



**NORTHWEST 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, 2013**

May 6, 2013

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CEO's Message

May 6, 2013

The first quarter of 2013 saw the Canadian commercial real estate market remain stable in terms of fundamentals, but somewhat less robust in terms of investment activity, despite the availability of both equity and debt capital, due in large part to constrained supply.

Operations

Our REIT performed largely as expected during the first quarter. We have had a solid start to the year in terms of leasing as we renewed, or expect to renew, 93% of tenancies that expired in the quarter, while also welcoming another 25,500 square feet of new tenancies. With 45% of our annual budget for renewal leasing and 39% of our annual new leasing target completed, we remain on plan to increase occupancy in the second half of this year.

Rents were in line with expectations, and we expect this to continue throughout the remainder of the year, and same property performance improved.

A focus of the quarter was the integration of the twelve GT Canada properties acquired near the end of 2012. Although there have been numerous operational and leasing issues to address, we remain confident that the properties will, over the long term, perform as expected.

The financial results for the first quarter were in line with our expectations, with FFO per unit for the quarter of \$0.25, and AFFO per unit of \$0.21. The payout ratio for the quarter was 97%.

Acquisitions & Dispositions

We continue to have a number of acquisition opportunities under consideration. Subsequent to the quarter we announced our first acquisition in the Winnipeg market, having entered into an agreement to acquire a three-building complex located just west of the downtown core. The property is fully leased to three tenants, of which the Winnipeg Regional Health Authority is the most significant, occupying 80% of the rentable area under a long-term lease to 2029. We are excited to be entering the Winnipeg market since we believe it has a strong and growing healthcare sector in a stable economic environment with good opportunities for us to expand.

During the quarter we closed the sale of one non-core property that had been part of the former GT Canada portfolio which was acquired in late 2012.

Liquidity

During the first quarter we initiated several refinancings, which have been or will be completed subsequent to quarter end, in order to extend mortgage terms, reduce borrowing rates, and improve the REIT's liquidity position.

Outlook

Our continued focus for the remainder of 2013 will be to improve operational performance of the REIT through improving occupancy, further enhancing and diversifying our tenancy profile, and integrating the GT Canada portfolio. We also expect to continue to complete accretive acquisitions in a disciplined manner to ensure we are not just expanding the portfolio, but also improving it in terms of quality and diversification.

Sincerely,

(signed) Peter Rigg
Chief Executive Officer

This Management's Discussion and Analysis ("MD&A") sets out NorthWest Healthcare Properties Real Estate Investment Trust's (the "REIT") operating strategies, risk profile considerations, business outlook and analysis of its financial performance and financial condition for the three months ended March 31, 2013.

This MD&A is based on the REIT's condensed consolidated interim financial statements for the three months ended March 31, 2013, prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are in thousands of Canadian dollars, except where otherwise stated. Per unit amounts are presented in Canadian dollars, on a diluted basis including Class B Exchangeable Units, except where otherwise stated.

This MD&A should be read in conjunction with the REIT's condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2013, prepared in accordance with IFRS. Additional information about the REIT, including the REIT's annual information form dated March 12, 2013 (the "Annual Information Form"), can be found on SEDAR at www.sedar.com.

Throughout this MD&A the following terms have the meanings set forth below, unless otherwise indicated. Words importing the singular include the plural and vice versa:

- "Class B Exchangeable Unit" means Class B limited partnership unit of NHP Holdings Limited Partnership, exchangeable for Units;
- "Special Voting Unit" means a special voting unit of the REIT attached to a Class B Exchangeable Unit;
- "Unit" or "REIT Unit" means a unit of the REIT; and
- "Unitholder" means a holder of Units and any reference to a Unitholder in the context of such Unitholder's right to vote at a meeting of Unitholders also includes reference to a holder of Special Voting Units;

PART I

FORWARD-LOOKING INFORMATION

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;
- any projections of financial performance of the REIT for the periods set out herein;
- the expected tax treatment of the REIT's distributions to Unitholders;
- the ability of the REIT to qualify for the REIT Exception (as defined herein);
- the access of the REIT to debt markets; and
- the expected 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 conditions 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, and 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 “Risk Factors”. 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.

NON-IFRS FINANCIAL MEASURES

Certain terms used such as “**Funds from Operations**” (“**FFO**”), “**Adjusted Funds from Operations**” (“**AFFO**”), “**Net Operating Income**” (“**NOI**”), “**Gross Book Value**” (“**GBV**”), “**Payout Ratio**”, “**Interest Coverage**” and any related per Unit amounts used by management to measure, compare and explain the operating results and financial performance of the REIT are not recognized terms under IFRS, and therefore should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. Management believes that these terms are relevant measures in comparing the REIT’s performance to industry data and the REIT’s ability to earn and distribute cash returns to holders of the REIT’s Units. These terms are defined in this MD&A and reconciled to the condensed consolidated interim financial statements of the REIT for the three months ended March 31, 2013. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other publicly traded entities.

PART II

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to its Declaration of Trust dated January 1, 2010 and as amended on March 25, 2010, under the laws of the Province of Ontario (the “Declaration of Trust”). The REIT completed its initial public offering (“IPO”) on March 25, 2010. The REIT’s Units are listed and publicly traded on the Toronto Stock Exchange (TSX) under the symbol NWH.UN.

The REIT is the largest non-government owner of medical office buildings and healthcare focused real estate (collectively, “Healthcare Real Estate”) in Canada, and is focused on leasing space to a wide variety of medical and healthcare professionals, institutional healthcare organizations, as well as, related healthcare service providers such as pharmacies, laboratories and diagnostic imaging clinics. The REIT employs a full service, fully integrated national management platform with regional offices in four core markets of Calgary, Toronto, Montreal and Halifax.

Management believes that Healthcare Real Estate represents a growing yet defensive market position, owing to necessity-based tenancies that are not typically impacted by recessions or economic slowdowns. The REIT and its property portfolio are well positioned to benefit from strong demographic and industry trends, such as a growing and aging population, increased demand for healthcare, and a shift of administration, diagnostic services and other non-acute services out of hospitals and into nearby Healthcare Real Estate owing to space shortages, pressure for cost savings and a desire by the hospitals to focus their activities on acute care.

The objectives of the REIT are to: (i) provide Unitholders with stable and growing cash distributions from investments focused on Healthcare Real Estate primarily in Canada, on a tax efficient basis; (ii) enhance the value of the REIT’s assets and maximize long-term Unit value through active management; and (iii) expand the asset base of the REIT and increase the REIT’s AFFO per Unit, including through accretive acquisitions.

DECLARATION OF TRUST

The investment guidelines of the REIT are outlined in the REIT's Declaration of Trust, a copy of which is filed on SEDAR and is also available to all Unitholders upon request. Further information regarding the Declaration of Trust can also be located in the REIT's Annual Information Form under the heading "Declaration of Trust". Some of the main investment guidelines and operating policies in the Declaration of Trust include the following:

Investment Guidelines

1. Acquire and operate income-producing commercial real estate located primarily in Canada;
2. Investments in joint ventures regarding real estate permitted; and
3. Investments in mortgages and mortgage bonds regarding real estate permitted.

Operating Policies

1. Maximum portfolio debt capacity not to exceed 65% of Gross Book Value;
2. No guaranteeing of third-party debt outside its existing structure and potential joint venture partner structures, except under certain specific conditions and meeting certain defined criteria;
3. Limitations meeting certain defined criteria restricting leasing to non – institutional tenants; and
4. Third party environmental surveys are required prior to the acquisition of any property.

At March 31, 2013, the REIT was in compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Expressed in thousands of dollars	As at March 31, 2013	As at December 31, 2012
Operational information	(Unaudited)	(Unaudited)
Number of properties	76	77
Gross Leasable Area ("GLA")	4,583,850	4,597,358
Occupancy %	91.3%	91.2%
Average lease term to maturity	4.5 years	4.6 years
Weighted average in place net rental rate (\$psf)	\$16.27	\$16.30
Summary of Financial information	(Unaudited)	(Unaudited)
Gross Book Value	\$1,285,854	\$1,281,477
Debt ⁽¹⁾	\$661,151	\$661,222
Debt to Gross Book Value ⁽²⁾	51.4%	51.6%
Weighted average mortgage interest rate ⁽³⁾	4.92%	4.93%
Weighted average mortgage term	4.5 years	4.6 years
Adjusted units outstanding – period-end ⁽⁴⁾ :		
Basic	46,161,316	46,115,449
Diluted	46,424,142	46,292,584
	For the	For the
	three months ended	three months ended
	March 31, 2013	March 31, 2012
Summary of Financial information	(Unaudited)	(Unaudited)
Revenue	\$37,120	\$32,515
NOI ⁽⁵⁾	\$19,845	\$17,248
FFO ⁽⁵⁾	\$11,353	\$10,111
FFO per Unit (Adjusted fully diluted) ⁽⁶⁾	\$0.25	\$0.24
AFFO ⁽⁵⁾	\$9,537	\$8,411
AFFO per Unit (Adjusted fully diluted) ⁽⁶⁾	\$0.21	\$0.20
Distributions per Unit	\$0.20	\$0.20
AFFO Payout ratio	97%	102%
Interest coverage ⁽⁷⁾	2.47x	2.58x
Net debt/EBITDA ⁽⁸⁾	8.7x	8.3x
Adjusted weighted average units outstanding for the period ⁽⁴⁾ :		
Basic	46,138,760	42,892,943
Diluted	46,329,357	42,997,118

Notes:

- (1) Debt is presented net of a Mark to Market premium of \$2,968 (December 31, 2012 - \$3,232) and unamortized financing costs of \$1,348 (December 31, 2012 - \$1,372).
- (2) Defined as total debt excluding Class B Exchangeable Units, divided by total assets
- (3) Current market weighted average mortgage interest rate = approximately 3.5%
- (4) Under IFRS the REIT's Class B Exchangeable Units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B Exchangeable Units in basic and diluted units outstanding/weighted average units outstanding. There were 7,551,546 outstanding Class B Exchangeable Units outstanding as at March 31, 2013 (December 31, 2012 - 7,615,546).
- (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 the consolidated financial statements of the REIT.
- (6) FFO and AFFO per unit amounts based on fully diluted adjusted weighted average number of units, which includes Class B Exchangeable Units, for the three months ended March 31, 2013. AFFO amounts are calculated utilizing a stabilized reserve for growth capital expenditures, leasing costs and tenant improvements of 4.5% of revenue from investment properties.
- (7) Defined as net income before fair value adjustment of investment properties plus finance costs divided by finance costs excluding amounts related to Class B Exchangeable Units.
- (8) Defined as debt less cash and cash equivalents divided by annualized net income before fair value adjustment of investment properties plus finance costs.

SUMMARY OF SIGNIFICANT EVENTS

- AFFO per unit for the quarter was \$0.21, consistent with the previous quarter, and a \$0.01 improvement over the comparable prior year quarter.
- FFO per unit for the quarter was \$0.25, a \$0.01 improvement over the comparable prior year quarter.
- Occupancy was 91.3%, a slight improvement from the previous quarter at 91.2%.
- The REIT paid distributions of \$0.06667 per unit on January 15, 2013, February 15, 2013 and March 15, 2013 consistent with its annualized target of \$0.80 cents per unit.

See Part X – Subsequent Events

OUTLOOK AND CURRENT BUSINESS ENVIRONMENT

The REIT believes that its portfolio of primarily necessity-based tenancies is typically not materially impacted by economic slowdowns and is well-positioned to capitalize upon longer term demographic and healthcare industry trends of increasing demand for healthcare from an aging population, as well as increasing pressure on governments and healthcare institutions to contain costs, which will likely result in additional opportunities for non-government providers of Healthcare Real Estate.

The REIT continues to focus its leasing efforts on increasing the healthcare tenancies within each building, when appropriate and wherever possible, which means aggressively pursuing new healthcare tenancies for vacant space and renewing healthcare tenancies, but only selectively renewing non-healthcare tenancies. This is important in order to create the positive synergies that result from an agglomeration of healthcare users in one property, which over the long term, positions the property for increased rents from support service tenants who benefit from such synergies, such as pharmacies, laboratories, diagnostic imaging clinics and other retail-oriented businesses. It also assists in driving maximum traffic to the property which translates into increased miscellaneous revenue, especially parking revenue, if applicable.

The Canadian real estate equity and debt capital markets are currently stable with debt readily available and competitively priced. In general the investment market has become more competitive with increased activity as capital recently raised, especially by REITs, is available for investment. As a consequence of this growth in demand there has been a continuing but gradual decline in yields.

The REIT continues to pursue an active acquisition pipeline, with multiple properties in varying stages of review, negotiation and due diligence. The REIT believes, through accretive acquisitions that leverage its existing asset and property management platform, there are significant opportunities to grow the portfolio by being a consolidator within a sector that is characterized by relatively fragmented ownership. Further, portfolio growth often enhances the REIT's relationships with the healthcare communities within which it operates, which over the longer term, will also contribute to improved performance.

PART III

RESULTS OF OPERATIONS

The REIT's results of operations for the three months ended March 31, 2013 are summarized below:

Expressed in thousands of dollars	Three months ended	Three months ended	Variance
	March 31, 2013	March 31, 2012	
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from operations			
Base rent	\$17,581	\$15,362	\$2,219
Operating cost recoveries	15,039	13,267	1,772
Parking revenue	3,681	3,273	408
Other revenue	691	491	200
Revenue from investment properties	36,992	32,393	4,599
Management fee revenue	128	122	6
Revenue from operations	37,120	32,515	4,605
Property operating expenses	17,275	15,267	(2,008)
Operating income	19,845	17,248	2,597
Finance cost	7,721	6,410	(1,311)
Interest income	(185)	(171)	14
Trust expenses	956	898	(58)
Income before undernoted items	11,353	10,111	1,242
Finance cost – Class B Exchangeable Units	(1,519)	(1,523)	4
Finance cost – Fair value adjustment of Class B Exchangeable Units	(1,912)	(5,788)	3,876
Finance cost – Fair value adjustment of other financial instruments	99	-	99
Fair value adjustment of investment properties ⁽¹⁾	2,177	18,184	(16,007)
Net loss on disposal of investment properties	(73)	-	(73)
Net income / (loss)	\$10,125	\$20,984	(\$10,859)
Notes:			
(1) The REIT has chosen to use the fair value model to account for investment property under IFRS. As a result the investment properties are not depreciated and changes in the fair value of the properties are recognized in income in the period they occur.			

Revenue from Operations

Revenue from operations for the three months ended March 31, 2013 is \$4,605 greater than the actual for the three months ended March 31, 2012, primarily as a result of 19 properties acquired subsequent to December 31, 2011 that increased revenue \$4,513 over the actual for the three months ended March 31, 2012. Included in Revenue from operations is \$136 of lease termination revenue (three months ended March 31, 2012 - \$5).

Property Operating Expenses

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

Operating expenses for the three months ended March 31, 2013 were \$2,008 greater than the three months ended March 31, 2012, primarily as a result of acquisitions that contributed \$2,037 to operating expenses.

Finance Cost

Interest expense for the three months ended March 31, 2013 is \$1,311 greater than the actual results for the three months ended March 31, 2012, primarily as a result of mortgage interest on acquired properties of \$898. The balance of the increase consists primarily of increased leverage at two of the REIT's existing properties.

Interest Income

Interest income for the three months ended March 31, 2013 and 2012, primarily reflects interest earned on an \$8 million loan secured by a medical office building in Owen Sound, Ontario, over which the REIT has a right of first offer.

Trust Expenses

The increase in trust expense for the three months ended March 31, 2013 over the three months ended March 31, 2012 is primarily related to increased compensation costs.

Finance Cost – Class B Exchangeable Unit distributions

Under IFRS the Class B Exchangeable Unit distributions are treated as a finance cost. During the three months ended March 31, 2013 the REIT declared distributions of \$1,519 (2012 -\$1,523) on the Class B Exchangeable Units. This represents \$0.0667 per unit, equivalent to REIT Units, for each month of the three month period ended March 31, 2013 and 2012, respectively.

The slight decrease in the finance costs associated with the Class B Exchangeable Units over the prior year's quarter reflects the reduction in outstanding Class B Exchangeable Units following the conversion into REIT Units of 64,000 Class B Exchangeable Units in March 2013.

Fair Value Adjustment of Class B Exchangeable Units

Under IFRS the Class B Exchangeable Units are carried at fair value with any change in value recognized in the statement of income. During the three month period ended March 31, 2013 the value of the Class B Exchangeable Units increased to \$12.73 from \$12.48 resulting in an increase of the Class B Exchangeable Units liability and an associated loss of \$1,912. During the three months ended March 31, 2012 the outstanding Class B Exchangeable Units increased from \$11.49 to \$12.25 resulting in an increase of the Class B Exchangeable Units liability and an associated loss of \$5,788.

Finance Cost – Fair value adjustments of other financial instruments

During the three months ended March 31, 2013 the REIT recognized a fair value gain of \$99 on interest rate swap contracts used to fix the interest rate on certain variable rate mortgages. The interest rate swap contracts have not been designated by the REIT as hedges and as a result fair value movements on the derivatives are recognized in statement of income rather than other comprehensive income. The fair value movements are non-cash in nature and are expected to reverse over the life of the contracts.

Fair Value Adjustment of Investment Properties

Under IFRS the REIT has elected to use the fair value model to account for its investment properties. The REIT's primary valuation methodology is discounted cash flow analysis. Under the fair value model, investment properties are carried on the consolidated balance sheet at fair value. The properties are not depreciated and changes in the fair value of the properties are recognized in income in the period in which they occur. During the three months ended March 31, 2013 the value of the REIT's investment properties increased by \$2,177. See Part III – Investment Properties for additional information on the fair value changes to the REIT's investment properties.

Net Loss on Disposal of Investment Properties

During the three months ended March 31, 2013 the REIT sold a non-core investment property for gross proceeds of \$1,035. The loss on disposal of \$73 represents transaction costs associated with the sale.

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, 2013 represents income from investment properties held prior to January 1, 2012. The REIT's NOI for the three months ended March 31, 2013 is summarized below:

Expressed in thousands of dollars	Three months ended	Three months ended	Variance
	March 31, 2013	March 31, 2012	
	(Unaudited)	(Unaudited)	(Unaudited)
Same property revenue from operations			
Base rent	\$15,093	\$15,096	(\$3)
Operating cost recoveries	13,225	13,072	153
Parking revenue	3,228	3,273	(45)
Other revenue	469	488	(19)
Revenue from investment properties	32,015	31,929	86
Same property operating expenses	15,003	15,032	29
Same property NOI	17,012	16,897	115
Management fee revenue	128	122	6
Acquisitions	2,705	229	2,476
NOI	\$19,845	\$17,248	\$2,597

Revenue from Investment Properties

Same property revenue from investment properties for the three months ended March 31, 2013 is \$86 greater than actual results for the three months ended March 31, 2012.

Same property base rent for the three months ended March 31, 2013 is comparable to the prior year period.

Same property operating cost recovery revenue for the quarter increased \$153 over the comparable prior year period with net operating cost recoveries improved approximately \$111 over the comparable prior year period. The increase reflects the on-going conversion of gross leases to net leases and improved same property occupancy.

Same property parking revenue decreased \$45 over the three months ended March 31, 2012 due to, what the REIT believes is, a temporary decline in the performance of paid parking at two of the REIT's properties. Other same property income decreased very slightly versus the three months ended March 31, 2012 partially due to a decrease in lease termination revenue to \$Nil from \$5.

Property Operating Expenses

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

Same property operating expenses for the three months ended March 31, 2013 decreased over the three months ended March 31, 2012 primarily due to timing of repair and maintenance work.

Management Fee Revenue

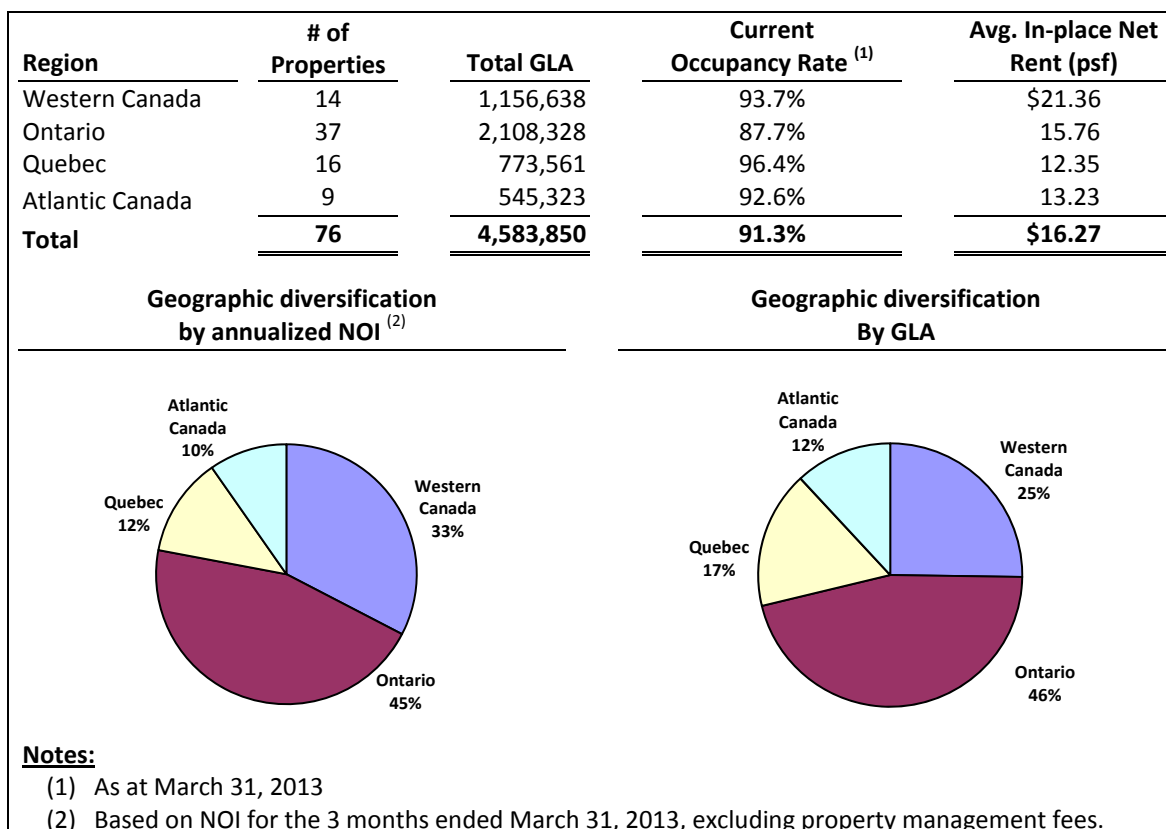
Management fee revenue for the three months ended March 31, 2013 was consistent with the comparable prior year period.

PORTFOLIO PROFILE

As of March 31, 2013, the REIT's portfolio consisted of 76 Healthcare Real Estate properties, located in six provinces. The properties had a total GLA of approximately 4.6 million square feet encompassing approximately 1,560 individual tenancies.

Geographic Diversification

The properties are well diversified throughout Canada, with 78% of annualized NOI derived from the six major markets of the Greater Toronto Area (29%), Calgary (20%), Edmonton (12%), the Greater Montreal Area (8%), Quebec City (4%) and the Halifax Regional Municipality (5%) for the three months ended March 31, 2013. The following charts and graphs set out the regional diversification of the portfolio by annualized NOI and GLA.



Tenant Mix

The 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. Approximately 77% of the REIT's tenants are healthcare-oriented. The average tenant occupies approximately 2,700 square feet of GLA. The primary source of revenue for a large portion of the REIT's tenants is government funding, either directly or indirectly, through medical practitioners, which supports the credit quality of the REIT's tenants. The weighted average in place net rent per square foot for the properties is \$16.27.

The following table summarizes the REIT's 10 largest tenants by percentage of gross rent for the three months ended March 31, 2013:

Tenant	% of Gross Rent	No. of Locations
1 Bantrel Corporation	4.4%	1
2 CLSC/CSST	3.8%	6
3 Lawtons Drugs	2.0%	5
4 Alberta Health Services	1.9%	6
5 Shoppers Drug Mart	1.9%	7
6 The Hospital for Sick Children	1.4%	2
7 CML Healthcare	1.3%	10
8 Medical Imaging Consultants	1.3%	2
9 Albany Medical Clinic	1.2%	1
10 Centric Health	1.2%	7
Total	20.4%	
Weighted average lease term		6.8 years

Leasing Activity

	Leasing Activity (square feet)			
	Total GLA	Occupied	Vacant	Committed⁽¹⁾
December 31, 2012	4,597,358	4,191,488	405,870	273,909
Acquired	767	767	-	-
Disposition	(13,218)	(10,721)	(2,497)	-
Expiries	-	(146,332)	146,332	-
Renewal	-	112,750	(112,750)	⁽²⁾ (65,581)
Early Terminations	-	(6,384)	6,384	-
New Leasing	-	25,461	(25,461)	⁽³⁾ (6,573)
Month to month	-	14,458	(14,458)	-
Re-measurements and other	(1,057)	1,981	(3,038)	-
March 31, 2013	<u>4,583,850</u>	<u>4,183,468</u>	<u>400,382</u>	<u>201,755</u>

Notes:

(1) Represents existing tenants that have early renewed prior to lease expiry or new tenant leasing where the lease commences subsequent to the quarter end.

(2) Net change of 65,581 square feet during the quarter equals 48,786 square feet of early renewals during the quarter less 114,367 square feet of prior quarter early renewals that commenced during the current quarter.

(3) Net change of 6,573 square feet during the quarter equals 13,126 square feet of leasing, with lease commencement subsequent to the quarter, less 19,699 square feet of prior quarter new leasing that commenced during the current quarter.

Renewal leasing:

During the quarter the REIT completed 112,750 square feet of renewal leasing inclusive of 2,865 square feet of month to month tenants that renewed during the quarter. In addition 23,162 square feet of expiries remained in occupancy on a month to month basis, and are expected to renew. The REIT also early renewed 48,786 square feet of future expiries during the quarter.

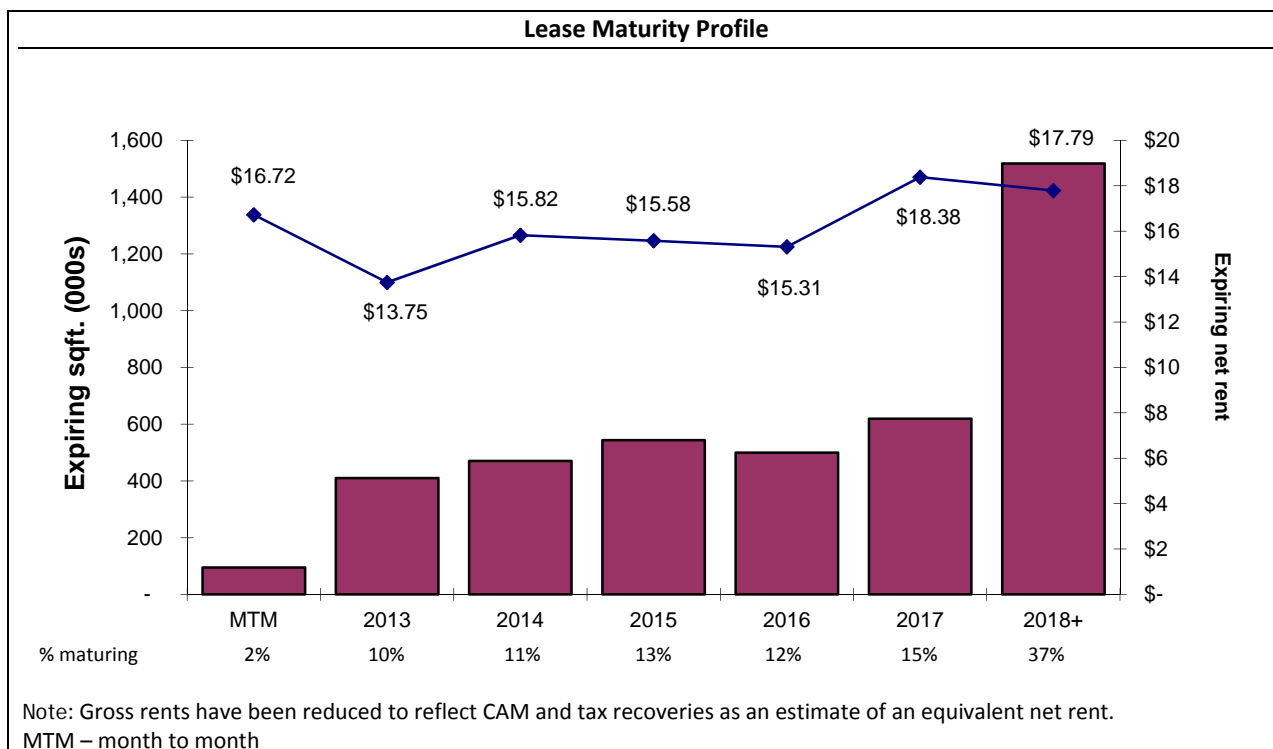
Tenant renewals were completed at an initial net rent per square foot of \$16.85 versus an expiring net rent per square foot of \$17.56. This decrease is directly attributable to four renewals representing approximately 13% of the space renewed during the quarter, including two renewals in properties that were recently acquired, with the acquisition underwriting for those investments projecting lower renewal rates. Further, the four renewals in question were for lease terms of between 10 and 15 years, with rent escalations in place over the extended lease terms. If these four situations were excluded, there would have been an increase of \$0.12 psf, or 0.7%

New leasing:

During the quarter the REIT completed 25,461 square feet of new leasing commencing in the quarter, plus 13,126 square feet of leasing with lease commencement subsequent to the quarter. New leasing commencing during the quarter was completed at an initial net rent per square foot of \$13.76.

Lease Expiry Profile

The REIT's diverse tenant base is complemented by a balanced lease maturity profile, with an average of 12% of GLA maturing each year between 2013 and 2017, as illustrated by the chart below, and, as of March 31, 2013, a weighted average term to maturity of 4.5 years.



Expiring Square Feet						
	Western Canada	Ontario	Quebec	Atlantic Canada	Total	Committed
Month to month	13,477	70,975	433	10,077	94,962	-
2013	116,994	167,801	69,256	55,885	409,936	116,478
2014	127,640	238,629	59,765	44,272	470,306	43,537
2015	145,804	245,131	64,826	87,815	543,576	1,849
2016	65,326	273,248	114,989	46,430	499,993	-
2017	262,268	237,230	63,365	56,171	619,034	858
2018+	324,975	615,884	373,434	204,108	1,518,401	1,509
Total Expiries	1,056,484	1,848,898	746,068	504,758	4,156,208	164,231
Residential	27,260	-	-	-	27,260	-
	1,083,744	1,848,898	746,068	504,758	4,183,468	164,231
Vacant	72,894	259,430	27,493	40,565	400,382	37,524
Total GLA	1,156,638	2,108,328	773,561	545,323	4,583,850	201,755
Occupancy percentage	93.7%	87.7%	96.4%	92.6%	91.3%	

Expiring Net Rent						
	Western Canada	Ontario	Quebec	Atlantic Canada	Total	Committed ⁽¹⁾
Month to month	25.68	16.56	8.49	6.22	16.72	-
2013	17.69	13.58	10.36	10.20	13.75	14.55
2014	19.16	14.89	14.94	12.43	15.82	21.32
2015	20.26	15.25	13.19	10.51	15.58	20.50
2016	18.57	15.75	10.95	18.92	15.31	-
2017	23.80	14.72	14.47	12.99	18.38	10.00
2018+	23.70	18.31	12.96	15.65	17.79	26.00
Total Expiries	<u>21.74</u>	<u>16.13</u>	<u>12.72</u>	<u>13.69</u>	<u>16.65</u>	<u>16.49</u>

Notes:
(1) Weighted average initial net rent per square foot.

The REIT has 37,524 square feet of committed future leasing against vacant space at an initial net rent per square foot of \$13.73.

INVESTMENT PROPERTIES

The fair value of investment properties as at March 31, 2013 was \$1,251,093 representing an implied weighted average capitalization rate ("Implied Cap Rate") of 6.7%. At March 31, 2012 investment properties were valued at \$1,047,241 representing an Implied Cap Rate of 6.9%.

The increase in value is summarized as follows:

	Three months ended March 31, 2013 (Unaudited)	Three months ended March 31, 2012 (Unaudited)
Expressed in thousands of dollars		
Opening Balance	\$1,244,875	\$985,384
Acquisitions of investment properties	548	40,216
Additions	4,174	3,113
Disposition of investment property	(1,035)	-
Increase in straight-line rents	354	344
Fair value adjustment	2,177	18,184
Closing Balance	<u>1,251,093</u>	<u>1,047,241</u>

The increase associated with the fair value adjustment during the quarter can be primarily attributed to compression of the capitalization rates in the Greater Toronto area, partially offset by a capitalization rate increase in Montreal.

When valued internally the REIT determines the fair value of each investment property using the discounted cash flow method. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows.

The discounted cash flows reflect rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

During the quarter the REIT had external valuations performed on properties with a value of \$31,200. The REIT expects to have a portion, likely one-quarter to one-third, of the value of the portfolio externally appraised each year, depending on management's assessment that such valuations would be appropriate given the market conditions and/or material changes at the properties at that time.

The key valuation assumptions for the REIT's commercial properties are set out in the following table:

	March 31, 2013	March 31, 2012
	(Unaudited)	(Unaudited)
Discount rates – range	6.3% - 10.0%	7.0% - 11.0%
Discount rate – weighted average	7.5%	7.9%
Terminal capitalization rate - range	6.0% - 9.3%	6.0% - 10.3%
Terminal capitalization rate - weighted average	7.0%	7.2%
Implied capitalization rate – range	5.5% - 9.4%	5.8% - 9.3%
Implied capitalization rate – weighted average	6.7%	6.9%

During the three months ended March 31, 2013 the REIT sold a non-core investment property for gross proceeds of \$1,035.

ACQUISITIONS

There were no significant property acquisitions during the quarter. However, during the three months ended March 31, 2013 the REIT acquired an additional condo unit at the Smyth Medical Centre and land adjacent to one of the REIT's Ontario investment properties.

See Part X – Subsequent Events

LEASING COSTS AND CAPITAL EXPENDITURES

Expressed in thousands of dollars	For the three months ended March 31, 2013	For the three months ended March 31, 2012
	(Unaudited)	(Unaudited)
Leasing costs ⁽¹⁾	\$578	\$271
Tenant improvements ⁽²⁾	2,116	1,375
Capital expenditures ⁽³⁾	1,480	1,467
Additions to investment properties	4,174	3,113
Less: recoverable maintenance capital expenditures	(639)	(1,104)
Less: value enhancing and non recurring capital expenditures	(954)	(294)
Total adjusted leasing costs and capital expenditures	<u>\$2,581</u>	<u>\$1,715</u>
Reserve for stabilized capital expenditures, leasing costs and tenant improvements ⁽⁴⁾	<u>\$1,665</u>	<u>\$1,456</u>
Actual leasing and capital expenditures in excess of reserve	<u>\$916</u>	<u>\$259</u>
Notes:		
(1) The leasing costs exclude the base salary and benefits of the internal leasing department which have been expensed.		
(2) Tenant improvements include tenant allowances and landlord's work where the REIT has determined, for accounting purposes, that it is the owner of the tenant improvements. These amounts are added to the carrying value of investment properties.		
(3) The REIT's capital expenditures include capital costs required to maintain the existing property portfolio (i.e. maintenance capital expenditures) as well as capital costs in relation to the on-going expansion and continuous improvement of the portfolio.		
(4) Based on a reserve of 4.5% of quarterly revenue from investment properties.		

On a quarterly basis and during portfolio repositioning, leasing costs, tenant improvements and capital expenditures can fluctuate and as such, should not be regarded as stabilized. Further, in accordance with the REIT's strategy of extending average lease term whenever possible, especially for primary medical tenancies, often non recurring leasing costs are involved.

In the first quarter over 50% of leasing costs and tenant improvement costs related to lease deals of ten years or longer, which typically require greater upfront costs, and over 77% were primary medical.

PART IV

FUNDS FROM OPERATIONS

FFO is a supplemental non-IFRS industry wide financial measure of a REIT's operating performance. The REIT calculates FFO as net income (computed in accordance with IFRS), plus distributions on Class B Exchangeable Units, and adjusted for fair value adjustments on Class B Exchangeable Units and investment properties. The REIT's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. A reconciliation of IFRS net income to FFO for the three months ended March 31, 2013 is set out below:

Expressed in thousands of dollars	Three months ended	Three months ended	Variance
	March 31, 2013	March 31, 2012	
	(Unaudited)	(Unaudited)	(Unaudited)
Net income (per IFRS)	\$11,125	\$20,984	(\$10,859)
Add / (Deduct):			
Finance cost – Class B Exchangeable Units distributions ⁽²⁾	1,519	1,523	(4)
Finance cost - Fair value adjustment of Class B Exchangeable Units ⁽²⁾	1,912	5,788	(3,876)
Finance costs – Fair value adjustments of other financial instruments	(99)	-	(99)
Fair value adjustment of investment properties ⁽²⁾	(2,177)	(18,184)	16,007
Net loss on disposal of investment properties	73	-	73
FFO ⁽¹⁾	\$11,353	\$10,111	\$1,242
Adjusted basic FFO per unit ⁽³⁾	\$0.25	\$0.24	\$0.01
Adjusted fully diluted FFO per unit ⁽³⁾	\$0.25	\$0.24	\$0.01
Adjusted weighted average units outstanding ⁽⁴⁾:			
Basic	46,138,760	42,892,943	3,245,817
Fully diluted	46,329,357	42,997,118	3,332,239
Notes:			
(1) FFO is a non-IFRS measure of a REIT's operating performance. FFO is only one measure of real estate operating performance and does not reflect amounts available for tenant installation costs, property capital expenditures, debt service obligations, commitments or uncertainties. FFO should not be interpreted as an indicator of cash generated from operating activities and is not indicative of cash available to fund operating expenditures, or for the payment of cash distributions.			
(2) Under IFRS the distributions on the REIT's Class B Exchangeable Units, the fair value changes related to these units and the fair value changes related to investment properties are included in the determination of net income. The impact of these amounts has been eliminated when determining FFO in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT.			
(3) FFO per unit amounts are based on basic and fully diluted adjusted weighted average number of units, which includes Class B Exchangeable Units.			
(4) Under IFRS the REIT's Class B Exchangeable Units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B Exchangeable Units in basic and diluted units outstanding/weighted average units outstanding. As a result the adjusted basic and diluted weighted average units outstanding include 7,610,568 outstanding Class B Exchangeable Units for the three months ended March 31, 2013 and 7,615,546 Class B Exchangeable Units for the three months ended March 31, 2012. Fully diluted adjusted units outstanding includes the impact of deferred units outstanding.			

The FFO per unit of \$0.25 for the three months ended March 31, 2013 is higher than the three months ended March 31, 2012, at \$0.24, primarily as a result of accretive acquisitions, lower borrowing costs and improved same property performance.

ADJUSTED FUNDS FROM OPERATIONS AND DISTRIBUTIONS

AFFO

AFFO is a supplemental non-IFRS industry wide financial measure of a REIT's cash generating activities after providing for stabilized operating capital requirements. Management considers AFFO to be a useful measure of cash available for

distributions. The REIT calculates AFFO as net income (computed in accordance with IFRS), subject to certain adjustments, including: (i) adding back the following items: any fair value losses on investment properties or the Class B Exchangeable Units, the finance cost associated with distributions on the Class B Exchangeable Units, Deferred unit plan compensation expense and amortization of any net discount on long-term debt assumed from vendors of properties at rates of interest less than fair value; (ii) deducting the following items: any fair value gains on investment properties or the Class B Exchangeable Units and amortization of any net premium on long-term debt assumed from vendors of properties at rates of interest greater than fair value; (iii) adjusting for differences, if any, resulting from recognizing rental revenues on a straight-line basis as opposed to contractual rental amounts; (iv) adjusting for differences, if any, resulting from recognizing acquired contracts at fair value rather than the contracted rate; and (v) deducting reserves for tenant inducements, leasing commissions, financing costs and sustaining capital expenditures, as determined by the REIT.

The REIT's method of calculating AFFO may differ from other issuers' methods and accordingly may not be directly comparable to AFFO reported by other issuers. A reconciliation of FFO to AFFO for the three months ended March 31, 2013 is set out below:

Expressed in thousands of dollars	Three months ended	Three months ended	Variance
	March 31, 2013	March 31, 2012	
	(Unaudited)	(Unaudited)	(Unaudited)
FFO	\$11,353	\$10,111	\$1,242
Add / (Deduct):			
Amortization of marked to market adjustment	(408)	(331)	(77)
Amortization of finance fees ⁽²⁾	157	63	94
Amortization of straight-line rent	(206)	(236)	30
Amortization of above market utility contracts	-	(28)	28
Deferred unit plan compensation expense	306	288	18
Reserve for stabilized leasing costs, tenant improvements and growth capital expenditures ⁽³⁾	(1,665)	(1,456)	(209)
AFFO ⁽¹⁾	\$9,537	\$8,411	\$1,126
Adjusted basic AFFO per unit ⁽⁴⁾	\$0.21	\$0.20	\$0.01
Adjusted fully diluted AFFO per unit ⁽⁴⁾	\$0.21	\$0.20	\$0.01
Adjusted weighted average units outstanding ⁽⁵⁾:			
Basic	46,138,760	42,892,943	3,245,817
Fully diluted	46,329,357	42,997,118	3,332,239
Notes:			
(1) AFFO is a non-IFRS measure of a REIT's operating performance. AFFO is only one measure of real estate operating performance and is an alternative measure of determining available cash flow. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital.			
(2) Represents costs related to the REIT's Revolving Credit Facility, loans and mortgages.			
(3) Based on an estimate of 4.5% of revenue from investment properties.			
(4) AFFO per unit amounts are based on basic and fully diluted adjusted weighted average number of units, which includes Class B Exchangeable Units. Fully diluted adjusted units outstanding includes the impact of deferred units outstanding.			
(5) Under IFRS the REIT's Class B Exchangeable Units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B Exchangeable Units in basic and diluted units outstanding/weighted average units outstanding. As a result the adjusted basic and diluted weighted average units outstanding include 7,610,568 outstanding Class B Exchangeable Units for the three months ended March 31, 2013 and 7,615,546 Class B Exchangeable Units for the three months ended March 31, 2012. Fully diluted adjusted units outstanding includes the impact of deferred units outstanding.			

The AFFO per unit of \$0.21 for the three months ended March 31, 2013 is \$0.01 higher than the three months ended March 31, 2012 primarily as a result of accretive acquisitions, lower borrowing costs and improved same property performance.

Distributions

The REIT has adopted a distribution policy pursuant to which the REIT intends to make cash distributions to Unitholders and to holders of Class B Exchangeable Units on each monthly distribution date equal to, on an annual basis, approximately 90% of AFFO calculated with reserves. The REIT currently intends on making monthly distributions of \$0.06667 per Unit, equating to \$0.80 per Unit on an annualized basis.

The REIT's AFFO payout ratio based on reserves for the three months ended March 31, 2013 is calculated below:

	For the three months ended March 31, 2013	For the three months ended March 31, 2012
	(Unaudited)	(Unaudited)
Fully diluted AFFO per Unit	\$0.21	\$0.20
Distributions per Unit	\$0.20	\$0.20
Payout Ratio	97%	102%

The REIT payout ratio improved over the comparable prior year period primarily as a result of accretive acquisitions, lower borrowing costs and improved same property performance.

Distribution Reinvestment Plan

Participants in the DRIP have their cash distributions used to purchase units of the REIT and also receive a "bonus distribution" of Units equal in value to 3% of each distribution. During the quarter 45,867 Units were issued pursuant to the DRIP and the DRIP participation rate was approximately 6% during the quarter.

LIQUIDITY AND CAPITAL RESOURCES

The REIT expects to be able to meet all of its obligations as they become due and have sufficient liquidity from the following sources: (i) cash flow from operating activities; (ii) financing availability through a Revolving Credit Facility and conventional mortgage debt secured by investment properties; and (iii) the ability to issue equity and convertible unsecured debentures.

The following table details the changes in cash and cash equivalents during the period:

Expressed in thousands of dollars	Three months ended March 31, 2013	Three months ended March 31, 2012
Cash provided by / (used in):	(Unaudited)	(Unaudited)
Operating activities	\$6,725	\$6,295
Investing activities	(3,502)	(38,129)
Financing activities	(6,951)	31,172
Increase / (Decrease) in cash and cash equivalents during the period	(\$3,728)	(\$662)
Cash and cash equivalents, beginning of period	\$4,189	\$3,716
Cash and cash equivalents, end of period	\$461	\$3,054

Cash flow activity for the three months ended March 31, 2013 is primarily related to the results of the REIT's operations, distributions to Unitholders, the utilization of the Revolving Credit Facility and additions to investment properties. The financing activities included a net increase in the draw on the Revolving Credit Facility during the quarter of \$5,500 so that the balance of the facility at March 31, 2013 was \$28,250.

CAPITALIZATION AND DEBT PROFILE

Expressed in thousands of dollars	As at March 31, 2013	As at December 31, 2012
Indebtedness	(Unaudited)	(Unaudited)
Mortgages Payable	\$619,596	\$624,316
Mark-to-Market premium on Mortgages	2,865	3,232
Unamortized financing costs	(1,141)	(1,122)
	<u>621,320</u>	<u>626,426</u>
Loans Payable (net of \$208 of unamortized financing fees, December 31, 2012 - \$250)	<u>39,831</u>	<u>34,796</u>
	661,151	661,222
Class B Exchangeable Units (Authorized – unlimited; Issued: March 31, 2013 - 7,551,546, December 31, 2012 - 7,615,546)	96,131	95,042
Unitholders' Equity		
Units (Authorized – unlimited; Issued: March 31, 2013 – 38,609,770, December 31, 2012 – 38,499,903)	\$397,021	\$395,625
Retained Earnings	106,568	104,154
	<u>503,589</u>	<u>499,779</u>
Total capitalization	<u>\$1,260,871</u>	<u>\$1,256,043</u>

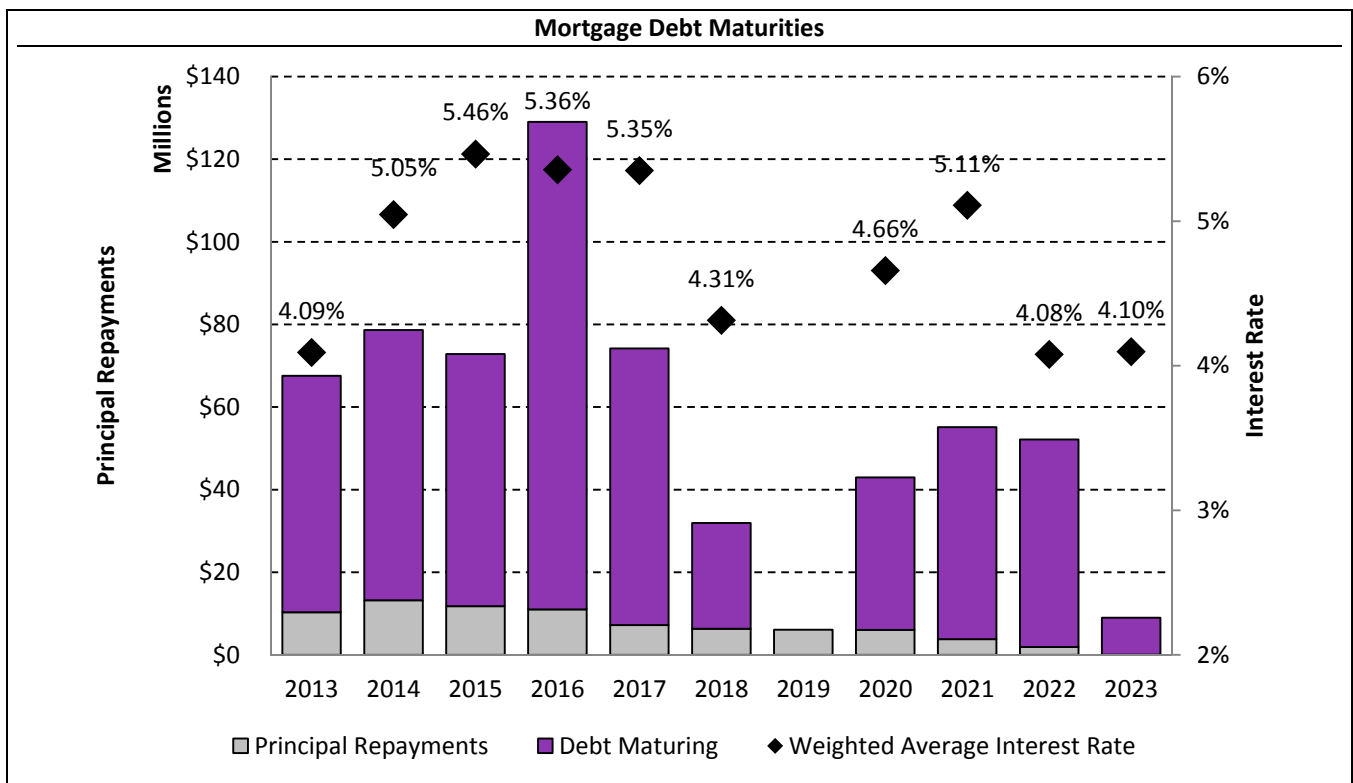
As at March 31, 2013, the REIT had a market capitalization of approximately \$587,000 (including 7,551,546 Class B Exchangeable Units) based on a closing Unit price of \$12.73 on the Toronto Stock Exchange.

Mortgage Debt Maturities

The following table sets out, as at March 31, 2013, scheduled principal payments, debt maturity amounts and weighted average interest rate of maturing mortgages:

Expressed in thousands of dollars

Year Ending December 31 st	Scheduled Principal Payments	Debt Maturing during the Year	Total Mortgages Payable	Weighted Average Interest Rate of Maturing Mortgages	Percentage of Total Mortgages Payable
2013	\$10,328	\$57,245	\$67,573	4.09%	11%
2014	13,224	65,418	78,642	5.05%	13%
2015	11,797	61,031	72,828	5.46%	12%
2016	11,032	117,994	129,026	5.36%	21%
2017	7,236	66,971	74,207	5.35%	12%
2018	6,313	25,617	31,930	4.31%	5%
2019	6,103	-	6,103	n/a	1%
2020	6,074	36,907	42,981	4.66%	7%
2021	3,816	51,308	55,124	5.11%	9%
2022	1,905	50,264	52,169	4.08%	8%
2023	48	8,965	9,013	4.10%	1%
Sub-total	\$77,876	\$541,720	\$619,596	4.92%	100%
Marked to market adjustment			2,865	(0.57%)	
			622,461	4.35%	
Unamortized financing costs			(1,141)		
Total			\$621,320		



Mortgage Financing

During the quarter the REIT refinanced Cobequid Centre with a \$5,000, 10 year mortgage at 4.14%. The REIT also repaid \$2,145 of mortgages outstanding on two smaller investment properties.

The weighted average interest rate on the REIT's mortgages was 4.92% at the end of the quarter average, with a term to maturity of 4.5 years.

See Part X – Subsequent Events

Revolving Bank Credit Facility

The REIT has a \$50 million Revolving Credit Facility, which bears interest at a rate equal to the bank's prime rate plus 1.25% or Bankers' Acceptances plus 2.25%, with a term to March 25, 2014. The Revolving Credit Facility is secured by a pool of first ranking mortgages on certain properties (the "Borrowing Base"). The properties within the Borrowing Base, subject to a right of substitution under certain standard conditions, include Riley Park Health Centre, Rockyview Health Centre II, Collingwood Health Centre, Polyclinique Val-Belair, Canamera Medical Centre, Wharncliffe Health Centre and CLSC La Presqu'île.

During the quarter the REIT utilized the facility for general trust purposes and to fund additions to investment properties, as a result the balance outstanding as at March 31, 2013 was \$28,250 from \$22,750 as at December 31, 2012.

Ratios / Covenants

Pursuant to the Declaration of Trust, the REIT may not incur or assume any indebtedness if, after giving effect to the incurring or assumption of such indebtedness, the total indebtedness of the REIT would be more than 65% of the GBV of its assets. The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with a term to maturity that is appropriate having regard to the lease maturity profile for each property and which allows the REIT to (i) achieve and maintain staggered debt maturities to lessen exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix the rates and extend loan terms as long as possible when borrowing conditions are favourable. Subject to market conditions and the growth of the REIT, management of the REIT currently intends to maintain indebtedness in a range of 50% to 60% of GBV. The following summarizes the status of these key ratios as at and for the three months ended March 31, 2013:

Expressed in thousands of dollars	As at/for the three months ended March 31, 2013	As at/for the three months ended March 31, 2012
	(Unaudited)	(Unaudited)
Gross Book Value	\$1,285,854	\$1,073,280
Debt (excluding Class B Exchangeable Units)	\$661,151	\$548,532
Debt to Gross Book Value ⁽¹⁾	51.4%	51.1%
Amount of debt at fixed rates	\$558,416	\$508,839
Amount of debt at variable rates ⁽²⁾	\$102,735	\$39,693
Interest coverage ⁽³⁾	2.47x	2.58x
Debt Service coverage ⁽⁴⁾	1.68x	1.79x
Net debt/EBITDA ⁽⁵⁾	8.7x	8.3x
Weighted average mortgage interest rate (at contract) ⁽⁶⁾	4.92%	5.18%

Notes:

- (1) Defined by the Declaration of Trust as total debt (excluding Class B Exchangeable Units) divided by the book value of the total assets in the consolidated balance sheet.
- (2) The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on \$51,538 of its variable rate debt payable as at March 31, 2013 (\$Nil – March 31, 2012). A 1.00% change in the interest rate, on the remaining variable rate debt will change the quarterly finance cost related to the outstanding balance by \$518.
- (3) Defined as net income excluding finance costs (interest, amortization of debt premiums/discounts and financing costs, distributions on Class B Exchangeable Units) and the revaluation of Class B Exchangeable Units and investment properties divided by finance costs (excluding distributions on Class B Exchangeable Units and the revaluation of Class B Exchangeable Units).
- (4) Defined as net income excluding finance costs (interest, amortization of debt premiums/discounts and financing costs, distributions on Class B Exchangeable Units) and the revaluation of Class B Exchangeable Units and investment properties divided by finance costs (excluding distributions on Class B Exchangeable Units and the revaluation of Class B Exchangeable Units) and scheduled debt repayments.
- (5) Defined as debt less cash and cash equivalents divided by annualized net income before fair value adjustment of investment properties plus finance costs.
- (6) Current market weighted average mortgage interest rate is approximately 3.5%.

The ratio of Debt to GBV decreased slightly in the quarter to 51.4% at March 31, 2013 from 51.6% as at December 31, 2012.

Interest rates and debt maturities are reviewed regularly by the management and trustees of the REIT ("Trustees") to ensure the appropriate debt management strategies are implemented. The REIT intends to finance its ongoing operations with a combination of, primarily, fixed rate secured debt with staggered maturities and floating rate secured short-term, construction and/or revolving debt. The fixed rate debt is expected to be comprised primarily of first charge mortgages.

The REIT is targeting to distribute 90% of its AFFO to Unitholders, based on utilizing a stabilized reserve for leasing and capital of 4.5% of revenue from investment properties. As such, the REIT does not retain a material amount of operating cash flow to finance its capital requirements including loan principal payments, acquisitions, redevelopments, and portfolio capital expenditures. Capital requirements for loan principal payments, acquisitions and redevelopment are generally sourced by financing for each project through mortgages and/or the Revolving Credit Facility.

PART V

RELATED PARTY TRANSACTIONS

On March 25, 2010, subsidiaries of the REIT acquired 45 properties from NorthWest Operating Trust (“NW Trust”) for total consideration of \$171.9 million. Paul Dalla Lana, chair of the Board of Trustees of the REIT is the sole trustee and indirect beneficiary of NW Trust. Part of the consideration included 7,749,772 Class B Exchangeable Units of NHP Holdings Limited Partnership, a subsidiary of the REIT. These Class B Exchangeable Units, each of which are exchangeable at the option of the holder for one unit of the REIT and that are attached to Special Voting Units of the REIT, provide for voting rights in the REIT.

As part of the REIT’s acquisition of Glenmore Professional Centre in December, 2010, from an affiliate of NW Trust, the REIT and NW Trust contracted to enter into a development arrangement with respect to the vacant development parcel at the property. The timing for completion of such an arrangement, pursuant to a mutually agreed to extension, is by September 30, 2013.

On December 23, 2011 the REIT granted a loan in the amount of \$8 million to a party which is indirectly owned 50% by NorthWest Value Partners Inc. (“NWVP”) of which Paul Dalla Lana is the principal shareholder. The loan bears interest at 7.5% per annum and matures no later than June 21, 2013. The loan is secured by the pledge of certain securities of the borrower and is guaranteed by certain affiliates of the borrower; each limited to 50% of the obligations under the loan. In exchange for the loan, the REIT was granted a right of first offer to acquire a recently completed 73,500 square foot medical office building in Owen Sound, Ontario.

Information on the agreements governing the relationship with NW Trust are discussed under “Relationship with NW Trust” in the Annual Information Form. In addition to disclosures elsewhere in this MD&A, related party transactions are disclosed in Note 14 of the condensed consolidated interim financial statements for the three months ended March 31, 2013 and Notes 3, 6, 13 and 17 of the consolidated financial statements the year ended December 31, 2012.

As at March 31, 2013 the combined economic interest of NW Trust and its affiliates in the REIT is approximately 25.8%.

HEAD LEASES

A summary of Head Lease space as well as space which has been sub-leased to third parties is presented below. Pursuant to the terms of the Head Lease agreement, NW Trust is required to pay for any potential shortfalls in rent for space sub-leased to third parties for the duration of the Head Lease term.

Head Lease Summary						
Property	At March 31, 2013			Sub-Leased to Third Parties ⁽¹⁾		
	GLA	Min. Rent (psf) ⁽²⁾	Lease Expiry	GLA	Min. Rent (psf) ⁽²⁾	Lease Expiry
Rockyview Professional Centre II	51,177	\$21.00	Mar-15	45,922	\$16.24	Jul-25 ⁽³⁾
HealthPark	29,932	16.25	Mar-15	13,378	10.32	Apr-24 ⁽⁴⁾
Riley Park Health Centre	20,271	30.00	Mar-15	-	-	
Total / Weighted averages	101,380	\$21.40		59,300	\$14.91	

Notes:

(1) As at May 6, 2013

(2) Represents straight line annual minimum rent psf for the Head Lease term and excludes subsequent rent escalations

(3) Represents the latest lease expiry for the respective property. 12,876 square feet expires August 2020, 1,900 square feet expires September 2020, 4,723 square feet expires March 2021, 14,978 square feet expires April 2022 and 11,445 square feet expires July 2025.

(4) Represents the latest lease expiry for the respective property. 1,496 square feet expires May 2020, 7,340 square feet expires March 2021, 2,065 square feet expires February 2022 and 2,477 square feet expires April 2024.

The REIT leased 1,900 square feet of head lease space during the quarter. The REIT is also negotiating leases for approximately 8,000 square feet of the remaining head lease space.

PART VI

SUMMARY OF QUARTERLY RESULTS

The following sets out summary information for the eight most recently completed quarters since the REIT commenced operations:

Expressed in thousands of dollars	Q1 2013	Q4 2012	Q3 2012	Q2 2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from operations	\$37,120	\$36,704	\$32,672	\$32,567
Property operating expenses	17,275	16,629	14,518	14,412
Operating income	19,845	20,075	18,154	18,155
Finance cost	7,721	8,118	7,075	6,821
Interest income	(185)	(502)	(892)	(437)
Trust expenses	956	808	879	1,002
Income before undernoted items	11,353	11,651	11,092	10,769
Finance cost – Class B Exchangeable Unit distributions	(1,519)	(1,523)	(1,524)	(1,523)
Finance cost - Fair value adjustment of Class B Exchangeable Units	(1,912)	4,569	153	(6,473)
Finance cost - Fair value adjustments of other financial instruments	99	8	(1,055)	-
Fair value adjustment of investment properties	2,177	9,101	15,460	20,804
Net loss on disposal of investment properties	(73)	-	-	-
Net income / (loss)	10,125	23,806	24,126	23,577
Basic net income per Unit⁽¹⁾	\$0.31	\$0.63	\$0.58	\$0.66
Fully diluted net income per Unit⁽¹⁾	\$0.31	\$0.46	\$0.58	\$0.66
NOI	19,845	20,075	18,154	18,155
FFO	11,353	11,651	11,092	10,769
Basic FFO per Unit ⁽³⁾	\$0.25	\$0.26	\$0.25	\$0.25
Fully diluted FFO per Unit ⁽³⁾	\$0.25	\$0.26	\$0.25	\$0.25
AFFO	9,537	9,664	9,500	9,115
Basic AFFO per Unit ⁽³⁾	\$0.21	\$0.21	\$0.21	\$0.21
Fully diluted AFFO per Unit ⁽³⁾	\$0.21	\$0.21	\$0.21	\$0.21
AFFO payout ratio	97%	94%	94%	96%
Distributions ⁽²⁾	9,230	9,103	8,864	8,678
Distributions per Unit	\$0.20	\$0.20	\$0.20	\$0.20
Total Assets	\$1,285,854	\$1,281,477	\$1,206,489	\$1,153,492
Debt (excluding Class B Exchangeable Units)	\$661,151	\$661,222	\$622,260	\$586,782
Debt to Gross Book Value	51.4%	51.6%	51.6%	50.9%
Number of properties	76	77	64	62
Gross leasable area	4,583,850	4,597,358	4,262,292	4,203,528
Occupancy % – period end	91.3%	91.2%	91.3%	91.1%
Number of employees	143	134	131	131
Notes:				
(1)	Per Unit net income amounts are based on basic and fully diluted weighted average number of Units. The diluted per Unit net income includes dilutive Class B Exchangeable Units.			
(2)	Includes distributions on Class B Exchangeable Units.			
(3)	Under IFRS the REIT's Class B Exchangeable Units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per Unit measure for FFO and AFFO that includes the Class B Exchangeable Units in basic and diluted weighted average Units outstanding.			

Expressed in thousands of dollars	Q1 2012	Q4 2011	Q3 2011	Q2 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from operations	\$32,515	\$31,502	\$30,664	\$28,884
Property operating expenses	15,267	14,489	14,027	12,709
Operating income	17,248	17,013	16,637	16,175
Finance cost	6,410	6,153	5,854	5,494
Interest income	(171)	(42)	(7)	(13)
Trust expenses	898	847	781	733
Income before undernoted items	10,111	10,055	10,009	9,961
Finance cost – Class B Exchangeable Unit distributions	(1,523)	(1,523)	(1,524)	(1,536)
Finance cost - Fair value adjustment of Class B Exchangeable Units	(5,788)	(686)	4,960	(1,229)
Finance cost - Fair value adjustments of other financial instruments	-	-	-	-
Fair value adjustment of investment properties	18,184	9,000	22,228	9,253
Net income / (loss)	20,984	\$16,846	\$35,673	\$16,449
Basic net income per Unit⁽¹⁾	\$0.59	\$0.48	\$1.02	\$0.47
Fully diluted net income per Unit⁽¹⁾	\$0.59	\$0.44	\$0.75	\$0.45
NOI	17,248	\$17,013	\$16,637	\$16,175
FFO	10,111	\$10,055	\$10,009	\$9,961
Basic FFO per Unit ⁽³⁾	\$0.24	\$0.23	\$0.23	\$0.23
Fully diluted FFO per Unit ⁽³⁾	\$0.24	\$0.23	\$0.23	\$0.23
AFFO	8,411	\$8,504	\$8,360	\$8,236
Basic AFFO per Unit ⁽³⁾	\$0.20	\$0.20	\$0.20	\$0.19
Fully diluted AFFO per Unit ⁽³⁾	\$0.20	\$0.20	\$0.20	\$0.19
AFFO payout ratio	102%	101%	102%	104%
Distributions ⁽²⁾	8,581	\$8,564	\$8,549	\$8,543
Distributions per Unit	\$0.20	\$0.20	\$0.20	\$0.20
Total Assets	\$1,073,280	\$1,011,717	\$976,026	\$908,835
Debt (excluding Class B Exchangeable Units)	\$548,532	\$507,659	\$486,515	\$443,455
Debt to Gross Book Value	51.1%	50.2%	49.8%	48.8%
Number of properties	61	58	56	54
Gross leasable area	4,148,498	4,035,480	3,941,701	3,807,301
Occupancy % – period end	90.9%	91.2%	91.8%	91.9%
Number of employees	134	124	125	125
Notes:				
(1)	Per Unit net income amounts are based on basic and fully diluted weighted average number of Units. The diluted per Unit net income includes dilutive Class B Exchangeable Units.			
(2)	Includes distributions on Class B Exchangeable Units.			
(3)	Under IFRS the REIT's Class B Exchangeable Units are treated as a financial liability rather than equity. As is permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per Unit measure for FFO and AFFO that includes the Class B Exchangeable Units in basic and diluted weighted average Units outstanding.			

PART VII

SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities as at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates. The significant judgments and key estimates made by the management of the REIT, and the REIT's significant accounting policies, are described in note 1 and note 2 of the REIT's condensed consolidated interim financial statements for the three months ended March 31, 2013 and in note 1 and note 2 of the REIT's consolidated financial statements for the year ended December 31, 2012.

For the three months ended March 31, 2013 the REIT has applied the following new accounting standards, or amendments to existing standards, for the first time:

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

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 2 of the REIT's condensed consolidated interim financial statements for the three months ended March 31, 2013.

PART VIII

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units and in the activities of the REIT, which current and prospective Unitholders should carefully consider. For a full list and explanation of the REIT's risks and uncertainties refer to "Risks and Uncertainties" in the REIT's MD&A for the three months and year ended December 31, 2012 or the Annual Information Form, both of which can be found on SEDAR at www.sedar.com.

Real Property Ownership and Tenant Risks

The REIT owns the properties in its portfolio and is expected in the future to acquire interests in other real property. All real property investments are subject to elements of risk. By specializing in a particular type of real estate, the REIT is exposed to adverse effects on that segment of the real estate market and does not benefit from a diversification of its portfolio by property type.

The value of real property and any improvements thereto depends on the credit and financial stability of tenants, and upon the vacancy rates of the properties. AFFO will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties in which the REIT will have an interest become vacant and are not able to be leased on economically favourable lease terms.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which the REIT has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the disclaimer and termination of such tenant's lease, any of which events could have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. Certain of the REIT's

tenants may require licenses to operate their business, such as laboratories. To the extent these businesses are unable to obtain licenses or maintain existing licenses; the REIT's operations may be adversely impacted. The ability to rent unleased space in the properties in which the REIT will have an interest will be affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises and various other factors, many of which are beyond the REIT's control.

Liquidity

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

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. Although the REIT's Revolving Credit Facility is available for acquisitions, there can be no assurances that the REIT will otherwise have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. In addition, the REIT may not be able to borrow funds under the Revolving Credit Facility due to the limitations on the incurrence of debt by the REIT set forth in the Declaration of Trust. Failure by the REIT to access required capital could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Financing Risks

As at March 31, 2013 the REIT had outstanding indebtedness of approximately \$661,151, excluding Class B Exchangeable Units. Although a portion of the cash flow generated by investment properties will be devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

The REIT will be subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce AFFO. In order to minimize this risk, the REIT will attempt to diversify the term structure of its debt so that in no one year a disproportionate amount of its debt matures. As at March 31, 2013, \$102,735 of the REIT's total indebtedness is at variable rates. This will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise, the REIT's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution. To mitigate this risk the REIT has entered into an interest rate swap contract to limit its exposure to fluctuations in the interest rates on \$51,538 of its variable rate debt payable as at March 31, 2013. In addition, the REIT has conduit loans outstanding as at March 31, 2013. Access to this type of financing has diminished. Although substantially all of the amounts outstanding under the REIT's conduit loans mature in 2014 or later, there is a risk that the REIT may not be able to refinance such loans on similar terms, although, based upon the REIT's current loan-to-value ratios and loan amortizations, the REIT expects to be able to refinance such conduit loans as they come due.

The Revolving Credit Facility contains covenants that require the REIT to maintain certain financial ratios on a consolidated basis. If the REIT does not maintain such ratios, its ability to make distributions will be limited.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As an owner of interests in real property in Canada, the REIT is subject to various Canadian federal, provincial and municipal laws relating to environmental matters. Such laws provide that the REIT could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and

the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. Further, liability may be incurred by the REIT with respect to the release of such substances from the REIT's properties to properties owned by third parties, including properties adjacent to the REIT's properties. The failure to remove or otherwise address such substances or properties, if any, may adversely affect the REIT's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against the REIT by public or private parties by way of civil action.

The REIT's operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment. Although such environmental site assessments would provide the REIT with some level of assurance about the condition of property, the REIT may become subject to liability for undetected contamination or other environmental conditions at its properties against which the REIT cannot insure, or against which the REIT may elect not to insure, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

The REIT is not aware of any material non-compliance with environmental laws at any of its properties, and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties. The REIT has implemented policies and procedures to assess, manage and monitor environmental conditions at its properties to manage exposure to liability.

The REIT will make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters may have a material adverse effect on the REIT's business, financial condition or results of operation and decrease the amount of cash available for distribution. However, environmental laws can change and the REIT may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders.

NW Trust Indemnity and Prior Commercial Operations

The indirect acquisition of the properties owned by the REIT in connection with its IPO included the indirect acquisition from NW Trust of all of the outstanding partnership units of Healthcare Properties LP ("HPLP"). Pursuant to the related acquisition agreement ("Acquisition Agreement"), NW Trust made certain representations and warranties to the REIT with respect to HPLP. NW Trust also provided an indemnity to the REIT under the Acquisition Agreement that, subject to certain conditions and thresholds, NW Trust will indemnify the REIT for breaches of such representations and warranties. Prior to September 25, 2011, NW Trust covenanted to maintain (i) minimum net assets of \$20 million plus (ii) an amount equal to the present value of its basic and additional rent obligations under the Head Leases plus 25% of tenant inducement obligations, from time to time (the "Head Lease Security"), calculated using a discount rate equal to the appropriate Government of Canada bond rate. On September 25, 2011, NW Trust's covenant to maintain minimum net assets of \$20 million expired, but its covenant to maintain the Head Lease Security will survive for the remaining term of the Head Leases (which expire in March 2015). There can be no assurance that the REIT will be fully protected in the event of a breach of NW Trust's obligations under the Head Leases or a breach of the surviving representations and warranties or that NW Trust will be in a position to indemnify the REIT if any such breach occurs. The REIT may not be able to successfully enforce the indemnity contained in the Acquisition Agreement against NW Trust or such indemnity may not be sufficient to fully indemnify the REIT from third party claims. The REIT may also be subject to undisclosed liability to third parties as a result of the prior history of HPLP and such liability may be material, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. The REIT has advanced an \$8 million loan to a joint venture in which NW Trust indirectly holds a 50% interest and is accordingly subject to the risks associated with having a loan outstanding.

See "Related Party Transactions."

Phase II Development Agreement – Glenmore Professional Centre

There can be no assurances that the prospective future development of the additional parcel at the Glenmore Professional Centre (the "Phase II Development Agreement") will be achieved, in which case the vendor has the right

after September 30, 2013 (or such other period as may be agreed) to require the REIT to obtain a severance of the development parcel and re-convey such parcel to the vendor or as it may direct for \$2,950. In such event, the vendor will be obligated to replace any existing parking stalls lost as a result with on-site (except during construction) surface or underground parking stalls. There exist certain costs (which may be substantial) and certain risks traditionally associated with land severances including the availability of, or conditions to, municipal consent and accordingly, there is no guarantee that the REIT will be able to secure such land severance. Even if the Phase II Development Agreement is achieved, there exist certain risks traditionally associated with real estate development. The Phase II development would be subject to construction risks attributable to construction projects, including construction delays, the availability and timing of municipal approvals, and cost overruns.

Tax-Related Risk Factors

Management of the REIT believes the REIT currently qualifies as a mutual fund trust for income tax purposes. If the REIT were not to so qualify, the consequences could be material and adverse. The *Income Tax Act* (Canada) contains rules (the "SIFT Rules"), which tax certain publicly traded or listed trusts in a manner similar to corporations and taxes certain distributions from such trusts as taxable dividends from a taxable Canadian corporation. Distributions paid by a SIFT as returns of capital will generally not be subject to the tax.

The SIFT Rules are not applicable to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Exception"). Unless the REIT qualifies for the REIT Exception, the SIFT Rules could impact the level of cash distributions which would otherwise be made by the REIT and the taxation of such distributions to Unitholders.

Management of the REIT has determined that the REIT is not subject to the SIFT tax as it currently meets the REIT Exception and plans to continue to do so in the future. Accordingly, no current income tax expense or deferred income tax assets or liabilities have been recorded in the condensed consolidated financial statements for the three months ended March 31, 2013.

The REIT Exception is applied on an annual basis. As such, it will not be possible to determine if the REIT will satisfy the conditions of the REIT Exception for 2013 or any subsequent year until the end of the particular year.

PART IX

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's disclosure controls and procedures to provide reasonable assurance that (i) material information relating to the REIT, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the filings are being prepared, and (ii) material information required to be disclosed in the filings or other reports filed or submitted by the REIT under securities legislation is recorded, processed, summarized and reported on a timely basis and within the time period specified by securities legislation.

Changes in Internal Controls Over Financial Reporting

There were no significant changes made in internal controls over financial reporting during the three months ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

For additional information on the REIT's disclosure controls and procedures and internal controls over financial reporting refer to "Controls and Procedures" in the REIT's MD&A for the three months and year ended December 31, 2012, which can be found on SEDAR at www.sedar.com.

PART X

SUBSEQUENT EVENTS

- Subsequent to the quarter the REIT refinanced or entered into conditional agreements to refinance approximately \$100 million of mortgage debt, at a weighted average interest rate of approximately 3.65% (reflecting in certain instances a blended and extended rate on early financings) and a weighted average term to maturity of approximately 5 years. This will result in net proceeds to the REIT of approximately \$16 million.
- On May 6, 2013 the REIT announced the acquisition of 741, 755, and 765 Portage Avenue, a three building office portfolio located in downtown Winnipeg (“Portage Portfolio”). The portfolio was purchased for \$13.2 million, with the REIT assuming the vendor’s existing first mortgage, as well as securing a new vendor take-back second mortgage, for an aggregate principal amount of approximately \$9.6 million, a weighted average interest rate of approximately 4.56% and an average term to maturity of 14 years. The acquisition is expected to be immediately accretive. Totalling 43,750 square feet, the Portage Portfolio is fully-leased to three tenants, of which the Winnipeg Regional Health Authority (“WRHA”) is the most significant, occupying all of the recently developed, purpose-built government healthcare building at 755 Portage Avenue (80% of the total portfolio rentable area), under a long-term lease (2029). The WRHA is funded by the provincial government and is charged with the organization and provision of healthcare services for Winnipeg and surrounding municipalities, operating and funding over 200 healthcare facilities and programs, with an annual budget of over \$2 billion. The portfolio is home to a WRHA Community Health Office, which provides healthcare related services focusing on childhood development, mental health, public health and child and family services. The investment will be the REIT’s first asset in the Province of Manitoba.
- The REIT declared distributions of \$0.06667 per unit to unitholders of record as at April 30, 2013.

PART XI

FINANCIAL OUTLOOK AND MARKET GUIDANCE

There is no material change to the operating or economic environment within which the REIT operates.

In order to achieve its objectives the REIT will focus on:

- Increasing occupancy in the portfolio
- Maximizing net operating income
- Acquiring assets on an accretive basis
- Improving operational productivity

Apart from the sometimes significant difference between vendor and purchaser pricing expectations, as well as competition for good quality income-producing properties, the current market for acquisitions is favourable for the REIT’s expansion plans, with both debt and equity markets accessible and the market of Healthcare Real Estate fragmented in terms of current ownership. Since the IPO, to date, the REIT has completed or announced the acquisition of over \$549 million of healthcare assets. The REIT will continue to actively pursue acquisitions, with a focus on properties within markets the REIT already operates, and a preference for well-occupied and well-located properties in order to consistently improve the REIT’s portfolio quality.