northwest

2023 First Quarter

Condensed Consolidated
Interim Financial Statements

Northwest Healthcare Properties
Real Estate Investment Trust

Q1

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

As at	Note	March 31, 2023	December 31, 2022
Assets			
Investment properties	4	$ 6,504,231	$ 6,612,535
Equity accounted investments	5	392,172	395,397
Intangible asset		44,336	44,966
Goodwill		39,059	39,612
Deferred tax assets		13,779	14,152
Financial instruments	6	28,232	38,124
Other assets	7	282,564	280,369
Accounts receivable		34,206	17,381
Assets held for sale	4	1,003,600	983,430
Cash and cash equivalents	14	76,228	88,034
Total assets		$ 8,418,407	$ 8,514,000
Liabilities			
Mortgages and loans payable	8	$ 3,393,776	$ 3,405,861
Convertible debentures	9	272,072	275,270
Unit-based compensation liabilities	10	22,547	23,837
Class B exchangeable units	15	14,484	16,245
Deferred tax liabilities		423,650	458,087
Financial instruments	6	7,411	—
Income taxes payable		15,680	15,811
Accounts payable and accrued liabilities	15	131,428	133,308
Distributions payable		16,110	16,044
Liabilities related to assets held for sale	8	515,276	427,562
Total liabilities		$ 4,812,434	$ 4,772,025
Unitholders' Equity			
Unitholders' equity	11	2,340,195	2,456,847
Non-controlling interests	12	1,265,778	1,285,128
Total liabilities and unitholders' equity		$ 8,418,407	$ 8,514,000

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(in thousands of Canadian dollars)
Unaudited

For the three months ended March 31,	Note	2023	2022
Net Property Operating Income			
Revenue from investment properties	13	$ 135,324	$ 104,463
Property operating costs		39,903	27,396
		95,421	77,067
Other Income			
Interest and other	7	4,116	2,510
Development revenue		—	2,564
Management fees		10,725	7,095
Share of profit of equity accounted investments	5	3,988	5,168
		18,829	17,337
Expenses and other			
Mortgage and loan interest expense		51,648	23,387
General and administrative expenses		13,036	10,309
Transaction costs		5,020	5,599
Development costs		—	2,348
Foreign exchange loss (gain)		(7,216)	(594)
		62,488	41,049
Income before finance costs, net gain (loss) on financial instruments, and fair value adjustments		51,762	53,355
Finance income (expense)			
Amortization of financing costs	8	(2,970)	(2,221)
Amortization of mark-to-market adjustment	8	—	90
Class B exchangeable unit distributions	15	(342)	(342)
Fair value adjustment of Class B exchangeable units	15	1,761	34
Accretion of financial liabilities	8	(5,043)	(8,573)
Fair value adjustment of convertible debentures	9	3,198	2,850
Convertible debenture issuance costs		(21)	—
Net gain (loss) on financial instruments	6	(17,192)	28,970
Fair value adjustment of investment properties	4	(151,561)	82,341
Fair value adjustment of unit based compensation liabilities	10	3,303	211
Income (loss) before taxes		(117,105)	156,715
Current tax expense		6,996	7,193
Deferred tax expense (recovery)		(34,946)	26,187
Income tax expense (recovery)		(27,950)	33,380
Total net income (loss)		$ (89,155)	$ 123,335
Net income (loss) attributable to:			
Unitholders		$ (97,486)	$ 88,254
Non-controlling interests		8,331	35,081
		$ (89,155)	$ 123,335

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss) (cont.)

(in thousands of Canadian dollars)

Unaudited

For the three months ended March 31,	Note		2023		2022
Net income (loss)		**$**	**(89,155)**	$	123,335
Other comprehensive income (loss) ("OCI"):					
Items that have been or may be reclassified subsequently to income (loss):					
Foreign currency translation adjustments		**$**	**(886)**	$	23,607
Fair value gain (loss) on net investment hedges					
Current tax (expense)/recovery			**—**		289
Other comprehensive income (loss), net of tax			**(886)**		23,896
Total comprehensive income (loss) for the period		**$**	**(90,041)**	$	147,231
Total comprehensive income (loss) attributable to:					
Unitholders		**$**	**(77,528)**	$	100,731
Non-controlling interests			**(12,513)**		46,500
		$	**(90,041)**	$	147,231

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Interim Statements of Unitholders' Equity
(in thousands of Canadian dollars)
Unaudited

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Unitholders' Equity	Non-Controlling Interests (note 12)	Total Equity
Balance, December 31, 2022		$ 2,503,875	$ 39,724	$ (858,645)	$ (315,777)	$ 1,087,671	$ 2,456,848	$ 1,285,128	$ 3,741,976
Public offering of units, net of issuance costs	**11**	(72)	—	—	—	—	(72)	—	(72)
Units issued through distribution reinvestment plan	**11**	9,210	—	—	—	—	9,210	3,146	12,356
Distributions		—	—	(48,264)	—	—	(48,264)	(9,982)	(58,246)
Foreign currency translation adjustments		—	—	—	19,959	—	19,959	(20,845)	(886)
Net income (loss)		—	—	—	—	(97,486)	(97,486)	8,331	(89,155)
Balance, March 31, 2023		$ 2,513,013	$ 39,724	$ (906,909)	$ (295,818)	$ 990,185	$ 2,340,195	$ 1,265,778	$ 3,605,973

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Unitholders' Equity	Non-Controlling Interests (note 12)	Total Equity
Balance, December 31, 2021		$ 2,290,032	$ 39,724	$ (669,223)	$ (291,778)	$ 1,023,376	$ 2,392,131	$ 1,131,443	$ 3,523,574
Public offering of units	**11**	164,894	—	—	—	—	164,894	—	164,894
Units issued through distribution reinvestment plan	**11**	7,961	—	—	—	—	7,961	1,243	9,204
Units issued on exercise of unit-based compensation awards		811	—	—	—	—	811	—	811
Distributions		—	—	(45,752)	—	—	(45,752)	(8,575)	(54,327)
Foreign currency translation adjustments		—	—	—	12,397	—	12,397	11,210	23,607
Other comprehensive income (loss), excluding foreign currency translation adjustments		—	—	—	80	—	80	210	290
Net income		—	—	—	—	88,254	88,254	35,081	123,335
Balance, March 31, 2022		$ 2,463,698	$ 39,724	$ (714,975)	$ (279,301)	$ 1,111,630	$ 2,620,776	$ 1,170,612	$ 3,791,388

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Interim Statements of Cash Flows
(in thousands of Canadian dollars)
Unaudited

For the three months ended March 31,	Note(s)	2023	2022
Cash provided by (used in):			
Operating activities			
Net income (loss)		$ (89,155)	$ 123,335
Adjustments for:			
Income tax expense		(27,950)	33,380
Income taxes paid		(7,631)	(6,909)
Amortization of other assets		328	380
Mortgage and loan interest accrued		51,648	23,387
Mortgage and loans interest paid		(50,016)	(21,569)
Finance costs	14	3,417	8,162
Interest income		(4,116)	(2,510)
Share of profit of equity accounted investments	5	(3,988)	(5,168)
Unrealized foreign exchange loss (gain)		(6,756)	1,817
Fair value adjustment of investment properties	4	151,561	(82,341)
Fair value loss (gain) on financial instruments	6	17,192	(28,970)
Transaction costs		5,020	5,599
Fair value adjustment of deferred unit plan liability		(3,303)	(211)
Unit-based compensation expense	10	2,346	1,648
Redemption of units issued under deferred unit plan		(325)	(1,038)
Changes in non-cash working capital balances	14	(17,100)	4,170
Cash provided by (used in) operating activities		21,172	53,162
Investing activities			
Acquisitions of investment properties	3	(4,019)	(81,478)
Additions to investment properties	4	(53,462)	(26,249)
Net proceeds on disposal of investment properties		—	917
Contributions in equity accounted investments	5	(842)	(9,086)
Net investment in financial instruments	6, 7	(2,007)	(126,408)
Transaction costs and deposits attributable to investment activities	3	(5,460)	(9,709)
Distribution income	5, 7	6,054	4,164
Cash interest received		839	1,270
Additions to furniture and fixtures		(42)	(216)
Receipts (payments) from foreign exchange contracts		184	25
Cash provided by (used in) investing activities		(58,755)	(246,770)
Financing activities			
Mortgage and loan proceeds	8	208,723	570,728
Repayment of mortgages	8	(130,927)	(336,242)
Issuance (redemption) of convertible debentures, net of issuance cost	21	(21)	—
Proceeds from issuance of units, net of issuance costs	11, 12	(72)	164,894
Financing fees paid		(5,772)	(2,384)
Distributions paid		(38,988)	(36,914)
Class B exchangeable units distributions paid		(342)	(342)
Distributions paid to non-controlling interests		(6,836)	(7,331)
Cash provided by (used in) financing activities		25,765	352,409
Net change in cash and cash equivalents		(11,818)	158,801
Effect of foreign currency translation		(1)	(3,904)
Net change in cash and cash equivalents		(11,819)	154,897
Cash and cash equivalents, beginning of period		87,987	62,700
Cash and cash equivalents, end of period	14	$ 76,168	$ 217,597

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NorthWest Healthcare Properties Real Estate Investment Trust (the "REIT"), is a Canadian open-end trust created pursuant to an amended and restated Declaration of Trust dated May 15, 2015. The registered office of the REIT is 180 Dundas Street West, Suite 1100, Toronto, Ontario, M5G 1Z8. The principal business of the REIT is to invest in healthcare real estate globally.

1. Basis of Preparation and Statement of Compliance

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting as issued by the International Accounting Standards Board. Certain information and note disclosure included in the annual consolidated financial statements based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS") have been omitted in these condensed consolidated interim financial statements. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the REIT's audited consolidated financial statements for the year ended December 31, 2022. These condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT on May 12, 2023.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for investment properties, assets held for sale and financial assets and liabilities including financial instruments, convertible debentures, derivative financial instruments, Class B exchangeable units and awards under unit-based compensation plans, which are all measured and reported at their fair value.

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

2. Significant Accounting Policies

All significant accounting policies have been applied on a basis consistent with those stated and applied in the most recent audited annual consolidated financial statements of the REIT for the year ended December 31, 2022 with the exception of accounting policies implemented in 2023. Changes to significant accounting policies are described below.

(a) Joint arrangement

Joint arrangements are classified as either joint operations or joint ventures depending on the REIT’s rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The REIT’s investment in a joint venture is recorded using the equity method and is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the REIT’s share of the profit or loss and other comprehensive income of the joint venture. The REIT’s share of the joint venture’s profit or loss is recognized in the REIT’s consolidated statements of income (loss) and comprehensive income (loss).

The elimination of interest income or expense arising on balances with equity accounted investees is not specifically addressed in IFRS. The REIT had previously elected to eliminate its share of interest income and management fee income against its share of profit (loss) from equity accounted investments. For the three months ended March 31, 2023, the REIT elected to change its policy to present downstream transactions with its joint ventures on a gross basis (note 5). The REIT's changed its accounting policy to improve reporting disclosures and comparability with standalone accounts for its equity accounted investments. Relevant comparative periods in these condensed consolidated interim financial statements have been amended to reflect change in accounting policy.

(in thousands of Canadian dollars, unless otherwise stated)

3. Investment Property Acquisitions

During the three months ended March 31, 2023, the following investment property acquisitions were completed:

Segment		**Acquisition Cost** (i)	**Property specific debt**
Australasia	$	4,019	—

i. Acquisition costs include transaction costs directly attributable to transaction activity that were capitalized totaling $0.6 million, which includes an internal allocation of investment resources attributable to acquiring the investment property assets.

4. Investment Properties

As at		**March 31, 2023**		December 31, 2022
Balance, beginning of period	**$**	**6,612,535**	$	6,294,305
Acquisition of investment properties (note 3)		**4,019**		1,051,258
Disposition of investment properties		**—**		(7,070)
Additions to investment properties		**53,462**		166,705
Increase in straight line rents		**2,025**		2,305
Reclassified as assets held for sale		**(146,366)**		(943,461)
Right of use asset addition		**—**		206
Fair value adjustments		**(8,011)**		23,480
Foreign currency translation		**(13,433)**		24,807
Balance, end of period	**$**	**6,504,231**	$	6,612,535

Investment properties are measured at their estimated fair value. The investment properties are re-measured to fair value at each reporting date, determined either on internal valuation models incorporating market evidence and/or on valuations performed by independent third-party appraisers.

The estimated fair values of the REIT's real estate investment properties are based on the following methods:

i. Discounted cash flow analysis based on future cash inflows and outflows related to projected annual operating cash flows reflecting market conditions at the end of reporting period, utilizing appropriate discount rates and terminal capitalization rates which are generally over a minimum of 10 year term; and
ii. Direct capitalization method which calculates and estimate of fair value by applying a capitalization rate to future cash flows based on a forecast or expectation of stabilized net operating income.

The estimated fair values of the investment properties as at March 31, 2023 and December 31, 2022 were determined using internal valuation models and the results of valuations performed by independent third party appraisers. Significant inputs, assumptions and a number of methods are used by the REIT in determining the estimated fair value of the investment properties, including capitalization rates, terminal capitalization rates, discount rates and future cash flows that incorporate inflation rates, vacancy rates, market rents, property level capital expenditures, and net operating income.

The key valuation metrics for investment properties by region are set out in the following table:

As at March 31, 2023	Americas	Europe	Australasia
Discount rate - range	5.3% - 9.0%	5.0% - 9.4%	5.0% - 8.0%
Discount rate - weighted average	7.2%	5.8%	6.3%
Terminal capitalization rate - range	4.8% - 8.3%	4.7% - 7.9%	4.3% - 7.5%
Terminal capitalization rate - weighted average	6.5%	5.3%	5.0%
Overall capitalization rate - range	2.0% - 13.4%	1.8% - 8.5%	4.0% - 9.5%
Overall capitalization rate - weighted average	6.2%	5.3%	4.8%

As at December 31, 2022	Americas	Europe	Australasia
Discount rate - range	5.5% - 9.0%	5.0% - 9.4%	5.0% - 8.0%
Discount rate - weighted average	7.2%	6.2%	6.3%
Terminal capitalization rate - range	5.0% - 8.3%	4.7% - 15.1%	4.3% - 7.5%
Terminal capitalization rate - weighted average	6.5%	5.7%	5.0%
Overall capitalization rate - range	2.7% - 13.5%	1.8% - 8.5%	4.0% - 9.5%
Overall capitalization rate - weighted average	6.2%	5.0%	4.7%

The following table summarizes the fair value sensitivity for the portion of the REIT's investment properties that are most sensitive to changes in capitalization rates:

Capitalization rate sensitivity increase/ (decrease)	Weighted average overall capitalization rate	Estimated fair value of investment properties (in millions of Canadian dollars)	Fair value variance (in millions of Canadian dollars)	% Change
(0.75)%	4.71 %	$ 7,689	$ 1,186	18.0 %
(0.50)%	4.96 %	$ 7,252	$ 749	12.0 %
(0.25)%	5.21 %	$ 6,859	$ 356	5.0 %
— %	5.46 %	$ 6,504	$ —	— %
0.25 %	5.71 %	$ 6,179	$ (324)	(5.0)%
0.50 %	5.96 %	$ 5,882	$ (621)	(10.0)%
0.75 %	6.21 %	$ 5,610	$ (893)	(14.0)%

The REIT engages independent third-party appraisers to appraise its income producing properties such that approximately one-third of the portfolio is independently appraised annually and each income producing property is appraised at least once over a five-year period. The REIT's internal valuation models incorporate the results of valuations performed by independent third-party appraisers. During the three months ended March 31, 2023, income producing properties with an aggregate estimated fair value of $0.1 billion representing approximately 2.0% of its consolidated investment property portfolio, were valued by independent third party appraisers. As at December 31, 2022 income producing properties with an aggregate estimated fair value of $4.0 billion representing approximately 61.0% of its portfolio, were valued by independent third party appraisers.

As at March 31, 2023, the REIT classified income producing properties totaling $1.0 billion as assets held for sale and $515.3 million associated property level debt as liabilities related to assets held for sale. The associated debt is secured by the underlying investment properties.

(in thousands of Canadian dollars, unless otherwise stated)

5. Equity Accounted Investments

The REIT has entered into joint venture arrangements with third parties for the purpose of jointly developing, owning and operating investment properties. In each arrangement, the co-owners are equally entitled to their proportionate share of income (loss) attributable to each co-owners' equity ownership percentage.

As at March 31, 2023, the total equity commitment to separate Australian and European joint ventures previously established is approximately $3.3 billion and $3.0 billion, respectively, less funding to date of $2.4 billion and $0.7 billion, respectively, which includes a 30% participation interest by the REIT in the aggregate.

Equity Accounted Investments	REIT's Ownership Interest	Location
NWI Galaxy JV GmbH & Co. KG ("European JV")	30%	Europe
NorthWest Australia HSO Trust	30%	Australia
NorthWest Australia Hospital Investment Trust	30%	Australia
Northwest Healthcare Properties Australia REIT ("AREIT")	30%	Australia
NorthWest Australia Hospital Investment Galaxy 2 Trust	30%	Australia

The REIT's investments in its initial Australian JV arrangements, where capital funding has been deployed, in connection with acquisition of investment properties, were all governed under the same investment framework as at March 31, 2023, including sharing a common third-party joint venture partner, owning assets that are in a similar asset class and geographical region, and have similarly structured investment management terms. Accordingly, the REIT has combined NorthWest Australia HSO Trust, NorthWest Australia Hospital Investment Trust, and Northwest Healthcare Properties Australia REIT ("AREIT") joint venture arrangements for disclosure purposes in the following table which shows the changes in the REIT's carrying value of its equity accounted investments by segment:

March 31, 2023		Australasia		Europe		Total
Balance, beginning of period	$	299,873	$	95,524	**$**	**395,397**
Contributions		—		842		**842**
Share of profits for the period		3,883		105		**3,988**
Distributions		(3,862)		—		**(3,862)**
Foreign exchange		(5,461)		1,268		**(4,193)**
Balance, end of period	**$**	**294,433**	**$**	**97,739**	**$**	**392,172**

(in thousands of Canadian dollars, unless otherwise stated)

The following tables summarized financial information of the REIT's interests in equity accounted investments:

	March 31, 2023		
	Australia	**Europe**	**Total**
Total assets	$ 2,194,326	$ 630,808	**$ 2,825,134**
Total liabilities	1,155,464	322,650	**1,478,114**
Net assets	1,038,862	308,158	**1,347,020**
Less: Non-controlling interests	58,349	—	**58,349**
Net assets less non-controlling interests	980,513	308,158	**1,288,671**
REIT's ownership Interest	30.0%	30% to 33.57%	**30% to 33.57%**
Equity Accounted Investments	**$ 294,433**	**$ 97,739**	**$ 392,172**

Included in total assets is cash of $18.9 million and $10.0 million in Australia and Europe, respectively (December 31, 2022 - $12.5 million and $9.7 million).

Three months ended March 31,	**2023**			2022		
	Australasia	**Europe**	**Total**	Australasia	Europe	Total
Revenue	$ 27,268	$ 10,857	**$ 38,125**	$ 25,752	$ 8,243	$ 33,995
Interest income	1,748	33	**1,781**	1,270	59	1,329
Total revenue	$ 29,016	$ 10,890	**$ 39,906**	$ 27,022	$ 8,302	$ 35,324
Expenses and fair value adjustments						
Operating costs	3,108	2,509	**5,617**	$ 3,041	$ 1,583	$ 4,624
Mortgage and loan interest expense	12,738	5,991	**18,729**	3,682	4,524	8,206
General and administrative expenses	2,526	1,464	**3,990**	2,509	867	3,376
Other	179	—	**179**	146	—	146
Fair value (gain) loss of investment properties	(3,140)	585	**(2,555)**	(3,479)	4,661	1,182
Income tax expense	—	102	**102**	—	(220)	(220)
Net income (loss)	$ 13,605	$ 239	**$ 13,844**	$ 21,123	$ (3,113)	$ 18,010
Non-controlling interests	660	—	**660**	893	—	893
Net profit attributable to owners	12,945	239	**13,184**	20,230	(3,113)	17,117
Weighted average share of profit (loss)	30.0%	30% to 33.57%	**30% to 33.57%**	30.0%	30.0% to 33.6%	30.0% to 33.6%
REIT's share of income (loss)	$ 3,883	$ 105	**$ 3,988**	$ 6,069	$ (901)	$ 5,168

The fair value movements in respect of the measurement of investment properties has been determined using the same valuation methodologies as the REIT.

Included in the REIT's share of income (loss) is $1.4 million ((three months ended March 31, 2022 - $0.9 million) of interest expense related to loan balances outstanding with the European joint ventures and $1.0 million (three months ended March 31, 2022 - $1.1 million) of management fee expenses relating to services provided by the REIT to Australasia and Europe.

(in thousands of Canadian dollars, unless otherwise stated)

6. Financial Instruments

As at		March 31, 2023		December 31, 2022
Financial assets:				
Interest rate derivatives		**27,738**		37,568
Foreign exchange contracts		**494**		556
Total financial assets	**$**	**28,232**	$	38,124
Financial liabilities:				
Interest rate derivatives		**7,411**		—
Total financial liabilities	**$**	**7,411**	$	—

The REIT entered into interest rate derivative contracts with respect to certain variable rate mortgages and term debt related to its European and Americas investment properties, as well as portions of the Vital Trust credit facility, for a total notional amount of $1.8 billion (note 8). These interest rate derivatives mature within the next 1 to 8 years.

During the three months ended March 31, 2023, the REIT entered into interest rate cap transactions with respect to its US and UK portfolios, with total notional amount of $456.3 million and $445.0 million, respectively, to fix the interest rate for a term of 1 year. For the three months ended March 31, 2023, the REIT recognized a fair value loss of $3.3 million in respect to the net interest rate derivatives. Concurrently, the REIT entered into an incremental interest rate derivative contract in relation to the US portfolio debt that will be effective commencing February 2024 until the maturity date of the underlying debt.

The components of the gain/(loss) on derivative financial instruments are as follows:

Three months ended March 31,		2023		2022
Fair value adjustment - interest rate derivatives	**$**	**(17,352)**	$	28,891
Receipts/(payments) under financial instruments		**184**		25
Fair value adjustment - financial instruments		**(24)**		54
	$	**(17,192)**	$	28,970

7. Other Assets

As at		March 31, 2023		December 31, 2022
Investment in unlisted securities (i)	**$**	**220,102**	$	224,183
Acquisition and financing costs (ii)		**24,723**		21,867
Loan and mortgage receivable carried at amortized cost (iii)		**10,081**		10,268
Finance lease receivable (iv)		**6,904**		6,987
Prepaid expenses		**6,390**		3,658
Commodity taxes recoverable		**5,061**		4,152
Furniture and office equipment		**4,973**		4,701
Right-of-use lease assets		**4,108**		4,413
Other		**222**		140
	$	**282,564**	$	280,369

i. The REIT has a non-controlling interest in an unlisted security of an Australian fund.The REIT has accounted for its interest as a financial asset measured at fair value through profit and loss ("FVTPL") under IFRS 9 and accordingly recorded the investments at its estimated fair value in Canadian dollar of $220.1 million as at March 31, 2023.

For the three months ended March 31, 2023, the REIT received $2.2 million of distribution income related to the REIT's investment in the unlisted securities and were recognized as part of interest and other income in the statement of net income (loss) and comprehensive income (loss).

ii. Acquisition and financing costs relate to potential acquisitions and debt refinancing which are currently undergoing due diligence and/or negotiation.

iii. Loan and mortgage receivable carried at amortized cost relates to an interest-bearing loan secured by an Australian investment property matured in April 2023. Subsequent to the three months ended March 31, 2023, the loan term was extended to a maturity date of September 2023.

iv. Finance lease receivable relates to a long-term lease of land that is a finance lease, bearing a discount rate of 6.5% and remaining term of 65 years.

(in thousands of Canadian dollars, unless otherwise stated)

8. Mortgages and Loans Payable

As at		March 31, 2023		December 31, 2022
Mortgage payable, net of financing costs	$	**852,348**	$	851,097
Term debt, net of financing costs		**2,497,643**		2,462,577
Credit facilities, net of financing costs		**546,533**		506,804
Lease liabilities		**12,528**		12,926
Total Mortgages and loans payable	$	**3,909,052**	$	3,833,404
Less: Liabilities related to assets held for sale, net of financing costs (note 4)		**515,276**		427,543
Mortgages and loans payable	$	**3,393,776**	$	3,405,861
Current portion mortgages and loans payable		**606,714**		1,497,245
Non-current portion of mortgages and loans payable	$	**2,787,062**	$	1,908,616
Mortgages and loans payable	$	**3,393,776**	$	3,405,861

Mortgages

All mortgages are secured by first or second charges on specific investment properties in Canada and Europe, with an estimated fair value of $1.6 billion as at March 31, 2023 (December 31, 2022 - $1.6 billion).

Term debt

As at March 31, 2023, the term debt balance excluding consideration of financing costs includes:

- Brazilian debt of $181.7 million (December 31, 2022 - $175.2 million), secured by related investment properties with an estimated fair value of $405.2 million (December 31, 2022 - $394.93 million);
- Australian term debt of $197.1 million (December 31, 2022 - $205.3 million) comprised partially of $25.3 million (December 31, 2022 - $25.7 million) term debt secured by related investment properties with an estimated fair value of $40.6 million (December 31, 2022 - $41.3 million) and $99.7 million (December 31, 2022 - $106.1 million) secured by the unlisted securities held by the REIT (note 7);
- New Zealand term debts of $1.0 billion (December 31, 2022 - $1.0 billion) secured by Vital Trust's security trust deed and by the respective investment properties held by Vital Trust; with a total estimated value of $2.9 billion (December 31, 2022 - $2.9 billion),
- Australasian secured term financing of $190.7 million (December 31, 2022 - $193.4 million) secured by 183,534,120 units (December 31, 2022 - 183,534,120 units) of Vital Trust held by the REIT; and
- US term debt of $456.3 million (December 31, 2022- $456.7 million) secured by the US Portfolio income producing properties with total estimated value of $780.0 million (December 31, 2022- $784.7 million) (note 4).

On January 31, 2023, the REIT amended its $456.3 million ($337.2 million US dollars) term loan facility secured by its US investment properties resulting in a 2 year extension of the term to maturity to January 31, 2025.

Credit facilities

Certain revolving credit facilities with an outstanding balance of $205.7 million (December 31, 2022 - $195.6 million) are secured by certain investment properties with an estimated fair value of $312.7 million (December 31, 2022 - $309.1 million).

(in thousands of Canadian dollars, unless otherwise stated)

On March 27, 2023, the REIT amended and refinanced the terms of its revolving credit facility to increase availability by $81.0 million from a total of $208.5 million to $289.5 million, subject to incremental security of certain Canadian investment properties and extended the maturity date to March 2026. Concurrently, the REIT extended the maturity date of its non-revolving credit facility in the amount of $218.5 million to January 2024.

Lease liabilities

The lease of land on which one of the REIT's investment properties is built is accounted for as a finance lease. The remaining term of the lease as at March 31, 2023 was 65 years. In addition, the REIT has recognized lease liabilities for leases where the REIT acts as a lessee. Minimum payments under the lease and their present values are as follows:

As at		**March 31, 2023**		December 31, 2022
Minimum lease payments payable:				
Not later than one year	**$**	**2,006**	$	2,024
Later than one year and not later than five years		**5,034**		5,362
Later than five years		**28,942**		29,637
		35,982		37,023
Future finance charges		**(23,454)**		(24,097)
Present value of minimum lease payments	**$**	**12,528**	$	12,926
Present value of minimum lease payments:				
Not later than one year		**1,877**		1,920
Later than one year and not later than five years		**4,554**		4,851
Later than five years		**6,097**		6,155
	$	**12,528**	$	12,926

As at March 31, 2023, the scheduled principal repayments and debt maturities are as follows:

		Mortgages		Term Debts		Credit Facilities		Finance Lease		**Total**
2023 (remainder)	$	135,943	$	89,089	$	125,000	$	1,529	**$**	**351,561**
2024		171,872		148,452		218,502		1,623		**540,449**
2025		166,936		1,293,328		—		1,251		**1,461,515**
2026		185,506		227,625		205,700		1,139		**619,970**
2027		67,467		309,436		—		773		**377,676**
2028 & thereafter		127,892		448,630		—		6,213		**582,735**
	$	855,616	$	2,516,560	$	549,202	$	12,528	**$**	**3,933,906**
Financing costs		(3,267)		(18,918)		(2,669)		—		**(24,854)**
Liabilities related to asset held for sale		(33,023)		(482,253)		—		—		**(515,276)**
Total	$	819,326	$	2,015,389	$	546,533	$	12,528	**$**	**3,393,776**

(in thousands of Canadian dollars, unless otherwise stated)

A summary of the maturity and the weighted average interest rates relating to the mortgages and loans payable, including term debts and credit facilities, outstanding at March 31, 2023 are as follows:

	Maturity	Weighted Average Interest Rate	Carrying Value	Available to be Drawn
Fixed rate				
Mortgages	May 2023 - August 2031	3.08 %	$ 795,017	$ —
Term debts	November 2027 - June 2031	4.68 %	1,751,466	100,241
Total fixed rate debt			$ 2,546,483	$ 100,241
Variable Rate				
Mortgages	April 2023 - June 2030	5.99 %	60,599	—
Term debts	September 2023 - March 2029	5.98 %	765,094	57,984
Credit facilities	November 2023 - March 2026	8.38 %	549,202	37
Total variable rate debt			$ 1,374,895	$ 58,021
Total mortgages and loans payable, excluding the following:			$ 3,921,378	$ 158,262
Financing costs			(24,854)	—
Liabilities related to asset held for sale			(515,276)	—
Total mortgages and loans payable, excluding lease liabilities:			**3,381,248**	158,262
Lease liabilities		5.36 %	12,528	—
Total mortgages and loans payable			**$ 3,393,776**	**$ 158,262**

In certain instances, the amounts available to be drawn in respect of the mortgages and loan facilities noted above fluctuate depending on applicable variables under those arrangements. The maximum amount available to be drawn is $158.3 million as at March 31, 2023.

The table below summarizes the movements in the REIT's mortgages and loans, excluding finance leases, during the three months ended March 31, 2023:

	Mortgages	Term Debts	Credit Facilities	Total
Balance, beginning of period	$ 851,078	$ 2,035,034	$ 506,804	**$ 3,392,916**
Repayments	(5,548)	(125,379)	—	**(130,927)**
Advances and refinancing proceeds	1,033	166,590	41,100	**208,723**
Reclassified as liabilities related to assets held for sale	(33,023)	(44,519)	—	**(77,542)**
Additional financing fees incurred	(67)	(3,961)	(1,744)	**(5,772)**
Amortization of finance fees	1,041	1,344	585	**2,970**
Accretion of financial liabilities	—	5,043	—	**5,043**
Foreign exchange adjustment	4,812	(18,763)	(212)	**(14,163)**
Ending balance, March 31, 2023	$ 819,326	$ 2,015,389	$ 546,533	**$ 3,381,248**

(in thousands of Canadian dollars, unless otherwise stated)

The REIT has entered into interest rate derivative contracts to limit its exposure to fluctuations in the interest rates on $1.8 billion of variable rate debt as at March 31, 2023 (December 31, 2022 - $784.2 million). The interest rate derivatives terminate between 2023 and 2030 and are measured at fair value through profit and loss (note 6).

9. Convertible Debentures

The movements in fair value of convertible debentures were as follows:

As at		**March 31, 2023**		December 31, 2022
Balance, beginning of period	**$**	**275,270**	$	137,225
Issuance of convertible debenture		**—**		155,250
Change in fair value of convertible debentures		**(3,198)**		(17,205)
Balance, end of period	**$**	**272,072**	$	275,270

The fair values of convertible debentures outstanding, determined on the basis of the closing market price as at the reporting date, are as follows:

As at		**March 31, 2023**		December 31, 2022
NWH.DB.G		**123,125**		123,125
NWH.DB.H		**148,947**		152,145
Fair Value	**$**	**272,072**	$	275,270
Current		**123,125**		123,125
Non-Current		**148,947**		152,145
	$	**272,072**	$	275,270

Debentures Series	Conversion price per Unit ($)	Maturity	Interest rate	Interest payment	Interest payment dates
NWH.DB.G	$13.35	December 31, 2023	5.50%	Semi-annual	June 30 and December 31
NWH.DB.H	$16.00	August 31, 2027	6.25%	Semi-annual	February 28 and August 31

(in thousands of Canadian dollars, unless otherwise stated)

10. Unit-Based Compensation

Under the Plan, together with the existing Deferred Unit Plan, a maximum of 9,000,000 the REIT's trust units are authorized to be issued.

As at		March 31, 2023		December 31, 2022
Balance, beginning of period	**$**	**23,837**	$	26,223
Unit based compensation expense		**2,346**		15,222
Exercised and paid in cash		**(325)**		(6,219)
Exercised and settled in Trust Units		**—**		(1,151)
Fair value adjustment		**(3,303)**		(10,236)
Foreign exchange		**(8)**		(2)
Balance, end of period	**$**	**22,547**	$	23,837

The REIT has three separate unit-based incentive plan award types currently in place:

Deferred Units

The deferred units granted in 2022 under the Plan and the previous DUP plan are administered by the Compensation, Governance and Nominating Committee. The deferred units can be settled at the holders' option in units or cash subject to the REIT's approval and are classified as a financial liability until redeemed.

Deferred unit's compensation expense is measured on grant at the service commencement date, based on the fair market value of a REIT unit or Vital Trust unit, as applicable, and amortized over the applicable vesting period that ranges from 3 to 5 years. At March 31, 2023, 1,357,771 unvested deferred units with a fair value of $11.4 million are expected to vest between 2022 and 2026. Unit-based compensation does not qualify as an equity award and, therefore, is classified as a liability. The awards are re-measured at fair value each reporting period, based on the fair market value of a REIT unit or Vital Trust unit, as applicable, and the change in fair value is recognized as part of compensation expense for the period.

Units outstanding under the deferred unit plans:

As at March 31, 2023	REIT	Vital Trust
Balance, beginning of period	**2,373,367**	**217,204**
Granted	**841,364**	**—**
Exercised and paid in cash	**(499,084)**	**—**
Exercised and paid in REIT units	**(93,757)**	**—**
Forfeited	**(3,095)**	**—**
Distribution entitlement	**180,490**	**8,183**
Balance, as at March 31, 2023	**2,799,285**	**225,387**
Units vested but not exercised	**1,402,653**	**204,718**

For the three months ended March 31, 2023, the REIT granted 22,114 deferred units with a grant-date fair value of $0.2 million (for the three months ended March 31, 2022 - 34,027 deferred units with a fair value of $0.5 million).

(in thousands of Canadian dollars, unless otherwise stated)

Restricted Units

The REIT grants restricted units ("RUs") under the Plan. The RUs granted vest 100% on the fifth anniversary of their respective grant dates and are subject to forfeiture until the recipients of the awards have held office in their current position with or provided services to the REIT for a specified period of time.

RUs are recognized based on the grant date fair value and re-measured at each reporting date. The grant agreements provide that the awards will be satisfied upon vesting for: (i) trust units issued from REIT treasury, or (ii) a cash payment as determined by the REIT, with the result that the awards are classified as cash-settled unit-based payments and presented and classified as liabilities.

The restricted units may, if specified at the time of grant, accrue cash distributions during the vesting period and accrued distributions will be paid by the REIT when the applicable units vest.

As at	March 31, 2023			December 31, 2022		
	Number of RUs	Weighted Average Grant Date Fair Value per unit		Number of RUs	Weighted Average Grant Date Fair Value per unit	
RUs outstanding, beginning of year	**196,758**	**$**	**12.08**	—	$	—
New grants and distributions	4,116		9.63	196,758		12.08
RUs Outstanding	**200,874**	**$**	**12.03**	**196,758**	**$**	**12.08**

The fair value of the outstanding RUs was $0.1 million as at March 31, 2023 and is based on the market price of the REIT's unit. The fair value is adjusted for changes in the market price of the REIT's units and recorded as a liability with a corresponded compensation expense in general and administrative expenses in the period in which the change occurs.

Performance Units

The REIT grants performance units ("PUs") under the Plan with a three-year performance period. The performance units are and will be subject to both non-market and market conditions consisting of both absolute and relative performance over a three-year period and settled for trust units upon vesting.

As at	March 31, 2023			December 31, 2022		
	Number of PUs	Weighted Average Grant Date Fair Value per unit		Number of PUs	Weighted Average Grant Date Fair Value per unit	
PUs outstanding, beginning of year	706,758		10.92	—		—
New grants and distributions	39,621		9.63	706,758		10.92
PUs Outstanding	**746,379**	**$**	**10.86**	**706,758**	**$**	**10.92**

The estimated fair value of the outstanding PUs was $0.1 million as at March 31, 2023 and is subject to both internal and external measures.

Grant date	July 4, 2022
PUs granted	746,380
Weighted average remaining term to vesting	2.3
Average volatility rate	25.9 %
Weighted average risk free interest rate	3.9 %

(in thousands of Canadian dollars, unless otherwise stated)

The REIT's compensation expense recognized in general and administrative expense was:

For the three months ended March 31,		2023		2022
Deferred Units	$	**1,491**	$	1,648
Restricted Units		**117**		—
Performance Units		**738**		—
Unit-based compensation expense	$	**2,346**	$	1,648
Fair value remeasurement:				
Deferred Units	$	**(2,614)**	$	(211)
Restricted Units		**(66)**		—
Performance Units		**(623)**		—
Total fair value remeasurement	$	**(3,303)**	$	(211)

11. Unitholders' Equity

The REIT is authorized to issue two categories of equity: (a) REIT units; and (b) special voting units attached to the exchangeable Class B exchangeable units of NWI LP, 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, however, it entitles the holder to one vote per special voting unit at any meeting of the unitholders. The REIT's Trustees have discretion in declaring distributions.

The following table shows the changes in REIT units:

	REIT units		Amount
Balance, December 31, 2022	**240,647,589**	**$**	**2,503,875**
Units issued through distribution reinvestment plan (i)	987,254		9,210
Units issuance costs	—		(72)
Balance, March 31, 2023	**241,634,843**	**$**	**2,513,013**

(i) The REIT has established a distribution reinvestment plan ("DRIP") for its unitholders, which allows participants to reinvest their monthly cash distributions in additional REIT units at an effective discount that is determined by applying 3% to the REIT's weighted average unit trading value for the five trading days immediately preceding the relevant distribution date. For the three months ended March 31, 2023, the REIT's DRIP participation rate was 18.9% (March 31, 2022 - 17.7%).

(in thousands of Canadian dollars, unless otherwise stated)

12. Non-Controlling Interests

The following tables present summarized accounts for Vital Trust and the investment property Fritz-Lang-Platz 6, held by a subsidiary of the REIT, NWI Gesundheitsimmobilien GmbH & Co. KG, where non-controlling or partial interests are owned by a third party.

The net assets and income (loss) attributable to the non-controlling interests and the REIT are as follows:

As at March 31, 2023	Vital Trust	Fritz-Lang-Platz 6	Total
REIT's ownership interest	28.1 %	94.9 %	
Total assets	$ 2,998,502	$ 24,381	$ 3,022,883
Total liabilities	1,232,710	8,185	1,240,895
Net assets	$ 1,765,792	$ 16,196	$ 1,781,988
Attributable to:			
Unitholders of the REIT	501,272	14,938	516,210
Non-controlling interests	1,264,520	1,258	1,265,778
	$ 1,765,792	$ 16,196	$ 1,781,988

	For the three months ended March 31, 2023			For the three months ended March 31, 2022		
	Vital Trust	Fritz-Lang-Platz 6	Total	Vital Trust	Fritz-Lang-Platz 6	Total
Revenue from investment properties	$ 132,644	$ 474	$ 133,118	$ 33,424	$ 443	$ 33,867
Net income (loss) attributable to:						
Unitholders of the REIT	3,816	(636)	3,180	15,283	213	15,496
Non-controlling interests	8,319	12	8,331	35,070	11	35,081
Net income (loss)	$ 12,135	$ (624)	$ 11,511	$ 50,353	$ 224	$ 50,577
Total comprehensive income (loss) attributable to:						
Unitholders of the REIT	(4,410)	(252)	(4,628)	19,585	(130)	19,455
Non-controlling interests	(12,544)	31	(12,513)	46,507	(7)	46,500
Total comprehensive income (loss)	$ (16,954)	$ (221)	$ (17,141)	$ 66,092	$ (137)	$ 65,955
Distributions attributable to non-controlling interests	$ 9,982	$ —	$ 9,982	$ 8,575	$ —	$ 8,575

The difference between the net income (loss) and total comprehensive income (loss) reflects the movements during the three months ended March 31, 2023, attributable to the translation of accounts related to the REIT's net investments in Vital and Fritz-Lang-Platz 6, being foreign operations of the REIT.

(in thousands of Canadian dollars, unless otherwise stated)

	For the three months ended March 31, 2023			For the three months ended March 31, 2022		
	Vital Trust	Fritz-Lang-Platz 6	Total	Vital Trust	Fritz-Lang-Platz 6	Total
Cash flows from (used in):						
Operating	$ (1,044)	$ (2,034)	$ (3,078)	$ 27,890	$ 163	$ 28,053
Investing	(41,378)	852	(40,526)	(68,699)	$ (5)	(68,704)
Financing	38,492	(1,857)	36,635	43,408	$ (123)	43,285
Effect of foreign currency translation	350	(45)	305	(1,352)	$ (1)	(1,353)
Net change in cash	$ (3,580)	$ (3,084)	$ (6,664)	$ 1,247	$ 34	$ 1,281
Cash ending balance	$ 7,106	$ 228	$ 7,334	$ 8,024	$ 225	$ 8,249

The REIT is subject to restrictions over the extent to which it can access cash of Vital Trust and Fritz-Lang-Platz 6 in the form of cash distributions, or use of assets and access to debt and credit facilities as a result of borrowing arrangements, regulatory restrictions and the REIT's economic interests in Vital Trust and Fritz-Lang-Platz 6, being limited to the REIT's ownership interests of 28.1% and 94.9%, respectively.

13. Rental Revenue

The components of rental revenue are as follows:

For the three months ended March 31,	2023	2022
Rental income	$ 100,534	$ 79,407
Operating cost recoveries	19,444	18,638
Property tax and insurance recoveries	5,682	4,773
Other revenue	9,664	1,645
Rental revenue	$ 135,324	$ 104,463

14. Supplemental Cash Flow Information

(i) Cash, cash equivalents and restricted cash

As at	March 31, 2023	December 31, 2022
Cash and cash equivalents	$ 76,168	$ 87,987
Restricted cash	60	47
Total cash, cash equivalents and restricted cash	$ 76,228	$ 88,034

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil term debt (note 8).

(ii) Changes in Non-Cash Working Capital Balances

For the three months ended March 31,	2023	2022
Accounts receivable	$ (19,478)	$ 16,039
Other assets	(4,594)	2,022
Accounts payable and accrued liabilities	6,972	(13,891)
Changes in non-cash working capital balances	$ (17,100)	$ 4,170

(in thousands of Canadian dollars, unless otherwise stated)

(iii) Non-Cash Financing and Investing Activities

For the three months ended March 31,		**2023**		2022
Non-cash distributions to Unitholders under the DRIP (note 11)	**$**	**9,210**	$	7,961
Units issued under unit-based compensation plan (note 10)		**—**		811
Non-cash distributions from unlisted securities under dividend reinvestment program (note 7)		**—**		828

(iv) Finance expenses (income)

For the three months ended March 31,		**2023**		2022
Distributions on Exchangeable Units	**$**	**342**	$	342
Accretion of financial liabilities		**5,043**		8,573
Amortization of deferred financing costs		**2,970**		2,221
Amortization of marked to market adjustment		**—**		(90)
Fair value adjustment of Convertible Debentures		**(3,198)**		(2,850)
Convertible Debenture issuance costs		**21**		—
Fair value adjustment of Class B exchangeable units		**(1,761)**		(34)
Total finance expense, net	**$**	**3,417**	$	8,162

15. Related Party Transactions

(a) The Class B exchangeable units of NorthWest International Healthcare Properties LP ("NWI LP") are entirely held by Northwest Value Partners Inc. and affiliates ("NWVP"). Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer ("CEO") of the REIT, is the sole shareholder, sole director and President of NWVP.

Distributions declared on the Class B exchangeable units of NWI LP totaled $0.3 million for the three months ended March 31, 2023 (for the three months ended March 31, 2022 - $0.3 million) and have been accounted for as finance costs in profit or loss.

As at March 31, 2023, NWVP indirectly owned approximately 8.4% of the REIT through a combination of Trust Units of the REIT and Class B exchangeable units, approximately 7.6% on a fully diluted basis assuming conversion of the REIT's convertible debentures and redemption of all of its vested units under the unit-based compensation plan (as at December 31, 2022 - 8.8% and 8.1%, respectively).

As at March 31, 2023, Paul Dalla Lana held a total of 999 vested REIT deferred units valued at $0.1 million (December 31, 2022 - 992 deferred units valued at $0.1 million) and 426,908 performance units valued at $5.2 million ((December 31, 2022 - 423,869 performance units valued at $5.0 million) under the new equity incentive plan that are scheduled to vest in 3 years.

(b) As at March 31, 2023, the REIT had nil payable owing to NWVP (December 31, 2022 - $0.5 million that was included in accounts payable and accrued liabilities).

The REIT incurred charges from NWVP during the three months ended March 31, 2023, of $1.6 million, gross of HST totaling $0.1 million, which includes (i) annual base and performance-based compensation for CEO management services for $1.3 million excluding deferred units disclosed above, (ii) expense reimbursement of $0.1 million, and; (iii) the cost of NWVP personnel seconded to the REIT totaling $0.1 million. The aforementioned charges were recorded as part of general and administrative expenses and transaction costs.

(in thousands of Canadian dollars, unless otherwise stated)

During the three months ended March 31, 2023 the REIT made total payments to NWVP of $1.7 million, to settle the obligations noted above excluding redemption of deferred units.

(c) At March 31, 2023, included in accounts payable and accrued liabilities are Class B exchangeable unit distributions payable to NWVP and affiliates in the amount of $0.1 million (December 31, 2022 - $0.1 million), which were settled subsequent to period end.

16. Segmented Information

The REIT operates in one industry segment being the healthcare real estate industry; however the REIT monitors and operates its European, Americas and Australasian operations separately. The CEO assesses the performance of each of these operating segments based on a measure of operating income (loss). The location of the corporate head office is located in Canada, therefore, the REIT includes its corporate assets and liabilities and related operating results as part of the Americas segment. The significant accounting policies for each of the segments are the same as those for the REIT.

During the three months ended March 31, 2023, one tenant in Brazil accounted for 11% (for the three months ended March 31, 2021 - 11%) of the total revenue from investment properties.

As at March 31, 2023	**Americas**	**Europe**	**Australasia**	**Total**
Investment properties	**$ 2,751,467**	**$ 630,625**	**$ 3,122,139**	**$ 6,504,231**
Mortgages and loans payable	**$ 1,837,079**	**$ 313,941**	**$ 1,242,756**	**$ 3,393,776**
As at December 31, 2022	**Americas**	**Europe**	**Australasia**	**Total**
Investment properties	$ 2,778,776	$ 711,962	$ 3,121,797	$ 6,612,535
Mortgages and loans payable	$ 1,842,853	$ 343,004	$ 1,220,004	$ 3,405,861

For the three months ended March 31, 2023	**Americas**	**Europe**	**Australasia**	**Total**
Operating Income				
Revenue from investment properties	**$ 68,800**	**$ 25,021**	**$ 41,503**	**$ 135,324**
Property operating costs	**27,836**	**4,942**	**7,125**	**39,903**
Net property operating income	**40,964**	**20,079**	**34,378**	**95,421**
Other income				
Interest and other	**1,359**	**273**	**2,484**	**4,116**
Management fees	**6,947**	**730**	**3,048**	**10,725**
Share of income from equity accounted investments	**—**	**105**	**3,883**	**3,988**
	8,306	**1,108**	**9,415**	**18,829**
Mortgage and loan interest expense	**32,866**	**7,208**	**11,574**	**51,648**
General and administrative expenses	**6,461**	**2,297**	**4,278**	**13,036**
Transaction costs	**2,918**	**1,818**	**284**	**5,020**
Foreign exchange (gain) loss	**(6,594)**	**(5)**	**(617)**	**(7,216)**
	35,651	**11,318**	**15,519**	**62,488**
Operating income (loss)	**$ 13,619**	**$ 9,869**	**$ 28,274**	**$ 51,762**

(in thousands of Canadian dollars, unless otherwise stated)

For the three months ended March 31, 2022	Americas	Europe	Australasia	Total
Operating Income				
Revenue from investment properties	$ 43,528	$ 22,753	$ 36,396	$ 102,677
Property operating costs	15,793	3,329	6,488	25,610
Net property operating income	27,735	19,424	29,908	77,067
Other income				
Interest and other	1,096	2	1,412	2,510
Development revenue	—	2,564	—	2,564
Management fees	—	742	6,353	7,095
Share of income from equity accounted investments	—	(901)	6,069	5,168
	1,096	2,407	13,834	17,337
Mortgage and loan interest expense	14,528	1,576	7,283	23,387
General and administrative expenses	4,734	2,384	3,191	10,309
Transaction costs	1,256	4,464	(121)	5,599
Development costs	—	2,348	—	2,348
Foreign exchange (gain) loss	(560)	7	(41)	(594)
	19,958	10,779	10,312	41,049
Operating income (loss)	$ 8,873	$ 11,052	$ 33,430	$ 53,355

17. Commitments and Contingent Liabilities

(a) The REIT obtains letters of credit to support its obligations with respect to construction work and additions to its investment properties and satisfying mortgage financing requirements. As at March 31, 2023, the REIT has a total of $2.7 million in outstanding (December 31, 2022 - $2.8 million) letters of credit, under the REIT's secured revolving floating rate credit facility, which forms part of the Credit Facilities in the aggregate as outlined in note 8, related to construction work that is being performed on investment properties. The REIT does not expect that any of these standby letters of credit are likely to be drawn upon and, therefore, no corresponding liability has been recorded.

(b) Pursuant to the disposition of the REIT's 70% interest in AREIT units as part of the formation of a joint venture arrangement during the year ended December 31, 2020, the REIT indemnified the joint venture partner for potential tax liabilities related to AREIT's investment properties contributed to the joint venture. The indemnity expires if the properties are not sold within 15 years of settlement. Given that the disposition of properties is dependent on uncertain future events not within the control of the REIT, and that the taxable outcome of the disposition is not estimable due to the variables involved, the REIT has not recognized a provision related to the indemnification.

(c) Pursuant to the sale and contribution of European investment properties by the REIT to the European JV in 2020, the REIT has indemnified its joint venture partner for potential tax liabilities related to these investment properties. Given that the eventual disposition of properties is dependent on uncertain future events not within the control of the REIT, and that the taxable outcome of the disposition is not estimable due to the variables involved, the REIT has not recognized a provision related to the indemnification.

(d) The REIT has entered into acquisition and construction agreements on development properties and is committed to associated costs of $263.6 million as at March 31, 2023 (March 31, 2022 - $293.7 million).

(e) In 2021, a subsidiary of the REIT entered into a commitment with a charitable Hospital Foundation to make a total contribution of $8.6 million over 10 years ($0.7 million per annum) to support eligible investment initiatives in capital infrastructure or equipment. The commitment with the Foundation is contingent on unanimous agreement by the Foundation and the REIT's management of the annual plan with respect to eligible initiatives.

(f) In 2022, The REIT pledged a contribution of $5.0 million in support of research about the impacts of the pandemic on health systems across the world. As at March 31, 2023, $2.2 million has been paid by the REIT.

(g) The REIT indemnifies individuals who have acted at the REIT's request to be a trustee and/or director and/or officer of the REIT (and/or one or more of its direct and indirect subsidiaries), to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory and other legal limitation periods. The nature of the indemnification agreements prevents the REIT from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements.

(h) The REIT is subject to legal and other claims in the normal course of business. Management and the REIT's legal counsel evaluate all claims. In the opinion of management these claims are generally covered by the REIT's insurance policies and any liability from such claims would not have a significant effect on the REIT's consolidated financial statements.

18. Fair Values

Estimated fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The REIT uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value of financial instruments and investment properties. The classifications are as follows: the use of quoted market prices for identical assets or liabilities (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3).

The REIT determined the estimated fair value of each investment property, with the exception of certain property under development, using the discounted cash flow method and direct capitalization method. Note 4 outlines the key assumptions used by the REIT in determining the estimated fair value of its investment properties.

Certain derivative instruments are valued using a valuation technique with market-observable inputs (Level 2) and include the forward contract and the interest rate swaps. The most frequently applied valuation technique includes forward pricing models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves. The put and call options and units in unlisted securities are valued using internal models using observable and unobservable inputs, reflecting assumptions that market participants would use when pricing the asset (Level 3).

As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The REIT has chosen to use closing market price (Level 2) as a practical expedient for fair value measurement for its Class B exchangeable units, certain unit based liabilities and convertible debentures.

The fair value of the REIT's mortgages and loans payable are determined using present value calculations based on market-observable interest rates for mortgages and loans with similar terms and conditions (Level 2). The carrying values of the REIT's financial assets, which include accounts receivable, other assets, and cash and restricted cash, as well as financial liabilities, which includes accounts payable and accrued liabilities, distributions payable approximate their recorded fair values due to their short-term nature.

(in thousands of Canadian dollars, unless otherwise stated)

The fair value hierarchy, by level of assets and liabilities measured at fair value in these consolidated financial statements or disclosed in the notes herein as at March 31, 2023 is as follows:

		Fair Value		
	Carrying value	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value:				
Investment properties	$ **6,504,231**	$ **—**	$ **—**	$ **6,504,231**
Financial instruments	**28,232**	**—**	**28,232**	**—**
Investment in unlisted securities	**220,102**	**—**	**—**	**220,102**
Assets held for sale	**1,003,600**	**—**	**—**	**1,003,600**
Assets recorded at amortized cost:				
Loans receivable	**10,081**	**—**	**—**	**10,081**
Liabilities measured at fair value:				
Financial instruments	**7,411**	**—**	**7,411**	**—**
Convertible debentures	**272,072**	**272,072**	**—**	**—**
Class B LP exchangeable units	**14,484**	**—**	**14,484**	**—**
Unit-based compensation liabilities	**22,547**	**—**	**22,433**	**114**
Financial liabilities recorded at amortized cost:				
Mortgages and loans payable	**3,393,776**	**—**	**3,366,583**	**—**
Liabilities related to assets held for sale	**515,276**	**—**	**522,139**	**—**

19. Capital Management

The REIT considers its capital to be its unitholders' equity, Class B exchangeable units, and debt. The REIT is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities whole Adhering to the declaration of Trust. As a result of this, the REIT will make adjustments to its capital based on its investment strategies and changes to economic conditions.

The REIT's strategy is also driven by policies as set out in the Declaration of Trust. The requirements of the REIT's operating policies as outlined in the Declaration of Trust include the requirement that the REIT will not incur or assume indebtedness which would cause the total indebtedness of the REIT to exceed 65% of Gross Book Value as defined. Indebtedness as defined in the Declaration of Trust excludes deferred revenue, Class B exchangeable units, and unsecured debt which includes convertible debentures.

At March 31, 2023, the REIT is in compliance with its debt to gross book value ratio of the Declaration of Trust at 46.7% (December 31, 2022 - 45.3%).

(in thousands of Canadian dollars, unless otherwise stated)

As at		March 31, 2023		December 31, 2022
Debt				
Gross value of debt excluding convertible debentures (1)	$	3,933,906	$	3,855,247
Gross value of total debt (2)		4,205,978		4,130,517
Gross Book Value of Assets				
Total assets	$	8,418,407	$	8,514,000
Debt-to-Gross Book Value (Declaration of Trust)		46.7 %		45.3 %
Debt-to-Gross Book Value (including convertible debentures)		50.0 %		48.5 %

(1) represents the principal balance of mortgages, credit facilities, term debt and finance lease.

(2) represents the principal balance of mortgages, credit facilities, term debt, finance lease and convertible debentures (at fair value).

The REIT's capital management is also impacted by various financial covenants in certain loan agreements. As at March 31, 2023, the REIT is in compliance with all such financial covenants.

20. Risk Management

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them remain generally consistent with those disclosed in the annual consolidated financial statements as at and for the year ended December 31, 2022. Certain of these risks, and the actions taken to manage them, are as follows:

Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments resulting in the REIT incurring a financial loss. The REIT attempts to mitigate this risk by conducting credit assessments on new lessees, by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. The REIT's credit risk is primarily attributable to cash and accounts receivable. Cash consists of cash on hand with reputable financial institutions which are closely monitored by management. Financial instruments included in accounts receivable consist of rental income and other revenue receivables from its commercial tenant base for monthly rental charges and interest receivable from term deposits. Management believes that the potential loss from credit risk with respect to financial instruments included in cash and accounts receivable is minimal.

(in thousands of Canadian dollars, unless otherwise stated)

Liquidity Risk

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to the REIT to fund future growth, refinance debts as they mature or meet the REIT's payment obligations as they arise.

The following table sets out the REIT's contractual cash flows which includes fixed interest rate payments on its mortgages and loans payable and convertible debentures:

	Carrying Amount	Contractual Cash Flows	2023	2024	2025	2026	2027	Thereafter
Accounts payable and accrued liabilities	$ 131,428	$ 131,428	$ 131,428	$ —	$ —	$ —	$ —	$ —
Income tax payable	15,680	15,680	15,680	—	—	—	—	—
Distributions payable	16,110	16,110	16,110	—	—	—	—	—
Liabilities related to AHFS	515,276	522,357	522,357	—	—	—	—	—
Mortgages and loans payable	3,381,248	3,399,083	350,033	532,294	962,208	618,831	376,903	558,814
Finance lease payable	12,528	12,528	1,529	1,623	1,251	1,139	773	6,213
Convertible debentures	272,072	280,250	125,000	—	—	—	155,250	—
	$ 4,344,342	$ 4,377,436	$ 1,162,137	$ 533,917	$ 963,459	$ 619,970	$ 532,926	$ 565,027

The REIT expects to repay or refinance all debts maturing over the next 12 months using existing liquidity, new or renewed financings with extended maturities, net proceeds from issuance of convertible debentures (note 21) net proceeds from sales of investment properties classified as assets held for sale (note 3), strategic investment property sales and new financings or refinancing (note 21).

The REIT forecasts liquidity requirements to ensure it has the ability to meet operational needs by maintaining sufficient available of the combination of cash and debt capacity, and to ensure the REIT will meet its financial covenants related to debt agreements. Such forecasting involves a significant degree of judgment which takes into considerations current and projected macroeconomic conditions, the REIT’s cash collection efforts, working capital management, debt financing plans, and covenant compliance required under the terms of debt agreements. The REIT's financial condition and results of operations would be adversely affected if such forecasts may not be achieved and if the REIT were unable to obtain financing/refinancing or cost-effective financing/refinancing or if it were unable to meet its other liquidity requirements from ongoing operating cash flows, inclusive of distributions.

Interest Rate Risk

The REIT is exposed to interest rate risk on its borrowings. It minimizes this risk by obtaining long-term fixed interest rate debt where appropriate. A portion of the REIT's debts and credit facilities are subject to variable rates. From time to time, the REIT may enter into interest rate derivative contracts or other financial instruments to limit its exposure to fluctuations in the interest rates on its variable rate debt.

At March 31, 2023, $1.4 billion of the REIT's debt associated with investment properties is financed at variable rates exposing the REIT to interest rate risk on such debt. Sensitivity to a plus or minus 1% change in the interest rate would impact the net income (loss) and comprehensive income (loss) by $39.1 million annually with all other variables held constant.

Price Risk

Price risk is the risk that changes in market prices for the REIT's securities may impact the REIT's ability to access capital, and that changes in the market prices of the units underlying the REIT's investments in associates may impact the value of its investments and may also impact the amount available under related financings. The market price for the REIT's trust units, the REIT's convertible debentures, units of Vital Trust, and units in unlisted securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which may be beyond the REIT's control including general market sentiment. The market price of the REIT's securities and investments may decline even if the REIT's operating results, underlying asset values, or prospects have not changed. A decrease in the REIT's Trust Unit price impacts the cost of raising new capital. A sustained decline in the market price of the units of Vital Trust and unlisted securities may impact the value of the REIT's investments which may result in impairment losses, and may require the REIT to repay amounts owing under its related financings. To adapt to an increasingly volatile macro environment, subsequent to quarter-end the REIT amended certain covenants to provide additional flexibility.

21. Subsequent Events

i. On March 15, 2023, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on March 31, 2023, and paid on April 14, 2023.

   On April 14, 2023, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on April 30, 2023, and will be paid on May 15, 2023.

ii. Subsequent to March 31, 2023, the REIT issued approximately $86.3 million principal amount of unsecured subordinated convertible debenture (the "Series NWH.DB.I"), which included the exercise in full of the over-allotment option granted to the underwriters, whereby an additional $11.3 million of unsecured subordinated debentures were issued.The series bears interest at 7.75% per annum, payable semi-annually on April 30 and October 31 each year, with a maturity date of April 30, 2028. The REIT has used the net proceeds to repay short-term variable rate debt.

iii. Subsequent to March 31, 2023, a subsidiary of the REIT agreed to the sale of an investment property that is classified as an asset held for sale located in the US for consideration of $77.0 million. The sale is expected to close in May 2023 subject to certain closing conditions.

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