

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

**NORTHWEST HEALTHCARE
PROPERTIES REAL ESTATE
INVESTMENT TRUST**

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Balance Sheets
(Expressed in thousands of Canadian dollars)
(Unaudited)

	September 30, 2012	December 31, 2011
Assets		
Investment properties (note 4)	\$ 1,131,191	\$ 985,384
Goodwill	4,458	4,458
Notes and loan receivable (note 5)	49,300	8,000
Accounts receivable	3,296	4,324
Other assets (note 6)	16,864	5,660
Restricted cash	175	175
Cash and cash equivalents	1,205	3,716
Total assets	\$ 1,206,489	\$ 1,011,717

Liabilities and Unitholders' Equity

Liabilities:

Mortgages payable (note 7)	\$ 574,198	\$ 501,757
Loans payable (note 8)	48,062	5,902
Class B exchangeable units (note 9)	99,611	87,503
Other financial instruments (note 7)	1,055	–
Accounts payable and accrued liabilities	19,558	17,945
Distributions payable	2,447	2,349
Total liabilities	744,931	615,456
Unitholders' equity (note 10)	461,558	396,261
Commitments and contingencies (note 15)		
Total liabilities and unitholders' equity	\$ 1,206,489	\$ 1,011,717

See accompanying notes to condensed consolidated interim financial statements.

The condensed consolidated interim financial statements were approved by the Board on November 7, 2012 and signed on its behalf by:

"Michael Knowlton" _____ Trustee

"Peter Riggan" _____ Trustee

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Income and Comprehensive Income
(Expressed in thousands of Canadian dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Revenue from operations	\$ 32,672	\$ 30,664	\$ 97,754	\$ 86,650
Property operating expenses	14,518	14,027	44,197	39,186
Operating income	18,154	16,637	53,557	47,464
Finance cost (note 14)	7,075	5,854	20,306	17,272
Interest income	(892)	(7)	(1,500)	(56)
Trust expenses	879	781	2,779	2,378
Income before Class B exchangeable unit costs and fair value adjustments	11,092	10,009	31,972	27,870
Finance cost:				
Class B exchangeable unit distributions (note 14)	(1,524)	(1,524)	(4,570)	(4,596)
Fair value adjustment of Class B exchangeable units (notes 9 and 14)	153	4,960	(12,108)	2,195
Fair value adjustment of other financial instruments (notes 7 and 14)	(1,055)	–	(1,055)	–
Fair value adjustment of investment properties (note 4)	15,460	22,228	54,448	36,026
Net income and comprehensive income	\$ 24,126	\$ 35,673	\$ 68,687	\$ 61,495

See accompanying notes to condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statement of Unitholders' Equity
(Expressed in thousands of Canadian dollars)
(Unaudited)

Nine months ended September 30, 2012	Unit capital	Retained earnings	Total
Unitholders' equity, beginning of period	\$ 355,467	\$ 40,794	\$ 396,261
Units issued, net of costs (note 5(a))	16,300	–	16,300
Total comprehensive income	–	68,687	68,687
Distributions	–	(21,553)	(21,553)
Distribution reinvestment plan (note 10(b))	1,863	–	1,863
Unitholders' equity, end of period	\$ 373,630	\$ 87,928	\$ 461,558

Nine months ended September 30, 2011	Unit capital	Retained earnings	Total
Unitholders' equity, beginning of period	\$ 256,706	\$ 2,595	\$ 259,301
Public offering, net of costs	82,440	–	82,440
Exchange of Class B exchangeable units (note 9)	776	–	776
Total comprehensive income	–	61,495	61,495
Distributions	–	(20,047)	(20,047)
Distribution reinvestment plan (note 10(b))	1,562	–	1,562
Unitholders' equity, end of period	\$ 341,484	\$ 44,043	\$ 385,527

Distributions per unit during the nine months ended September 30, 2012 were \$0.60 (nine months ended September 30, 2011 - \$0.60).

See accompanying notes to condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in thousands of Canadian dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Operating activities:				
Net income	\$ 24,126	\$ 35,673	\$ 68,687	\$ 61,495
Adjustments for:				
Finance cost	9,501	2,418	38,039	19,673
Interest income	(892)	(7)	(1,500)	(56)
Fair value adjustment of investment properties	(15,460)	(22,228)	(54,448)	(36,026)
Change in non-cash operating items (note 16)	405	1,204	867	(1,908)
Cash generated from operating activities	17,680	17,060	51,645	43,178
Interest paid	(7,137)	(5,932)	(20,888)	(17,157)
Interest paid - Class B exchangeable units	(1,524)	(1,528)	(4,570)	(4,600)
Interest received	164	8	549	56
Net cash from operating activities	9,183	9,608	26,736	21,477
Investing activities:				
Acquisition of investment properties (note 3)	(20,977)	(20,885)	(71,668)	(211,044)
Additions to investment properties (note 4)	(5,367)	(2,901)	(14,302)	(6,861)
Notes and loan receivable advances	–	–	(41,300)	–
Acquisition of securities (note 6)	(11,848)	–	(11,848)	–
Deposits on investment properties under contract	(5)	500	1,645	6,100
Net cash used in investing activities	(38,197)	(23,286)	(137,473)	(211,805)
Financing activities:				
Proceeds from issuance of units, net of issue costs	–	–	16,300	82,443
Distributions	(6,813)	(6,551)	(19,592)	(17,981)
Mortgage advances	43,500	51,000	134,355	155,275
Repayment of mortgages	(3,012)	(13,601)	(52,786)	(57,316)
Secured credit facility advance	15,000	29,000	96,000	60,500
Secured credit facility repayment	(19,500)	(29,000)	(65,000)	(60,500)
Secured interim bridge facility advances	–	–	–	95,000
Repayment of interim bridge facility	–	–	–	(95,000)
Transaction costs	(304)	(110)	(1,051)	(889)
Net cash from financing activities	28,871	30,738	108,226	161,532
Increase (decrease) in cash and cash equivalents	(143)	17,060	(2,511)	(28,796)
Cash and cash equivalents, beginning of period	1,348	456	3,716	46,312
Cash and cash equivalents, end of period	\$ 1,205	\$ 17,516	\$ 1,205	\$ 17,516

See accompanying notes to condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

NorthWest Healthcare Properties Real Estate Investment Trust (the "REIT") is a Canadian unincorporated open-ended real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2010, as amended on March 25, 2010. The REIT commenced operations on March 25, 2010 when it issued units for cash pursuant to an initial public offering and acquired a portfolio of 45 buildings or health care real estate commercial properties. The REIT invests primarily in real properties operated as medical offices in Canada. The registered office of the REIT is 284 King Street East, Suite 100, Toronto, Ontario, M5A 1K4.

1. Basis of preparation:

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standards 34, Interim Financial Reporting. The preparation of these condensed consolidated interim financial statements is based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS"). The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the notes to the REIT's audited consolidated financial statements for the year ended December 31, 2011, since they do not contain all disclosures required by IFRS for annual financial statements. These condensed consolidated interim financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for investment properties and the Class B exchangeable units, which are stated at fair value.

The condensed consolidated interim financial statements are presented in thousands of Canadian dollars, except for per unit amounts, which are presented in Canadian dollars. The Canadian dollar is the REIT's functional currency.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

2. Significant accounting policies:

The accounting policies applied by the REIT in these condensed consolidated interim financial statements are the same as those applied by the REIT in its consolidated financial statements as at and for the year ended December 31, 2011 and, accordingly, should be read in conjunction with said financial statements.

Derivative financial instruments and hedging activities:

The REIT may use derivative financial instruments to manage risks from fluctuations in interest rates.

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged.

The REIT has not designated any derivative financial instrument as a hedging instrument. However, the REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on certain variable rate mortgages. Gains or losses arising from the change in fair values of the interest rate swap contracts are recognized in the condensed consolidated interim statements of income and comprehensive income.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

3. Acquisitions:

(a) Acquisitions during the nine months ended September 30, 2012:

During the nine months ended September 30, 2012, the REIT acquired eight investment properties for net cash consideration of \$71,668. The acquisitions of the investment properties, and related assets and liabilities have been accounted for as asset purchases. The net assets acquired were as follows:

Assets

Investment properties	\$ 75,759
Accounts receivable and other assets	129
	<hr/>
	75,888

Liabilities

Accounts payable and accrued liabilities	435
Assumed mortgages, including mark-to-market adjustment	3,785
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	4,220

Net assets acquired for cash	\$ 71,668
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NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

3. Acquisitions (continued):

(b) Acquisitions during the year ended December 31, 2011:

During the year ended December 31, 2011, the REIT's subsidiaries acquired nine investment properties for net cash consideration of \$217,682. The acquisitions of the investment properties, and related assets and liabilities have been accounted for as asset purchases. The recognized amounts of assets acquired and liabilities assumed were as follows:

Assets

Investment properties	\$ 255,058
Accounts receivable and other assets	314
	255,372

Liabilities

Accounts payable and accrued liabilities	1,896
Assumed mortgages, including mark-to-market adjustment	35,794
	37,690

Net assets acquired for cash	\$ 217,682
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4. Investment properties:

Balance, January 1, 2012	\$ 985,384
Acquisitions of investment properties	75,759
Additions	14,302
Increase in straight-line rents	1,298
Fair value adjustment	54,448
Balance, September 30, 2012	\$ 1,131,191

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

4. Investment properties (continued):

Balance, January 1, 2011	\$ 671,033
Acquisitions of investment properties	255,058
Additions	13,069
Increase in straight-line rents	1,198
Fair value adjustment	45,026
Balance, December 31, 2011	\$ 985,384

The REIT determined the fair value of each investment property using the discounted cash flow method. The discounted cash flow method discounts the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows.

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

	September 30, 2012	December 31, 2011
Discount rates - range	6.5% - 11.0%	7.0% - 11.0%
Discount rate - weighted average	7.7%	8.0%
Terminal capitalization rate - range	5.8% - 10.3%	6.0% - 10.3%
Terminal capitalization rate - weighted average	6.9%	7.3%

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

Commercial properties with an aggregate fair value of \$6,800 at September 30, 2012 (December 31, 2011 - \$263,450) were valued by external valuation professionals with recognized and relevant professional qualification.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

5. Notes and loan receivable:

	September 30, 2012	December 31, 2011
Promissory notes	\$ 41,300	\$ –
Loan	8,000	8,000
	\$ 49,300	\$ 8,000

- (a) On June 1, 2012, the REIT advanced \$41,300 through two promissory notes, \$16,300 and \$25,000, respectively, issued by a subsidiary of Northwest Value Partners Inc. ("NWVP"), an affiliate of NorthWest Operating Trust ("NW Trust").

The promissory notes bear interest at 7% and are repayable the earlier of:

- (i) October 31, 2012, subsequently amended to November 15, 2012 (note 18) or
- (ii) the conveyance of the GT Portfolio (note 15(d)).

In addition, NWVP subscribed for 1,323,858 units of the REIT for \$16,300, at a price of \$12.3125 per unit (note 10).

No principal or interest amounts are due prior to the maturity of the promissory notes and \$16,300 of the principal amount may be repaid, at the borrower's option in whole or in part, in REIT units at a deemed price of \$12.3125 per unit.

The promissory notes are guaranteed by NWVP.

- (b) On December 23, 2011, the REIT funded a loan on a recently constructed property owned by a joint venture in which an affiliate of NW Trust has a 50% interest.

The loan receivable has an interest rate of 7.5% and is repayable the earlier of:

- (i) June 21, 2013; or
- (ii) the date of the sale of the property.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

5. Notes and loan receivable (continued):

No principal amounts are due prior to maturity of the loan.

The loan is secured by a pledge of the partnership interest of the joint venture partners and guaranteed by the partners; each limited to 50% of the obligations under the loan; and is subject to a certain property value threshold determined by external valuation professionals.

Under the terms of the loan, the REIT has a right of first offer to acquire the property.

6. Other assets:

During the three months ended September 30, 2012, the REIT defeased a mortgage associated with one of its investment properties. Pursuant to the defeasance, the REIT placed \$11,838 of government bonds and cash in a securities account and pledged them as security for the loan in return for the lender releasing the mortgage on the investment property.

Neither the financial asset nor the loan qualified for derecognition, and as a result, both remain on the condensed consolidated interim balance sheet.

The government bonds and cash are classified as a held to maturity financial asset. The government bonds have various maturities to November 1, 2013 and are measured at amortized cost using an effective interest rate of 1.04%.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

7. Mortgages payable:

All mortgages are secured by first or second charges on specific investment properties, with carrying values of \$1,016,996 at September 30, 2012, and are repayable as follows:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable
2012	\$ 3,295	\$ –	\$ 3,295
2013	12,735	55,516	68,251
2014	11,970	60,595	72,565
2015	10,661	56,117	66,778
2016	10,207	98,033	108,240
2017	6,729	60,939	67,668
2018	5,957	25,617	31,574
2019	5,730	–	5,730
2020	5,685	36,907	42,592
2021	3,411	51,308	54,719
2022	1,484	50,263	51,747
Face value	<u>\$ 77,864</u>	<u>\$ 495,295</u>	573,159
Mark-to-market adjustment			2,123
Unamortized financing costs			(1,084)
Carrying amount			<u>\$ 574,198</u>

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

7. Mortgages payable (continued):

	September 30, 2012	December 31, 2011
Mortgages at fixed rates - contractual amount	\$ 515,549	\$ 499,160
Mortgages at variable rates - contractual amount	57,610	-
Mark-to-market adjustment	2,123	3,067
Unamortized financing costs	(1,084)	(470)
Carrying amount	\$ 574,198	\$ 501,757
Interest rates	3.40% - 6.19%	3.40% - 6.53%
Weighted average interest rate	4.96%	5.22%

The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on \$44,610 of its variable rate mortgages payable as at September 30, 2012. Gains or losses arising from the change in fair values of the interest rate swap contracts are recognized in the condensed consolidated interim statement of income and comprehensive income and during the three months ended September 30, 2012, the REIT recognized a fair value loss of \$1,055 and a financial instrument liability of \$1,055.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

8. Loans payable:

	September 30, 2012	December 31, 2011
Secured floating rate revolving credit facility	\$ 36,700	\$ 5,902
Term loan	11,362	–
	\$ 48,062	\$ 5,902

(a) Secured floating rate revolving credit facility:

The REIT has a floating rate revolving credit facility of \$50,000 which expires on March 25, 2014. The facility bears interest at banker's acceptance rate plus 2.25% or prime plus 1.25% and is secured by certain investment properties, with a carrying value of \$106,858 and the terms of a general security agreement. As at September 30, 2012, there was a \$36,700 outstanding balance on the credit facility (net of unamortized financing costs of \$300).

The credit facility was renegotiated, expanded and extended during the three months ended March 31, 2012. Prior to the extension, the credit facility of \$35,000 bore interest at banker's acceptance rate plus 2.75% or prime plus 1.75% expiring on March 25, 2013. As at December 31, 2011, there was a \$5,902 outstanding balance on the credit facility (net of unamortized financing costs of \$98).

(b) Term loan:

During the three months ended September 30, 2012, the REIT defeased a mortgage associated with one of its investment properties (see note 6). Following the defeasance, the underlying term loan did not qualify for derecognition. The term loan has a contractual interest rate of 6.53%, matures on November 1, 2013 and is recognized at an amortized cost of \$11,362 as at September 30, 2012.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

9. Class B exchangeable units:

Each Class B exchangeable unit of NHP Holdings Limited Partnership ("NHP"), a subsidiary of the REIT, is exchangeable into one unit of the REIT. These exchangeable Class B exchangeable units are economically equivalent to REIT units and are entitled only to receive distributions equal to those provided to holders of REIT units.

Class B exchangeable units outstanding:

	Units	Amount
Class B exchangeable units outstanding, January 1, 2012	7,615,546	\$ 87,503
Fair value adjustment of Class B exchangeable units	-	12,108
Class B exchangeable units outstanding, September 30, 2012	7,615,546	\$ 99,611

	Units	Amount
Class B exchangeable units outstanding, January 1, 2011	7,680,746	\$ 89,788
Fair value adjustment of Class B exchangeable units	-	(1,509)
Class B exchangeable units issued exchanged for REIT units	(65,200)	(776)
Class B exchangeable units outstanding, December 31, 2011	7,615,546	\$ 87,503

During the three and nine months ended September 30, 2012, the REIT recognized \$1,524 and \$4,570, respectively (three and nine months ended September 30, 2011 - \$1,524 and \$4,596, respectively), of distributions declared on Class B exchangeable units as finance cost.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

10. Unitholders' equity:

The REIT is authorized to issue two categories of equity: (a) REIT units of the REIT; and (b) special voting units attached to the exchangeable Class B exchangeable units of NHP, a subsidiary of the REIT.

The REIT is authorized to issue an unlimited number of REIT units without par value. Each unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The unitholders have the right to require the REIT to redeem their units on demand. Upon receipt of the redemption notice by the REIT, all rights to and under the units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit ("Redemption Price"), as determined by a market formula.

The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

The special voting units are only issued in tandem with Class B exchangeable units and are not transferable separately from the Class B exchangeable units to which they are attached. As Class B exchangeable units are exchanged or surrendered for REIT units, the corresponding special voting units will be cancelled for no consideration. Special voting units have no economic entitlement in the REIT, but entitle the holder to one vote per special voting unit at any meeting of the unitholders.

The REIT's Trustees have discretion in declaring distributions.

(a) Units outstanding:

	Units	Amount
Units outstanding, January 1, 2012	35,232,023	\$ 355,467
Units issued (note 5(a))	1,323,858	16,300
Distribution reinvestment plan	153,496	1,863
Units outstanding, September 30, 2012	36,709,377	\$ 373,630

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

10. Unitholders' equity (continued):

	Units	Amount
Units outstanding, January 1, 2011	27,585,791	\$ 269,760
Follow-on equity offering	6,400,000	75,200
Follow-on equity offering over-allotment option	960,000	11,280
Units issued in exchange of Class B exchangeable units	65,200	776
Distribution reinvestment plan	221,032	2,491
Units issued	35,232,023	359,507
Less issue costs	–	(4,040)
Units outstanding, December 31, 2011	35,232,023	\$ 355,467

(b) Distribution reinvestment plan:

The REIT has established a distribution reinvestment plan for its unitholders, which allows participants to reinvest their monthly cash distributions in additional units at an effective discount of 3%.

11. Deferred unit plan:

(a) Liability:

January 1, 2012	\$ 743
Unit-based compensation expense	889
September 30, 2012	\$ 1,632
January 1, 2011	\$ 70
Unit-based compensation expense	673
December 31, 2011	\$ 743

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

11. Deferred unit plan (continued):

(b) Units outstanding:

January 1, 2012	92,719
Granted	68,869
Distribution entitlement	6,575
September 30, 2012	168,163
Vested, but not issued, September 30, 2012	–
January 1, 2011	10,806
Granted	78,061
Distribution entitlement	3,852
December 31, 2011	92,719
Vested, but not issued, December 31, 2011	–

For the nine months ended September 30, 2012, 68,869 units were granted under the deferred unit plan at an average unit price of \$12.44.

For the year ended December 31, 2011, 78,061 units were granted under the deferred unit plan at an average unit price of \$11.55.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

12. Segment disclosure:

All of the REIT's assets and liabilities are in, and its revenue derived from, the Canadian real estate industry segment. No single tenant accounts for 10% or more of the REIT's rental revenue.

13. Transactions with related parties:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Related party transactions and balances:				
Condensed consolidated interim statements of income and comprehensive income:				
Minimum rent, operating cost recoveries parking income (included in revenue)	\$ 705	\$ 828	\$ 2,324	\$ 2,790
Interest revenue (included in revenue)	804	–	1,199	–
Fee income and cost recovery (included in revenue)	117	119	342	377
Cost recovery (offset against operating expenses and trust expenses)	–	–	72	103
Head office rent expense (included in operating expenses and trust expenses)	77	102	258	307
Leasing costs	3	44	91	2,243
Condensed consolidated interim balance sheets:				
Accounts payable	18	–	18	–
Interest receivable (note 5)	966	–	966	–
Promissory notes (note 5(a))	41,300	–	41,300	–
Loan receivable, end of period (note 5(b))	4,000	–	4,000	–
Subscription of REIT units (note 5(a))	16,300	–	16,300	–

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

14. Finance cost:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Interest on fixed rate debt	\$ 6,791	\$ 5,893	\$ 19,861	\$ 16,400
Interest on floating rate debt	490	151	1,148	1,137
Amortization of debt premiums	(310)	(237)	(951)	(878)
Amortization of transaction costs	104	47	248	613
	7,075	5,854	20,306	17,272
Class B exchangeable unit distributions	1,524	1,524	4,570	4,596
Fair value adjustment of Class B exchangeable units	(153)	(4,960)	12,108	(2,195)
Fair value adjustment of other financial instruments	1,055	–	1,055	–
	\$ 9,501	\$ 2,418	\$ 38,039	\$ 19,673

15. Commitments and contingencies:

- (a) The REIT has entered into fixed-price utility contracts with a third-party supplier in the amount of \$2,477, to provide electricity and gas for its own use at its investment properties.
- (b) The REIT is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a significant adverse effect on the condensed consolidated interim financial statements.
- (c) As part of the purchase and sale agreement with an affiliate of NW Trust related to the acquisition of an investment property, the REIT agreed that in the event a development agreement is not achieved with NW Trust, the REIT would sever and sell the development land portion of the investment property to NW Trust for \$2,950.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

15. Commitments and contingencies (continued):

(d) The REIT has entered into two separate agreements with GT Canada Medical Properties Real Estate Investment Trust ("GT REIT") and a subsidiary of GT REIT, respectively, (which are controlled by NWVP) whereby the REIT will acquire certain GT REIT subsidiary entities which own in aggregate 12 medical office buildings located in Ontario (the "GT Portfolio"). Pursuant to such agreements, the REIT will be responsible to pay approximately \$40,300, comprising the aggregate purchase price and reimbursement of certain transaction costs, and to assume aggregate mortgage debt of approximately \$47,000, subject to customary adjustments. Such aggregate purchase price and transaction costs will be satisfied, at the vendors' option and subject to regulatory approvals, by the issuance of REIT units and/or the issuance of Class B exchangeable units, in each case at an issuance price of \$12.3125 per unit, and/or cash. Subject to such regulatory approvals and customary adjustments, the maximum number of units that will be issued by the REIT in connection with the noted two agreements is expected not to exceed 3,273,096 in the aggregate (note 18).

16. Change in non-cash operating items:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Decrease in accounts receivable	\$ 822	\$ 1,135	\$ 1,979	\$ 1,796
Increase in straight-line rents	(541)	(250)	(1,298)	(914)
Decrease (increase) in other assets, excluding deposits	1,039	623	(872)	(1,817)
Increase (decrease) in accounts payable and accrued liabilities	(915)	(304)	1,058	(973)
	\$ 405	\$ 1,204	\$ 867	\$ (1,908)

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars)

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

17. Fair values:

The fair values of the REIT's financial assets, which include accounts receivable, loans, mortgage escrow, deposits, restricted cash and cash and cash equivalents, as well as financial liabilities, which include accounts payable and accrued liabilities, approximate their recorded fair values due to their short-term nature.

The fair value of the REIT's mortgages payable at September 30, 2012 is \$603,975. The fair values have been estimated based on the current market rates for mortgages with similar terms and conditions.

The REIT's Class B exchangeable units are carried at fair value and the fair value of the Class B exchangeable units has been determined with reference to the trading price of the REIT's units on the condensed consolidated interim balance sheet dates.

18. Subsequent event:

The transactions relating to the closing of the GT Portfolio and the repayment of the promissory notes has been extended to November 15, 2012.

During the period from October 1, 2012 to November 7, 2012, the REIT declared distributions of \$0.13334 per unit or \$4,896.