16-Dec-13	15-Nov-13	15-Oct-13	16-Sep-13	15-Aug-13	15-Jul-13	17-Jun-13	15-May-13

During the three months ended March 31, 2014, a total of 73,074 trust units were issued under the DRIP.

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	
	March 31, 2014 (Unaudited)	March 31, 2013 (Unaudited)
Net income	$ (27,019,676)	$ 11,601,834
Cash flow from operating activities	$ 516,563	$ 1,769,317
Distributions paid and payable		
Trust Units	$ 3,086,048	$ 1,758,342
Class B LP Exchangeable Units	$ 5,008,667	$ 2,217,710
	$ 8,094,715	$ 3,976,052
Surplus (shortfall) of cash flow from operating activities over distributions paid and payable	$ (7,578,152)	$ (2,206,735)
Surplus (shortfall) of net income over distributions paid and payable	$ (35,114,391)	$ 7,625,782

TABLE 12A - ADJUSTMENT FOR DISTRIBUTION INCOME FROM ASSOCIATES				
Surplus (shortfall) of cash flow from operating activities over distributions paid and payable	$	(7,578,151)	$	(2,206,735)
Add: Distribution income from associates	$	3,922,735	$	-
Adjusted surplus (shortfall) of cash flor from operating activities over distributions paid and payable	$	(3,655,416)	$	(2,206,735)

For the three months ended March 31, 2014, distributions paid and payable exceeded cash flow from operations by $7,578,152 compared to $2,206,735 for the three months and year ended March 31, 2013. For the three months ended March 31, 2014 the REIT's distributions paid and payable exceeded net income by $35,114,391. For the three months ended March 31, 2013 the REIT's net income exceeded distributions paid and payable by $7,625,782.

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. Further, in assessing its distribution policy, the REIT considers certain items that provide an economic benefit to the REIT but that are not included in cash flows from operations, and where the timing of cash flows relating to the economic benefits may differ from the timing of distribution payments.

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

QUARTERLY PERFORMANCE

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

TABLE 13 - QUARTERLY PERFORMANCE

	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12
Summary of Financial information								
Gross Book Value ("GBV") [(1)]	$ 793,358,386	$ 756,258,230	$ 560,867,595	$ 517,126,358	$ 380,465,080	$ 349,554,285	$ 88,473,236	$ 88,517,393
Debt - Declaration of Trust ("DOT") [(2)]	$ 463,946,840	$ 437,642,389	$ 238,475,203	$ 230,180,937	$ 162,905,626	$ 148,144,630	$ 48,163,959	$ 47,571,759
Debt to GBV - DOT	58.5%	57.9%	42.5%	44.5%	42.8%	42.4%	54.4%	53.7%
Debt - Including convertible debentures [(2)]	$ 502,916,810	$ 473,065,389	$ 273,887,203	$ 250,984,237	$ 181,401,901	$ 148,144,630	$ 48,163,959	$ 47,571,759
Debt to GBV - Incl. convertible debentures	63.4%	62.6%	48.8%	48.5%	42.8%	42.4%	54.4%	53.7%
Operating results								
Net income / (loss)	$ (27,019,676)	$ (26,809,534)	$ 32,116,236	$ 4,168,473	$ 11,601,834	$ (37,268,407)	$ 956,704	$ 2,290,406
NOI from Continuing Operations [(3)]	$ 9,230,811	$ 4,855,484	$ 4,282,008	$ 4,545,692	$ 4,343,063	$ 1,117,774	$ -	$ -
NOI from Discontinued Operations [(3)]	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,407,008	$ 1,453,069
FFO [(3)]	$ 3,583,153	$ (815,635)	$ 4,242,955	$ 3,656,092	$ 3,696,216	$ 1,636,707	$ 574,588	$ 759,959
AFFO [(3)]	$ 7,983,166	$ 5,639,399	$ 6,064,083	$ 4,820,943	$ 4,699,810	$ 1,959,356	$ 450,657	$ 649,873
Distributions [(4)]	$ 8,094,715	$ 5,590,562	$ 5,463,249	$ 4,472,101	$ 3,976,052	$ 3,608,382	$ 323,546	$ 319,183
Per Unit amounts								
FFO per unit - Basic	$ 0.02	$ (0.01)	$ 0.03	$ 0.04	$ 0.04	$ 0.02	$ 0.03	$ 0.04
FFO per unit - Adjusted and fully diluted [(6)]	$ 0.02	$ (0.01)	$ 0.03	$ 0.04	$ 0.04	$ 0.02	$ 0.03	$ 0.04
AFFO per unit - Basic	$ 0.05	$ 0.04	$ 0.04	$ 0.05	$ 0.05	$ 0.02	$ 0.02	$ 0.03
AFFO per unit - Adjusted and fully diluted [(6)]	$ 0.05	$ 0.04	$ 0.04	$ 0.05	$ 0.05	$ 0.02	$ 0.02	$ 0.03
Distributions	$ 0.06	$ 0.04	$ 0.04	$ 0.04	$ 0.04	$ 0.04	$ 0.02	$ 0.02
Adjusted Weighted Average units outstanding [(5)]								
Basic	147,043,933	138,120,778	136,566,427	103,506,425	99,271,825	87,400,400	20,219,095	18,647,389
Diluted [(6)]	147,249,723	138,228,362	136,661,749	103,598,923	99,364,324	87,400,400	20,219,095	18,647,389

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 rather than equity. 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 March 31, 2014 and 54,431,075 Class B LP exchangeable units outstanding at March 31, 2013.

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

PART IV – CAPITALIZATION AND LIQUIDITY

INVESTMENT PROPERTIES

The fair value of investment properties as at March 31, 2014 was $478,726,191 representing an implied weighted average capitalization rate of 8.77% (as at December 31, 2013 – 8.75%).

TABLE 14 - INVESTMENT PROPERTIES

	As at Mar. 31, 2014 (Unaudited)	As at Dec. 31, 2013 (Audited)
Opening Balance	$ 448,832,353	$ 205,502,477
Acquisitions of investment properties	-	225,993,435
Disposition of investment properties	(6,923,586)	
Addition to investment properties	72,279	50,852
Fair value gain / (loss)	115,714	24,119,615
Foreign currency translation	36,629,431	(6,834,026)
Closing Balance	**$ 478,726,191**	**$ 448,832,353**

During the three months ended March 31, 2014, the REIT sold its leasehold interest in a building in Marktredwitz, Germany for $6,923,586, which resulted in a fair value gain on the Marktredwitz investment property of $170,723 to bring the fair value of the investment property to its disposition selling price. The fair value gain on Marktredwitz was partially offset by the fair value loss related to additions capitalized to investment properties during the three months ended March 31, 2014 which were subsequently written down to fair value. As at March 31, 2014, the value of investment properties increased by $36,629,431 attributable to the strengthening of the Euro and Brazilian Real relative to the Canadian dollar from December 31, 2013 to March 31, 2014.

The fair values of the investment properties at March 31, 2014 and December 31, 2013 were determined based on a combination of internal valuation models incorporating available market evidence and external appraisals. During the three months ended March 31, 2014, properties with an aggregate fair value of $nil (year ended December 31, 2013 - $404,127,000) 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 March 31, 2014 and December 31, 2013:

TABLE 15 - CAPITAL STRUCTURE

	As at Mar. 31, 2014 (Unaudited)	As at Dec. 31, 2013 (Audited)
Mortgages and loans payable	$ 379,146,497	$ 357,526,759
Convertible debentures	38,970,000	35,423,000
Class B LP exchangeable units	195,796,888	183,958,006
Unit-based compensation liability	440,680	370,054
Unitholders' equity	56,879,758	77,703,372
Total Capitalization	**$ 671,233,823**	**$ 654,981,191**

Equity

For the three months ended March 31, 2013 there was no change to the number of Class B LP exchangeable units outstanding.

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

For the three months ended March 31, 2014 the number of Trust Units outstanding increased from 54,978,385 to 56,285,789. The increase in Trust Units was a result of (i) the issuance of 852,070 Trust Units on January 14, 2014 for gross proceeds of $1,704,140 before transaction costs of $85,769; (ii) the issuance of 355,260 Trust Units for gross proceeds of $782,352 which were used to settle the outstanding asset management fees payable to a subsidiary of NWVP; and (iii) the issuance of 73,074 Trust Units under the REIT's DRIP at a cost of $151,875.

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

Subsequent to the quarter ended March 31, 2014, in April 2014, the independent trustees of the REIT determined that the Class C Amount, earned by an affiliate of NWVP, for the 2013 financial year was $4,103,617 in accordance with the terms of the NWI LP partnership agreement. The NWVP affiliate elected to receive such incentive amount in the form of Class D GP units from a general partner of NWI LP which is also an affiliate of NWVP, which resulted in the issuance of 1,891,068 Class D GP units. Each Class D GP unit is exchangeable for one Trust Unit and carries one Trust level voting right. On April 23, 2014 and on May 15, 2014, 744,187 and 36,301, respectively, for a total of 780,488 of the Class D GP units were exchanged into Trust Units. See "Subsequent Events".

Subsequent to the quarter ended March 31, 2014, in May 2014 the REIT closed an equity offering, issuing 11,219,513 Trust Units at $2.05 per unit for total gross proceeds of $23,000,000.

Liabilities

The following table summarizes the mortgages and loans payable and convertible debentures by region as at March 31, 2014:

TABLE 16 - DEBT

	As at March 31, 2014 (Unaudited)	Weighted average interest rate	Maturity
Brazil - Loans	$ 196,329,726	6.87%	December 2014
Australasia - Margin Loans	49,118,378	6.31%	December 2014 - August 2018
Germany - Loans & Mortgages	38,460,705	2.46%	November 2017
Canada - Margin and acquisition facilities	95,237,688	8.66%	September 2014 - January 2017
Total Mortgages and Loans Payable	**379,146,497**	**6.80%**	
Canada - Convertible debentures	38,970,000	6.95%	March - September 2018
Total Debt Excluding Deferred Consideration	**$ 418,116,497**	**6.81%**	

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

<u>*Brazil – Loans:*</u>

On December 20, 2013, in connection the Rede D'Or Hospital Portfolio Acquisition, the REIT obtained an interest-only term loan from a Brazilian lending institution which has a principal of $132,408,000 (R$270,000,000) and bears interest at a fixed rate of 7.00%, payable monthly. The term loan related to the Rede D'Or Hospital Portfolio Acquisition is secured by the future rental income stream of the properties and matures December 22, 2014.

During the year ended December 31, 2012, in connection with its acquisition of HMB, the REIT obtained an interest-only term loan from a Brazilian lending institution which had an original principal of $61,300,000 (R$125,000,000) and bears interest at a fixed rate of 6.60%, payable monthly. The term loan related to HMB is secured by the future rental income stream of the properties and matures December 23, 2014.

On maturity, the principal balance of the term loans will be adjusted by IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy). For the three months ended March 31, 2014, accretion expense of $4,690,277 (for the three months ended March 31, 2013 – $1,227,995) was recorded to account for the related IPCA adjustment for the period.

<u>*Australasia – Vital SLA and Margin Facility:*</u>

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

As at March 31, 2014, the REIT has pledged 81,659,865 units of Vital Trust as security for the margin facilities.

As at March 31, 2014, the principal balance outstanding on the margin facilities with respect to the REIT's investment in Vital Trust was $49,351,180.

The REIT has entered into an interest rate swap with respect to one of the margin facilities secured by the Vital Trust units to limit its exposure to fluctuations in the interest rates on approximately $4,551,000 (NZ $4,700,000) of the outstanding loan balance. The interest rate swap fixes the interest rate at 4.03% and terminates on March 29, 2016.

Germany – Loans & Mortgages:

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

As at March 31, 2014, loans and mortgages related to the REIT's investment properties in Germany comprised of $38,716,551 fixed rate mortgages maturing in November 2017 with an effective interest rate of 2.46% per annum; and

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

Canadian Margin and Credit Facilities

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

Interest on the margin facilities is calculated daily and ranges from 4.25% to 10.75% per annum. As part of the acquisition, NWVP has committed, by means of a capital contribution, that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014, which has been recorded as a receivable from NWVP at the date of acquisition of the investment in NWHP REIT. Subsequent to March 31, 2014, NWVP and the REIT agreed to extend and amend the interest rate subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to June 30, 2014 (see "Subsequent Events").

As at March 31, 2014, the REIT has pledged 4,345,900 units of NWHP REIT and 7,551,546 class B limited partnership units of NHP Holdings LP as security for the margin facilities. As at March 31, 2014, the principal balance outstanding on the margin facilities with respect to the REIT's investment in NWHP REIT was $73,188,285.

On December 19, 2013, in connection with the Rede D'Or Hospital Portfolio Acquisition, the REIT obtained an interest-only credit facility which has a principal of $24,000,000. The credit facility bears interest at the greater of 8.20% per annum or the Canadian prime rate plus 4.00% per annum, payable monthly. In addition, the lender was granted warrants to acquire 3,000,000 Trust Units. Each whole warrant entitles the holder to acquire one Trust Unit of the REIT at an exercise price of $2.15 per Trust Unit at any time until January 2, 2017. The credit facility is secured by a general security agreement (with the exclusion of certain specific assets) and matures on January 1, 2017.

LIQUIDITY AND CASH RESOURCES

Cash resources and Liquidity

TABLE 17 - CASH AND LIQUIDITY

	As at Mar. 31, 2014 (Unaudited)	As at Dec. 31, 2013 (Audited)
Cash	$ 2,633,056	$ 2,635,859
Restricted Cash	3,385,402	1,778,685
Total	**$ 6,018,458**	**$ 4,414,544**

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

On the assumption that occupancy levels remain strong, the price of NWHP REIT and Vital Trust units do not decrease materially, and that the REIT will be able to obtain financing on reasonable terms, the REIT anticipates meeting all current and future obligations as they come due. Management expects to 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 available through both conventional mortgage debt secured by income producing properties as well as unsecured debt; (iii) the issuance of new equity and debt securities, and (iv) to the extent necessary, the sale of assets.

The following table sets out the REIT's contractual cash flows as at March 31, 2014:

TABLE 18 - CONTRACTUAL CASH FLOWS

	Carrying amount	Contractual cash flow	2014	2015	2016	2017	2018	Thereafter
Accounts payable and accrued liabilities	$ 16,799,623	$ 16,799,623	$ 16,799,623	$ -	$ -	$ -	$ -	$ -
Distributions payable	1,031,392	1,031,392	1,031,392	-	-	-	-	-
Income tax payable	120,576	120,576	120,576	-	-	-	-	-
Deferred consideration	75,822,725	75,822,725	75,822,725	-	-	-	-	-
Convertible debentures	38,970,000	50,752,250	1,390,750	2,781,500	2,781,500	2,781,500	41,017,000	-
Mortgages and loans payable	379,146,497	404,821,958	331,251,957	1,937,864	1,914,612	60,776,130	8,941,395	-
Total	**$ 511,890,813**	**$ 549,348,524**	**$ 426,417,023**	**$ 4,719,364**	**$ 4,696,112**	**$ 63,557,630**	**$ 49,958,395**	**$ -**

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			
	March 31, 2014		**March 31, 2013**	
	(Unaudited)		**(Unaudited)**	
Cash provided by / (used in):				
Operating activities	$	516,563	$	1,769,317
Investing activities		10,685,274		(20,883,695)
Financing activities		(9,764,930)		21,874,695
Net increase / (decrease) in cash during the period		**1,436,907**		**2,760,317**
Effect of foreign currency translation		167,007		86,430
Net increase / (decrease) in cash during the period	**$**	**1,603,914**	**$**	**2,846,747**

Operating activities

Cash provided by operating activities totaled $516,563 and $1,769,317 for the three months ended March 31, 2014 and 2013 respectively. Operating cash flow decreased for the three months ended March 31, 2014 as compared to the prior period as a result of increased interest expense and asset management fees related to the three Brazilian property acquisitions on December 23, 2013, the one German property acquisition March 31, 2013, partially offset by an increase net operating income from these acquisitions. Included in REIT's interest expense for the three months ended March 31, 2014 is also interest on the mortgages and loans payable related to the REIT's investment in Vital Trust and NWHP REIT, however the income from these investments forms part of investing activities. During the three months ended March 31, 2013, only interest on the mortgages and loans payable on the REIT's investment in Vital Trust was included in interest expense as the investment in NWHP REIT did not occur until June 21, 2013.

Investing activities

Cash provided by investing activities totaled $10,685,274 for the three months ended March 31, 2014, cash distributions received from Vital Trust and NWHP REIT totaling $3,922,735 and net proceeds on the disposal of the German property of $6,834,818, partially offset by additions to investment properties of $72,279. For the three months ended March 31, 2013, cash used in investing activities totaled $20,883,695 which related to the cash outflow for the acquisition of the Fulda property (Germany) of $19,696,411, the additions to the REIT's investment in Vital Trust of $1,165,458, and the additions to investment properties of $21,826.

Financing activities

Cash used in financing activities totaled $9,764,930 for the three months ended March 31, 2014 as compared to cash generated by financing activities of $21,874,695 during the three months ended March 31, 2013.

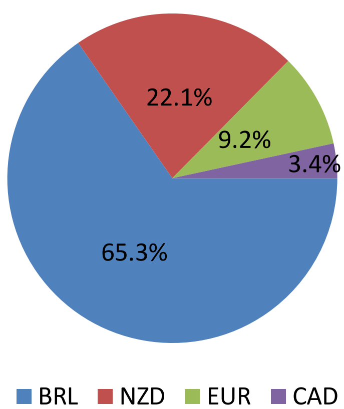
During the three months ended March 31, 2014, the REIT discharged the mortgage related to the disposal of the German property of $4,886,613, raised $1,618,371 of cash through the issuance of Trust Units (net of costs), made net repayments of mortgages and loans payable and credit facilities of $1,594,651, paid deferred consideration of $1,261,699, paid financing fees of $723,687, received net advances from related parties of $1,533,516, and paid distributions of $4,450,167.

During the three months ended March 31, 2013, the REIT obtained new mortgage financing on the Fulda Property of $11,873,371 (net of fees of $113,429), raised $19,897,407 of cash through the of cash through the issuance of Trust Units and convertible debentures (net of costs), made net repayments of mortgages and loans payable and credit facilities of $3,697,491, paid deferred consideration of $1,072,109, made net advances to related parties of $1,183,656, and paid distributions of $3,942,827.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months ended March 31, 2014, approximately 96.6% of the REIT's AFFO was conducted in currencies other than Canadian dollars, while its distributions to Unitholders, certain general and administrative expenses, interest expenses and interest income were denominated in Canadian dollars. A summary of the REIT's currency exposure for the three months ended March 31, 2014 is presented below:

AFFO by Currency (1) (2)



Trading Range (1) (3)

(Against CAD)	**BRL**	**EUR**	**NZD**
High	0.4880	1.5526	0.9605
Low	0.4460	1.4442	0.8718
Average	0.4671	1.5117	0.9235
Balance Sheet:			
December 31, 2013	0.4503	1.4655	0.8751
March 31, 2014	0.4904	1.5227	0.9597
Profit & Loss:			
Q1 2014 Average Rate	0.4671	1.5117	0.9235
Q1 2013 Average Rate	0.5059	1.3319	0.8418

Notes:
1. For the three months ended March 31, 2014
2. Includes Canadian Dollar AFFO of $271,209 related to the REIT's proportionate share of AFFO from NWHP REIT and interest income less certain general and administrative expenses.
3. Rates are presented against the Canadian Dollar

For the three months ended March 31, 2014, a portion of the AFFO generated in foreign currencies was retained in those foreign currencies to provide funds for operations, future acquisitions in those foreign jurisdictions and minimize currency conversion costs, while a portion has been repatriated back to Canada to fund distributions and acquisitions in other regions. A significant portion of the funds raised in Canadian dollars from the equity and convertible debenture offerings were converted into foreign currencies to fund acquisitions in foreign jurisdictions.

For the three months ended March 31, 2014, AFFO generated in Canadian dollars totaled $271,209 (three months ended March 31, 2013 - $93,501), while Canadian dollar distributions paid to Unitholders totaled $8,094,714 (for the three months March 31, 2013 - $1,704,937). Any deficiencies were funded from cash repatriated to Canada from Brazil, Germany and New Zealand, the existing working capital and receivables from related parties, and the proceeds of the from the overallotment relating to the December 2013 equity offering.

As at March 31, 2014 the REIT held approximately $26,223,000 of cash and receivables denominated in Canadian Dollars (December 31, 2013 - $26,147,000).

The REIT monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. Since the repatriation of cash from the REIT's international regions to Canada has been minimal due to investing commitments in those regions, the REIT has not executed any formal hedging arrangements in the past year. The REIT intends to implement its hedging policy, when necessary, practicable and economically feasible, 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 arrangements 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

a) As at March 31, 2014, NWVP indirectly owned approximately 81% 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, sole director and President of NWVP. Bernard Crotty, a Trustee and President of the REIT, serves as Senior Vice-President of NWVP. Teresa Neto, Chief Financial Officer of the REIT, serves as Chief Financial Officer of NWVP.

b) In conjunction with the acquisition of the Initial International Assets, the REIT entered into a Put/Call Agreement. Pursuant to the Put/Call Agreement, the REIT had granted NWVP the Put Right to sell to the REIT any or all of up to 12,500,000 NWHP trust units and/or securities exchangeable into Option Units held by NWVP to the REIT. NWVP had granted the REIT the Call Right to acquire any or all of the Option Units. The Put/Call Agreement specifies the price at which the Option Units may be purchased/sold and the put/call rights expire on November 16, 2014. As at March 31 2014, there remains put/call rights in respect of 602,554 Option Units under the Put/Call Agreement. Paul Dalla Lana, Robert Baron and Bernard Crotty, all Trustees of the REIT, also serve as trustees of NWHP REIT.

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

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

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

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

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

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

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

In April 2014, the independent trustees of the REIT determined that the Class C Amount for the 2013 Performance Period was $4,103,617. The NWVP affiliate elected to receive such Class C Amount in the form of Class D GP Units, which will result in the issuance of 1,891,068 Class D GP Units. Each Class D GP Unit is exchangeable for one Unit of the REIT and carries one REIT level voting right.

The following table summarizes the related party transactions with NWVP and its subsidiaries related to the Asset Management Agreement, Property Management Agreement, Development Agreement and Management Fee Participation Agreement during the three months ended March 31, 2014 and 2013:

	Three months ended March 31, 2014	**Three months ended March 31, 2013**
Base asset management fees [1]	$ 782,352	$ 434,835
Property management fees	53,799	31,045
Management fee participation	(417,091)	(399,878)
Reimbursement of out-of-pocket costs - completed transactions	-	54,571
Reimbursement of out-of-pocket costs - in-progress transactions	750,153	-
	$ 1,169,213	$ 120,573

(1) During the three months ended March 31, 2014, the REIT issued 355,260 units to settle outstanding asset management fees owing to a subsidiary of NWVP (three months ended March 31, 2013 – nil).

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

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

	As at Mar. 31, 2014 (Unaudited)	**As at Dec. 31, 2013 (Audited)**
Working capital and closing adjustment receivable (i)	$ 16,966,652	$ 18,236,652
Interest rate subsidy (ii)	1,873,898	1,873,898
Instalment note receivable (iii)	1,385,555	1,369,191
Vital Management Fee Participation	2,952,348	2,296,860
Interest (i)	2,771,781	2,431,781
Other	(178,934)	45,664
Total	**$ 25,771,300**	**$ 26,254,047**

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

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

(ii) Interest rate subsidy

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

Subsequent to March 31, 2014, NWVP and the REIT agreed to extend and amend the interest rate subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to June 30, 2014 (see “Subsequent Events”).

(iii) Instalment note receivable

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

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

Subsequent to the quarter ended March 31, 2014, on April 30, 2014, the REIT announced plans to internalize the REIT’s external management function. See “Subsequent Events”.

PART VI – RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Trust Units and in the activities of the REIT which current and prospective Unitholders should carefully consider. The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT. The REIT's annual information form dated April 23, 2014 (the "AIF"), the audited consolidated financial statements and MD&A for the year ended December 31, 2013 (the "2013 Financials and MD&A"), and the short-form prospectus filed by the REIT on May 13, 2014 in relation to the equity offering (the "May 2014 Prospectus") each contain a detailed summary of risk factors pertaining to the REIT and its business. There have been no material changes to the nature or the number of risk factors pertaining to the REIT since the issuance of the May 2014 Prospectus. The disclosures in this MD&A are subject to the risk factors outlined in the AIF, the 2013 Financials and MD&A, and the May 2014 Prospectus each of which are available on SEDAR at www.sedar.com.

Risks Related to the Internalization Transaction

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

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

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

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

Risks Related to the Proposed TSX Graduation and Expansion of the REIT's Board

The REIT's intention to initiate the process of graduating to the TSX and increase the number of Trustees is subject to conditions, including satisfaction of the TSX's listing criteria, other TSX approvals and the ability to identify suitable Trustee candidates. There is no certainty, nor can the REIT provide any assurance, that such conditions precedent will be satisfied or, if satisfied, when they will be satisfied.

PART VII – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies is described in note 3 of the REIT's condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2014.

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 months ended March 31, 2014 and its audited consolidated financial statements and accompanying notes for the year ended December 31, 2013.

For the three months ended March 31, 2014 the REIT has applied the following new accounting standards, or amendments to existing standards, for the first time:

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

The adoption of these new accounting standards, or amendments, did not have a material impact on the REIT's condensed consolidated interim financial statements. For additional information on the adoption of these standards see note 3 of the REIT's condensed consolidated interim financial statements for the three months ended March 31, 2014.

PART VIII – OUTLOOK

During the three months ended March 31, 2014, there have not been any material changes to the operating or economic environments in which the REIT operates.

Through the first half of 2014, the REIT will focus on closing the German MOB Portfolio, continue to pursue new acquisitions in the REIT's existing markets, and take the necessary steps to successfully apply for a listing on the TSX, subject to TSX approval.

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

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