NORTHWEST INTERNATIONAL HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

For the three and six months ended

JUNE 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
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CEO's MESSAGE

In the second quarter of 2014 NorthWest International Healthcare Properties REIT ("the "**REIT**") continued to execute on its business plan to build a diversified, growing global portfolio of healthcare properties. In June 2014, the REIT completed the acquisition of 13 medical office buildings in Germany, as previously announced earlier this year. This approximate $54 million portfolio adds 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. The REIT's second quarter delivered solid financial results posting a 4.6% increase in Net Operating Income ("**NOI**") versus the first quarter of 2014, and more than doubling NOI relative to the same quarter last year. Further, Adjusted Funds From Operations ("**AFFO**") grew approximately 7.1% relative to the first quarter of 2014 and approximately 77.4% relative to the same quarter of last year, largely due to the strength of our growing NOI and strong year-end results from our strategic investment in Vital Healthcare Property Trust ("**Vital Trust**").

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

- Growth in Assets to $821.5 million, up $65.2 million from the beginning of 2014 and $304.4 million from one year ago;
- NOI of $9,659,644 in Q2'14, representing a 112.5% increase over the same quarter last year (YTD NOI of $18,890,455);
- AFFO/unit of $0.06 for Q2'14, or $0.22 per Unit on an annualized basis consistent with the first quarter of 2014 (AFFO/unit of $0.11 per unit for the six months ended June 30, 2014);
- AFFO payout ratio of 99.0% (AFFO payout ratio of 100% for the six months ended June 30, 2014);
- Same property NOI growth of 6.1% driven by indexation of approximately 99% of the companies international revenues;
- Leading portfolio occupancy at 96.1% (Canada = 92.1%; International = 98.5%), consistent with the first quarter of 2014;
- Weighted average lease term to maturity of 11.6 years (Canada = 4.7 years; International = 15.6 years), slightly below the first quarter of 2014 as a result of the addition of the German medical office building acquisition with traditionally shorter-term leases; and
- In May 2014, the REIT closed a successful $23 million bought deal equity offering which saw an expanded syndicate and new institutional support.

The second quarter 2014 also saw the REIT take a significant strategic step towards establishing a fully-integrated internal management structure from which the REIT will benefit as it continues to grow. 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 Trust of which the REIT currently indirectly holds an approximate 24% interest. Additionally, the REIT announced plans to seek a listing on the Toronto Stock Exchange (the "TSX") and concurrently expand the size of its board of directors. The REIT continues to work towards the completion of these items by December 31st, 2014.

Recently, the REIT's management has been focused on engaging with the investment community and introducing NorthWest International to a broader range of investors. Management believes the global healthcare real estate opportunity is a unique growth opportunity for Canadian investors to participate in; however, it is not yet well understood. Through this investor outreach effort, we are successfully communicating the "Canada-plus" opportunity that the REIT's international investments provide and commit to continue such efforts going forward.

Throughout the second half of the year, the REIT will focus on a number of initiatives including: completing the aforementioned governance and management changes; sourcing new accretive acquisitions and development opportunities; and securing long-term financing for its existing portfolio, while maintaining a solid platform for delivering stable distributions and superior total returns to its unitholders.

Sincerely,

(signed) Paul Dalla Lana
Chief Executive Officer

PART I - BASIS OF PRESENTATION

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

This MD&A should also be read in conjunction with the Annual Information Form of the REIT dated April 23, 2014 (the "**Annual Information Form**"). This MD&A is current as of August 14, 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 expected tax treatment of the REIT's distributions to holders ("**Unitholders**") of trust units of the REIT ("**Trust Units**"); and
- the expectations regarding real estate, the healthcare industry and demographic trends.

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

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

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

NOTICE REGARDING INFORMATION CONCERNING OTHER PUBLIC ENTITIES

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

MARKET AND INDUSTRY DATA

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

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

PERFORMANCE MEASUREMENT

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

- Funds from operations ("**FFO**");
- Adjusted funds from operations ("**AFFO**");
- 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 net income (loss).

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

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

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

Strategic Direction

<u>Market Opportunity</u>

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

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

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

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

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

Target Markets

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

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

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

TABLE 1 - KEY MARKET DATA

	Australasia	Brazil	Germany	Canada
Population	28.2 Million	198.2 Million	81.9 Million	35.6 Million
GDP Growth (1)	3.50%	1.90%	2.50%	2.22%
Inflation (1)	3.00%	6.52%	1.00%	2.40%
5 Yr. Government Bond Yield (2)	2.81%	11.88%	0.26%	1.48%
Health Care System	Hybrid public and private healthcare systems	Hybrid public and private healthcare systems	Hybrid public and private healthcare systems	Publicly-funded healthcare system

Notes
(1) Annualized, as at March 31, 2014
(2) As at June 30, 2014

Sources: Trading Economics; Bloomberg; investing.com

RELATIONSHIP WITH NWVP

As at June 30, 2014, NorthWest Value Partners ("**NWVP**") indirectly owned approximately 75% (approximately 67% 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) of the REIT through a combination of Trust Units of the REIT and Class B LP and Class D GP exchangeable units of NWI LP. Affiliates of NWVP serve as the REIT's asset manager, property manager and developer pursuant to certain management and partnership agreements that are filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. Established in 1994, Toronto-based NWVP is one of Canada's leading privately owned healthcare real estate companies. The scope of its business includes real estate development, ownership and management, in Canada and internationally with a significant focus on the healthcare sector. Principals of NWVP serve as officers and trustees of the REIT.

HIGHLIGHTS FOR THE SIX MONTHS ENDED JUNE 30, 2014

Acquisition of the Core German MOB Portfolio

On June 25, 2014, the REIT completed the acquisition of a portfolio of 13 properties in Germany (the "Core German MOB Portfolio") for a gross purchase price of $54,129,307 including transaction costs of $3,470,644. The REIT's investment was funded from cash on hand including a portion of the net proceeds from the equity offering completed in May 2014, holdback and earnout obligations and new mortgage financing from a German lending institution of $30,395,233 (net of transaction costs of $891,567) with terms between 5 and 7 years, and a 26 year amortization period. To limit exposure to fluctuations in interest rates on the mortgages obtained for the Core German MOB Portfolio, the REIT also entered into interest rate swaps on the full mortgage balance to fix the interest rates between 2.23% and 2.58% over the terms of the loans.

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

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.

Public Offering of Trust Units

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

Extension of Interest Rate Subsidy

In May 2014, 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.

Management Internalization

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

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

- all rights and obligations of NWVP under the REIT's Declaration of Trust and Exchange Agreement will remain unchanged.

See also "Part V – Related Party Transactions".

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

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

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

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

(in thousands)	**As at December 31, 2013**(1)
	(unaudited – pro forma) (2)
Base Asset Management Fees	$3,222
Property Management Fees	410
Incentive Amount	4,104
Total	$ 7,736
Add: Fees earned by Vital Healthcare Management Limited (3)	2,737
Internalization Amount	**$10,473**

Notes:

(1) Adjusted for the full year effect of 2013 acquisitions.
(2) Assumes the acquisition of the Core German MOB Portfolio 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 5,108,780 Class B LP Units upon closing of the Internalization Transaction. This would result in NWVP, owning, directly or indirectly, (a) 28,052,099 Units, (b) 96,177,100 Class B LP Units, and (c) 1,110,580 Class D GP Units, based on NWVP's ownership interest as at the date of this MD&A.

Assuming the exchange by NWVP of all of its Class B LP Units and Class D GP Units for Units, NWVP would directly or indirectly own approximately 75.3% 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, the entering into of a definitive binding implementation agreement for the internalization and the receipt of all necessary approvals.

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 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

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

Incentive Fee

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

Refinancing of Vital SLA

On March 21, 2014, the Vital 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.

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.

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

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

SUBSEQUENT EVENTS

- On July 18, 2014, the REIT declared a distribution of $0.018333 per Trust Unit to unitholders of record on July 31, 2014, payable August 15, 2014. On August 14, 2014, the REIT declared a distribution of $0.018333 per Trust Unit to unitholders of record on August 29, 2014, payable September 15, 2014

- Between July 1, 2014 and August 1, 2014, the REIT issued an additional 270,228 Trust Units to settle outstanding asset management fees owing to a subsidiary of NWVP. As at August 14, 2014 NWVP has an economic interest of approximately 75% of the REIT.

ASSETS OF THE REIT

Summary

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

TABLE 2 - SUMMARY OF ASSETS

Property	Date Acquired	Year Built	Approximate Area (sf)	# of Tenants	Occupancy %	WALE [(1)]
Brazil						
Sabará Children's Hospital	Nov 16 2012	2010	104,915	1	100.0%	10.3
Hospital e Maternedade Brasil	Dec 27 2012	1970 - 2007	342,000		100.0%	23.5
Hospital Santa Luzia	Dec 23 2013	2003	185,139		100.0%	24.5
Hospital Do Coracao	Dec 23 2013	2007	96,875	1	100.0%	24.5
Hospital Caxias	Dec 23 2013	2013	290,626		100.0%	24.5
			1,019,555	**2**	**100.0%**	**22.7**
Germany						
Adlershof 1	Nov 16 2012	2004	57,603	34	100.0%	1.8
Adlershof 2	Nov 16 2012	2010	48,539	15	96.2%	6.9
Berlin Neukölln	Nov 16 2012	2000	36,370	14	98.9%	2.3
Königs Wusterhausen 1	Nov 16 2012	2001	40,365	23	85.1%	2.0
Fulda	Mar 31 2013	2008	99,515	23	100.0%	5.7
Beisdorf	Jun 25 2014	2007	101,020	36	97.7%	5.1
Ingolstadt	Jun 25 2014	1996	79,029	28	99.0%	4.6
Leipzig	Jun 25 2014	1970-1980	169,576	126	89.8%	3.9
			632,017	**299**	**95.5%**	**4.3**
Australasia - Vital Interest [(2)]			**1,620,110**	**106**	**99.3%**	**15.1**
Canada - NWHP REIT Interest [(3)]			**4,572,882**	**1,500**	**92.1%**	**4.7**
Portfolio Totals / Weighted Averages			**7,844,564**	**1,907**	**94.9%**	**9.2**
Portfolio Totals / Weighted Averages - Proportionate Consolidation [(4)]			**3,211,542**		**96.1%**	**11.6**

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

Australasia – Exposure to Vital Trust

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

Overview of Vital Trust

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

On August 14, 2014 Vital Trust reported its audited consolidated financial statements for the year ended June 30, 2014. For the year ended June 30, 2014, Vital Trust delivered strong and stable financial results as well as successfully executing on its operational plan. Vital Trust's rental income was consistent with fiscal 2013; however, rental income was negatively impacted by a strengthening New Zealand dollar of approximately NZ$6.5 million. Before the impact of currency translation, the increase in rental income is a result of the full year benefit of incremental acquisitions, completed development projects, and structured rental reviews. Gross distributable income for fiscal 2014 was NZ$34.9M, which is NZ$1.3M or 4% greater than fiscal 2013. The positive operating results are underpinned by a portfolio occupancy of 99.3%, which remained consistent with the prior year, and a notable increase in the weighted average lease term of 15.1 years from 11.8 years the prior year.

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

The REIT's interest in Vital Trust

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

During the three and six months ended June 30, 2014, the REIT did not acquire additional units in Vital Trust. As at June 30, 2014, the REIT owned 81,659,866 units which represented a 24.03% interest in Vital Trust (December 31, 2013 - 81,659,866 units which represented a 24.11% interest).

Vital Management Fee Participation Agreement and Management Rights

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

Brazil – Long term net leases to private hospital operators

Sabará Children's Hospital

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

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

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

Hospital Santa Luzia

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

Hospital do Coração do Brasil

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

Hospital Caxias D´Or

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

Germany – Initial focus on medical office buildings

Adlershof 1

Adlershof 1 is a five-storey, purpose-built medical office building completed in 2004. The 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.

Polimedica Centre

Polimedica Centre is a three-storey, multi-tenanted, purpose built medical office building completed in 2007 located in a suburb of Berlin adjacent to significant commercial infrastructure. Polimedica Centre is 98% occupied and has a gross leasable area of approximately 101,020 square feet.

Hollis Centre

Hollis Centre is a three-storey, multi-tenanted, purpose built medical office building located in Ingolstadt and is adjacent to the local hospital and healthcare campus. Hollis Centre is 99% occupied and has a gross leasable area of approximately 79,029 square feet. Ingolstadt is approximately 80 kilometres north of Munich and is home to the headquarters of German automobile manufacturer Audi.

Leipzig Portfolio

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

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 June 30, 2014, on a 100% basis; noting, however, that the REIT has exposure to an approximate 26% interest in NWHP REIT.

Overview of NWHP REIT

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

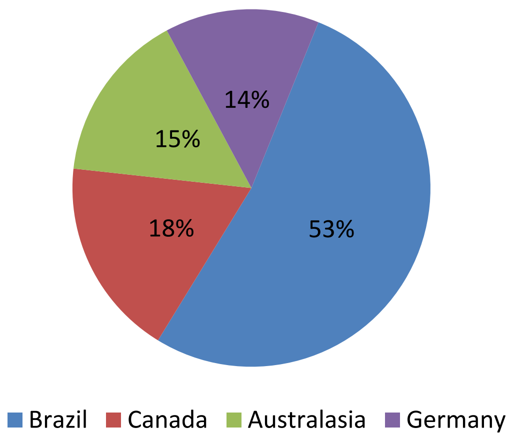
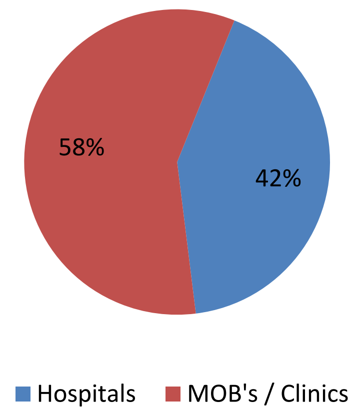
On August 12, 2014, NWHP REIT reported its unaudited condensed consolidated interim financial results for the three and six months ended June 30, 2014. For the three months ended June 30, 2014, NWHP REIT reported AFFO per unit of $0.21 which was consistent with the three months ended March 31, 2014 and consistent three months ended June 30, 2013. For the three months ended June 30, 2014, NWHP reported $20.1 million of net operating income, which represents a 2% increase over the prior year. The slight increase was primarily attributable to an increase in same property NOI of 1% and the impact of completed accretive acquisitions during the period, offset partially by dispositions of two properties during the six months ended June 30, 2014. NWHP REIT's portfolio occupancy increased from 91.3% to 92.1% from December 31, 2013 to June 30, 2014.

The REIT's interest in NWHP REIT

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

Diversification of Assets

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

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

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

<u>Geographic Diversification</u>

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).

<u>Asset Mix</u>

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:

<u>Hospitals:</u>

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.

<u>Medical office buildings ("**MOB**"):</u>

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.

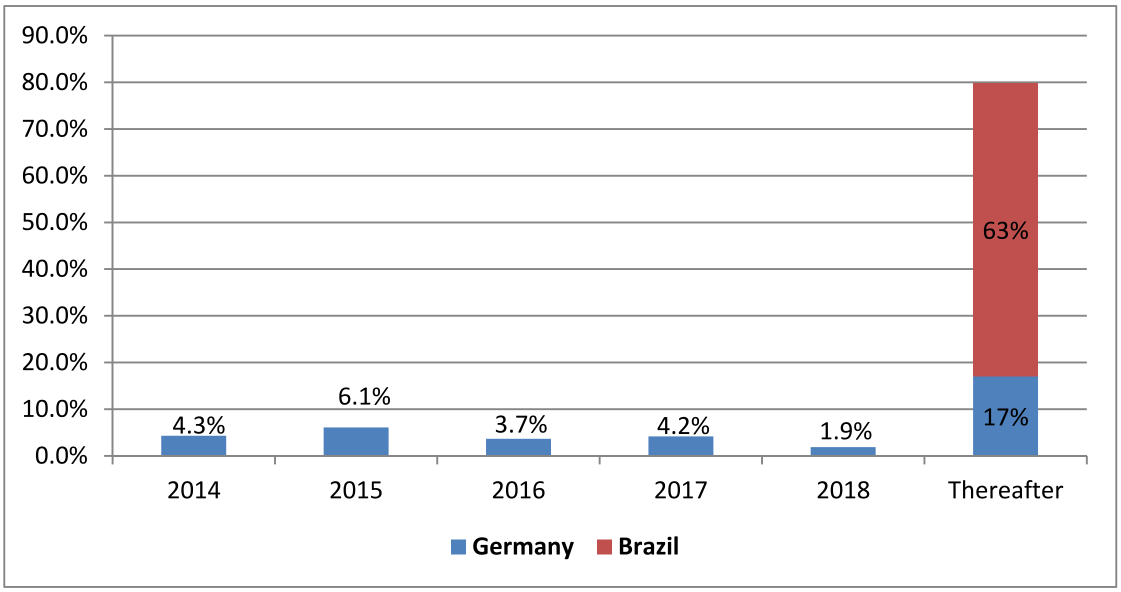
As at June 30, 2014 and including the REIT's interest in Vital Trust and NWHP REIT on a 100% basis, the REIT had interests in 21 hospitals and 101 medical office buildings.

Lease Maturities

As at June 30, 2014 and including the REIT's interest in Vital Trust and NWHP REIT on a 100% basis, the REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 9.2 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 June 30, 2014
- Excludes the REIT's interest in Vital Trust and NWHP REIT

As illustrated above, an average of 4.0% of the GLA related to the REIT's direct property holdings in Brazil and Germany is maturing each year, between 2014 and 2018. In addition to the strong lease profile, the REIT's investment in Vital Trust and NWHP REIT are underpinned by weighted average lease expiries of 15.1 years and 4.7 years, respectively. NWHP REIT's maturity profile reflects the shorter term nature of MOB tenants as opposed to larger hospital tenants embedded within the Vital Trust portfolio. NWHP REIT's diverse tenant base is complemented by a balanced lease maturity profile, with an average of 13% of its GLA maturing each year between 2015 and 2018.

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

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

TABLE 5 - FINANCIAL HIGHLIGHTS				
		As at Jun. 30, 2014		**As at Dec. 31, 2013**
Operational Information [1]				
Number of Properties - 100% of associates		122		113
Gross Leasable Area (sf) - 100% of associates		7,844,564		7,664,605
Occupancy % - 100% of associates		94.9%		94.4%
Summary of Financial Information				
Gross Book Value [2]	$	821,503,979	$	756,258,230
Debt - Declaration of Trust [3]	$	492,630,516	$	437,642,389
Debt to Gross Book Value - Declaration of Trust		60.0%		57.9%
Debt - Including convertible debentures [3]	$	529,884,026	$	473,065,389
Debt to Gross Book Value - Including convertible debentures		64.5%		62.6%
Percentage of Mortgages and Loans Payable at Fixed Rates		64.9%		59.1%
Weighted-Average Interest Rate on Fixed Rate Mortgages and Loans		5.77%		6.11%
Adjusted Units Outstanding - period end [4]				
Basic		160,928,997		146,046,705
Diluted [7]		161,276,423		146,347,916
		For the three months ended Jun. 30, 2014		**For the six months ended Jun. 30, 2014**
Operating Results				
Net Income / (Loss)	$	(8,899,911)	$	(35,919,591)
NOI [5]	$	9,659,644	$	18,890,455
Funds From Operations ("FFO") [5]	$	4,069,349	$	7,652,498
Adjusted Funds From Operations ("AFFO") [5]	$	8,552,032	$	16,535,194
Distributions [6]	$	8,635,814	$	16,730,529
Per Unit Amounts [4]				
FFO per unit - Basic	$	0.03	$	0.05
FFO per unit - Adjusted fully diluted [7]	$	0.03	$	0.05
AFFO per unit - Basic	$	0.06	$	0.11
AFFO per unit - Adjusted fully diluted [7]	$	0.06	$	0.11
Distributions per unit	$	0.06	$	0.11
AFFO Payout Ratio		99%		100%
AFFO Payout Ratio - Adjusted fully diluted [7]		99%		100%
Adjusted Weighted Average Units Outstanding [4]				
Basic		154,012,230		150,547,331
Diluted [7]		154,218,763		150,742,380

Notes follow on next page.

TABLE 5 - FINANCIAL HIGHLIGHTS CONT.

Notes

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

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

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

(4) Under IFRS the REIT's Class B LP and Class D GP exchangeable units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP and Class D GP exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 91,068,320 Class B LP and 1,110,580 Class D GP exchangeable units outstanding as at June 30, 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 and Class D GP exchangeable unitholders on an accrual basis. Distributions are payable as at the end of the period in which they are declared by the Board of Trustees, and are paid on or around the 15th day of the following month.

(7) Diluted units include the conversion of the REIT's convertible debentures and warrants if the closing price of the Trust Unit is greater than conversion price or exercise price as at the end of the reporting period. Otherwise the convertible debentures 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 income and comprehensive income for the three and six months ended June 30, 2014 and June 30, 2013.

TABLE 6 - RESULTS FROM OPERATIONS

	Three months ended		Six months ended	
	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)
Net Operating Income [(1)]				
Revenue from investment properties	$ 10,496,532	$ 5,040,841	$ 20,655,160	$ 9,756,059
Property operating costs	(836,888)	(495,149)	(1,764,705)	(867,304)
	9,659,644	**4,545,692**	**18,890,455**	**8,888,755**
Other income				
Share of profit (loss) from associates	(7,863,825)	2,420,961	(2,981,257)	3,777,782
Management fee participation	921,964	410,367	1,339,055	810,245
Interest income	443,447	849,834	881,631	1,177,967
	(6,498,414)	**3,681,162**	**(760,571)**	**5,765,994**
	3,161,230	**8,226,854**	**18,129,884**	**14,654,749**
Other expenses				
Mortgage and loan interest expense	(7,159,997)	(2,128,851)	(14,070,815)	(3,778,351)
General and administrative expenses	(1,462,795)	(865,015)	(2,509,201)	(1,196,036)
Transaction costs	-	(389,319)	-	(468,182)
Other Finance costs	222,606	(17,127,168)	(27,965,068)	(13,170,139)
Foreign exchange gain (loss)	1,322,289	1,150,983	(2,897,056)	72,187
Amortization of intangible asset	(390,319)	(390,319)	(780,638)	(780,638)
Income / (Loss) before the undernoted items	**(4,306,986)**	**(11,522,835)**	**(30,092,894)**	**(4,666,410)**
Fair value adjustment of DUP liability	22,454	(12,025)	(1,259)	(3,700)
Fair value adjustment of investment properties	(3,658,543)	(16,014)	(3,542,829)	(886,774)
Net loss on disposal of investment properties	(8,826)	-	(97,595)	-
Gain / (Loss) on derivative financial instruments	(245,791)	16,621,050	(350,708)	23,083,107
Income / (Loss) before taxes	**(8,197,692)**	**5,070,176**	**(34,085,285)**	**17,526,223**
Income tax expense	(702,219)	(901,703)	(1,834,306)	(1,755,916)
Net Income	**$ (8,899,911)**	**$ 4,168,473**	**$ (35,919,591)**	**$ 15,770,307**

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 June 30, 2014 was $10,496,532 which is $5,455,691 greater than the three months ended June 30, 2013. This is a result of the three Brazilian property acquisitions on December 23, 2013 which increased revenue by $5,166,135, partially offset by reduced revenue due to the disposed property in 2014 in Germany (Marktredwitz) of $131,099.

Revenue from investment properties for the six months ended June 30, 2014 was $20,655,160 which is $10,899,101 greater than the six months ended June 30, 2013. This is a result of the three Brazilian property acquisitions on December 23, 2013 that increased revenue by $10,098,887, partially offset by reduced revenue due to the disposed property in 2014 in Germany (Marktredwitz) of $188,068.

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 June 30, 2014 were $836,888 as compared to $495,149 for the three months ended June 30, 2013. The increase is a result of the three Brazilian property acquisitions on December 23, 2013 that increased property operating costs by $303,728 partially offset by the operating cost savings from the disposed property in Germany (Marktredwitz) of $56,083. In addition, property operating costs in Brazil were up by $86,328 for the existing Brazil portfolio as a result of an election made by the REIT on January 1, 2014 to change the tax status of the Brazilian properties which results in an increase to taxes on revenues, but is offset by a decrease to current income taxes.

Property operating costs for the six months ended June 30, 2014 were $1,764,705 as compared to $867,304 for the six months ended June 30, 2013. The increase is a result of the three Brazilian property acquisitions on December 23, 2013 that increased property operating costs by $593,780 partially offset by the operating cost savings from the disposed property in Germany (Marktredwitz) of $50,899. In addition, property operating costs in Brazil were up by $158,193 for the existing Brazil portfolio as a result of the election made by the REIT on January 1, 2014 to change the tax status of the Brazilian properties which results in an increase to taxes on revenues, but is offset by a decrease to current income taxes.

Share of profit (loss) of associates

The share of profit (loss) of associates relates to the REIT’s investments in Vital Trust and NWHP REIT and represents its proportionate share of the underlying net income. The share of profit of associates related to the REIT’s investment in NWHP REIT (acquired on June 21, 2013), for the three months and six ended June 30, 2013, only reflects results for the 10 days from June 21 to June 30, 2013.

The REIT accounts for its approximate 24% ownership of Vital Trust and approximate 26% ownership of NWHP REIT using the equity method. During the three months ended June 30, 2014, the REIT recorded equity income from Vital Trust of $3,481,221 and $11,345,046 of equity loss from NWHP REIT. For the three months ended June 30, 2013, the REIT recorded equity income from its investment in Vital Trust of $2,020,636 and $400,326 for its investment in NWHP REIT.

During the six months ended June 30, 2014, the REIT recorded equity income from Vital Trust of $4,690,742 and $7,671,999 of equity loss from NWHP REIT. For the six months ended June 30, 2013, the REIT recorded equity income from its investment in Vital Trust of $3,377,456 and $400,326 for its investment in NWHP REIT, which represented its share of income of NWHP REIT from the date of acquisition on June 21, 2013 to June 30, 2014.

During the three months ended June 30, 2014 the REIT received cash distributions of $1,507,323 from Vital Trust and $2,379,608 from NWHP REIT. During the three months ended June 30, 2013 the REIT received cash distributions of $964,167 from Vital Trust and $793,135 from NWHP REIT. The distributions from NWHP REIT represent only 1 month of distributions for the three months ended June 30, 2013.

During the six months ended June 30, 2014 the REIT received cash distributions of $3,050,450 from Vital Trust and $4,759,217 from NWHP REIT. During the six months ended June 30, 2013, the REIT received distributions of $1,961,840 from Vital Trust, of which $964,167 were received in cash and the remaining $997,673 were taken through the Vital Trust’s Distribution Reinvestment Plan (“DRP”). During the six months ended June 30, 2013, the distributions from NWHP REIT of $793,135 were received in cash. The distributions from NWHP REIT represent only 1 month of distributions for the six months ended June 30, 2013 as a result of the REIT acquiring its investment in NWHP REIT on June 31, 2013.

Management Fee Participation

Pursuant to the Management Fee Participation Agreement with an affiliate of NWVP, the REIT receives the difference between all management fees paid by Vital Trust and the amount 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 June, 2014, the REIT earned $921,964 in respect of the Management Fee Participation Agreement, which is $511,597 greater than the three months ended June 30, 2013. The increase in the management fee participation is a result an additional incentive fee payable by Vital Trust to its external manager for the year ended June 30, 2014 of $508,848.

During the six months ended June, 2014, the REIT earned $1,339,055 in respect of the Management Fee Participation Agreement, which is $528,810 greater than the six months ended June 30, 2013. The increase in the management fee participation is a result an additional incentive fee payable by Vital Trust to its external manager for the year ended June 30, 2014 of $508,848, as well as the impact of a strengthening New Zealand dollar relative to the Canadian Dollar.

During the three months ended June 30, 2014, $374,484 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 $547,480 of management fee participation revenue related to activity based fees from development and acquisitions as well as the incentive fees payable by Vital Trust. The incentive fee earned and recorded by Vital Trust's external manager for the three months ended June 30, 2014, was $508,848. Incentive fees are only payable when there is an average annual increase in the gross value of the assets of Vital Trust over the relevant financial year and the two preceding financial years. For the three months ended June 30, 2013, the management fee participation income earned was made up of $344,453 from the variance in base fees and $65,931 from activity based fees. For the three months ended June 30, 2013, an incentive fee was not earned or accrued as the increase gross asset values of Vital Trust had not been achieved.

During the six months ended June 30, 2014, $740,593 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 $598,462 of management fee participation revenue related to activity based fees from development and acquisitions as well as the incentive fees payable by Vital Trust. The incentive fee earned and recorded by Vital Trust's external manager for the three months ended June 30, 2014, was $508,848. Incentive fees are only payable when there is an average annual increase in the gross value of the assets of Vital Trust over the relevant financial year and the two preceding financial years.For the six months ended June 30, 2013, the management fee participation income earned was made up of $687,419 from the variance in base fees and $122,826 from activity based fees. For the six months ended June 30, 2013, an incentive fee was not earned or accrued as the increase gross asset values of Vital Trust had not been achieved.

Interest income

Interest income represents amounts earned on cash balances and related party balances (see "Related Party Transactions"). For the three months ended June 30, 2014, the REIT recorded interest income of $443,447, which is $406,387 less than the three months ended June 30, 2013.

The decrease in interest income from 2013 to 2014 is a result of lower interest earned on balances from related parties. During the three months ended June 30, 2014, interest earned from a subsidiary of NWVP was $340,000 which represents approximately 8% interest on the working capital and closing adjustment receivable. For the three months ended June 30, 2013 the REIT earned $550,000 of economic interest on the working capital and closing adjustment receivable as well as $266,302 of interest on a $15,000,000 note receivable, which was repaid at the end of June 2013.

The decrease in interest on related party balances is offset by an increase in the interest earned on cash balances invested in Brazil. For the three months ended June 30, 2014, the REIT earned $93,197 on cash balances invested in Brazil, as compared to $16,410 for the three months ended June 30, 2013. The additional interest income earned in Brazil is a result of the average cash balance in Brazil increasing from approximately $1,918,000 during the three months ended June 30, 2013 to approximately $3,673,000 during the three months ended June 30, 2014.

For the six months ended June 30, 2014, the REIT recorded interest income of $881,631, which is $296,336 less than the six months ended June 30, 2013.

The decrease in interest income from 2013 to 2014 is a result of lower interest earned on balances from related parties. During the six months ended June 30, 2014, interest earned from a subsidiary of NWVP was $680,000 which represents approximately 8% interest on the working capital and closing adjustment receivable. For the six months ended June 30, 2013 the REIT earned $550,000 of economic interest on the working capital and closing adjustment receivable as well as $562,192 of interest on a $15,000,000 note receivable, which was repaid at the end of June 2013.

The decrease in interest on related party balance is offset by an increase the interest earned on cash balances invested in Brazil. For the six months ended June 30, 2014, the REIT earned $169,630 on cash balances invested in Brazil, as compared to only $23,207 for the six months ended June 30, 2013. The additional interest income earned in Brazil is a result of the average cash balance in Brazil increasing from approximately $1,509,000 during the six months ended June 30, 2013 to approximately $2,982,000 during the six months ended June 30, 2014.

Mortgage and loan interest expense

Mortgage and loan interest expense for the three months ended June 30, 2014 was $7,159,977, which is $5,031,146 greater than the mortgage and loan interest expense for the three months ended June 30, 2013. For the six months ended June 30, 2014, mortgage and loan interest expense was $14,070,815, which was $10,292,464 greater than the mortgage and loan interest expense for the six months ended June 30, 2013.

For the three months ended June 30, 2014, interest on the mortgages on the German properties was $259,791 (six months ended June 30, 2014 - $517,960) as compared to $254,005 for the three months ended June 30, 2013 (six months ended June 30, 2013 - $439,583). The slight increase is primarily a result of the strengthening Euro exchange rate relative to the Canadian dollar, partially offset by the sale of the Marktredwitz property in February 2014 and repayment of the related mortgage. As at June 30, 2014, the weighted average effective interest rate of the mortgages on the German properties was 2.47% (June 30, 2013 – 2.58%).

In Brazil, for the three months ended June 30, 2014, the REIT incurred interest expense of $3,271,683 (six months ended June 30, 2014 - $6,365,998) as compared to $1,011,940 for the three months ended June 30, 2013 (six months ended June 30, 2013 - $2,062,840) respectively on the outstanding term loans on HMB and the three hospital portfolio acquired December 23, 2013 (the "**Rede D'Or Hospital Portfolio**"). The increase in interest expense from 2013 to 2014 relates to the interest on the Rede D'Or Hospital Portfolio.

Interest related to the REIT's debt on its investment in Vital Trust for the three months ended June 30, 2014 was $829,291 (six months ended June 30, 2014 - $1,602,363). For the three months ended June 30, 2013, interest on the debt related to the REIT's investment in Vital Trust was $339,599 (six months ended June 30, 2013 - $725,442). The primary increase in interest expense for the three and six months ended June 30, 2014 as compared to June 30, 2013 is a result of the REIT' increasing its investment in Vital Trust from 20.02% to 24.03% from June 30, 2013 to June 30, 2014 and accordingly increasing its borrowings under the Vital Trust margin loans. The additional increase in interest expense is a result of rising floating interest rates in New Zealand. The effective interest rate on the REIT's debt related to Vital Trust at June 30, 2014 was 6.94% as compared to 5.15% at June 30, 2013.

Interest related to the REIT's debt on its investment in NWHP REIT for the three months ended June 30, 2014 was $1,615,110 (six months ended June 30, 2013 - $3,229,066). For the three and six months ended June 30, 2013, interest on the debt related to the REIT's debt on its investment in NWHP REIT was $160,237 as the REIT only acquired its investment in NWHP REIT on June 21, 2013. As part of the acquisition of the investment in NWHP REIT, NWVP has committed, by means of a capital contribution, that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014, which has been recorded as a receivable from NWVP at the date of acquisition of the investment in NWHP REIT. In May 2014, 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.

For the three months ended June 30, 2014, the REIT accrued interest of $693,470 (six months ended June 30, 2014 - $1,379,516) on the Series MOB.DB (issued March 25, 2013) and Series MOB.DB.A Debentures (issued August 29, 2013) (defined herein) 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 June, 2013, the REIT accrued interest of $365,318 (six months ended June 30, 2013 - $390,249) 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 June 30, 2014 was $490,652 (six months ended June 30, 2014 - $975,912). There was no interest accrued on the acquisition facility for the three or six months ended June 30, 2013 as the acquisition facility was obtained in December 2013.

General and administrative expenses

General and administrative expenses for the three months ended June 30, 2014 were $1,462,795 as compared to $865,015 in the comparable period in 2013. The increase of $597,780 primarily relates to the increase in asset management fees to the REIT's external manager, which increased by $326,199 as a result of the incremental acquisitions that occurred during the second half of 2013 and first half of 2014. The increase in general and administrative expenses is also attributable to additional audit and tax costs incurred for prior years which were in excess of amounts accrued.

General and administrative expenses for the six months ended June 30, 2014 were $2,509,201 as compared to $1,196,036 in the comparable period in 2013. The increase of $1,313,165 primarily relates to the increase in asset management fees to the REIT's external manager, which increased by $673,716 as a result of the incremental acquisitions that occurred during the second half of 2013 and first half of 2014. The increase in general and administrative expenses is also attributable to an adjustment of $500,000 received by the REIT during the six months ended June 30, 2013 in respect of travel and other out of pocket costs of the Asset Manager that was not repeated in the same period of 2014.

Transaction costs

For the three and six months ended June 30, 2014 the REIT did not incur any strategic transaction costs. For the three and six months ended June 30, 2013, the REIT recognized strategic transactions costs of $389,319 and $468,182, respectively, related to the closing of the REIT's acquisition of the initial international portfolio from NWVP.

Other Finance costs

Finance costs for the three and six months ended June 30, 2014 and 2013 consisted of the following:

TABLE 7 - OTHER FINANCE COSTS

	Three months ended		Six months ended	
	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)
Distributions on Class B LP and Class D GP exchangeable units	$ 5,070,413	$ 2,665,873	$ 10,079,079	$ 4,883,583
Loss on revaluation of financial liabilities	3,944,452	1,192,257	9,385,593	2,842,651
Amortization of deferred financing costs	2,645,266	68,139	4,994,019	135,763
Fair value adjustment of convertible debentures	(1,716,490)	(1,796,700)	1,830,510	(1,796,700)
Convertible debenture issuance costs	-	1,693,228	3,232	1,693,228
Class B LP and Class D GP exchangeable units – Fair value adjustment	(10,166,247)	13,304,371	1,672,635	5,411,614
Total Finance Costs	**$ (222,606)**	**$ 17,127,168**	**$ 27,965,068**	**$ 13,170,139**

Distributions on Class B LP and Class D GP Exchangeable Units

Under IFRS, the Class B LP and Class D GP exchangeable unit (the "Exchangeable Units") distributions are treated as a finance cost. The Exchangeable Units receive distributions on an equivalent per unit basis to the distributions declared on the Trust Units. During the three months ended June 30, 2014, the REIT declared distributions of $5,070,413 (six months ended June 30, 2014 - $10,079,079) on the Exchangeable Units as compared to $2,665,873 for the three months ended June 30, 2013 (six months ended June 30, 2013 - $4,883,583). The increase in distributions is a result of both the additional 36,637,245 Exchangeable Units issued in June 2013, as well as the increase to the annual distribution rate effective January 1, 2014 from $0.16/unit to $0.22/unit.

Loss on revaluation of financial liabilities

On maturity, the principal balance of both of the Brazilian term loans and the holdback payable in respect of HMB (included in deferred consideration) will be adjusted by the inflation rate from the date of inception of these liabilities to their respective maturities. For the three months ended June 30, 2014, a revaluation loss of $3,944,452 (six months ended June 30, 2013 - $9,385,593) was recorded to account for the related inflation adjustment to the term loans and holdback payable for the period, which is an increase of $2,752,195 over the three months ended June 30, 2013 (increase of $6,542,942 over the six months ended June 30, 2013). The increase is due to the additional term loans obtained as a result of the Rede D'Or Hospital Portfolio acquisition on December 23, 2013, which have an aggregate principal balance of approximately $132,408,000 (R$270,000,000). The annual inflation rate for June 30, 2014 was 6.52% as compared to 6.70% at June 30, 2013.

Amortization of deferred financing costs

Included in Finance Costs is amortization of deferred financing costs incurred to arrange mortgage or debt financing. For the three months ended June 30, 2014, amortization of deferred financing costs totaled $2,645,266 (six months ended June 30, 2014 - $4,994,019). For the three months ended June 30, 2013, the REIT recorded amortization of deferred financing charges in the amount of $68,139 (six months ended June 30, 2013 - $135,763). The increase in deferred financing costs relative to 2013 reflects the increased debt and refinancing activity of the REIT during the fiscal year 2013, specifically the the additional term loans obtained as a result of the Rede D'Or Hospital Portfolio acquisition, which have an aggregate principal balance of approximately $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 is based on the trading price of the REIT's listed convertible debentures (the "**Debentures**"). For the three months ended June 30, 2014 the trading price of the Series MOB.DB and MOB.DBA Debentures decreased resulting in a fair value gain of $1,716,490 (for the six months ended June 30, 2014 – an increase in the trading price resulting in a fair value loss of $1,830,510). From the issuance of the Series MOB.DB Debentures on March 25, 2013 to June 30, 2013, there was a decrease in the trading price of the series MOB.DB Debentures which resulted in a gain of $1,796,700 for both the three and six months ended June 30, 2013.

Convertible debenture issuance costs

Included in finance costs for the six months ended June 30, 2014 are incremental costs related to the issuance of the Series MOB.DB.A Debentures which totaled $3,232. Included in finance costs for the three and six months ended June 30, 2013 are costs related to the issuance of the Series MOB.DB Debentures issued on March 25, 2013, which totaled $1,693,228 for both the three and six month period.

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

The Class B LP and Class D GP exchangeable units (the "Exchangeable Units"), under IFRS, are measured at fair value. The fair value of the Exchangeable Units mirrors the trading price of the REIT's listed Trust Units. For the three months ended June 30, 2014 the value of the Exchangeable Units liability decreased by $10,166,247, reflecting the decrease in the trading price of the REIT's Trust Units during the period from $2.15 to $2.04 per Unit. During the three months ended June 30, 2013, the value of the Class B LP exchangeable unit liability increased by $13,304,371 which reflected a fair value loss as a result in the $0.11 per Unit increase in the trading price of the REIT's Trust Units during the period and was further compounded by the increase in the fair value of the 36,637,245 Class B LP units issued on June 21, 2013 at $1.87 (consideration for the investment in NWHP REIT) to the trading price of the REIT's Trust units at June 30, 2013 of $2.04.

For the six months ended June 30, 2014 the value of the Exchangeable Units liability increased by $1,672,635, reflecting the increase in the trading price of the REIT's Trust Units during the period from $2.02 to $2.04 per Unit. During the six months ended June 30, 2013, the value of the Class B LP liability increased by $5,411,614 reflecting the increase in the fair value of the 36,637,245 Class B LP units issued on June 21, 2013 at $1.87 (consideration for the investment in NWHP REIT) to the trading price of the REIT's Trust units at June 30, 2013 of $2.04, partially offset by the decrease in the trading price of the REIT's Trust units by $0.01 during the period..

Foreign exchange gain/loss

The REIT's financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. 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 June 30, 2014, the REIT recorded a foreign exchange gain of $1,322,289 as a result of the New Zealand dollar weakening relative to the Canadian dollar, thus decreasing the value of the New Zealand debt (for the six months ended June 30, 2014 – loss of $2,897,056, due to the strengthening New Zealand dollar during the period). For the three months ended June 30, 2013, the REIT recorded a foreign exchange gain of $1,150,983 (for the six months ended June 30, 2013 – gain of $72,187). See "Foreign Exchange and Currency Management".

Amortization of intangible asset

In conjunction with the acquisition of the initial portfolio of international assets, the REIT indirectly acquired rights under a Management Fee Participation Agreement. At the time of acquisition, the value ascribed to the agreement was $15,612,750. The intangible asset is being amortized on a straight line basis over its determined useful life of 10 years. The REIT has recorded $390,319 of amortization for the three months ended June 30, 2014 and June 30, 2013 (six months ended June 30, 2014 and June 30, 2013 - $780,638).

Fair value adjustment of DUP liability

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

The fair value adjustment on revaluation of the DUP liability for the three months ended June 30, 2014 was a gain of $22,454 (six months ended June 30, 2014 – loss of $1,259) as compared to a fair value loss of $12,025 for the three months ended June 30, 2013 (six months ended June 30, 2013 – loss of $3,700).

Fair value adjustment of investment properties

For the three months ended June 30, 2014, the REIT recorded a fair value loss on investment properties of $3,658,543 primarily related to write off of transaction costs related to the acquisition of the Core German MOB Portfolio on June 25, 2014. For the six months ended June 30, 2014, the REIT recorded a fair value loss of $3,542,829 which is largely a result of the write off of transaction costs related to the acquisition of the Core German MOB Portfolio partially offset by the fair value gain recorded on the investment property in Germany that was disposed in February 2014 recognized to bring the investment property value to its disposition selling price.

For the three months ended June 30, 2013, the REIT recorded a fair value loss of $16,014 related to its investment properties (for the six months ended June 30, 2013 - $886,774). As a result of the REIT's acquisition of the Fulda property on March 28, 2013, the REIT incurred transaction costs, which were capitalized to investment properties and subsequently written off. For the three and six months ended June 30, 2013, the fair value losses recognized on investment properties primarily related to the transaction costs incurred on the Fulda acquisition.

Net loss on disposal of investment properties

During the three and six months ended June 30, 2014, the REIT recognized a loss on sale of its leasehold interest in a building in Marktredwitz, Germany of $8,826 and $97,595 respectively due to transaction costs realized on the sale.

Gain on derivative financial instruments

During the three months ended June 30, 2014, the REIT recorded a loss on derivative financial instruments of $245,791 (six months ended June 30, 2014 - $350,708). The loss relates to the increase in the fair value of the interest rate swaps liability by $469,195 (for the six months ended June 30, 2014 - $459,519) which is a result of the REIT entering into 3 new interest rate swaps obtained in June 2014 related to the mortgages obtained for the Core German MOB portfolio. The loss for the three months ended June 30, 2014 was partially offset by the decrease to the fair value of the warrant liability by $223,404 during the period (for the six months ended June 30, 2014 - $108,811).

During the three months ended June 30, 2013, the REIT recorded a gain on derivative financial instruments of $16,621,050 in respect of the derivative financial liability related to the Put/Call Agreement (for the six months ended June 30, 2013 - $23,083,107). In conjunction with the acquisition of the initial international portfolio, the REIT entered into a Put/Call Agreement with NWVP with respect to securities of NWHP REIT owned by NWVP. The Put/Call rights were initially measured at fair value based on the Black-Scholes option pricing model. Subsequent changes in the fair values were recognized through the consolidated statement of comprehensive income / (loss). On June 21, 2013, the REIT's acquisition of the investment in NWHP REIT closed, and as a result, the derivative financial liability related to the Put/Call Agreement was settled. As at June 30, 2014, 602,554 Option Units under to the Put/Call Agreement remain outstanding. Should the remaining Option Units be exercised, the price of the units and consideration paid would be at market value.

Income tax expense

The current tax and deferred tax expense of the REIT for the three months ended June 30, 2014 was $702,219 (six months ended June 30, 2014 - $1,834,306). The current taxes primarily relate to the income taxes payable in Brazil. For the three months ended June 30, 2014, current taxes were $145,357 compared to $408,711 for the three months ended June 30, 2013. The decrease in the current tax expense for the three months ended June 30, 2014 as compared to June 30, 2013 is a result the election made by the REIT on January 1, 2014 to change the tax status of the Brazilian properties which results in an increase to taxes on revenues (included in property operating costs), but is offset by a decrease to current taxes.

For the six months ended June 30, 2014, current taxes were $206,098 compared to $822,924 for the six months ended June 30, 2013. The decrease in the current tax expense for the six months ended June 30, 2014 as compared to June 30, 2013 is a result the election made by the REIT on January 1, 2014 to change the tax status of the Brazilian properties which results in an increase to taxes on revenues (included in property operating costs), but is offset by a decrease to current taxes.

The REIT records deferred tax liabilities in Germany and Brazil arising primarily due to the difference between the book value and tax cost of its investment properties. The deferred tax expense of the REIT for the three months ended June 30, 2014 was $556,862 (six months ended June 30, 2014 - $1,628,208). For the three months ended June 30, 2013, the REIT recorded deferred tax expense of $492,992 (six months ended June 30, 2013 - $932,992). 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 incremental acquisitions (less disposals) that took place in the first half of 2014.

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 June 30, 2014 represents income from investment properties held prior to April 1, 2013. Same property NOI for the six months ended June 30, 2014 represents income from currently owned investment properties acquired prior to January 1, 2013.

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

TABLE 6A - SAME PROPERTY NOI

	Three months ended			Six months ended		
	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)	Variance (Unaudited)	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)	Variance (Unaudited)
Same property NOI [(1)]						
Same propety revenue from investment properties	$ 5,260,351	$ 4,896,923	$ 363,428	$ 9,391,851	$ 9,050,829	$ 341,022
Same property operating costs	(541,017)	(446,923)	(94,094)	(931,534)	(707,247)	(224,287)
	4,719,334	**4,450,000**	**269,334**	**8,460,317**	**8,343,582**	**116,735**
Acquisitions	4,919,634	-	4,919,634	10,369,519	347,385	10,022,134
Dispositions	20,676	95,692	(75,016)	60,619	197,788	(137,169)
NOI [(1)]	**$ 9,659,644**	**$ 4,545,692**	**$ 5,113,952**	**$ 18,890,455**	**$ 8,888,755**	**$ 10,001,700**

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.

TABLE 6B - SAME PROPERTY NOI - GERMANY

	Three months ended			Six months ended		
in Euro	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)	Variance (Unaudited)	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)	Variance (Unaudited)
Same property NOI [(1)] - in Euro						
Same propety revenue from investment properties	€ 906,611	€ 881,445	€ 25,166	€ 1,236,543	€ 1,116,567	€ 119,976
Same property operating costs	(213,235)	(232,618)	19,383	(357,581)	(323,155)	(34,426)
	693,376	**648,827**	**44,549**	**878,962**	**793,412**	**85,550**
Acquisitions - in Euro	38,266	-	38,266	574,955	260,291	314,664
Dispositions - in Euro	13,825	71,701	(57,876)	40,248	148,200	(107,952)
NOI [(1)] - in Euro	**€ 745,467**	**€ 720,528**	**€ 24,939**	**€ 1,494,165**	**€ 1,201,903**	**€ 292,262**
FX Rate	**1.4955**	**1.3357**		**1.4629**	**1.3346**	
NOI [(1)] - in CAD	**$ 1,114,846**	**$ 962,384**	**$ 152,462**	**$ 2,185,810**	**$ 1,604,060**	**$ 581,750**

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.

TABLE 6C - SAME PROPERTY NOI - BRAZIL

	Three months ended			Six months ended		
in BRL	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)	Variance (Unaudited)	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)	Variance (Unaudited)
Same property NOI [(1)] - in BRL						
Same propety revenue from investment properties	$ 7,981,428	$ 7,518,143	$ 463,285	$ 15,965,219	$ 15,112,252	$ 852,967
Same property operating costs	(453,954)	(274,412)	(179,542)	(907,995)	(551,597)	(356,398)
	7,527,474	**7,243,731**	**283,743**	**15,057,224**	**14,560,655**	**496,569**
Acquisitions - in BRL	9,939,507	-	9,939,507	19,878,919	-	19,878,919
Dispositions - in BRL	-	-	-	-	-	-
NOI [(1)] - in BRL	**$ 17,466,981**	**$ 7,243,731**	**€ 10,223,250**	**$ 34,936,143**	**$ 14,560,655**	**€ 20,375,488**
FX Rate	**0.4892**	**0.4947**		**0.4781**	**0.5003**	
NOI [(1)] - in CAD	**$ 8,544,798**	**$ 3,583,308**	**$ 4,961,490**	**$ 16,704,645**	**$ 7,284,695**	**$ 9,419,950**

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

Germany

Table 6B summarizes the REIT's NOI from Germany in source currency (Euro). Same property revenue from Germany's investment properties was greater for the three and six months ended June 30, 2014 by €25,166 and €119,997 respectively, as compared to actual results for the three and six months ended June 30, 2013. The higher same property revenue is primarily due inflationary rental adjustments across the portfolio as well as to increased occupancy at the Berlin Neukölln property which increased occupancy from 94.9% at June 30, 2013 to 98.9% at June 30, 2014, partially offset by lower occupancy at the Königs Wusterhausen property which was 87.7% at June 30, 2013, decreasing to 85.1% at June 30, 2014.

Brazil

Table 6C summarizes the REIT's NOI from Brazil in source currency (Brazilian Real). In Brazil, same property revenues for the three and six months ended June 30, 2014 were R$7,981,427 and R$15,965,219 respectively, as compared to R$7,518,143 and R$15,112,252 for the three and six months ended June 30, 2013. The increase in same property revenue is a result of inflationary adjustments which are implemented annually across the portfolio, in accordance with the REIT's leasing contracts. The annual inflation rate for June 30, 2014 was 6.52% as compared to 6.70% at June 30, 2013.

Property operating costs

Germany

Same property operating costs for the three and six months ended June 30, 2014 for the German portfolio was €213,236 and €357,581 respectively, as compared to €232,618 and €323,155 for the three and six months ended June 30, 2014. For both the three and six month periods the operating costs are comparable, and the slight increase in costs for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 are a result of general price increases, which are passed on to the tenants, and timing of repairs and maintenance expenditures.

Brazil

In Brazil, same property operating costs for the three and six months ended June 30, 2014 were R$453,953 and R$907,994 respectively, as compared to R$274,412 and R$551,597 for the three and six months ended June 30, 2013. The increase in property operating costs on a same store basis is a result of the election made by the REIT on January 1, 2014 to change the tax status of the HMB property which resulted in an increase to the tax rate on revenues for this property from approximately 3.65% to 5.95%. While the change in tax regime results in slightly higher revenue tax, it results in the income current taxes payable being fully eliminated.

FUNDS FROM OPERATIONS ("FFO")

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

TABLE 8 - FUNDS FROM OPERATIONS

		Three months ended		Six months ended	
		June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)
Net Income		$ (8,899,911)	$ 4,168,473	$ (35,919,591)	$ 15,770,307
Add / (Deduct):					
(i)	Fair market value losses (gains)	(8,000,857)	(5,085,339)	7,397,939	(18,577,718)
(ii)	Finance cost - Class B LP and Class D GP exchangeable unit distributions	5,070,413	2,665,873	10,079,080	4,883,583
(iii)	Revaluation of financial liabilities	3,944,452	1,192,257	9,385,592	2,842,651
(iv)	Foreign exchange loss	(1,322,289)	(1,150,983)	2,897,055	(72,187)
(v)	Deferred taxes	556,862	492,992	1,628,208	932,992
(vi)	Non-recurring transaction costs	-	389,319	-	468,182
(vii)	Convertible debenture issuance costs	-	1,693,228	3,232	1,693,228
(viii)	Net adjustments for equity accounted entities	12,711,853	(709,729)	12,083,389	(588,731)
(viiii)	Net loss on disposal of investment properties	8,826	-	97,594	-
Funds From Operations ("FFO") (1)		**$ 4,069,349**	**$ 3,656,091**	**$ 7,652,498**	**$ 7,352,307**
FFO per Unit - Basic		$ 0.03	$ 0.04	$ 0.05	$ 0.07
FFO per Unit - Adjusted and fully diluted (3)		$ 0.03	$ 0.03	$ 0.05	$ 0.07
Adjusted weighted average units outstanding: (2)					
Basic		154,012,230	103,506,424	150,547,331	101,400,822
Diluted (3)		154,218,763	111,416,194	150,742,380	105,648,954

Notes

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

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

(3) Diluted units include the conversion of the REIT's convertible debentures and warrants if the closing price of the Trust Unit is greater than conversion price or exercise price as at the end of the reporting period. Otherwise the convertible debentures 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 June 30, 2014 the net fair market value gain comprised of (a) $245,791 fair value loss on derivative financial instruments; (b) $10,188,701 fair value gain on the Exchangeable Units and unit based compensation liabilities; (c) $3,658,543 fair value loss on investment properties; and (d) $1,716,490 fair value gain on the convertible debentures.

For the three months ended June 30, 2013, the net fair market value gain comprised of (a) $16,621,050 fair value gain on derivative financial instruments; (b) $13,316,396 fair value loss on the Exchangeable Units and unit based compensation liabilities; (c) $16,014 fair value loss on investment properties; and (d) $1,796,700 fair value gain on the convertible debentures.

For the six months ended June 30, 2014 the net fair market value loss comprised of (a) $350,708 fair value loss on derivative financial instruments; (b) $1,673,893 fair value loss on the Exchangeable Units and unit based compensation liabilities; (c) $3,542,829 fair value loss on investment properties; and (d) $1,830,510 fair value loss on the convertible debentures.

For the six months ended June 30, 2013, net fair market value gain comprised of (a) $23,083,107 fair value gain on derivative financial instruments; (b) $5,415,314 fair value loss on the Exchangeable Units and unit based compensation liabilities; (c) $886,774 fair value loss on investment properties; and (d) $1,796,700 fair value gain on the convertible debentures.

Additional details are below:

(a) Derivative financial instruments

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

(b) Class B LP exchangeable units and unit based compensation liabilities

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

(c) 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 – Exchangeable Unit distributions

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

(iii) Revaluation of financial liabilities

On maturity, the principal balance of both the term 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 June 30, 2014 and 2013, revaluation losses of $3,944,452 and $1,192,257 respectively (for the six months ended June 30, 2014 and 2013 - $9,385,593 and $2,842,651) was recorded to account for the related inflation adjustments to the term loans and holdback payable for the period. The accretion expense is treated as a fair value adjustment to the Brazilian term loans and holdback payable related to the acquisition of HMB, and therefore adjusted for to arrive at FFO. Although this adjustment is not consistent with REALpac guidance, the REIT believes the adjustment is consistent with industry practice.

(iv) 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. Although this adjustment is not consistent with REALpac guidance, these non-recurring finance costs related to the issuance of the convertible debentures, have been added back to the REIT's net income which the REIT believes is consistent with industry practice.

(viii) Net adjustments for equity accounted entities

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

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

TABLE 9 - NET ADJUSTMENTS FOR EQUITY ACCOUNTED ENTITIES								
	Three months ended				**Six months ended**			
	June 30, 2014		**June 30, 2013**		**June 30, 2014**		**June 30, 2013**	
	(Unaudited)		**(Unaudited)**		**(Unaudited)**		**(Unaudited)**	
Vital Trust - FFO [1][2]		7,572,630	$	6,918,297	$	13,149,646	$	14,388,404
average % of Vital Trust owned during the period		24%		20%		24%		20%
Vital Trust Proportionate FFO		**1,821,217**		**1,384,804**	**$**	**3,164,906**		**2,862,623**
NWHP REIT - FFO [2][3]	$	11,780,000	$	-	$	23,289,000	$	1,267,912
average % of NWHP REIT owned during the period		26%		26%		26%		26%
NWHP REIT Proportionate FFO	**$**	**3,026,811**		326,428.00	**$**	**5,937,226**	**$**	**326,428**
Funds From Operations from Associates ("FFO") [2]	**$**	**4,848,028**	**$**	**1,711,232**	**$**	**9,102,132**	**$**	**3,189,051**
Less: Share of profit (loss) of associates		7,863,825		(2,420,961)		2,981,257		(3,777,782)
Net adjustments for equity accounted entities	**$**	**12,711,853**	**$**	**(709,729)**	**$**	**12,083,389**	**$**	**(588,731)**

Notes

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

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

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

For the three months ended June 30, 2014, the REIT has included $1,821,217 of FFO related to its proportionate direct interest in Vital Trust, which is $436,413 greater than the proportional FFO related to Vital Trust attributable to the REIT for the three months ended June 30, 2013. The largest contributor to the increase is 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 June 30, 2013 as compared to approximately 24% during the three months ended June 30, 2014.

For the three months ended June 30, 2014, the REIT has included $3,026,811 of FFO related to its approximate 26% proportionate indirect interest in NWHP REIT. The REIT acquired its investment in NWHP REIT on June 21, 2013; therefore the FFO adjustment for the three months ended June 30, 2013 represents the proportionate FFO reported by NWHP REIT, prorated for the 10 day period from June 21 to June 30, 2013.

For the six months ended June 30, 2014, the REIT has included $3,164,906 of FFO related to its proportionate direct interest in Vital Trust, which is $302,283 greater than the proportional FFO related to Vital Trust attributable to the REIT for the six months ended June 30, 2013. The increase is due to the strengthening of the New Zealand Dollar as compared to the Canadian Dollar, and the REIT’s increase in its investment in Vital Trust from approximately 20% during the six months ended June 30, 2013 as compared to approximately 24% during the six months ended June 30, 2014. The increased FFO is slightly offset by Vital Trust recording a loss of approximately $1,676,000 (NZ$1,800,000) on the early retirement of interest rate swaps during the six months ended June 30, 2014.

For the six months ended June 30, 2014, the REIT has included $5,937,226 of FFO related to its approximate 26% proportionate indirect interest in NWHP REIT. The REIT acquired its investment in NWHP REIT on June 21, 2013; therefore the FFO adjustment for the six months ended June 30, 2013 represents the proportionate FFO reported by NWHP REIT, prorated for the 10 day period from June 21 to June 30, 2013.

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

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

TABLE 10 - ADJUSTED FUNDS FROM OPERATIONS

	Three months ended		Six months ended	
	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)
Funds From Operations ("FFO") [(1)]	$ 4,069,349	$ 3,656,091	$ 7,652,498	$ 7,352,307
Add / (Deduct):				
(i) Asset management fees to be paid in units	791,659	465,460	1,574,011	900,295
(ii) Amortization of intangible asset	390,319	390,319	780,638	780,638
(iii) Instalment note	-	215,480	214,562	421,214
(iv) Interest rate subsidy	676,475	74,338	1,345,516	74,338
(v) Amortization of deferred financing charges	2,645,266	68,138	4,994,019	135,763
(vi) Straight line revenue	(6,882)	(34,627)	(14,558)	(108,894)
(vii) Actual capex and leasing costs	(70,525)	(14,257)	(114,777)	(34,907)
(viii) Unit-based compensation expense	56,371	-	103,285	-
Adjusted Funds From Operations ("AFFO") [(1)]	**$ 8,552,032**	**$ 4,820,942**	**$ 16,535,194**	**$ 9,520,754**
AFFO per Unit - Basic	$ 0.06	$ 0.05	$ 0.11	$ 0.09
AFFO per Unit - Adjusted and fully diluted [(3)]	$ 0.06	$ 0.04	$ 0.11	$ 0.09
Distributions per Unit - Basic	$ 0.06	$ 0.04	$ 0.11	$ 0.08
AFFO Payout Ratio - Basic	99%	86%	100%	85%
Adjusted weighted average units outstanding: [(2)]				
Basic	154,012,230	103,506,424	150,547,331	101,400,822
Diluted [(3)]	154,218,763	111,416,194	150,742,380	105,648,954

Notes

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

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

(3) Diluted units include the conversion of the REIT's convertible debentures and warrants if the closing price of the Trust Unit is greater than conversion price or exercise price as at the end of the reporting period. Otherwise the convertible debentures 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 June 30, 2014 and the three months ended June 30, 2013 (six months ended June 30, 2014 and 2013 - $780,638) 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. In May 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.

Under IFRS, at the date of acquisition the present value of the interest rate subsidy was $1,873,898 and has been recorded as a receivable from NWVP. To reflect the extension of the interest rate subsidy in May 2014, the REIT recorded an additional receivable from NWVP of $913,772 with the offset recorded directly to equity as a capital contribution. 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 $2,645,266 for the three months ended June 30, 2014 (six months ended June 30, 2014 - $4,994,019) and $68,138 for the three months ended June 30, 2013 (six months ended June 30, 2013 - $135,76) 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 June 30, 2014 the REIT recorded revenue of $589,489 related to Sabara Children's Hospital (six months ended June 30, 2014 - $1,153,453), while the actual rent received, less interest on the securitization, totaled $582,607 (six months ended June 30, 2014 - $1,138,895). As such, the REIT has reduced net income reported under IFRS in AFFO by $6,882 for the three months ended June 30, 2014 (six months ended June 30, 2014 - $14,558).

For the three months ended June 30, 2013 the REIT recorded $549,420 (six months ended June 30, 2013- $1,150,066) in deferred revenue related to Sabara Children's Hospital, while the actual rent received less interest on the securitization totaled $514,793 (for the six months ended June 30, 2013 - $1,041,172) . As such the REIT has reduced IFRS net income by $34,627 in AFFO ($108,894 for the six months ended June 30, 2013).

(vii) Actual maintenance capital expenditures and leasing costs

For the three months ended June 30, 2014 the REIT incurred $70,525 (six months ended June 30, 2014 - $103,285) 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 and six months ended June 30, 2014 the REIT incurred unit-based compensation expense of $56,371 and $103,285 respectively related to trustee compensation issued in deferred Trust Units.

DISTRIBUTIONS

For the three and six months ended June 30, 2014, the REIT declared a total of $8,635,814 and $16,730,529 respectively in distributions, reflecting an annualized distribution rate of $0.22 per unit per annum. For the three and six months ended June 30, 2013, the REIT declared a total of $4,472,101 and $8,448,153 respectively in distributions, reflecting an annualized distribution rate of $0.16 per unit per annum. Distributions to Unitholders over the last twelve months are summarized below:

TABLE 11 - MONTHLY DISTRIBUTIONS

	Jun-14	May-14	Apr-14	Mar-14	Feb-14	Jan-14	Dec-13	Nov-13	Oct-13	Sep-13	Aug-13	Jul-13
Monthly distribution ($)	0.0183	0.0183	0.0183	0.0183	0.0183	0.0183	0.0133	0.0133	0.0133	0.0133	0.0133	0.0133
Month-end closing price ($)	2.04	1.99	2.15	2.15	2.16	2.24	2.02	2.00	2.05	1.86	1.80	1.95
Date of Record	30-Jun-14	30-May-14	30-Apr-14	31-Mar-14	28-Feb-14	31-Jan-14	31-Dec-13	30-Nov-13	31-Oct-13	30-Sep-13	31-Aug-13	31-Jul-13
Date Paid	15-Jul-14	16-Jun-14	15-May-14	15-Apr-14	17-Mar-14	17-Feb-14	15-Jan-14	16-Dec-13	15-Nov-13	15-Oct-13	16-Sep-13	15-Aug-13

During the three and six months ended June 30, 2014, a total of 123,608 and 196,682 trust units were issued under the DRIP (three and six months ended June 30, 2013 - 43,735 and 54,809).

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		Six months ended	
	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)
Net income	$ (8,899,911)	$ 4,168,473	$ (35,919,591)	$ 15,770,307
Cash flow from operating activities	$ 4,047,307	$ (1,288,424)	$ 4,563,867	$ 480,893
Distributions paid and payable				
Trust Units	$ 3,565,402	$ 1,806,228	$ 6,651,450	$ 3,564,570
Class B LP and Class D GP Exchangeable Units	$ 5,070,413	$ 2,665,873	$ 10,079,079	$ 4,883,583
	$ 8,635,815	$ 4,472,101	$ 16,730,529	$ 8,448,153
Surplus (shortfall) of cash flow from operating activities over distributions paid and payable	$ (4,588,508)	$ (5,760,525)	$ (12,166,662)	$ (7,967,260)
Surplus (shortfall) of net income over distributions paid and payable	$ (17,535,726)	$ (303,628)	$ (52,650,120)	$ 7,322,154

TABLE 12A - ADJUSTMENT FOR DISTRIBUTION INCOME FROM ASSOCIATES

	Three months ended		Six months ended	
	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)
Surplus (shortfall) of cash flow from operating activities over distributions paid and payable	$ (4,588,508)	$ (5,760,525)	$ (12,166,662)	$ (7,967,260)
Add: Distribution income from associates	$ 3,886,931	$ 1,757,302	$ 7,809,667	$ 1,757,302
Adjusted surplus (shortfall) of cash flor from operating activities over distributions paid and payable	$ (701,577)	$ (4,003,223)	$ (4,356,995)	$ (6,209,958)

For the three months ended June 30, 2014, distributions paid and payable exceeded cash flow from operations by $4,588,508 compared to $5,760,525 for the three months ended June 30, 2013. For the three months ended June 30, 2014 the REIT’s distributions paid and payable exceeded net income by $17,535,726 compared to $303,628 for the three months ended June 30, 2013.

For the six months ended June 30, 2014, distributions paid and payable exceeded cash flow from operations by $12,116,662 compared to $7,967,260 for the six months ended June 30, 2013. For the six months ended June 30, 2014 the REIT's distributions paid and payable exceeded net income by $52,650,120. For the six months ended June 30, 2013 the REIT's net income exceeded distributions paid and payable by $7,322,154.

Cash flow from operating activities excludes the distribution income from associates which is classified as cash flows from investing activities under IFRS, and therefore is not considered in the surplus (shortfall) relative to the distributions paid. The distributions earned from its investment in associates are considered by management, an integral part of the REIT's cash flow from operations due to the strategic nature of these equity investments, and therefore 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

	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12
Summary of Financial information								
Gross Book Value ("GBV") (1)	$ 821,503,979	$ 793,358,386	$ 756,258,230	$ 560,867,595	$ 517,126,358	$ 380,465,080	$ 349,554,285	$ 88,473,236
Debt - Declaration of Trust ("DOT") (2)	$ 492,630,516	$ 463,946,840	$ 437,642,389	$ 238,475,203	$ 230,180,937	$ 162,905,626	$ 148,144,630	$ 48,163,959
Debt to GBV - DOT	60.0%	58.5%	57.9%	42.5%	44.5%	42.8%	42.4%	54.4%
Debt - Including convertible debentures (2)	$ 529,884,026	$ 502,916,810	$ 473,065,389	$ 273,887,203	$ 250,984,237	$ 181,401,901	$ 148,144,630	$ 48,163,959
Debt to GBV - Incl. convertible debentures	64.5%	63.4%	62.6%	48.8%	48.5%	47.7%	42.4%	54.4%
Operating results								
Net income / (loss)	$ (8,899,911)	$ (27,019,676)	$ (26,809,534)	$ 32,116,236	$ 4,168,473	$ 11,601,834	$ (37,268,407)	$ 956,704
NOI from Continuing Operations (3)	$ 9,659,644	$ 9,230,811	$ 4,855,484	$ 4,282,008	$ 4,545,692	$ 4,343,063	$ 1,117,774	$ -
NOI from Discontinued Operations (3)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,407,008
FFO (3)	$ 4,069,349	$ 3,583,153	$ (815,635)	$ 4,242,955	$ 3,656,092	$ 3,696,216	$ 1,636,707	$ 574,588
AFFO (3)	$ 8,552,032	$ 7,983,166	$ 5,639,399	$ 6,064,083	$ 4,820,943	$ 4,699,810	$ 1,959,356	$ 450,657
Distributions (4)	$ 8,635,814	$ 8,094,715	$ 5,590,562	$ 5,463,249	$ 4,472,101	$ 3,976,052	$ 3,608,382	$ 323,546
Per Unit amounts								
FFO per unit - Basic	$ 0.03	$ 0.02	$ (0.01)	$ 0.03	$ 0.04	$ 0.04	$ 0.02	$ 0.03
FFO per unit - Adjusted and fully diluted (6)	$ 0.03	$ 0.02	$ (0.01)	$ 0.03	$ 0.04	$ 0.04	$ 0.02	$ 0.03
AFFO per unit - Basic	$ 0.06	$ 0.05	$ 0.04	$ 0.04	$ 0.05	$ 0.05	$ 0.02	$ 0.02
AFFO per unit - Adjusted and fully diluted (6)	$ 0.06	$ 0.05	$ 0.04	$ 0.04	$ 0.05	$ 0.05	$ 0.02	$ 0.02
Distributions	$ 0.06	$ 0.06	$ 0.04	$ 0.04	$ 0.04	$ 0.04	$ 0.04	$ 0.02
Adjusted Weighted Average units outstanding (5)								
Basic	154,012,230	147,043,933	138,120,778	136,566,427	103,506,425	99,271,825	87,400,400	20,219,095
Diluted (6)	154,218,763	147,249,723	138,228,362	136,661,749	103,598,923	99,364,324	87,400,400	20,219,095

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 and Class D GP exchangeable unitholders on an accrual basis. Distributions are payable as at the end of the period in which they are declared and are paid on or around the 15th day of the following month.

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

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

PART IV – CAPITALIZATION AND LIQUIDITY

INVESTMENT PROPERTIES

The fair value of investment properties as at June 30, 2014 was $521,884,693 representing an implied weighted average capitalization rate of 8.70% (as at December 31, 2013 – 8.75%).

TABLE 14 - INVESTMENT PROPERTIES

	As at Jun. 30, 2014 (Unaudited)	As at Dec. 31, 2013 (Audited)
Opening Balance	$ 448,832,353	$ 205,502,477
Acquisitions of investment properties	54,129,307	225,993,435
Disposition of investment properties	(6,923,586)	-
Addition to investment properties	208,361	50,852
Fair value gain / (loss)	(3,581,748)	24,119,615
Foreign currency translation	29,220,005	(6,834,026)
Closing Balance	**$ 521,884,692**	**$ 448,832,353**

During the six months ended June 30, 2014, the REIT sold its leasehold interest in a building in Marktredwitz, Germany for $6,923,586 and completed the acquisition of a portfolio of the Core German MOB Portfolio for a gross purchase price of $54,129,307, including transaction costs of $3,470,644. From December 31, 2013 to June 30, 2014, the value of the REIT's investment properties increased by $29,220,005 as a result of foreign exchange movements caused by the strengthening of both the Euro and Brazilian Real relative to the Canadian dollar. The value of investment properties also increased as a result of additions to investment properties mainly related to capitalized leasing costs and tenant improvements but was offset by a fair value loss of $3,581,748 primarily due to the write off of transaction costs capitalized on the acquisition of the Core German MOB Portfolio, as required under IFRS. See "Highlights for the Six Months Ended June 30, 2014".

The fair values of the investment properties at June 30, 2014 and December 31, 2013 were determined based on a combination of internal valuation models incorporating available market evidence, external appraisals and in the case of the Core German MOB Portfolio reflects the purchase price transacted. During the three and six months ended June 30, 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. See note 6 of the REIT's condensed consolidated interim financial statements for the three and six months ended June 30, 2014 for additional details.

CAPITAL STRUCTURE

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

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

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

TABLE 15 - CAPITAL STRUCTURE

	As at Jun. 30, 2014 (Unaudited)	As at Dec. 31, 2013 (Audited)
Mortgages and loans payable	$ 409,802,529	$ 357,526,759
Convertible debentures	37,253,510	35,423,000
Deferred revenue	15,247,958	14,636,638
Class B LP and Class D GP exchangeable units	188,044,956	183,958,006
Unit-based compensation liability	474,598	370,054
Unitholders' equity	66,894,702	77,703,372
Total Capitalization	**$ 717,718,253**	**$ 669,617,829**

Equity

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

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

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

For the six months ended June 30, 2014 the number of Trust Units outstanding increased from 54,978,385 to 68,750,096. The increase in Trust Units was a result of (i) the issuance of 852,070 Trust Units on January 14, 2014 for gross proceeds of $1,704,140 before transaction costs of $85,769; (ii) the issuance of 11,219,513 Trust Units on January 14, 2014 for gross proceeds of $23,000,002 before transaction costs of $1,756,667 (iii) the issuance of 722,958 Trust Units for gross proceeds of $1,553,316 which were used to settle the outstanding asset management fees payable to a subsidiary of NWVP; (iv) the conversion of 780,488 Class D GP exchangeable units to Trust Units with a value of $1,689,303; and (v) the issuance of 196,682 Trust Units under the REIT's DRIP at a cost of $397,714.

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.

Liabilities

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

TABLE 16 - DEBT

	As at June 30, 2014 (Unaudited)	Weighted average interest rate	Maturity
Brazil - Loans	$ 199,164,146	6.87%	December 2014
Australasia - Margin Loans	47,817,230	6.76%	December 2014 - August 2018
Germany -Mortgages	66,858,850	2.47%	November 2017 - June 2021
Canada - Margin and acquisition facilities	95,962,303	8.65%	September 2014 - January 2017
Total Mortgages and Loans Payable	**409,802,529**	**6.56%**	
Canada - Convertible debentures	37,253,510	6.95%	March - September 2018
Total Debt Excluding Deferred Consideration	**$ 447,056,039**	**6.59%**	

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

Brazil – Loans:

On December 20, 2013, in connection the Rede D'Or Hospital Portfolio Acquisition, the REIT obtained an interest-only term loan from a Brazilian lending institution which has a principal of $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.

The REIT is actively in discussions with lenders in respect of the refinancing of the Brazilian loans maturing in 2014 and expects to refinance the loans upon maturity.

On maturity, the principal balance of the term loans will be adjusted by IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy). For the three and six months ended June 30, 2014, accretion expense of $3,111,589 and $7,801,867 (for the three and six months ended June 30, 2013 - $741,632 and $1,969,617) was recorded to account for the related IPCA adjustment for the period.

Australasia – Vital SLA and Margin Facility:

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

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

As at June 30, 2014, the principal balance outstanding on the margin facilities with respect to the REIT's investment in Vital Trust was $48,060,449.

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 $4,393,000 (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 June 2014, in connection with the acquisition of the Core German MOB Portfolio (note 4), the REIT obtained new mortgage financing of $30,395,233 (net of transaction costs of $891,567) with terms between 5 and 7 years, variable interest rates, and a 26 year amortization period. To limit exposure to fluctuations in interest rates on the mortgages obtained for the Core German MOB Portfolio, the REIT also entered into interest rate swaps on the full mortgage balance to fix the interest rates between 2.23% and 2.58% over the term of the loan.

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

As at June 30, 2014, loans and mortgages related to the REIT's investment properties in Germany comprised of $67,978,932 fixed rate mortgages maturing between November 2017 and June 2021 with an effective interest rate of 2.47% per annum.

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

Canadian Margin and Credit Facilities

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

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

As at June 30, 2014, the REIT has pledged 4,345,900 units of NWHP REIT and 7,551,546 class B limited partnership units of NHP Holdings LP as security for the margin facilities. As at June 30, 2014, the principal balance outstanding on the margin facilities, expiring between September 1, 2014 and November 8, 2014, with respect to the REIT's investment in NWHP REIT was $ 73,438,293.

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.

Deferred Revenue

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

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

At the time of securitization, deferred revenue was recorded equal to the present value of the proceeds received upon the securitization. The deferred revenue is amortized into revenue from investment properties on a straight-line basis over the term of the lease.

LIQUIDITY AND CASH RESOURCES

Cash resources and Liquidity

TABLE 17 - CASH AND LIQUIDITY

	As at Jun. 30, 2014 (Unaudited)	As at Dec. 31, 2013 (Audited)
Cash	$ 3,690,495	$ 2,635,859
Restricted Cash	2,439,550	1,778,685
Total	**$ 6,130,045**	**$ 4,414,544**

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

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

Contractual cash flows

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

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

TABLE 18 - CONTRACTUAL CASH FLOWS

	Carrying amount	Contractual cash flow	2014	2015	2016	2017	2018	Thereafter
Accounts payable and accrued liabilities	$ 13,366,892	$ 13,366,892	$ 13,366,892	$ -	$ -	$ -	$ -	$ -
Distributions payable	1,260,396	1,260,396	1,260,396	-	-	-	-	-
Income tax payable	90,079	90,079	90,079	-	-	-	-	-
Deferred consideration	75,643,783	75,643,783	75,643,783	-	-	-	-	-
Convertible debentures	37,253,510	48,340,385	695,375	2,781,500	2,781,500	2,781,500	39,300,510	-
Mortgages and loans payable	409,802,529	443,891,953	331,657,893	4,418,579	4,443,028	61,948,189	11,399,747	30,024,517
Total	**$ 537,417,189**	**$ 582,593,488**	**$ 422,714,418**	**$ 7,200,079**	**$ 7,224,528**	**$ 64,729,689**	**$ 50,700,257**	**$ 30,024,517**

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.

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

Changes in Cash

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

TABLE 19 - NET CHANGE IN CASH

	Three months ended		Six months ended	
	June 30, 2014 (Unaudited)	**June 30, 2013 (Unaudited)**	**June 30, 2014 (Unaudited)**	**June 30, 2013 (Unaudited)**
Cash provided by / (used in):				
Operating activities	$ 4,047,307	$ (1,288,424)	$ 4,563,867	$ 480,893
Investing activities	(48,268,424)	1,581,393	(39,030,371)	(19,302,302)
Financing activities	45,564,878	(3,105,301)	35,799,947	18,769,394
Net increase / (decrease) in cash during the period	**1,343,761**	**(2,812,332)**	**1,333,443**	**(52,015)**
Effect of foreign currency translation	(286,322)	(66,010)	(278,807)	20,420
Net increase / (decrease) in cash during the period	**$ 1,057,439**	**$ (2,878,342)**	**$ 1,054,636**	**$ (31,595)**

Operating activities

Cash provided by operating activities totaled $4,047,307 for the three months ended June 30, 2014 as compared to cash flow used in operating activities of $1,288,424 for the three months ended June 30, 2013. Operating cash flow increased for the three months ended June 30, 2014 as compared to the prior period as a result of the net additional operating cash flow related to the three Brazilian property acquisitions on December 23, 2013, partially offset by additional asset management fees related to the incremental acquisitions and borrowing costs on the REIT's incremental debt such as the acquisition facility (obtained in December 2103); Series MOB.DBA debentures (issued in August 2013); and margin loans on the REIT's investment in NWHP REIT (obtained June 21, 2013).

For the six months ended June 30, 2014, cash provided by operating activities totaled $4,563,867 for the three months ended June 30, 2014 as compared to cash flow provided by operating activities of $480,893 for the six months ended June 30, 2013. Operating cash flow increased for the six months ended June 30, 2014 as compared to the prior period as a result of the net additional operating cash flow related to the three Brazilian property acquisitions on December 23, 2013 and German property acquisition on March 28, 2013, partially offset by additional asset management fees related to the incremental acquisitions and borrowing costs on the REIT's incremental debt such as the acquisition facility (obtained in December 2103); Series MOB.DBA debentures (issued in August 2013); and margin loans on the REIT's investment in NWHP REIT (obtained June 21, 2013).

Investing activities

Cash used in investing activities totaled $48,268,424 for the three months ended June 30, 2014, which is a result of the cash consideration paid on the acquisition of the Core German MOB Portfolio on June 25, 2014 of $54,918,042, additions to investment properties of $136,083 and additional transaction costs paid of $8,826 for the disposal of the Marktredwitz property in Germany. These outflows were partially offset by the cash distributions received from Vital Trust and NWHP REIT totaling $3,886,931 and a net increase to restricted cash of $907,596 which is primarily related to the holdback on the Core German MOB Portfolio.

Cash generated from investing activities totaled $1,581,393 for the three months ended June 30, 2013, reflecting the acquisition of the cash distributions received from Vital Trust and NWHP REIT offset by the acquisition of additional units of Vital Trust.

For the six months ended June 30, 2014, cash used in investing activities totaled $39,030,371, which is a result of the cash consideration paid on the acquisition of the Core German MOB Portfolio on June 25, 2014 of $54,918,042, additions to investment properties of $208,361 and a net decrease to restricted cash of $539,626. These outflows were partially offset by the cash distributions received from Vital Trust and NWHP REIT totaling $7,809,667 and the proceeds of $6,825,991 on disposal of the Marktredwitz property in Germany.

Cash used in investing activities totaled $19,302,302 for the six months ended June 30, 2013, reflecting the acquisition of the Fulda property on March 28, 2013 and additional units of Vital Trust, offset by the cash distributions received from Vital Trust and NWHP REIT.

Financing activities

Cash generated by financing activities totaled $45,564,878 for the three months ended June 30, 2014 as compared to cash used in financing activities of $3,105,301 during the three months ended June 30, 2013.

During the three months ended June 30, 2014, the REIT obtained new mortgages related to the acquisition of the Core German MOB Portfolio of $31,286,800, raised net proceeds of $21,243,335 through the issuance of Trust Units (net of costs), made net repayments of mortgages and loans payable and credit facilities of $218,278, paid deferred consideration of $1,315,066, paid financing fees of $941,812, made net advances to related parties of $288,599, and paid distributions of $4,201,502.

During the three months ended June 30, 2013 the REIT raised net proceeds of $5,000,378 through issuing a combination of Trust Units and Debentures, received net advances of mortgages and loans payable and credit facilities of $214,945, paid deferred consideration of $1,764,184, paid financing fees of $38,456, made net advances to related parties of $2,626,307, and paid distributions of $3,891,677.

Cash generated by financing activities totaled $35,799,947 for the six months ended June 30, 2014 as compared to cash generated by financing activities of $18,769,394 during the six months ended June 30, 2013.

During the six months ended June 30, 2014, the REIT obtained new mortgages related to the acquisition of the Core

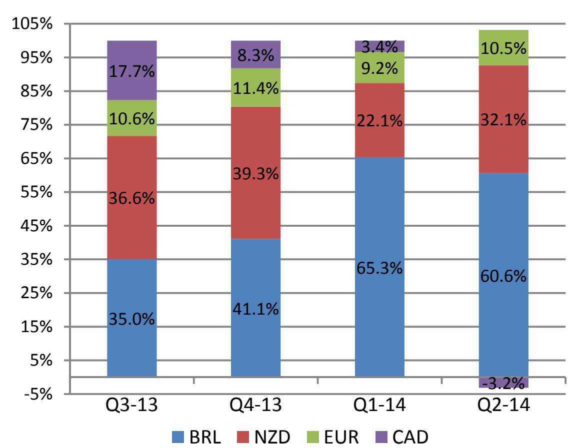
German MOB Portfolio of $31,286,800, discharged the mortgage related to the disposal of the Marktredwitz property of $4,886,613, raised net proceeds of $22,861,706 through the issuance of Trust Units (net of costs), made net repayments of mortgages and loans payable and credit facilities of $1,812,930, paid deferred consideration of $2,576,765, paid financing fees of $1,665,499, received net advances from related parties of $1,244,917, and paid distributions of $8,651,668.

During the six months ended June 30, 2013 the REIT obtained new mortgages related to the acquisition of the Fulda property of $12,011,400, raised net proceeds of $24,897,785 through issuing a combination of Trust Units and Debentures, made net repayments of mortgages and loans payable and credit facilities of $3,507,146, paid deferred consideration of $2,836,293, paid financing fees of $151,885, made net advances to related parties of $3,809,963, and paid distributions of $7,834,504.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

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

AFFO by Currency by Quarter [2]



Trading Range [1] [3]

(Against CAD)	BRL	EUR	NZD
High	0.4925	1.5178	0.9459
Low	0.4850	1.4724	0.9336
Average	0.4892	1.4955	0.9388
Balance Sheet:			
December 31, 2013	0.4503	1.4655	0.8751
June 30, 2014	0.4845	1.4615	0.9346
Profit & Loss:			
Q2 2014 Average Rate	0.4782	1.5036	0.9312
Q2 2013 Average Rate	0.5059	1.3319	0.8418

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

For the three months ended June 30, 2014, AFFO generated in Canadian dollars totaled a loss of $270,852 (three months ended June 30, 2013 – income of $85,817), while Canadian dollar distributions paid to Unitholders totaled $8,635,814 (for the three months June 30, 2013 - $4,472,101). Any deficiencies were funded from cash repatriated to Canada from Brazil, Germany and New Zealand, the existing working capital and receivables from related parties, and the proceeds from the May 2014 equity offering.

As at June 30, 2014 the REIT held approximately $25,471,000 of cash and receivables denominated in Canadian Dollars (December 31, 2013 - $26,147,000).

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

PART V – RELATED PARTY TRANSACTIONS

a) As at June 30, 2014, NWVP indirectly owned approximately 75% (approximately 67% 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) of the REIT through a combination of Trust Units of the REIT and Class B LP and Class D GP exchangeable units of NWI LP. Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer of the REIT, is the sole shareholder, sole director and President of NWVP. Bernard Crotty, a Trustee and President of the REIT, serves as Senior Vice-President of NWVP. Teresa Neto, Chief Financial Officer of the REIT, serves as Chief Financial Officer of NWVP.

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

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

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

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

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

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

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

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

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

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

	Three months ended June 30,		**Six months ended June 30,**	
	2014	**2013**	**2014**	**2013**
Base asset management fees [1]	$ 791,659	$ 465,460	$ 1,574,011	$ 900,295
Property management fees	81,500	33,629	135,299	64,674
Management fee participation	(921,964)	(410,367)	(1,339,055)	(810,245)
Reimbursement of out-of-pocket costs - completed transactions	64,401	-	814,554	54,571
Reimbursement of out-of-pocket costs - in-progress transactions	591,413	425,224	591,413	425,224
	$ 607,009	$ 513,946	$ 1,776,222	$ 634,519

(1) During the three and six months ended June 30, 2014, the REIT issued 376,698 and 722,958 units respectively to settle outstanding asset management fees owing to a subsidiary of NWVP (three and six months ended June 30, 2013 – 456,992).

On April 30, 2014 the REIT announced plans to internalize the REIT's external management function. See "Highlights for the Six Months Ended June 30, 2014".

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

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

	As at Jun. 30, 2014 (Unaudited)	As at Dec. 31, 2013 (Audited)
Working capital and closing adjustment receivable (i)	$ 16,966,652	$ 18,236,652
Interest rate subsidy (ii)	2,787,670	1,873,898
Instalment note receivable (iii)	1,385,555	1,369,191
Vital Management Fee Participation	3,792,940	2,296,860
Interest (i)	3,111,781	2,431,781
Other	(377,189)	45,665
Total	**$ 27,667,409**	**$ 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 six months ended June 30, 2014, repayments of the working capital and closing adjustment receivable were received in the amount of $1,270,000. The working capital and closing adjustment receivable is unsecured was previously due on December 31, 2013, however, as it remains unpaid, it is now due on demand. The working capital and closing adjustment receivable accrues an approximate economic return of 8% per annum when permissible. For the three and six months ended June 30, 2014, NWVP has agreed to pay interest of $340,000 and $680,000 respectively (for the three and six months ended June 30, 2013 – $550,000).

(ii) Interest rate subsidy

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

In May 2014, 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. To reflect the extension of the interest rate subsidy in May 2014, the REIT recorded an additional receivable from NWVP of $913,772 with the offset recorded directly to equity as a capital contribution.

(iii) Instalment note receivable

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

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

PART VI – RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Trust Units and in the activities of the REIT which current and prospective Unitholders should carefully consider. The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT. The REIT's annual information form dated April 23, 2014 (the "AIF"), the audited consolidated financial statements and MD&A for the year ended December 31, 2013 (the "2013 Financials and MD&A"), and the short-form prospectus filed by the REIT on 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.

PART VII – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

For the three and six months ended June 30, 2014 the REIT has applied the following new accounting standards, or amendments to existing standards, for the first time:

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

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

PART VIII – OUTLOOK

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

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

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

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