northwest

2023 First Quarter

Management Discussion and Analysis

Northwest Healthcare Properties
Real Estate Investment Trust

FINANCIAL AND OPERATIONAL SUMMARY

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS		As at	As at
Expressed in thousands of Canadian dollars, except unit and per unit amounts (unaudited)		March 31, 2023	December 31, 2022
Operational Information (1)			
Number of Properties		233	233
Gross Leasable Area (sf)		18,637,159	18,635,583
Occupancy %		97 %	97 %
WALE (Years)		13.6	13.8
Summary of Financial Information			
Assets Under Management (3)		$ 10,755,346	$ 10,878,099
Gross Book Value (2)		$ 8,418,407	$ 8,514,000
Debt - Declaration of Trust (3)		$ 3,933,906	$ 3,855,247
Debt to Gross Book Value - Declaration of Trust (3)		46.7 %	45.3 %
Debt - Including Convertible Debentures (3)		$ 4,205,978	$ 4,130,517
Debt to Gross Book Value - Including Convertible Debentures (3)		50.0 %	48.5 %
Percentage of Mortgages and Loans Payable at Fixed Rates(9)		64.9 %	41.5 %
Weighted Average Interest Rate on Fixed Rate Mortgages and Loans Payable (9)		4.18 %	3.80 %
NAV per Unit (3)		$ 13.16	$ 13.80
Adjusted Units Outstanding - period end (5)			
Basic		243,344,843	242,357,589
	For the three months ended March 31, 2023	**For the three months ended March 31, 2022**	**For the three months ended December 31, 2022**
Operating Results			
Revenue from investment properties	$ 135,324	$ 104,463	$ 119,079
Net Income / (Loss)	$ (89,155)	$ 123,335	$ (135,519)
NOI (6)	$ 95,421	$ 77,067	$ 92,855
Funds From Operations ("FFO") (6)	$ 39,538	$ 47,328	$ 37,578
Adjusted Funds From Operations ("AFFO") (6)	$ 40,129	$ 47,450	$ 41,440
Distributions (7)	$ 48,606	$ 46,094	$ 48,415
Interest Coverage (4)	2.07	3.56	1.88
Per Unit Amounts			
FFO per unit - Basic (6)	$ 0.16	$ 0.21	$ 0.16
FFO per unit - diluted (6)	$ 0.16	$ 0.21	$ 0.15
AFFO per unit - Basic (6)	$ 0.17	$ 0.21	$ 0.17
AFFO per unit - diluted (6)	$ 0.16	$ 0.21	$ 0.17
Distributions per unit (8)	$ 0.20	$ 0.20	$ 0.20
AFFO Payout Ratio (6)	121%	95%	117%
AFFO Payout Ratio - fully diluted (6)	123%	97%	119%
Adjusted Weighted Average Units Outstanding (5)			
Basic	242,870,623	226,324,317	241,928,826
Diluted	246,584,256	237,987,041	245,587,137

FINANCIAL AND OPERATIONAL HIGHLIGHTS CONT.

Notes

(1) Operational information includes 100% of Vital Trust and joint venture ("JV") investments. The REIT owns an approximate 28.1% interest in Vital Trust and 30% - 33.57% of the JV investments.

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

(3) As defined in the **Performance Measurement** section included in this MD&A

(4) See Ratios and Covenants for the REIT's calculation of Interest Coverage.

(5) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding, which is on a non-IFRS basis. There were 1,710,000 Class B LP Units outstanding as at March 31, 2023 (March 31, 2022 - 1,710,000 Class B LP Units).

(6) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. The REIT's definitions of FFO and AFFO differ from those used by other similar real estate investment trusts, as well from the definitions recommended by REALpac. See **Performance Measurement** in this MD&A

(7) Represents distributions to Unitholders and Class B LP Units on an accrual basis. Distributions are payable as at the end of the period in which they are declared by the Board of Trustees, and are paid on or around the 15th day of the following month.

(8) Distributions per unit is a non-IFRS ratio calculated as sum of the distributions on the REIT's units and finance costs on Class B LP Units. Management does not consider finance costs on Class B LP units to be an financing cost of the REIT but rather component of the REIT's total distributions. Distributions per unit is not defined by IFRS and does not have a standard meaning and may not be comparable with similar measures presented by other issuers.

(9) The REIT classifies variable rate debt hedged with interest rate derivative.

HIGHLIGHTS FOR THE QUARTER

Financing Activity

i. During the first quarter, the REIT entered into two separate hedge agreements to fix the interest rate on two floating rate foreign currency debt facilities with a combined notional amount of $901.3 million. On execution, the fixed interest rate payable by the REIT was on average 470 bps lower than the floating interest rate the REIT had been paying.

ii. On January 31, 2023, the REIT amended its $456.3 million Canadian dollars ($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.

iii. On February 28 2023, Vital Trust has amended and refinanced its syndicated revolving multi-currency facility, to refinance near term facility expiries, resulting in a $92.3 million (A$100.0 million) increase in facility limits to $1.2 billion (A$1.3 billion) and weighted average facility term to maturity increasing from 3.3 to 4.2 years.

iv. 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.

SUBSEQUENT EVENTS

Completion of $86.3 million Offering of Convertible Debentures

On April 27, 2023, the REIT completed a public offering of $86.3 million aggregate principal amount of 7.75% convertible unsecured subordinated debentures (the "Offering"), 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 REIT intends to use the net proceeds of the Offering to repay short-term variable rate debt with a weighed average interest rate of approximately 9.3% and for general purposes.

Sale of an US Investment Property

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.

Other

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.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The REIT’s Board of Trustees and its management are committed to sustainability through the environment, social, and governance (“ESG”) policies and practices of the organization. The REIT’s Board of Trustees oversees the REIT’s strategy and approach to ESG matters. The Board reviewed and approved the REIT’s sustainability strategy and receives quarterly reports from management on the REIT’s progress on ESG initiatives.

Internally, the REIT refers to its ESG initiatives as “sustainability initiatives”.

Environmental, social, and governance sensitivities have long been part of the REIT’s culture and ethos. This comes from being a real estate partner to healthcare providers across eight countries. The organization believes that ESG issues have played, and will continue to play, an important part in defining the REIT, given the REIT’s focus on healthcare real estate and the impact that role can have on improving the provision of healthcare services as delivered by the REIT’s tenant partners. The REIT has consistently focused on partnering with healthcare providers to provide well-located, appropriately appointed, and safe facilities in which to provide their services. Since its inception the REIT has recognized that its efforts would impact not only its tenants, but also patients at the REIT’s properties. As such, the REIT has been cognizant of the social impact its properties can have on the surrounding community as a whole.

In progressing on key sustainability initiatives, to date in 2023 the REIT:

- Closed its “Better Together” global employee engagement survey. The results, which are currently under review, will form a baseline for future benchmarking and help identify areas of focus on topics such as accomplishment, autonomy, health and mental well being, growth, brand and values, transformation, and management support.

- Advanced its alignment with TCFD (Task Force on Climate-Related Financial Disclosure) guidelines for future reporting requirements across the organization.

- Initiated assembling its annual submission to GRESB (formerly Global Real Estate Sustainability Benchmark).

- Honoured its on-going commitment to support research about the impacts of the pandemic on health systems across the world by making its second of five committed, annual $1 million contributions to two leading academic institutions.

- Informed its property-level workplans with the learnings from its first global survey of its ~2,000 tenants to drive efforts to maximize tenant satisfaction.

- Acknowledged, with leadership from its Women in Real Estate (WIRE) committee, International Women's Day with a series of REIT-wide events to demonstrate the organization's support for this year's theme of #EmbraceEquity.

The REIT's ESG Policy, Environmental Management System (EMS) documentation, and 2022 Sustainability Report are available on the REIT's website. The information contained on the REIT's website is not incorporated by reference into this MD&A.

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PART I - BASIS OF PRESENTATION

This Management's Discussion and Analysis of the results of operations and financial condition ("**MD&A**") of Northwest Healthcare Properties Real Estate Investment Trust ("**Northwest**", the "**REIT**" or the "**Trust**") should be read in conjunction with the REIT's unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2023, prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are presented in thousands of Canadian dollars, except where otherwise stated. Per unit amounts are presented in Canadian dollars, and are calculated using an aggregate of REIT Units and Class B LP Units (as defined hereafter), except where otherwise stated.

This MD&A should also be read in conjunction with the Annual Information Form of the REIT dated March 31, 2023 (the "**Annual Information Form**") and the REIT's Management Information Circular dated April 17, 2023 (the "**Circular**"). This MD&A is current as of May 12, 2023 unless otherwise stated. Additional information relating to the REIT, including its continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and can be accessed electronically at www.sedar.com.

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

- "**Convertible Debentures**" has the meaning set out in the Section "**CAPITAL STRUCTURE– Convertible Debentures**" and includes the following series of convertible debentures:
    - NWH.DB.G;
    - NWH.DB.H.
- "**Class B LP Unit**" or "**Exchangeable Unit**" means a Class B limited partnership unit of NWI Healthcare Properties LP ("**NWI LP**"), exchangeable for Trust Units;
- "**Special Voting Unit**" means a special voting unit of the REIT attached to a Class B LP Unit;
- "**Trust Unit**" or "**REIT Unit**" means a trust unit of the REIT; and
- "**Unitholder**" means a holder of Trust Units and any reference to a Unitholder in the context of such Unitholder's right to vote at a meeting of Unitholders also includes reference to a holder of Special Voting Units.

FORWARD-LOOKING INFORMATION ADVISORY

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

- the intention of the REIT to pay stable and growing distributions;
- the ability of the REIT to execute its growth strategies;
- the ability of the REIT to refinance and repay maturing debt obligations;
- the ability to close and impact of US and UK joint ventures
- any projections of financial performance of the REIT for the periods set out herein; including normalized, run-rate, contracted or stabilized metrics;
- development opportunities including estimated completion date, estimated project cost, estimated project cost to complete and anticipated project yield;
- the expected tax treatment of the REIT's distributions to Unitholders; and
- the expectations regarding real estate, the healthcare industry and demographic trends.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management of the REIT as of the date of this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The REIT's estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, (i) the REIT's properties continuing to perform as they have recently, (ii) development opportunities being completed on time and on-budget, (iii) demographic and industry trends remaining unchanged, (iv) future levels of indebtedness remaining stable, (v) the ability to access debt and equity capital, (vi) the tax laws as currently in effect remaining unchanged, (vii) the current economic and political conditions in the countries in which the REIT operates remaining unchanged (including exchange rates remaining constant, local real estate conditions remaining strong, interest rates remaining at current levels and the impacts of COVID-19 on the REIT's business ameliorating or remaining stable), (viii) anticipated capital expenditures, (ix) future general and administrative expenses (including estimated synergies resulting therefrom) and (x) contracted acquisition, disposition and development opportunities.

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

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

MARKET AND INDUSTRY DATA

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

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

PERFORMANCE MEASUREMENT

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

- Net income (loss);
- Cash flows from operations;
- Funds from operations ("**FFO**");
- Adjusted funds from operations ("**AFFO**");
- Weighted average lease expiry ("**WALE**");
- Weighted average interest rate("**WAIR**");
- Occupancy levels;
- Assets Under Management ("**AUM**")
- Debt - Declaration of Trust;
- Debt - Including Convertible Debentures;

- Adjusted EBITDA;
- Net operating income (“**NOI**”);
- Net Asset Value (“**NAV**”) and Net Asset Value per unit (“**NAV/unit**”);
- Constant Currency Same Property NOI ("**SPNOI**")

Explanation of Non Financial Information used in this MD&A

“WALE” is a measurement of the average term (expressed in years) remaining in each of the REIT’s leases, weighted by the size of the gross leasable area (“**GLA**”) each lease represents of the total GLA of the REIT’s portfolio. WALE is a common performance measure used in the real estate industry which is useful in measuring the vacancy risk and the stability of future cash flows of the REIT’s properties.

The REIT’s “**WAIR**” includes secured debt with fixed interest rates, including secured variable rate debt hedged with fixed rate swaps, and excludes debt classified as held for sale, secured and unsecured debt with floating interest rates. This calculation is a useful measure because it allows management to compare movements in interest rates period over period and to compare the average rate to the current market rates at that point in time.

“Occupancy levels” are presented in different manners depending on its context. It could be presented as a weighted average portfolio occupancy, based on the area weightings, when analyzing the overall operating performance of the REIT’s portfolio, or as a point-in-time reference when analyzing future lease expiries, or as an assessment of the performance of each property period over period. Management considers this a useful measure in assessing the overall performance of its portfolio and is an essential tool to determine which properties require further investigation if performance lags.

“**AUM**” is key to evaluating trends in earnings. AUM is the main driver for investment property income and management fees. Growth in AUM is driven by the REIT's direct investments and investments managed on behalf of third-party investors. For reporting purposes, the REIT calculates AUM as the sum of fair value of investment properties and properties under development, loans receivables, finance lease assets, real estate related financial instruments, assets held for sale and the third-party share of investment in the aforementioned.

Explanation of certain IFRS and supplementary financial measures used in this MD&A

This MD&A contains the supplementary financial measures described below.

“**NOI**” is an industry term in widespread use. NOI as calculated by the REIT based on its IFRS financial statements may not be comparable to similar titled measures reported by other issuers. The REIT considers NOI a meaningful measure of operating performance of its property assets, prior to financing considerations. NOI is defined as income from properties after operating expenses and is the same as Net Property Operating Income on the REIT's IFRS financial statements.

“**Debt - Declaration of Trust**” is a supplementary financial measure that represents the indebtedness definition outlined in the REIT’s Declaration of Trust. It includes the sum of the principal balance of mortgages, securities lending agreements, margin facilities, term loans, line of credit, and deferred consideration, as reported in the consolidated financial statements and excludes the Class B LP Units and the REIT’s Convertible Debentures. The Debt - Declaration of Trust is used to measure a ratio based on total assets (or sometimes referred to as Gross Book Value). The REIT’s Declaration of Trust provides an operating guideline that sets a maximum level of indebtedness relative to Gross Book Value of 65%. The REIT measures Debt-Declaration of Trust each reporting period to ensure that the REIT remains compliant with the operating guidelines of the REIT’s Declaration of Trust in respect of indebtedness. The definition of indebtedness and maximum indebtedness ratio relative to Gross Book Value of the REIT’s declaration of trust may differ from the declarations of trust of other issuers and accordingly may not be comparable to similar measures used by other issuers.

“**Debt - Including Convertible Debentures**”is a supplementary financial measure and represents the sum of the REIT’s indebtedness as defined by the REIT’s declaration of Trust (Debt - Declaration of Trust, defined above) plus the amount of Convertible Debentures as reported in the REIT's consolidated financial statements. The Debt - Including Convertible Debentures amount is intended to measure total leverage which is commonly reported by other issuers in the industry and is used an important measure in the management of debt levels. Debt - Including Convertible Debentures is also stated as a ratio to total assets or Gross Book Value. The ratio is an important measure in determining the REIT’s capacity for incremental indebtedness to finance operations, maturing obligations or capital expenditures, as required. The definition of Debt - Including Convertible Debentures and its ratio relative to Gross Book Value of the REIT’s Declaration of Trust may differ and may not be comparable to similar measures used by other issuers.

Explanation of non-IFRS financial measures and non-IFRS financial ratios used in this MD&A

This MD&A contains the non-IFRS financial measures and non-IFRS ratios described below. These non-IFRS financial measures and non-IFRS ratios are not standardized financial measures under International Financial Reporting Standards (“**IFRS**”) and might not be comparable to similar financial measures disclosed by other publicly traded companies

“**FFO**” and “**AFFO**” are measures of a Canadian real estate investment trust’s performance and the REIT believes that FFO and AFFO, while primarily earnings based measures, also provide relevant measures of its ability to earn and distribute cash returns to Unitholders. FFO and AFFO should not be construed as alternatives to net income (loss), or cash flows from operating activities, determined in accordance with IFRS as indicators of the REIT’s performance. The IFRS measurement most directly comparable to FFO and AFFO is net income (loss). The REIT’s method of calculating FFO and AFFO may differ from other issuers’ methods and accordingly may not be comparable to measures used by other issuers.

“**FFO**” is a non-IFRS financial measure defined as net income (computed in accordance with IFRS), excluding: (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) fair value adjustments and other effects of redeemable units classified as liabilities; (iv) revaluation adjustments of financial liabilities; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vi) deferred income tax expense; (vii) convertible debentures issuance costs; (viii) Results of discontinued operations; (ix) internal leasing costs; (x) property taxes accounted for under IFRIC 21; (xi) transaction costs; (xii) unrealized foreign exchange gains and losses; (xiii) amortization of finance leases; (xiv) amortization on Right of Use ('ROU') assets, net of payments on leases where the REIT is a lessee; and including (xv) the cash flow benefit to the REIT of certain ANZ Manager fees which are eliminated on consolidation but benefit the REIT to the extent of the non-controlling interests, all after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties. In addition, FFO is being adjusted for net losses incurred with respect to an investment in unlisted securities, [portion of financing and interest costs attributable to short-term arrangements] and certain G&A expenses that, in each case, management views as not reflective of recurring earnings from core operations (collectively, the “**Other FFO Adjustments**”). REALpac has established a standardized definition of FFO in a White Paper dated January 2022 (“**REALpac Guidance**”). The REIT’s FFO definition differs from the REALpac Guidance in that, when calculating FFO, the REIT (a) excludes the revaluation of financial liabilities, convertible debenture issuance costs and all transaction costs, and (b) makes the Other FFO Adjustments. See “PART III – RESULTS FROM OPERATIONS – FUNDS FROM OPERATIONS (“FFO”)”.

“**FFO per Unit”** or sometimes presented as “**FFO/unit**” is a non-IFRS ratio defined as FFO divided by the weighted average number of units outstanding during the period. **"FFO per Unit - fully diluted"** sometimes presented as“**FFO/unit - fully diluted**” is a non-IFRS ratio defined as FFO divided by the diluted weighted average number of units outstanding during the period. Diluted units includes vested but unexercised deferred trust units and the conversion of the REIT’s Convertible Debentures that would have a dilutive effect upon conversion at the holders' contractual exercise or conversion price. Convertible

Debentures are dilutive if the interest (net of tax and other changes in income or expense) per unit obtainable on conversion is less than the basic per unit measure.

"**AFFO**" is a non-IFRS financial measure defined as FFO, subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired; (ii) amortization of transactional deferred financing charges; (iii) differences, if any, resulting from recognizing property revenues on a straight line basis as opposed to contractual rental amounts; (iv) stabilized amounts for tenant inducements, leasing costs, and sustaining capital expenditures; (v) compensation expense related to deferred unit incentive plans; and (vi) net adjustments for equity accounted investments, as determined by the REIT. Other adjustments may be made to AFFO as determined by management at its discretion. Management's definition of AFFO is intended to reflect a stabilized business environment. The REIT's AFFO definition differs from the REALpac Guidance in that, when calculating AFFO, the REIT does not make an adjustment to AFFO for amortization of financing charges. See "PART III – RESULTS FROM OPERATIONS – FUNDS FROM OPERATIONS ("FFO")".

"**AFFO per Unit"** or sometimes presented as "**AFFO/unit**" is a non-IFRS ratio defined as AFFO divided by the weighted average number of units outstanding during the period. **"AFFO per Unit - fully diluted"** sometimes presented as"**AFFO/unit - fully diluted**" is a non-IFRS ratio defined as FFO divided by the diluted weighted average number of units outstanding during the period, calculated using same methodology as 'FFO/unit- fully diluted'.

In January 2022, REALpac issued amendments to white papers with recommendations for calculations of FFO and AFFO. The REIT reviewed the REALpac white papers and determined its FFO and AFFO definitions are substantially aligned with the white paper guidelines with some exceptions, which are outlined in PART III - RESULTS FROM OPERATIONS. We have provided an analysis of FFO and AFFO (including reconciliations to net income) under **PART III - RESULTS FROM OPERATIONS, FUNDS FROM OPERATIONS ("FFO")** and **ADJUSTED FUNDS FROM OPERATIONS ("AFFO")**.

"**AFFO Payout Ratio**" is a non-IFRS ratio used by management to assess the sustainability of the REIT's distribution payments. The ratio is calculated using cash distributions declared divided by AFFO.

"**EBITDA**" is a non-IFRS financial measure defined as income (loss) before taxes, excluding mortgage and loan interest expense, distributions on Exchangeable Units and depreciation expense and amortization expense. It is a metric that can be used to determine the REIT's ability to satisfy its obligations, including servicing its debt; but it may be affected by non-recurring items.

"**Adjusted EBITDA**" is a non-IFRS financial measure defined as EBITDA excluding, IFRS fair value changes associated with investment properties and financial instruments, DUP compensation expense, foreign exchange gains and losses, gains and losses on disposal of investment properties, adjustments for equity accounted investments, as well as, other items that management considers non-operating or non-recurring in nature. It is a metric that can be used to determine the REIT's ability to satisfy its obligations, including servicing its debt. For a reconciliation of EBITDA and Adjusted EBITDA to income (Loss) before taxes, please see "**PART IV – CAPITALIZATION AND LIQUIDITY – RATIOS AND COVENANTS**".

"Investment Properties on a proportionate basis" is a non-IFRS financial measure defined as the REIT's total investment properties balance adjusted to be reflected on a proportionately consolidated basis at the REIT's ownership percentage. We have provided an analysis of investment properties on a proportionate basis (including a reconciliation to consolidated investment properties) under "**PART II – BUSINESS OVERVIEW – INVESTMENT PROPERTIES**".

“**Proportionate Management Fees**” is a non-IFRS financial measure defined as the REIT's total management fees earned from third parties adjusted to be reflected on a proportionately consolidated basis at the REIT’s ownership percentage. We have provided an analysis of proportionate management fees (including a reconciliation to consolidated management fees) under “**PART III – RESULTS FROM OPERATIONS – NET INCOME**”.

“**Interest Coverage**” is a non-IFRS ratio calculated as Adjusted EBITDA divided by mortgage and loan interest expense less debt repayment costs (“**Adjusted mortgage and loan interest expense**”). The interest coverage ratio is useful in determining the REIT's ability to service the interest requirements of its outstanding debt. Please see “**PART IV – CAPITALIZATION AND LIQUIDITY – RATIOS AND COVENANTS**”.

“**Cash Flows from Operating Activities Attributable to Unitholders**” is a non-IFRS financial measure define as cash generated from operations after providing for operating capital requirements, and is useful to evaluate the REIT's ability to fund distributions to Unitholders. We have provided an analysis of cash flows from operating activities attributable to unitholders (including a reconciliation to cash flow from operating activities) under “**PART III – RESULTS FROM OPERATIONS – DISTRIBUTIONS**”.

“**Distributions**” is a non-IFRS financial measure defined as distributions to Unitholders and Class B LP Units on an accrual basis. Distributions are payable as at the end of the period in which they are declared by the Board of Trustees, and are paid on or around the 15th day of the following month. We have provided an analysis of distributions (including a reconciliation to distributions to trust unitholders) under “**PART III – RESULTS FROM OPERATIONS – DISTRIBUTIONS**”.

“**Net Asset Value**” or **(“NAV”)** is a non-IFRS financial measure, defined as total assets less total liabilities and less non-controlling interests, adjusted further to exclude the REIT’s proportionate share of the following: goodwill, DUP liability, deferred tax liability, derivative instruments (except financial instruments related to investment interest in real estate assets), Class B LP Unit liability and adjusted to reflect the fair value increase of the Global Manager. “**NAV per Unit”** or sometimes presented as “**NAV/unit**” is a non-IFRS ratio defined as NAV divided by the number of units outstanding at the end of the period. The REIT considers NAV and NAV per Unit to be meaningful measures because it provides, in management’s view, an estimate of the underlying intrinsic value of the REIT’s units. We have provided an analysis of NAV (including a reconciliation to total assets) under **PART IX - NET ASSET VALUE**.

“**Constant Currency Same Property NOI**”, sometimes also presented as“**Same Property NOI”** or **"SPNOI",** is a non-IFRS financial measure, defined as NOI for investment properties that were owned for a full reporting period in both the current and comparative year, subject to certain adjustments including: (i) straight-line rental revenue recognition; (ii) amortization of operating leases; (iii) lease termination fees; and (iv) non-recurring transactions that are not expected to recur (v) excluding properties held for redevelopment and (vi) excluding impact of foreign currency translation by converting the foreign currency denominated SPNOI from comparative period at current period average exchange rates. Management considers Same Property NOI to be a key operating metric useful in understanding period-over-period changes in NOI due to occupancy, rental rates, operating costs and realty taxes, before considering the changes in NOI that can be attributed to the transactions and development activities.

We have provided an analysis of NOI (including reconciliations of SPNOI to NOI) under **PART III - RESULTS FROM OPERATIONS - NET OPERATING INCOME**.

KEY PERFORMANCE DRIVERS

In addition to monitoring and analyzing the performance of operations through the measures outlined above, management considers the following to be key drivers of current and future financial performance:

- the ability to access equity capital at a competitive/reasonable cost;
- the ability to access debt, including mortgages, credit facilities, and term debt, with terms and conditions that are cost effective; and
- the ability to acquire new properties on a yield accretive basis that enhance the REIT's portfolio.

PART II – BUSINESS OVERVIEW

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

The REIT is a Canadian open-ended trust created pursuant to an amended and restated Declaration of Trust dated May 15, 2015, under the laws of the Province of Ontario (the "**Declaration of Trust**" or "**DOT**"). The REIT completed its initial public offering ("**IPO**") on March 25, 2010. The REIT Trust Units are listed and publicly traded on the Toronto Stock Exchange ("**TSX**") under the symbol NWH.UN. The REIT's Convertible Debentures are listed and publicly traded on the TSX under the symbols NWH.DB.G, NWH.DB.H and NWH.DB.I .

The REIT's strategic objectives are to:

- provide sustainable and growing cash distributions through investment in healthcare real estate globally;
- build a diversified global portfolio of healthcare properties concentrated in Australia/New Zealand, Brazil, North America and Europe;
- capitalize on growth opportunities both within its existing portfolio and through accretive acquisitions in its target markets; and
- grow the value of its assets and maximize the long-term value of its Trust Units through active and efficient management.

Declaration of Trust

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

Investment Guidelines (condensed summary)

1. The REIT may only invest directly or indirectly in interests in income–producing real estate and assets ancillary thereto necessary for the operation of such real estate;
2. Provided that the REIT may invest up to 25% of the Gross Book Value of the REIT in investments which do not comply with one or more of the specific investment guidelines set forth in Declaration of Trust; and
3. The REIT shall not hold any investment or take any action that would result in the REIT not qualifying as a "mutual fund trust" or "unit trust" both within the meaning of the Tax Act or the Units not qualifying as qualified investments for Exempt Plans.

Operating Policies (condensed summary)

1. The REIT shall not incur or assume any Indebtedness, as defined, if, after giving effect to the incurrence or assumption of such Indebtedness, the total Indebtedness of the REIT would be more than 65% of Gross Book Value;
2. Subsidiaries of the REIT may engage in construction or development of real property provided such real property meets the REIT's investment guidelines and operating policies; and
3. No guaranteeing of third-party debt outside its existing structure and potential joint venture partner structures, except under certain specific conditions and meeting certain defined criteria.

At March 31, 2023, the REIT was in compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

RELATIONSHIP WITH NWVP

As at March 31, 2023, Northwest Value Partners Inc. and affiliates ("**NWVP**") indirectly owned approximately 8.4% (approximately 7.6% on a fully-diluted basis assuming conversion of the REIT's Convertible Debentures and redemption of its deferred Trust Units) of the REIT through a combination of Trust Units of the REIT and Class B LP Units. Established in 1994, Toronto-based NWVP is one of Canada's leading privately-owned real estate companies. The scope of its business includes real estate, ownership and management, in Canada and internationally with a significant focus on the healthcare sector. The Principal of NWVP serves as the Chief Executive Officer and Chairman of the REIT.

PORTFOLIO PROFILE

Summary

The REIT provides investors with access to a portfolio of high quality healthcare real estate comprised of interests in a diversified portfolio of 233 income-producing properties and 18.6 million square feet of gross leasable area located throughout major markets in US, Canada, Brazil, Europe, Australia, and New Zealand.

Americas: The REIT's Americas platform consists of:

- **i.** Medical office buildings ("MOBs") and healthcare related facilities comprised of high quality real estate tenancies across both Canada and the United States of America ("US"). Canadian MOBs offer stable cash flow supported by the Canadian publicly funded healthcare system. In addition to the MOBs, US properties include hospitals with long-term, triple-net, inflation-indexed leases, providing consistent organic growth ("US Portfolio").
- **ii.** Institutional quality, core healthcare infrastructure assets in Brazil located in strategic markets including São Paulo, Brasilia and Rio de Janiero delivering stable cash flow with long-term, triple-net, inflation-indexed leases, providing consistent organic growth.

Europe: The REIT's investment in Europe consists of:

- i. 30% interest in a joint venture ("European JV") with a third party institutional partner that is equity accounted for under IFRS and has initial seed investments in hospitals and rehabilitation clinics located in the major markets.
- **ii.** Direct interest in high quality MOBs, hospitals, medical clinics and life sciences assets located in the major markets including Berlin, and Frankfurt in Germany; Netherlands; and in the United Kingdom ("UK Portfolio").

The assets are supported by fully integrated property management and asset management capabilities allowing for efficient operation and deal sourcing.

Australia/New Zealand: The REIT has exposure to a portfolio of hospitals, medical centers, life sciences assets and aged care facilities through:

- **i.** an approximate 28.1% interest in New Zealand Stock Exchange ("NZX") listed Vital Healthcare Properties Trust ("Vital Trust") which is consolidated by the REIT for financial reporting purposes.
- ii. 30% interest in joint ventures ("JV") with a third party institutional investor that is equity accounted for under IFRS (certain investments proportionately consolidated).

The Australasian portfolio generates stable and growing cash flows underpinned by tenancies of high quality hospital and healthcare operators with long-term, inflation-indexed leases.

Global Asset Manager:

The REIT's Global Asset Manager is a fully integrated operation comprised of leading investment, development, asset management and property operations professionals, with offices located in Canada, Brazil, Europe, Australia and New Zealand. The Global Asset Manager derives fees from $6.1 billion of third-party assets under management (December 31, 2022 - $5.5 billion), and is scaled to support over $4.6 billion of further capital commitments.

Below summarizes the REIT's managed funds as at March 31, 2023:

FUNDS UNDER MANAGEMENT AND CAPITAL COMMITMENTS

Cdn$ Billions	Total Commitment	Capital Deployed	Capital Allocated	Available Capacity	REIT Ownership	Term
Australian Core Hospital JV	3.3	2.4	0.8	0.1	30%	Perpetuity
Australian Core Hospital JV 2	2.2	—	—	2.2	30%	Perpetuity
Vital Trust	3.0	3.0	—	Open	28%	Perpetuity
European JV	3.0	0.7	—	2.3	30%	11 Years
Total	**11.5**	**6.1**	**0.8**	**4.6**		

The following table summarizes the REIT's assets by region as at March 31, 2023:

SUMMARY OF ASSETS

	Americas	Europe (1)	Australasia (2) (3)	Consolidated Total (4)
Number of Properties	90	69	74	233
Asset Mix	68% MOB & 30% Hospitals & Healthcare Facilities & 2% Life Sciences	52% MOB & 46% Hospitals & Healthcare Facilities & 2% Life Sciences	20% MOB & 77% Hospitals & Healthcare Facilities & 3% Life Sciences	48% MOB & 50% Hospitals & Healthcare Facilities & 2% Life Sciences
Gross Leaseable Area ("GLA") (million sf)	6.7	5.5	6.5	18.6
Total Assets (Cdn$ millions)	$2,862	$1,701	$3,755	$8,418
Occupancy	94%	97%	99%	97%
WALE (Years)	9.5	15.4	16.3	13.6
Average Building Age (Years)	26	28	17	24
Weighted Average Implied Cap Rate	6.2%	5.3%	4.8%	5.5%

Notes

(1) Shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 33.57% and 30% interest, respectively in these JV portfolios.

(2) Shown on a 100% basis. The REIT has an approximate 28.1% interest in Vital Trust within Australasia and consolidates its investment in Vital Trust.

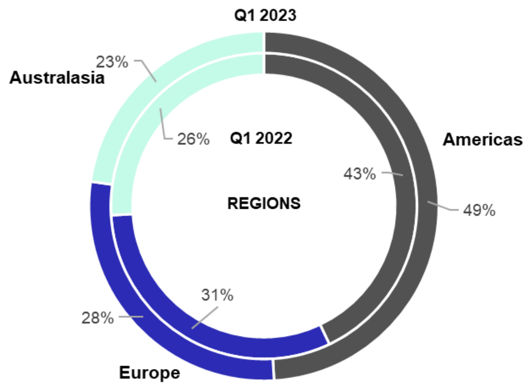
(3) Australia within Australasia is shown at 100% ownership for assets held as part of Joint venture Agreements ("JV"). The REIT owns 30% interest in these JV portfolios.

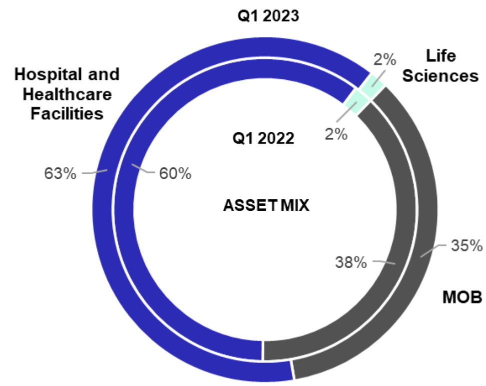
(4) Consolidated Total includes corporate assets, and Global Manager.

Diversification of Assets

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

Geographic Profile by NOI (Year-over-Year)	Asset Mix by NOI (Year-over-Year)





<u>**Notes**</u>

(1) Based on Q1 2023 and Q1 2022 actual NOI.

(2) Vital Trust within Australasia is shown on a proportionate basis. The REIT has an approximate 28.1% ownership interest in Vital Trust and consolidates its investment in Vital Trust.

(3) The European JV and Australian JVs are shown on a proportionate basis. The REIT owns 30% - 33.57% interest in its JV portfolios.

Medical office buildings ("MOBs") are similar to commercial office buildings, are typically multi-tenant properties and are primarily leased to necessity based healthcare providers.

Hospital and other healthcare facilities are typically leased to a single tenant or hospital operator under long-term, inflation indexed, triple net lease structures in which the REIT does not absorb any material property operating cost or CAPEX risk.

Life Sciences are an emerging class of assets that are primarily leased to life science users with a focus on research and development, under long-term leases.

Tenant Mix

The following table summarizes the REIT's 10 largest tenants by percentage of proportionate revenue for the three months ended March 31, 2023:

10 LARGEST TENANTS BY PERCENTAGE OF RENT

	Tenant	Region	%	# of locations
1	Rede D'Or	Brazil	8.6 %	7
2	Nuffield Health	Europe	4.5 %	6
3	Healthscope Limited(1)	Australasia	3.8 %	11
4	BMI Healthcare	Europe	2.2 %	6
5	Epworth Foundation(1)	Australasia	1.9 %	10
6	Aurora Healthcare(1)	Australasia	1.4 %	13
7	Spire Healthcare Limited	Europe	1.1 %	1
8	CISSS / CIUSSS	Canada	1.0 %	5
9	Healthe Care Surgical Pty Ltd(1)	Australasia	1.0 %	4
10	Stichting Albert Schweitzer Ziekenhuis	Europe	1.0 %	4
			26.5 %	67

Notes:
(1) Australia and Europe are shown at proportionate ownership basis for assets held as part of Joint Venture Agreements ("JV"). The REIT owns a 30% interest in the JV within Australia and Europe, which are reflected on a proportionate ownership basis. The REIT has an approximate 28.1% interest in Vital Trust and consolidates its investment in Vital Trust.

Further information on the REIT's five largest tenants is below:

Rede D'Or is the largest integrated health care network in Brazil. The company runs 69 own hospitals, 3 managed hospitals, and 53 specialized oncology outpatient clinics, comprising over 11,000 inpatient beds – an average of 159 beds per hospital. With more than 40 years of experience in the healthcare business, the company has solid business positions and operational scale strategically located in 13 states with the majority of the hospitals concentrated in the states of: São Paulo, Rio de Janeiro, Bahia, Federal District and Pernambuco. Since 2004, the company has grown substantially through a series of strategic partnerships and acquisitions. Rede D'or was valued at 112.5 billion reais ($22 billion) in an initial public offering priced on December 8, 2020, placing it among Brazil's 10 biggest companies by market capitalization at time.

Nuffield Health is the REIT's second largest tenant in six directly held properties, accounting in total for 4.5% of the REIT's proportionate revenues. Nuffield Health is the largest non-profit UK healthcare provider and is a registered UK charity that primarily operates 37 hospitals and 114 medical centres, fitness, and corporate wellbeing sites. The group's strategy has been to exploit synergies between private hospitals and broader wellness and fitness services. Nuffield Health has developed a strong name in the private healthcare space primarily accommodating NHS clients through patient choice. Nuffield Health has continued to invest strongly in the development and modernization of its existing hospital capacity and is in a strong financial position in terms of both profitability and growth.

Healthscope Limited ("HSO") is currently the REIT's third largest tenant , occupying 12 properties (HSO Portfolio) and accounting for 3.8% of the REIT's proportionate revenues, which takes into account the REIT's ownership level of 30% for these respective properties. HSO, formed in 1985, is Australia's second largest private hospital operator and healthcare provider with a network of 41 private hospitals across every Australian state and territory. Specializing in medical and surgical, mental health, rehabilitation and maternity services, its hospitals are concentrated in large metropolitan centers, constituting 28 acute, 7 mental health and 6 rehabilitation hospitals.

BMI Healthcare is the UK's leading independent provider of private healthcare, was formed in 1970 and performs some of the most complex procedures in the private acute care market. In 2020, BMI was acquired by Circle Health and has committed to a multi-million pound program of investment in BMI facilities, technology, and people as part of the acquisition. Circle Health has stated its intention to continue BMI's four-year £250m capital investment program which commenced following BMI's December 2018 recapitalization. In 2021, Circle Health was acquired by a major US healthcare operator, Centene (NYSE: CNC), and awarded the 'Hospital Group of the Year Award' and was listed as one of the top 25 best Big Companies to work for.

Epworth Foundation is currently the REIT's fifth largest tenant, occupying 8 properties across the Vital and Galaxy JG Funds, accounting in total for 1.9% of the REIT's proportionate revenues, which takes into account the REIT's ownership level of approximately 28.1% for these respective properties. Epworth Foundation was established in 1982 to raise funds to ensure patients at Epworth HealthCare receive the best possible care. Epworth HealthCare is Victoria's largest not-for-profit private health care group, with more than 7,100 employees, including nurses, doctors, allied health professionals and support services, across nine hospitals and several specialty centers around the Melbourne metropolitan area. Epworth Foundation invest heavily in the latest technology and innovation, as well as nurse training facilities, which all assists it in attracting leading physicians and staff.

INVESTMENT PROPERTIES

The estimated fair value of investment properties as at March 31, 2023 was $6.5 billion (December 31, 2022 - $6.6 billion) representing an implied weighted average capitalization rate of 5.5% (December 31, 2022 - 5.2%).

INVESTMENT PROPERTIES

Expressed in thousands of Canadian dollars	Three months ended March 31, 2023				
	Income Properties				
	Americas	Europe	Vital Trust	Australia	Total
Opening Balance	**$ 2,727,359**	**$ 684,111**	**$ 2,463,595**	**$ 179,009**	**$ 6,054,074**
Acquisitions of investment properties	—	—	27	—	27
Additions to investment properties	4,656	1,074	1,498	124	7,352
Increase (decrease) in straight-line rents	1,378	—	—	631	2,009
Transfers from (to) assets held for sale	(74,701)	(71,628)	(37)	—	(146,366)
Fair value gain (loss)	5,016	(21,487)	7,494	(498)	(9,475)
Foreign currency translation	29,719	14,204	(44,179)	(3,263)	(3,519)
Closing Balance	**$ 2,693,427**	**$ 606,274**	**$ 2,428,398**	**$ 176,003**	**$ 5,904,102**
	Properties Under Development				
	Americas	Europe	Vital Trust	Australia	Total
Opening Balance	**$ 51,426**	**$ 27,851**	**$ 479,184**	**$ —**	**$ 558,461**
Acquisitions of investment properties	—	—	3,992	—	3,992
Additions to investment properties	7,343	785	37,982	—	46,110
Increase in straight-line rents	16	—	—	—	16
Fair value gain (loss)	(745)	(1,047)	3,256	—	1,464
Foreign currency translation	—	(3,238)	(6,676)	—	(9,914)
Closing Balance	**$ 58,040**	**$ 24,351**	**$ 517,738**	**$ —**	**$ 600,129**
	Total				
	Americas	Europe	Vital Trust	Australia	Total
Opening Balance	**$ 2,778,785**	**$ 711,962**	**$ 2,942,779**	**$ 179,009**	**$ 6,612,535**
Acquisitions of investment properties	—	—	4,019	—	4,019
Additions to investment properties	11,999	1,859	39,480	124	53,462
Increase in straight-line rents	1,394	—	—	631	2,025
Transfers from (to) assets held for sale	(74,701)	(71,628)	(37)	—	(146,366)
Fair value gain (loss)	4,271	(22,534)	10,750	(498)	(8,011)
Foreign currency translation	29,719	10,966	(50,855)	(3,263)	(13,433)
Closing Balance	**$ 2,751,467**	**$ 630,625**	**$ 2,946,136**	**$ 176,003**	**$ 6,504,231**

Investment Properties on Proportionate Basis[1]	
Expressed in thousands of Canadian dollars	**March 31, 2023**
Total reported investment properties	6,504,231
Proportionate share of the JV investments[2]	815,865
NCI share of investment properties	(2,118,220)
Total investment properties at proportionate share	**5,201,876**

Notes:

(1) See **Performance Measurement** in this MD&A.

(2) Proportionate share of jointly owned investments where the REIT's interest is equity accounted. The JVs include properties that are accounted both on a proportionate basis and using equity accounting method.

See **LEASING COSTS AND CAPITAL EXPENDITURES** for additional information on additions to investment properties.

2023 Acquisitions

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

ACQUISITIONS			
Region	**Quarter**	**GLA**	**Acquisition Cost (in millions)**
Various [1]	Q1	—	$ 4.0
Total		**—**	**$ 4.0**

(1) Consists of development lands in Australasia.

2023 Dispositions

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 sales are expected to be completed within a year of when the assets have been classified as held for sale.

Valuation of Investment Properties

The estimated fair values of the income producing properties at March 31, 2023 were determined either on internal valuation models incorporating available market evidence or on 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 portfolio, (for the three months ended March 31, 2022 - aggregate estimated fair value was $0.7 billion representing approximately 10.1% of its portfolio, were valued by independent third party appraiser) were valued by independent third party appraisers.

During the three months ended March 31, 2023, the REIT recorded a fair value loss on income producing properties of $8.0 million. The fair value loss for the three months ended March 31, 2023, was mainly attributable to a change in valuation parameters across the REIT's operating regions, partially offset by fair value gain in Brazil as a result of a positive change in the IPCA indexation during the period.

As at March 31, 2023, the weighted average capitalization rate slightly increased to 5.5% for the consolidated portfolio as compared to 5.2% as at December 31, 2022.

DEVELOPMENT ACTIVITY

The REIT develops new properties and reinvests capital in its existing properties, through expansions and refurbishments, as a way to create value for our tenants and unitholders. It is expected that development activity will become a more important component of the REIT's growth over time, to help our tenants meet the growing healthcare needs of the populations they serve. Meeting these needs is largely contingent upon completing the development projects in the manner contemplated. The most important factor affecting completion will be the successful execution of construction plans, while meeting the timing and cost goals of each project.

The REIT is undertaking the following active development projects which are at various stages of execution ranging from planning to active development:

MAJOR DEVELOPMENT ACTIVITY BY REGION

Expressed in thousands of Canadian dollars, except percentage amounts

	Number of Projects	Estimated Completion Date	Estimated Project Costs	Estimated Costs to Complete	% Pre-leased	Anticipated Project Yield
Australasia	14	Q2 2023 - Q1 2025	428,503	276,211	69 %	5.5 %
Europe	1	Q4-2023	11,773	3,605	90 %	4.9 %
Americas	4	Q3 2023 - Q4 2023	70,756	37,166	90 %	7.9 %
	19		$ 511,032	$ 316,982	72 %	5.8 %

Estimated total cost includes anticipated acquisition costs, estimated total construction and financing costs. The material assumption made in formulating the estimated total cost is that construction and financing costs remain stable for the remainder of the development period in each of the REIT's regions. Estimated project yield on cost is the estimated annual NOI as a percentage of the estimated total cost. Estimated cost to complete is the difference between the estimated total cost and the costs incurred to date. Value accretion is based on stabilized value upon completion less project costs.

The reader is cautioned that the above information is forward-looking and actual results may vary materially. See **FORWARD-LOOKING INFORMATION ADVISORY.**

Australasia

During the quarter, Vital Trust approved three expansion projects. The REIT currently has a total of fourteen active expansion projects in Australasia with completion dates ranging from the first quarter of 2023 to the first quarter of 2025. Projects include a mix of modernization and expansion projects at acute surgical and mental health facilities to meet the growing demand for healthcare services. Expansion projects are with Vital Trust's existing tenants, Healthe Care and Acurity and Australian JV tenant Healthscope and Evolution. The developments are expected to be funded through existing resources. Expansion projects are approximately 69% leased at premium yields and expected to generate significant NAV growth on completion. The REIT's share of Australasian development costs is $120.4 million of which estimated cost to complete is $77.6 million.

In addition to those projects included in the table above, Vital Trust has an active pipeline of potential expansions and developments that are expected to replace development completions over time.

Europe

Europe currently has one German development under construction with scheduled completion in the fourth quarter of 2023.

Americas

The REIT currently has a total of four active expansion projects in the Americas. One expansion project in the United States. The two Brazilian developments relate to expansion planned for the REIT's Hospital e Maternidade Brasil ("HMB") and Hospital Sao Luiz Morumbi and is expected to be funded through a combination of existing resources and property financing. Additionally, a Canadian development project located in Pickering, Ontario and commenced in the fourth quarter of 2020. The development was financed with an at-market construction loan.

LEASING COSTS AND CAPITAL EXPENDITURES

LEASING COSTS AND CAPITAL EXPENDITURES

Expressed in thousands of Canadian dollars	Three months ended March 31, 2023				
	Americas	**Europe**	**Vital Trust**	**Australia**	**Total**
Additions to investment properties					
Leasing costs [(1)]	$ 593	$ —	$ —	$ 2	$ 595
Tenant improvements [(2)]	2,710	529	1,335	49	4,623
Maintenance capital expenditures	687	505	163	72	1,427
Other capital expenditures	666	40	—	1	707
	4,656	1,074	1,498	124	7,352
Internal leasing costs expensed	435	59	—	—	494
	5,091	1,133	1,498	124	7,846
Less:					
Recoverable maintenance capital expenditures	(687)	(25)	—	—	(712)
Other value enhancing and non-recurring capital expenditures	(226)	(475)	(1,335)	(25)	(2,061)
Leasing costs and non-recoverable maintenance capital expenditures	**$ 4,178**	**$ 633**	**$ 163**	**$ 99**	**$ 5,073**
AFFO adjustment for leasing costs and non-recoverable maintenance capital expenditures [(3)]	**$ 2,310**	**$ 742**	**$ 163**	**$ 99**	**$ 3,314**
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	**$ 1,868**	**$ (109)**	**$ —**	**$ —**	**$ 1,759**

Notes

(1) The leasing costs exclude base salary and benefits of the internal leasing department which have been expensed.

(2) Tenant improvements include tenant allowances and landlord's work.

(3) In Canada within Americas and in Europe, due to the nature of the portfolios, on a quarterly basis and during portfolio repositioning, leasing costs, tenant improvements and maintenance capital expenditures can fluctuate and as such, should not be regarded as stabilized. As a result, the REIT uses a reserve of 6% of revenue from MOBs in Canada within Americas and in Europe when determining AFFO. In Brazil and US within Americas and Australasia due to the long term, triple net nature of the leases the REIT uses actual leasing costs and non-recoverable maintenance capital expenditures when determining AFFO.

The REIT's current leasing cost and capital expenditure reserves (the "**LC and CAPEX reserve**") are based on its views of stabilized, constant-occupancy leasing costs and maintenance capital expenditures. These views are underpinned by both the REIT's 10 plus years of experience as an owner and operator of healthcare real estate (including Canadian and Europe medical office buildings) as well as 5-year forecast expenditures, which incorporate a series of asset and space specific assumptions made by management supported by third party appraisers via valuation reports and engineers via building condition reports. The REIT's 6% per annum LC and CAPEX reserves for Canadian and Europe medical office buildings are based on a 5 year forecast of leasing costs based on historic results, known leasing activity at constant occupancy levels and maintenance requirements as well as forecast market trends. Leases relating to the REIT's investments in Brazil and Australasia are typically structured on a long term (20+ year), triple net basis and as such leasing costs and maintenance capital expenditures are reported on an actual basis.

Americas

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

During the three months ended March 31, 2023 additions for the Canadian investment properties totaled $4.6 million. During the quarter leasing costs of $3.3 million included costs attributable to eleven transactions, of which five were lease renewals and expansions with an aggregate WALE of 8.6 years. Included in other value enhancing and non-recurring capital expenditures for the quarter were one-time capital expenditures incurred.

The REIT's hospitals in Brazil are leased to single tenant, hospital operators under long-term, inflation indexed, triple net lease structures in which the REIT does not absorb any property operating cost risk. As a result, the REIT does not incur any leasing or capital expenditures at the REIT's Brazil hospitals and therefore the REIT uses actual expenditures (if applicable) in determining AFFO.

Europe

On a quarterly basis leasing cost, tenant improvements and capital expenditures can fluctuate and as such, should not be regarded as stabilized. Additions to the European investment properties for the three months ended March 31, 2023 were $1.1 million.

Included in the value enhancing and non-recurring capital expenditures for the quarter were primarily (i) tenant fit-out in the Berlin, Hamburg, Ingolstadt and Leipzig MOB-portfolios and (ii) non-recurring capex in the Berlin and Luebeck portfolio for fire safety systems.

Australasia

The majority of Australasian assets, including Vital Trust, represent hospitals leased to single tenant, hospital operators under long-term, inflation indexed, triple net lease structures. As a result, Australasian portfolio does not incur significant leasing or maintenance capital expenditures. For Australasian MOB portfolio and certain hospital assets, leasing costs, tenant improvements and maintenance capital expenditures can be incurred. The REIT has elected to recognize actual leasing and maintenance capital expenditures incurred in determining AFFO due to the significant proportion of Australasian portfolio comprised of triple net leased hospitals.

During the three months ended March 31, 2023, additions to the Australasian investment properties totaled $1.6 million which were largely attributable to Tenant improvements works.

PART III – RESULTS FROM OPERATIONS

NET INCOME (LOSS)

The following is a summary of selected financial information from the condensed consolidated interim statements of income (loss) and comprehensive income (loss) for the three months ended March 31, 2023 and 2022:

RESULTS FROM OPERATIONS

Expressed in thousands of Canadian dollars	Three months ended March 31,		
	2023	**2022**	**Variance**
Net Operating Income			
Revenue from investment properties	$ 135,324	$ 104,463	$ 30,861
Property operating costs	(39,903)	(27,396)	(12,507)
Net Operating Income (NOI)	**95,421**	**77,067**	**18,354**
Other income			
Share of profit (loss) from equity accounted investments	3,988	5,168	(1,180)
Management fees	10,725	7,095	3,630
Development revenue	—	2,564	(2,564)
Interest and other	4,116	2,510	1,606
	18,829	**17,337**	**1,492**
	114,250	**94,404**	**19,846**
Expenses and Other			
Mortgage and loan interest expense	(51,648)	(23,387)	(28,261)
General and administrative expenses	(13,036)	(10,309)	(2,727)
Transaction costs	(5,020)	(5,599)	579
Other finance costs	(3,417)	(8,162)	4,745
Foreign exchange gain (loss)	7,216	594	6,622
Development costs	—	(2,348)	2,348
Income (loss) before the under noted items	**48,345**	**45,193**	**3,152**
Fair value adjustment of Unit-Based Liability	3,303	211	3,092
Fair value adjustment of investment properties	(151,561)	82,341	(233,902)
Gain (loss) on derivative financial instruments	(17,192)	28,970	(46,162)
Income (loss) before taxes	**(117,105)**	**156,715**	**(273,820)**
Income tax expense	27,950	(33,380)	61,330
Net income (loss)	**$ (89,155)**	**$ 123,335**	**$ (212,490)**
Net income (loss) attributable to:			
Unitholders	$ (97,486)	$ 88,254	$ (185,740)
Non-controlling interests	8,331	35,081	(26,750)
	$ (89,155)	**$ 123,335**	**$ (212,490)**

Revenue from investment properties

Revenue from investment properties for the three months ended March 31, 2023 was $135.3 million which is $30.9 million higher than the three months ended March 31, 2022. The increase is primarily attributable to the $21.6 million in revenues from the acquisition of the US Portfolio, a $4.7 million and $2.3 million increase in revenue at Vital Trust and Europe, respectively, as a result of acquisitions and rent reviews and a $1.7 million due to rent inflation indexation in Brazil.

See also **NET OPERATING INCOME**.

Property operating costs

In Canada, US, Europe and Australasia, property operating costs are comprised of amounts recoverable from tenants (including property taxes, maintenance, utilities and insurance) and non-recoverable expenses including certain property management costs. The nature of the leases in Brazil is such that the tenant is responsible for all operating costs of the property.

Property operating costs for the three months ended March 31, 2023, were $39.9 million as compared to $27.4 million for the for the three months ended March 31, 2022. The $12.5 million increase was primarily the result of completion of acquisitions and developments.

See also **NET OPERATING INCOME**.

Share of profit (loss) of equity accounted investments

SHARE OF PROFIT/LOSS IN EQUITY ACCOUNTED INVESTMENTS

For the three months ended March 31,	2023			2022			
	Australia	Europe	Total	Australia	Europe	Total	Variance
Total revenues	**$ 29,016**	**$ 10,890**	**$ 39,906**	$ 27,022	$ 8,302	$ 35,324	**$ 4,582**
Expenses							
Operating costs	**3,108**	**2,509**	**5,617**	3,041	1,583	4,624	**(993)**
Mortgage and loan interest expense	**12,738**	**5,991**	**18,729**	3,682	4,524	8,206	**(10,523)**
General and administrative expenses	**2,526**	**1,464**	**3,990**	2,509	867	3,376	**(614)**
Other	**179**	**—**	**179**	146	—	146	**(33)**
Fair value (gain) loss adjustments and transaction costs	**(3,140)**	**585**	**(2,555)**	(3,479)	4,661	1,182	**3,737**
Income tax expense	**—**	**102**	**102**	—	(220)	(220)	**322**
Net income (loss)	**$ 13,605**	**$ 239**	**$ 13,844**	$ 21,123	$ (3,113)	$ 18,010	**$ (4,166)**
Non-controlling interests	**660**	**—**	**660**	893	—	893	**233**
Net profit attributable to unitholders	**$ 12,945**	**$ 239**	**$ 13,184**	$ 20,230	$ (3,113)	$ 17,117	**$ (3,933)**
Weighted average share of profits (loss)	**30.0%**	**30% to 33.57%**		30.0%	30% to 33.57%		
REIT's share of income (loss)	**$ 3,883**	**$ 105**	**$ 3,988**	$ 6,069	$ (901)	$ 5,168	**$ (1,180)**

Share of profit (loss) of associate for the three months ended March 31, 2023 represents the REIT's share of profit (loss) in the Australasian and European JVs with an institutional partner. The REIT's share of profit (loss) of associate decreased by $1.2 million for the three months ended March 31, 2023, compared to the respective period in 2022. The decrease was mainly attributable to an increase in mortgage and loan interest expense for three months ended March 31, 2023, as a result of an increase in variable interest rate debt, partially offset by relatively flat revaluation adjustment of investment properties in the European JV, and an increase in rental revenue as compared to the respective period in 2022, mainly attributable to acquisition activity in the European JV and indexation adjustments during the three months ended March 31, 2023.

Management Fees

In exchange for its services, the Global Asset Manager earns management fees, activity-based fees for acquisitions and development activity, as well as an incentive fee from Vital Trust and joint arrangements.

With respect to investment and property management services rendered to joint arrangements, the REIT is entitled to various market-based fees.

The Global Asset Manager fees to Vital Trust are eliminated on consolidation as inter-company transactions but the REIT receives the benefit of approximately 72% of the fees; representing the non-controlling interest - ownership in Vital Trust.

The following table summarizes the management fees earned by Global Asset Manager for the three months ended March 31, 2023 and 2022:

GLOBAL MANAGER FEES

Expressed in thousands of Canadian dollars	Three months ended March 31,		
	2023	**2022**	**Variance**
Base fee	$ 8,384	$ 7,893	$ 491
Incentive and performance fee	4,236	4,799	(563)
Trustee fees	307	269	38
Project and Acquisition fees	5,375	3,293	2,082
Other fees and cost reimbursements	3,470	3,118	352
Total Management Fees	**$ 21,772**	**$ 19,372**	**$ 2,400**
less: inter-company elimination (1)	(11,047)	(12,277)	1,230
Consolidated Management Fees (2)	**$ 10,725**	**$ 7,095**	**$ 3,630**
add: fees charged to non-controlling interests	7,805	8,852	(1,047)
Proportionate Management Fees (3)	**$ 18,530**	**$ 15,947**	**$ 2,583**

Notes

(1) Management fees charged to Vital Trust are eliminated on consolidation as an inter-company transaction.

(2) Represents the reported consolidated management fees.

(3) See **Performance Measurements** in this MD&A.

Consolidated management fees for the three months ended March 31, 2023, increased by $3.6 million compared to the respective period in 2022.

Project and acquisition fees for the three months ended March 31, 2023, increased by $2.1 million compared to prior period, mainly due to $2.9 million acquisition fee with respect to the European JV, partially offset by a decrease in transactional activity in the other REIT's joint ventures and Vital Trust.

Other fees and cost reimbursements for the three months ended March 31, 2023, increased by $0.4 million compared to prior period due to cost reimbursements in respect of the European JV.

Incentive fees are calculated as a percentage of the average annual increase in Vital Trust's net tangible assets, over the respective 12 month period ending June 30th, and the two preceding periods. Incentive fees for the three months ended March 31, 2023, decreased by $0.6 million primarily driven by net tangible asset change at Vital Trust.

Development Revenue and Costs

During the first quarter of 2021, the REIT entered into an agreement with the European JV partner to develop for two investment properties for the European JV. The development properties have been completed during the first half of 2022.

Interest and other

For the three months ended March 31, 2023 and 2022, the REIT recorded interest and other income of $4.1 million and $2.5 million, respectively.

The increase during the three months ended March 31, 2023 period mainly relates to distribution income earned on the REIT's investment in unlisted securities.

Mortgage and loan interest expense

The mortgage and loan interest expense for the three months ended March 31, 2023, was $51.6 million, an increase of $28.3 million over the prior year period. Interest expense reflects the impact of interest rate derivatives that fix variable debt exposure. Interest expense includes $2.0 million of premiums attributable to derivative financial instruments.

The composition of mortgage and loan interest expense for the three months ended March 31, 2023 and 2022 is as follows:

MORTGAGE AND LOAN INTEREST EXPENSE

Expressed in thousands of Canadian dollars	**Three months ended March 31,**		
	2023	**2022**	**Variance**
Americas			
Mortgages and Term loans	14,031	5,936	(8,095)
Europe			
Mortgages and Term loans	7,220	1,576	(5,644)
Australasia			
Term Loans	15,835	8,661	(7,174)
Corporate			
Australasian Secured Financing	3,972	1,561	(2,411)
Corporate Credit Facilities	11,192	5,473	(5,719)
Convertible Debentures	4,088	1,695	(2,393)
	19,252	8,729	(10,523)
less: capitalized interest	(4,690)	(1,515)	3,175
Total mortgage and loan interest expense	**$ 51,648**	**$ 23,387**	**$ (28,261)**

For additional information on the REIT’s debt see **CAPITAL STRUCTURE – Debt**

Americas

Mortgage and Term loans interest expense for the three months ended March 31, 2023 has increased by $8.1 million compared to the respective prior year period. The increase is primarily due to the acquisition of the US portfolio on April 14, 2022.

Europe

Mortgage and Term loans expense for the three months ended March 31, 2023, has increased by $5.6 million compared to the respective prior year period mainly due to a new term financing secured by the UK Portfolio that the REIT entered during Q4 2022.

Australasia

Mortgage interest expense for the three months ended March 31, 2023 has increased by $7.2 million over the three months ended March 31, 2022. The increase over the comparable prior year period is attributable to acquisition activity as well as an increase in weighted average interest rates.

Corporate

The increase in the interest expense for the three months ended March 31, 2023, over the comparable prior year period is primarily due to refinancing and expansion in corporate credit facilities to fund acquisition and investment activities, as well as the exposure of some credit facility tranches to variable interest rates which resulted in an overall higher weighted average interest rate.

For additional information on the REIT’s Convertible Debentures and associated interest rates see **CAPITAL STRUCTURE - Debt.**

General and administrative expenses (“G&A”)

G&A expenses for the three months ended March 31, 2023 were $13.0 million, as compared to $10.3 million in the respective prior year period.

G&A for the three months ended March 31, 2023, includes Unit-Based Compensation Expense (as defined under **ADJUSTED FUNDS FROM OPERATIONS (“AFFO”) - Unit-Based Compensation Expense)** of $2.3 million (three months ended March 31, 2022 - $1.6 million), the increase in Unit-Based compensation expense compared to prior period mainly attributable to deferred units granted in April 2022 and restricted and performance units granted during the second half of 2022.

G&A, excluding amounts associated with Unit-Based Compensation Expenses, increased by approximately $2.0 million over the respective prior year period. The increase in G&A for the three months ended March 31, 2023, was primarily as a result of growth and scaling of the REIT's platform during the second half of 2022.

Transaction costs

For the three months ended March 31, 2023, the REIT incurred transaction costs of $5.0 million (three months ended March 31, 2022 - $5.6 million). For the three months ended March 31, 2023, included in transaction costs are third party costs and internal allocations, including associated unit-based compensation expenses, related to acquisition and disposition activities, investment opportunities, capital raising initiatives, and JV formation, being explored by the REIT. Additionally, included in transaction costs for three months ended March 31, 2023, is an allocation of CEO management services (See **RELATED PARTY TRANSACTIONS**) and related cost reimbursements in relation to exploring investment opportunities, capital raising initiatives, and formation of new JVs.

Other finance costs

Other finance costs for the three months ended March 31, 2023 and 2022 consisted of the following:

	Three months ended March 31,		
	2023	2022	Variance
Distributions on Exchangeable Units	$ 342	$ 342	$ —
Loss (gain) on revaluation of financial liabilities	5,043	8,573	3,530
Amortization of deferred financing costs	2,970	2,221	(749)
Amortization of marked to market adjustment	—	(90)	(90)
Fair value adjustment of Convertible Debentures	(3,198)	(2,850)	348
Convertible Debenture issuance costs	21	—	(21)
Fair value adjustment of Exchangeable Units	(1,761)	(34)	1,727
Total Finance Costs	**$ 3,417**	**$ 8,162**	**$ 4,745**

Loss on revaluation of financial liabilities

The outstanding balances of the Brazilian term debt are adjusted by the inflation rate (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy ("**IPCA**").

For the three months ended March 31, 2023, accretion expense of $5.0 million (for the three months ended March 31, 2022 - expense of $8.6 million). The decrease in accretion expense for the three months ended March 31, 2023, is related to lower inflation rate during the three months ended March 31, 2023 of 4.65% as compared to 11.30% during the three months ended March 31, 2023.

Amortization of deferred financing costs

For the three months ended March 31, 2023, the REIT recorded amortization of deferred financing fees of $3.0 million, (for the three months ended March 31, 2022 - $2.2 million). The increase in amortization during the three months ended March 31, 2023, is primarily attributable to a new financing closed during the fourth quarter of 2022 (See **Highlights for the Quarter**).

Fair value adjustment of Convertible Debentures

Under IFRS, the REIT has elected to measure Convertible Debentures at fair value. The fair value of the Convertible Debentures is based on the closing trading price of the REIT's Convertible Debentures as at the reporting date. The following table summarizes the closing prices of the REIT's Convertible Debentures at each quarter end for the last six quarters:

CLOSING PRICE OF CONVERTIBLE DEBENTURES						
	Mar-23	Dec-22	Sept-22	Jun-22	Mar-22	Dec-21
Month-end closing price (Canadian $)						
NWH.DB.G	985.0	985.0	988.6	1,020.0	1,075.0	1,097.8
NWH.DB.H	959.4	980.0	992.0	—	—	—

An increase in the price of a convertible debenture results in a fair value loss to the REIT and a decrease in the trading price of a convertible debenture results in a fair value gain to the REIT.

Foreign exchange gain (loss)

The REIT and its subsidiaries financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. For the three months ended March 31, 2023, the REIT recorded a foreign exchange gain of $7.2 million which included $6.8 million unrealized foreign exchange gain relates to revaluation of third-party debt and intercompany loans between subsidiaries of the REIT that are denominated in foreign currencies as compared to the functional currency of the subsidiary entity, and a realized foreign exchange gain of $0.5 million mainly related to settlement of foreign currencies denominated debt.

See also **FOREIGN EXCHANGE AND CURRENCY MANAGEMENT.**

Fair value adjustment of Unit-Based Liability

Under IFRS, the REIT's unit-based compensation liability ("Unit-Based Liability") is measured at fair value each reporting period. The fair value of the Unit-Based Liability with respect to deferred units and restricted units granted is measured at fair-value every reporting period, based on the fair market value of a REIT Trust Unit or Vital Trust unit at the reporting date, whereas, the Unit-Based Liability related to performance units granted, is measured at fair-value every reporting period using a Monte-Carlo simulation at the reporting date. The change in fair value of the Unit-Based Liability is recognized in income.

The fair value adjustment on revaluation of the Unit-Based Liability for the three months ended March 31, 2023 was a gain of $3.3 million, as compared to a gain of $0.2 million for the three months ended March 31, 2022. The change in the fair value adjustment related to the Unit-Based Liability over the comparable prior year period reflects changes in the trading price of the REIT's Trust Units during the period with respect to deferred units and restricted units, and fair value adjustment related to the REIT's performance units.

Fair value adjustment of investment properties

For the three months ended March 31, 2023, the REIT recorded a fair value loss on investment properties of $151.6 million. The fair value loss was mainly attributable to change in valuation parameters, incorporating market evidence, when available and rent reviews, partially offset by fair value gain in Brazil as a result of a positive change in the IPCA indexation during the period.

See also **INVESTMENT PROPERTIES**.

Gain/Loss on derivative financial instruments

Gain/loss on derivative financial instruments for the three months ended March 31, 2023 and 2022 consisted of the following:

GAIN (LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS			
Expressed in thousands of Canadian dollars	Three months ended March 31,		
	2023	2022	Variance
Americas			
Interest rate derivatives	$ (5,282)	$ 248	$ (5,530)
Europe			
Interest rate derivatives	(1,681)	6,955	(8,636)
Australasia			
Interest rate derivatives	(10,389)	21,687	(32,076)
Option contracts	(24)	54	(78)
Foreign exchange contracts	184	26	158
Total gain (loss) on derivative financial instruments	**$ (17,192)**	**$ 28,970**	**$ (46,162)**

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.

Income tax expense

The combined current tax and deferred tax recovery of the REIT for the three months ended March 31, 2023, was $28.0 million.

For the three months ended March 31, 2023, the REIT recognized a current tax expense of $7.0 million (for the three months ended March 31, 2022 - expense of $7.2 million). The current taxes during the quarter primarily relate to normal course income tax expense on taxable earnings at the Global Asset Manager, Vital Trust, Europe and withholding tax in Australia.

The REIT records deferred tax assets and liabilities in Europe, Brazil, US, Vital Trust and Australia arising primarily due to the difference between the carrying value for accounting purposes and tax cost of its investment properties. The deferred tax benefit for the three months ended March 31, 2023, of $34.9 million (for the three months ended March 31, 2022 - an expense of $26.2 million) was primarily a result of fair value adjustments related to investment properties and a deferred tax expense related to the Global Asset Manager.

NET OPERATING INCOME

NOI is defined as income from properties after operating expenses have been deducted, computed in accordance with IFRS, but before deducting interest expense, finance costs, depreciation and amortization expense, general and administrative expenses, income taxes, leasehold improvement and leasing costs, and unrecoverable capital costs. The REIT uses NOI to assess its property operating performance on an un-levered basis.

Same Property NOI for the three months ended March 31, 2023 represents net operating income from properties currently owned by the REIT that were acquired prior to January 1, 2022, adjusted for straight-line rental revenue recognition, lease termination fees and allowance for doubtful accounts, and excluding properties held for redevelopment and impact of foreign currency translation.

See **Performance Measurement.**

The REIT's same property NOI for the three months ended March 31, 2023 and 2022 is summarized in the tables below in Canadian dollars and in constant currency:

SAME PROPERTY NOI

In thousands of CAD	Three months ended March 31,		
	2023	**2022**	**Var %**
Same property NOI (1)			
Americas	$ 28,677	$ 28,154	1.9 %
Europe	18,297	17,549	4.3 %
Australasia	27,333	25,451	7.4 %
Same property NOI (1)	**$ 74,307**	**$ 71,154**	**4.4 %**
Impact of foreign currency translation on Same Property NOI	—	(546)	
Straight-line rental revenue recognition	519	(78)	
Amortization of operating leases	(42)	(55)	
Lease termination fees	31	—	
Other transactions	308	612	
Developments	4,248	3,460	
Acquisitions	15,460	2,114	
Dispositions	—	(4)	
Intercompany/Elimination	590	410	
NOI	**$ 95,421**	**$ 77,067**	**23.8 %**

Notes:
(1) Same property NOI is a non-IFRS financial measure. See **Performance Measurement.**.

Consolidated

The REIT's Same Property NOI for the three months ended March 31, 2023 increased by 4.4% over the comparable prior year periods mainly due to inflationary adjustments on rents reflecting a steady growth in our underlying lease rentals additionally supported by a long term wale of 13.6 years.

Americas

Same property NOI for the three months ended March 31, 2023 increased by 1.9% over the comparable prior year period mainly due to inflationary adjustment on rents in the Brazil portfolio and increase in net parking rent in the Canadian portfolio partly offset by lower occupancy and higher non-recoverable costs in the Canadian portfolio excluding the impact of free rent ($0.5 million in comparative period) of a value enhancing lease.

Europe

Same Property NOI for the three months ended March 31, 2023 increased by 4.3% over the comparable prior year period reflecting growth in rental revenue from indexation increases.

Australasia

Same Property NOI for the three months ended March 31, 2023 over the comparable prior year period increased by 7.4% over the comparable prior year period driven by higher Indexed growth and fixed increases, leasing of long-term vacancies.

LEASING

Lease Maturities

The REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 13.6 years as at March 31, 2023. Below is a table of the percentage of leases of expiring by year by region.

	2023	2024	2025	2026	2027	2028	2029	2030	Thereafter	**Total**
Americas	5.1%	8.4%	5.5%	6.3%	7.0%	10.1%	4.1%	3.9%	49.6%	**100.0%**
Europe (1)	2.0%	4.8%	4.8%	5.2%	2.1%	2.6%	1.6%	2.4%	74.5%	**100.0%**
Australasia (2)	1.5%	2.2%	1.7%	1.6%	1.4%	4.6%	0.8%	1.2%	85.0%	**100.0%**
Total Portfolio	2.9%	5.1%	3.9%	4.3%	3.6%	5.9%	2.2%	2.5%	69.6%	**100.0%**

(1) Europe is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30%-33.57% interest in the JV.

(2) Australia within Australasia is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30% interest in the JV.

The REIT's expiry profile benefits from its Brazilian Hospitals, Australian Hospitals and European Clinic properties which are subject to long term leases. The eight Brazil hospitals are each occupied by single tenants that are leading hospital operators, and have leases expiring between September 30, 2024 and January 5, 2045. The European Clinic properties are mainly occupied by single tenants with an average WALE of 21.2 years. The expiry profile also reflects the longer term nature of many of the hospital tenants within the Vital Trust portfolio which has a WALE of 17.2 years and the Australian portfolio which has a WALE of 15.3 years.

The below table summarizes the REIT's WALE allocated by asset type as at March 31, 2023:

	Asset Mix			WALE (in years)			
	MOB	**Hospitals & Healthcare Facilities**	**Life Sciences**	**MOB**	**Hospitals & Healthcare Facilities**	**Life Sciences**	**Total**
Americas [1]	68 %	30 %	2 %	4.9	15.0	7.4	**9.5**
Europe [2]	52 %	46 %	2 %	5.9	21.2	17.0	**15.4**
Australasia [1 3]	20 %	77 %	3 %	9.1	17.5	11.6	**16.3**
Total Portfolio	48 %	50 %	2 %	5.7	18.0	11.5	**13.6**

Notes

1 Excluding development projects.

2 Europe is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30%-33.57% interest in the JV.

3 Australia within Australasia is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30% interest in the JV.

Lease Indexation

As at March 31, 2023, over 82.6% of the REIT's rental income (97.6% of the International Portfolio) is subject to inflationary adjustments, certain of which are fixed or capped, and market reviews. The below table summarizes the percentage of revenue by region which receives the benefit of regular inflationary adjustments:

Revenue Subject to Inflationary/Market Based Adjustments	
As at March 31, 2023	**% of Revenue** [(1)]
Americas	62.5%
Europe [(2)]	96.7%
Australasia [(3)]	98.6%
International Total/Weighted Average	**97.6%**
Portfolio Total / Weighted Average	**82.6%**

Notes

(1) Includes revenue which is subject to inflationary adjustments and market reviews.

(2) Europe is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30%-33.57% interest in the JV.

(3) Australasia is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30% interest in the JV and 28.1% in Vital Trust.

Leasing Activity

LEASING ACTIVITY							
	Three months ended March 31, 2023						
	Americas			Australasia			
in thousands of square feet	Canada	USA	Brazil	Europe [1]	Vital Trust [2]	Australia	Total
Opening Occupancy	90%	97%	100%	97%	98%	100%	97%
Opening Balance	3,223	1,205	1,880	5,296	3,256	3,156	18,016
Acquisition	—	—	—	—	—	—	—
Disposition	—	—	—	—	—	—	—
Transfers to Properties under Development	—	—	—	—	—	—	—
Expiries and Early Terminations	(147)	(15)	—	(126)	(186)	(3)	(477)
Renewal	98	2	—	119	183	3	405
New Leasing	16	—	—	10	1	—	27
Other [3]	(10)	—	—	(10)	(3)	(2)	(25)
Closing Balance	3,180	1,192	1,880	5,289	3,251	3,154	17,946
Closing Occupancy	**89%**	**96%**	**100%**	**97%**	**98%**	**100%**	**97%**

Notes

(1) Europe is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"), including both German and Netherlands Seed Portfolios. The REIT owns 33.57% and 30% interest, respectively in these JV portfolios.

(2) Australia within Australasia is shown on a 100% basis. The REIT has an approximate 28.1% interest in Vital Trust within Australasia and acts as manager of Vital Trust, it therefore consolidates Vital Trust.

(3) Other includes Remeasurements and Month-to-Month leases.

Canada

During the quarter, the REIT completed 97,814 square feet of renewal leasing representing a 80% renewal rate. The REIT completed the renewals at an initial net rent of $16.62 per square foot versus an expiring net rent per square foot of $16.29 per square foot, an increase of $0.33 per square foot or 2.0%.

During the quarter, the REIT also completed 16,140 square feet of new leasing at an initial net rent of $20.26 per square foot.

Expiring net rent increased to $19.00 per square foot in the first quarter 2023, from $18.97 per square foot in the fourth quarter of 2022. The increase was mainly attributable to indexation and vacating of tenants at lower net rent.

EXPIRING NET RENT ($PSF)		
March 31, 2023		
	Canada	
Month-to-Month	$	13.88
2023	$	15.82
2024	$	16.31
2025	$	21.37
2026	$	19.65
2027	$	18.10
2028+	$	20.07
Total Expires	**$**	**19.00**

Brazil

The REIT's Brazil properties are subject to long term leases (portfolio WALE of 17.4 years). There was no leasing activity during the quarter.

Europe

During the quarter, the REIT completed 118,570 square feet of renewal leasing representing a 94.1% renewal rate. These renewals were completed at an initial net rent of €11.30 per square foot per year versus an expiring net rent per square foot of €11.10, an increase of 1.8%.

During the quarter, the REIT completed 9,506 square feet of same property new leasing at an initial net rent of €20.36.

EXPIRING NET RENT (€PSF)		
March 31, 2023		
	Europe	
Month-to-Month		€ 4.93
2023	€	12.79
2024	€	12.54
2025	€	13.61
2026	€	14.34
2027	€	15.81
2028+	€	10.12
Total Expires		**€ 10.87**

Vital Trust

Vital Trust's properties are generally subject to long term leases.

During the quarter, Vital Trust completed 183,115 square feet of renewal leasing representing a 98.3% renewal rate. The renewals were a result of tenants exercising their renewal options and were completed at the same rate of net rent per square foot of NZ$46.37.

During the quarter, Vital Trust completed 1,004 square feet of new leasing at an initial net rent of NZ$40.20.

Australia

The Australian portfolio is generally subject to long term leases.

During the quarter, the REIT completed 3,095 square feet of renewal leasing representing a 100% renewal rate. The renewals were completed at an initial net rent of A$48.98 versus expiring net rent of A$46.40, an increase of 5.6%.

There was no new leasing during the quarter.

FUNDS FROM OPERATIONS (“FFO”)

The REIT calculates FFO based on certain adjustments to net income (computed in accordance with IFRS) as detailed below. The REIT makes adjustments for cost incur with respect to exploring new growth opportunities, establishing joint arrangements, building relationships with healthcare operators and institutional investors, which in management view are not reflective of earnings from core operations or impact the REIT's ability in the long-run to make distributions to Unitholders given their discretionary and strategic nature. Accordingly, the REIT's method of calculating FFO may differ from other issuers' methods and may not be comparable to similar measures used by other issuers.

FUNDS FROM OPERATIONS			
Expressed in thousands of Canadian dollars, except per unit amounts	**Three months ended March 31,**		
	2023	**2022**	**Variance**
Net income (loss) attributable to unitholders	**$ (97,486)**	**$ 88,254**	**$ (185,740)**
Add / (Deduct):			
(i) Fair market value losses (gains)	162,498	(114,406)	276,904
Less: Non-controlling interests' share of fair market value losses (gains)	1,299	37,559	(36,260)
(ii) Finance cost - Exchangeable Unit distributions	342	342	—
(iii) Revaluation of financial liabilities	5,043	8,573	(3,530)
(iv) Unrealized foreign exchange loss (gain)	(6,756)	1,817	(8,573)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	156	(171)	327
(v) Deferred taxes	(34,946)	26,187	(61,133)
Less: Non-controlling interests' share of deferred taxes	377	(7,901)	8,278
(vi) Transaction costs	5,020	5,697	(677)
Less: Non-controlling interests' share of transaction costs	—	303	(303)
(vii) Convertible Debenture issuance costs	21	—	21
(viii) Net adjustments for equity accounted investments	(814)	240	(1,054)
(ix) Internal leasing costs	494	906	(412)
(x) Property taxes accounted for under IFRIC 21	401	—	401
(xi) Net adjustment for lease amortization	(82)	(72)	(10)
(xii) Other FFO adjustments	3,971	—	3,971
Funds From Operations ("FFO") (1)	**$ 39,538**	**$ 47,328**	**$ (7,790)**
FFO per Unit - Basic	$ 0.16	$ 0.21	$ (0.05)
FFO per Unit - fully diluted (3)	$ 0.16	$ 0.21	$ (0.05)
Adjusted weighted average units outstanding (2)			
Basic	242,870,623	226,324,317	16,546,306
Diluted (3)	246,584,256	237,987,041	8,597,215

Notes

(1) FFO is not a measure recognized under IFRS and does not have a standardized meanings prescribed by IFRS. See **Performance Measurements**.

(2) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 1,710,000 Class B LP Units outstanding as at March 31, 2023 and 1,710,000 outstanding as at March 31, 2022.

(3) Diluted units includes vested but unissued deferred trust units and the conversion of the REIT's Convertible Debentures that would have a dilutive effect upon conversion at the holders' contractual conversion price. Convertible Debentures are dilutive if the interest (net of tax and other changes in income or expense) per unit obtainable on conversion is less than the basic per unit measure.

REALpac has established a standardized definition of FFO in a (“the **REALpac Guidance**”). The REIT's FFO definition differs from the REALpac Guidance in that when calculating FFO, the REIT (a) excludes the revaluation of financial liabilities, convertible debenture issuance costs, and all transaction costs, and (b) makes the Other FFO Adjustments discussed in (xii) below. See "Performance Measurement".

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

(i) Fair market value losses (gains)

FAIR MARKET VALUE LOSSES (GAINS)			
Expressed in thousands of Canadian dollars	Three months ended March 31,		
	2023	2022	Variance
Fair market value losses (gains)			
Fair value adjustment of Convertible Debentures	$ (3,198)	$ (2,850)	$ (348)
Fair value adjustment of Exchangeable Units	(1,761)	(34)	(1,727)
Fair value adjustment of investment properties	151,561	(82,341)	233,902
Loss (Gain) on derivative financial instruments	17,192	(28,970)	46,162
Premiums on derivative financial instruments	2,007	—	2,007
Fair value adjustment of Unit-Based Liability	(3,303)	(211)	(3,092)
Total	**$ 162,498**	**$ (114,406)**	**$ 276,904**

Additional details are below:

a. Convertible Debentures

Under IFRS the REIT's Convertible Debentures are classified as financial liabilities measured at fair value through profit and loss and any related unrealized fair value changes in re-measuring the financial liability impact net income. Consistent with the REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to the Convertible Debentures have been added back to the REIT's net income (loss).

b. Exchangeable Units and Unit-Based Liability

Under IFRS the REIT's Exchangeable Units and Unit-Based Liability are classified as financial liabilities and any related unrealized fair value changes in re-measuring the financial liability impact net income. Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to Exchangeable Units and Unit-Based Liability have been added back to the REIT's net income (loss).

c. Investment properties

Under IFRS the REIT has elected to use the fair value model to account for its investment properties. Under the fair value model, investment properties are carried on the consolidated balance sheet at fair value. The properties are not depreciated and changes in the fair value of the investment properties are recognized in income in the period in which they occur. Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to investment properties have been added back to the REIT's net income (loss).

d. Derivative financial instruments

Under IFRS derivative financial instruments are measured at fair value and any related unrealized fair value changes in re-measuring the derivative financial instrument impact net income. Consistent with the REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, unrealized fair value changes related to derivative financial instruments, and premiums on derivative financial instrument to fix variable rate debt which are reflected under interest expense have been added back to the REIT's net income (loss).

(ii) **Finance cost - Exchangeable Unit distributions**

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

(iii) **Revaluation of financial liabilities**

Over the term of the loan, the Brazil Securitization Financings are adjusted by the inflation rate (IPCA) from the date of inception of these liabilities to their respective maturities. The accretion expense is treated as a fair value adjustment to the Brazil Securitization Financings and therefore adjusted for when calculating FFO. Although this adjustment is not consistent with REALpac Guidance, the REIT believes the adjustment is consistent with industry practice.

(iv) **Unrealized foreign exchange loss (gain)**

Under IFRS, financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. The REIT's unrealized foreign exchange movements for the periods relate primarily to the revaluation of the Australasian debt which are denominated in Australian and/or New Zealand dollars and held by a Canadian and/or New Zealand subsidiary of the REIT, and revaluation of short-term loans with subsidiaries of the REIT that are denominated in a different source currency than the functional currency of the subsidiary. Consistent with REALpac Guidance, the unrealized foreign exchange movements on the indebtedness and intercompany transactions have been added back to the REIT's net income.

(v) **Deferred taxes**

Under IFRS, the REIT has recorded deferred taxes in Europe, Brazil, Australian and Vital Trust arising primarily due to the difference between the book value and tax cost of its investment properties. Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, deferred taxes have been added back to its net income (loss).

(vi) **Transaction costs**

Under IFRS the REIT expenses transaction costs related to acquisitions which have been determined to be business combinations and business development costs. In accordance with the REALpac Guidance, to allow for consistent treatment of transaction costs incurred whether a transaction is recorded as an asset acquisition or business combination, and to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, costs related to the REIT's transactions have been added back to net income (loss). In addition, the REIT also adds back to net income (loss) third party transaction and internally allocated costs related to disposition activities, investment opportunities, establishment of joint arrangements, including those incurred with respect to building relationships with healthcare operators and institutional investors, tax on profits or losses on disposals of properties and other capital raising initiatives being explored by the REIT, which are not contemplated in the REALpac

Guidance.

(vii) **Convertible Debenture issuance cost**

In accordance with IFRS, because the REIT measures its Convertible Debentures at fair value, the REIT expenses the costs related to the issuance of the Convertible Debentures. Although this adjustment is not consistent with REALpac Guidance, these non-recurring finance costs related to the issuance of the Convertible Debentures, have been added back to the REIT's net income which the REIT believes is consistent with industry practice.

(viii) **Net adjustments for equity accounted investments**

Under IFRS the REIT's investment in joint ventures is accounted for using the equity method of accounting. Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, the REIT's share of its equity accounted investment's post-acquisition net income (loss) is added/ (deducted) to/(from) net income and FFO is presented after including the REIT's proportionate share of the equity accounted investment's FFO.

Expressed in thousands of Canadian dollars	Three months ended March 31,		
	2023	**2022**	**Variance**
Share of profit (loss) of Equity Accounted Investments	$ 3,988	$ 5,168	$ (1,180)
Add/(Deduct):			
Fair market value losses (gains), net of NCI	(798)	377	(1,175)
Deferred taxes	(16)	(137)	121
Net FFO Adjustment for Equity Accounted Investments	**$ (814)**	**$ 240**	**$ (1,054)**
FFO of Equity Accounted Investments	**$ 3,174**	**$ 5,408**	**$ (2,234)**

(ix) **Internal leasing costs**

In accordance with IFRS, internal leasing costs that are not incremental are expensed. These amounts include the base salary and benefits of the internal leasing department. Consistent with REALpac Guidance, costs that can be reasonably and directly attributed to signed leases, and that would otherwise be capitalized if incurred from external sources, are added back to net income in determining FFO.

(x) **Property taxes accounted for under IFRIC 21**

Consistent with REALpac Guidance, as a result of the requirements of IFRIC 21 wherein the obligating event that gives rise to the property tax liability does not occur over a period of time, an adjustment should be made to FFO to reflect a pro-rata expense over the period of ownership.

(xi) **Amortization of finance leases**

Consistent with REALpac Guidance, where the REIT is accounting for operating leases under IFRS 16, the REIT has adjusted FFO to reflect the principal payments that are amortized against the lease liability. For Right of Use ("ROU") assets that are being measured at cost and amortized, the amortization is added back as prescribed by the REALpac Guidance.

Australia has one long term lease receivable and one long term ground lease payable which have been recorded, in accordance with IFRS, as a finance lease payable and receivable, respectively. An adjustment has been made to FFO to adjust for the net cash impact of the finance leases.

(xii) **Other FFO adjustments**

Other FFO adjustments include items that, in management's view, are not reflective of recurring earnings from core operations. For the three months ended March 31, 2023, other FFO adjustments included (a) $2.7 million financing costs incurred with respect to an investment in unlisted securities, (b) $0.2 million of corporate G&A expenses related to the establishment of a philanthropic platform and (c) $1.0 million of corporate financing costs related to short-term financing arrangements to fund the UK and US property acquisitions that are not reflective of long-term financing costs. The above adjustments, in each case, are not contemplated in the REALpac Guidance for FFO.

ADJUSTED FUNDS FROM OPERATIONS (“AFFO”)

AFFO is a supplemental non-IFRS financial measure of a REIT’s operating performance and is intended to reflect a stabilized business environment. The REIT makes certain adjustments as detailed below in calculating its FFO and AFFO, which in management view are not reflective of earnings from core operations or impact the REIT's ability in the long-run to make distributions to Unitholders given their discretionary and strategic nature. Accordingly, the REIT's method of calculating FFO and AFFO may differ from other issuers’ methods and may not be comparable to similar measures used by other issuers.

ADJUSTED FUNDS FROM OPERATIONS			
Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended March 31,		
	2023	2022	Variance
FFO [1]	**$ 39,538**	**$ 47,328**	**$ (7,790)**
Add / (Deduct):			
(i) Amortization of marked to market adjustment	—	(90)	90
(ii) Amortization of transactional deferred financing charges	2,079	1,332	747
(iii) Straight-line revenue	715	533	182
Less: non-controlling interests' share of straight-line revenue	(1,337)	(427)	(910)
(iv) Leasing costs and non-recoverable maintenance capital expenditures	(3,314)	(2,737)	(577)
Less: non-controlling interests' share of actual capex and leasing costs	117	106	11
(v) Unit-Based Compensation Expense	2,346	1,648	698
(vi) Net adjustments for equity accounted investments	(15)	(243)	228
Adjusted Funds From Operations ("AFFO") [1]	**$ 40,129**	**$ 47,450**	**$ (7,321)**
AFFO per Unit - Basic	$ 0.17	$ 0.21	$ (0.04)
AFFO per Unit - fully diluted	$ 0.16	$ 0.21	$ (0.05)
Distributions per Unit - Basic [3]	$ 0.20	$ 0.20	$ —
Adjusted weighted average units outstanding: [2]			
Basic	242,870,623	226,324,317	16,546,306
Diluted	246,584,256	237,987,041	8,597,215

Notes

(1) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. See **Performance Measurement**.

(2) Under IFRS the REIT’s Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/ weighted average units outstanding. There were 1,710,000 Class B LP Units outstanding as at March 31, 2023 and 1,710,000 outstanding as at March 31, 2022.

(3) Distributions per units is a non-IFRS ratio calculated as sum of the distributions on the REIT's units and finance costs on Class B LP Units. Management does not consider finance costs on Class B LP units to be an financing cost of the REIT but rather component of the REIT's total distributions. Distributions is not defined by IFRS and does not have a standard meaning and may not be comparable with similar measures presented by other issuers.

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

(i) **Amortization marked to market adjustment**

Under IFRS, the REIT has amortized the debt premium on mortgages assumed at fair value on acquisition. As the amortization is a non-cash item, the REIT has included an adjustment in AFFO.

(ii) **Amortization of transactional deferred financing charges**

Under IFRS, the REIT has recorded amortization of deferred financing charges. The REIT believes the amortization of deferred financing charges to be a proxy for the financing fees incurred over the term of the related debt and thus does not make an adjustment to AFFO for amortization financing charges, except for the amortization of fees related to short-term transaction related financings and the write off of financing fees for which debt has been repaid in advance of its maturity, which the REIT adds back to AFFO to reflect a stabilized business environment.This adjustment is not contemplated in the REALpac Guidance for AFFO.

(iii) **Straight-line revenue**

Under IFRS rental revenue from operating leases is recognized over the lease term on a straight-line basis. The difference between rental revenue recognized and cash flows is recorded as straight-line rent receivable or payable. Consistent with the REALpac Guidance, to account for the non-cash nature of these differences the REIT has included an adjustment in AFFO.

(iv) **Leasing costs and non-recoverable maintenance capital expenditures**

In Canada and Europe, due to the nature of the portfolios, on a quarterly basis and during portfolio repositioning, leasing costs, tenant improvements and maintenance capital expenditures can fluctuate and as such, should not be regarded as stabilized. Consistent with the REALpac Guidance, the REIT uses a reserve of 6% per annum of revenue from the medical office properties in Canada and Europe when determining AFFO. In Brazil and Australasia due to the long term, triple net nature of the leases in those regions the REIT uses actual leasing costs and non-recoverable maintenance capital expenditures when determining AFFO.

For additional information see **Leasing Costs and Capital Expenditures.**

(v) **Unit-Based Compensation Expense**

The period over period change in fair value of the Unit-Based Liability is added back to income when determining FFO in accordance with REALpac Guidance. However, as the Unit-Based Compensation Expense may be settled units, at the REIT's option, the REIT has added back Unit-Based Compensation Expense to income when determining AFFO.

(vi) **Net adjustments for equity accounted investments**

Under IFRS the REIT's investments in associate are accounted for using the equity method of accounting. As such, the REIT's share of its associate's post acquisition net income (loss) was recognized in its net income (loss), and its share of post-acquisition movements in other comprehensive income (loss) was recognized in other comprehensive income (loss). In order to enhance the usefulness and comparability of AFFO as a supplemental measure of the operating performance of the REIT, the REIT's share of its equity accounted investment's post acquisition net income (loss) is added/(deducted) to/(from) net income and AFFO is presented after including the REIT's proportionate share of the equity accounted investment's AFFO.

Expressed in thousands of Canadian dollars	Three months ended March 31,		
	2023	2022	Variance
FFO of Equity Accounted Investments	**$ 3,174**	**$ 5,408**	**$ (2,234)**
Add / (Deduct):			
Straight-line revenue	(24)	(47)	23
Leasing costs and non-recoverable maintenance capital expenditures	9	(196)	205
Net AFFO adjustment	**$ (15)**	**$ (243)**	**$ 228**
AFFO of Equity Accounted Investments	**$ 3,159**	**$ 5,165**	**$ (2,006)**

DISTRIBUTIONS

For the three months ended March 31, 2023, the REIT declared a total of $48.6 million in distributions, including distributions on Exchangeable Units (three months ended March 31, 2022 - $46.1 million). These distributions reflect an annualized distribution rate of $0.80 per unit per annum (three months ended March 31, 2022 - $0.80 per unit per annum).

Distribution Reinvestment Plan

Participants in the REIT's distribution reinvestment plan (the "**DRIP**") have their distribution entitlement used to purchase Trust Units and also receive a "bonus distribution" of Trust Units equal in value to 3% of each distribution.

During the three months ended March 31, 2023, a total of 987,254 Trust Units were issued under the DRIP (three months ended March 31, 2022, a total of 602,559 Trust Units).

For the three months ended March 31, 2023, the REIT's DRIP participation rate was 18.9% (three months ended March 31, 2022 - 17.7%).

As required by National Policy 41-201 "Income Trusts and Other Indirect Offerings", the following table outlines the differences between cash flows from operating activities and cash distributions, as well as the differences between net income and cash distributions, in accordance with the guidelines:

DIFFERENCES BETWEEN CASH FLOWS FROM OPERATIONS/NET INCOME AND CASH DISTRIBUTIONS		
Expressed in thousands of Canadian dollars	Three months ended March 31,	
	2023	2022
Net income (loss) attributable to unitholders	$ (97,486)	$ 88,254
Add: Finance cost - Exchangeable Unit distributions	342	342
Net income (loss) after the above adjustments	$ (97,144)	$ 88,596
Cash flows from operating activities	$ 21,172	$ 53,162
Less non-controlling interests	(1,508)	19,245
Cash flows from operating activities attributable to unitholders	$ 22,680	$ 33,917
Distributions paid and payable		
Trust Units	$ 48,264	$ 45,752
Exchangeable Units	342	342
	$ 48,606	$ 46,094
Surplus (shortfall) of adjusted net income (loss) attributable to unitholders over distributions paid and payable	$ (145,750)	$ 42,502
Surplus (shortfall) of cash flows from operating activities attributable to unitholders over distributions paid and payable	$ (25,926)	$ (12,177)

During the three months ended March 31, 2023, there was a shortfall in cash flows from operating activities attributable to unitholders (a non-IFRS financial measure) over distributions paid and payable of $25.9 million. The shortfall is mainly as result of timing differences in working capital and interest which are reported under cash flows from operating activities in the financial statements, and payments for cash redemptions of deferred units. Cash flows from operating activities attributable to unitholders also excludes the distribution income from the REIT's investments in its JVs. The distributions earned from its JV investments are considered by management to be an integral part of the REIT's cash flows from operations due to the strategic nature of the equity invested. Remaining shortfall were partially financed by DRIP. As demonstrated in the table below, for the three months ended March 31, 2023, adjusted cash shortfall from operating activities was $9.3 million (for three months ended March 31, 2022 - surplus of $0.9 million) which was financed from other sources:

ADJUSTED CASH SURPLUS (SHORTAGE) FROM OPERATING ACTIVITIES TO DISTRIBUTIONS		
Expressed in thousands of Canadian dollars	Three months ended March 31,	
	2023	2022
Surplus (shortfall) of cash flows from operating activities attributable to unitholders over distributions paid and payable	$ (25,926)	$ (12,177)
Add: Value of Trust Units issued pursuant to the DRIP	9,210	7,961
Add: Distribution income from equity accounted associates	7,421	5,108
Adjusted surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	$ (9,295)	$ 892

During the three months ended March 31, 2023, there was $9.2 million in value of Trust Units issued under the DRIP (three months ended March 31, 2022, there was $8.0 million). While reducing the cash required to settle the REIT’s distributions, the Trust Units issued, pursuant to the DRIP, may in future result in additional cash distributions, should the holders of these Trust Units opt out of the DRIP.

See section **PART IV - CAPITALIZATION AND LIQUIDITY**.

For the three months ended March 31, 2023, the REIT had a shortfall between adjusted net income and distributions paid to unitholders of $145.8 million. Adjusted net income attributable to unitholders for the period reflects material non-cash items such as fair value adjustments to investment properties, financial instruments and deferred taxes, which do not impact cash flows and are not considered in the REIT's distribution policy. In establishing distribution payments, the REIT does not take fluctuations in working capital into consideration.

In assessing its distribution policy, the REIT considers not only cash flows from operating activities (attributable to unitholders) but also AFFO. Due to the timing of cash receipts relating to certain adjustments affecting AFFO and the fact that certain AFFO adjustments are non-cash, a portion of the 2023 distributions were funded by financing activities. The REIT believes that it is able to sustain distributions in the near term as the REIT measures distributions in relation to AFFO and the REIT believes it will be able to obtain new financing to meet its cash flow requirements due to the timing of cash receipts relating to certain adjustments affecting AFFO.

REIT's distributions during 2022 were deemed a 45.0% return of capital, 54.6% other income and 0.4% are non-eligible dividends for tax purposes. The composition for tax purposes may change over time thus affecting the after-tax return to a Unitholder. The REIT has chosen to make distributions partly representing an economic return on capital for tax purposes as its distribution policy is based on AFFO earned rather than the expected tax attributes of the distributions.

The REIT believes that distributions can continue to be funded from a combination of cash flows from operations, the cash distributions received from Vital Trust and JVs, future financing activities or asset sales. However, the REIT has at times paid cash distributions which exceed cash flows from operating activities and distribution income earned from its strategic investments in Vital Trust and the JVs. Distributions paid at times to unitholders have therefore been an economic return of capital. At times the REIT may be required to use additional debt capacity to finance its distributions, which would represent a further economic return of capital, or alternatively reduce distributions. The REIT's distribution policy is based on the REIT's AFFO. AFFO has exceeded actual cash flows from operations available to the REIT from time to time because of the recognition of certain items in AFFO that provide an economic benefit to the REIT but the timing of the realization of the cash flow associated with such economic benefit differs, such as the recognition of the REIT's proportionate share of Vital Trust's AFFO which is less than cash distributions received, and the exclusion of certain cash items in AFFO that affects cash flows from operations but to which management does not consider part of AFFO, such as debt repayment costs and the amortization of financing fees, as well as other items such as tenant allowances, leasing costs and capital expenditures in excess of stipulated reserves identified by the REIT in its calculation of AFFO. The REIT may be required to use part of its debt capacity, issue new equity or to reduce distributions in order to accommodate such items in the future. The REIT anticipates temporarily funding such items, if necessary, through new financing or asset sales, which the REIT has a demonstrated history of executing.

The REIT's Board of Trustees has targeted payment of distributions at: (i) 80-95% of the REIT's AFFO; and (ii) an amount at least equal to the net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for ordinary income taxes on such income. The amount of future distributions and the declaration and payment thereof is at the discretion of the Board of Trustees and will be based upon the REIT's financial position, results of operations, cash flow, capital requirements and restrictions under the REIT's debt obligations, as well as broader market and economic conditions, among other factors, and shall be in compliance with applicable Law.

Pursuant to National Policy 41-201 “Income Trusts and Other Indirect Offerings”, the following table, reconciles the REIT’s cash flow from operations to AFFO:

RECONCILIATION OF CASH FLOWS FROM OPERATIONS TO AFFO

Expressed in thousands of Canadian dollars	Three months ended March 31,		
	2023	**2022**	**Variance**
Cash flows from operating activities	**$ 21,172**	**$ 53,162**	**$ (31,990)**
Add (deduct):			
Non-cash interest expense	375	(1,818)	2,193
Non-cash current taxes	635	(186)	821
Changes in non-cash working capital balances	17,100	(4,170)	21,270
AFFO of equity accounted entities	(829)	(3)	(826)
Other FFO adjustments	3,971	—	3,971
Internal leasing costs	494	906	(412)
Property taxes accounted for under IFRIC 21	401	—	401
Amortization of recurring financing charges	(891)	(889)	(2)
Leasing costs and non-recoverable maintenance capital expenditures	(3,314)	(2,737)	(577)
Amortization of lease liabilities	(82)	(72)	(10)
Interest income and other	4,116	2,510	1,606
Straight-line revenue	715	533	182
Redemption of units issued under the DUP	325	1,038	(713)
Amortization of furniture and office equipment	(328)	(380)	52
Share of profit (loss) from equity accounted investments	3,988	5,168	(1,180)
AFFO attributable to non-controlling interests	(7,719)	(5,612)	(2,107)
	$ 18,957	$ (5,712)	$ 24,669
AFFO	**$ 40,129**	**$ 47,450**	**$ (7,321)**

QUARTERLY PERFORMANCE

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

QUARTERLY PERFORMANCE

Expressed in thousands of Canadian dollars except per unit amounts	Q1-23	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21
Summary of Financial Information								
Assets Under Management [1]	$10,755,346	$10,878,099	$10,580,048	$10,152,716	$9,530,763	$9,201,419	$8,470,756	$8,260,200
Gross Book Value ("GBV") [2]	$8,418,407	$8,514,000	$8,282,049	$8,123,898	$7,591,115	$7,064,401	$6,674,397	$6,342,457
Debt - Declaration of Trust [1]	$3,933,906	$3,855,247	$3,675,759	$3,641,959	$3,092,383	$2,820,602	$2,706,955	$2,516,917
Debt to GBV - Declaration of Trust	46.7 %	45.3 %	44.4 %	44.8 %	40.7 %	39.9 %	40.6 %	39.7 %
Debt - Including Convertible Debentures [1]	$4,205,978	$4,130,517	$3,953,342	$3,769,459	$3,226,758	$2,957,827	$2,921,659	$2,731,116
Debt to GBV - Incl. Convertible Debentures	50.0 %	48.5 %	47.7 %	46.4 %	42.5 %	41.9 %	43.8 %	43.1 %
Operating Results								
Revenue from investment properties	$ 135,324	$ 119,079	$ 116,294	$ 112,363	$ 104,463	$ 96,368	$ 95,554	$ 90,092
Net income (loss)	$ (89,155)	$(135,519)	$ 21,082	$ 116,729	$ 123,335	$ 233,050	$ 173,293	$ 183,253
NOI	$ 95,421	$ 92,855	$ 89,547	$ 88,883	$ 77,067	$ 74,436	$ 74,694	$ 69,826
FFO [1] [3]	$ 39,538	$ 37,127	$ 37,176	$ 46,090	$ 47,328	$ 49,376	$ 47,645	$ 42,293
AFFO [1] [3]	$ 40,129	$ 41,790	$ 36,960	$ 46,814	$ 47,450	$ 50,436	$ 47,264	$ 43,236
Distributions [4]	$ 48,606	$ 48,415	$ 48,248	$ 48,033	$ 46,094	$ 44,773	$ 43,881	$ 40,912
Per Unit Amounts [5]								
FFO per unit - Basic [1]	$ 0.16	$ 0.15	$ 0.15	$ 0.19	$ 0.21	$ 0.22	$ 0.22	$ 0.21
AFFO per unit - Basic [1]	$ 0.17	$ 0.17	$ 0.15	$ 0.20	$ 0.21	$ 0.23	$ 0.22	$ 0.22
Distributions	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Adjusted Weighted Average Units Outstanding [5]								
Basic	242,870,623	241,928,826	241,119,245	239,660,302	226,324,317	222,600,122	218,843,204	201,034,657

Notes

(1) As defined in Performance Measurement in this MD&A.

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

(3) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. See **Performance Measurement**.

(4) See **Performance Measurement**.

(5) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding.

The following tables provides reconciliation of quarterly net income attributable to Unitholders to FFO and AFFO. See **Performance Measurement**.

QUARTERLY FFO								
Expressed in thousands of Canadian dollars except per unit amounts	**Q1-23**	**Q4-22**	**Q3-22**	**Q2-22**	**Q1-22**	**Q4-21**	**Q3-21**	**Q2-21**
Net income (loss) attributable to unitholders	**$ (97,486)**	**$ (100,195)**	**$ 6,611**	**$ 69,625**	**$ 88,254**	**$ 139,452**	**$ 161,380**	**$ 81,090**
Add / (Deduct):								
Fair market value losses (gains)	162,498	141,269	(6,628)	(84,493)	(114,406)	(159,674)	(150,209)	(146,596)
Less: Non-controlling interests' share of fair market value losses (gains)	1,299	(39,927)	8,814	49,142	37,559	104,784	8,060	110,470
Finance cost - Exchangeable Unit distributions	342	342	342	342	342	342	342	342
Revaluation of financial liabilities	5,043	3,200	2,003	1,473	8,573	4,276	2,445	904
Unrealized foreign exchange loss (gain)	(6,756)	(7,363)	3,653	(4,202)	1,817	(5,326)	4,430	(1,167)
Less: NCI' share of unrealized FX loss (gain)	156	(198)	(8)	(1)	(171)	(81)	(4)	(2)
Deferred taxes	(34,946)	3,275	3,129	24,859	26,187	39,375	30,320	28,250
Less: NCI' share of deferred taxes	377	(387)	(2,009)	(8,971)	(7,901)	(13,306)	(1,226)	(13,020)
Non-recurring transaction costs	5,020	12,790	3,740	6,624	5,697	8,287	17,678	15,003
Less: NCI share of non-recurring transaction costs	—	(10)	719	(41)	303	(795)	—	—
Convertible Debenture issuance costs	21	14	7,048	—	—	—	—	—
Net adjustments for equity accounted entities	(814)	14,387	1,054	(8,741)	240	(44,705)	(1,193)	(34,090)
Internal leasing costs	494	524	538	544	906	619	646	658
Property taxes accounted for under IFRIC 21	401	—	—	—	—	—	—	—
Results of discontinued operations	—	—	—	—	—	(24,144)	(24,912)	—
Amortization	(82)	(53)	97	(70)	(72)	(33)	(112)	(2)
Other FFO adjustments	3,971	9,459	8,073	—	—	305	—	453
FFO	**$ 39,538**	**$ 37,127**	**$ 37,176**	**$ 46,090**	**$ 47,328**	**$ 49,376**	**$ 47,645**	**$ 42,293**
Per Unit Amounts								
FFO per unit - Basic	$ 0.16	$ 0.15	$ 0.15	$ 0.19	$ 0.21	$ 0.22	$ 0.22	$ 0.21
Adjusted Weighted Average Units Outstanding								
Basic	242,870,623	241,928,826	241,119,245	239,660,302	226,324,317	222,600,122	218,843,204	201,034,657

QUARTERLY AFFO								
Expressed in thousands of Canadian dollars except per unit amounts	Q1-23	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21
FFO	**$ 39,538**	**$ 37,127**	**$ 37,176**	**$ 46,090**	**$ 47,328**	**$ 49,376**	**$ 47,645**	**$ 42,293**
Add / (Deduct):								
Amortization of marked to market adjustment	—	—	(300)	(329)	(90)	(102)	(105)	(112)
Amortization of transactional deferred financing charges	2,079	2,946	1,868	1,642	1,332	2,005	217	217
Straight-line revenue	715	533	(401)	(297)	533	761	384	519
Less: non-controlling interests' share of straight-line revenue	(1,337)	(427)	(483)	(513)	(427)	(475)	(317)	(466)
Leasing costs and non-recoverable maintenance capital expenditures	(3,314)	(3,053)	(2,923)	(3,337)	(2,737)	(2,727)	(2,800)	(2,875)
Less: non-controlling interests' share of actual capex and leasing costs	117	52	29	178	106	27	193	381
DUP Compensation Expense	2,346	4,646	2,023	3,557	1,648	1,771	2,168	3,383
Debt repayment costs	—	—	—	—	—	9	—	—
Net adjustments for equity accounted entities	(15)	(34)	(29)	(177)	(243)	(209)	(121)	(104)
AFFO	**$ 40,129**	**$ 41,790**	**$ 36,960**	**$ 46,814**	**$ 47,450**	**$ 50,436**	**$ 47,264**	**$ 43,236**
Per Unit Amounts								
AFFO per unit - Basic	$ 0.17	$ 0.17	$ 0.15	$ 0.20	$ 0.21	$ 0.23	$ 0.22	$ 0.22
Adjusted Weighted Average Units Outstanding								
Basic	242,870,623	241,928,826	241,119,245	239,660,302	226,324,317	222,600,122	218,843,204	201,034,657

PART IV – CAPITALIZATION AND LIQUIDITY

CAPITAL STRUCTURE

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

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

The following table shows the REIT's total capital as at March 31, 2023 and December 31, 2022:

CAPITAL STRUCTURE

Expressed in thousands of Canadian dollars	As at March 31, 2023	As at December 31, 2022
Mortgages and loans payable	$ 3,418,630	$ 3,427,685
Mortgages related to assets held for sale	515,276	427,562
Debt - Declaration of Trust [1]	**3,933,906**	**3,855,247**
Convertible Debentures at Fair Value	272,072	275,270
Debt - Including Convertible Debentures [1]	**4,205,978**	**4,130,517**
Mortgages and loans payable - marked to market	—	—
Mortgages and loans payable - unamortized financing costs	(24,854)	(21,824)
Total Debt	4,181,124	4,108,693
Unit-Based Liability	22,547	23,837
Class B LP Exchangeable Units	14,484	16,245
Unitholders' equity	2,340,195	2,456,847
Total Capitalization	**$ 6,558,350**	**$ 6,605,622**

Notes

(1) As defined in Performance Measurement in this MD&A.

Unitholders' Equity

The following table reconciles the movements in the units outstanding for the three months ended March 31, 2023:

UNITS OUTSTANDING	
Trust Units outstanding, December 31, 2022	**240,647,589**
Issuance of Trust Units under the DRIP	987,254
Trust Units outstanding, March 31, 2023	**241,634,843**

Class B Exchangeable Units

Under IFRS the REIT's Exchangeable Units are treated as a financial liability rather than equity. As the Exchangeable Units are convertible into Trust Units at the option of the holder, the REIT considers the Exchangeable Units equity for capital management purposes.

As at March 31, 2023 there were 1,710,000 Exchangeable Units outstanding (December 31, 2022 - 1,710,000).

Debt

DEBT

Expressed in thousands of Canadian dollars

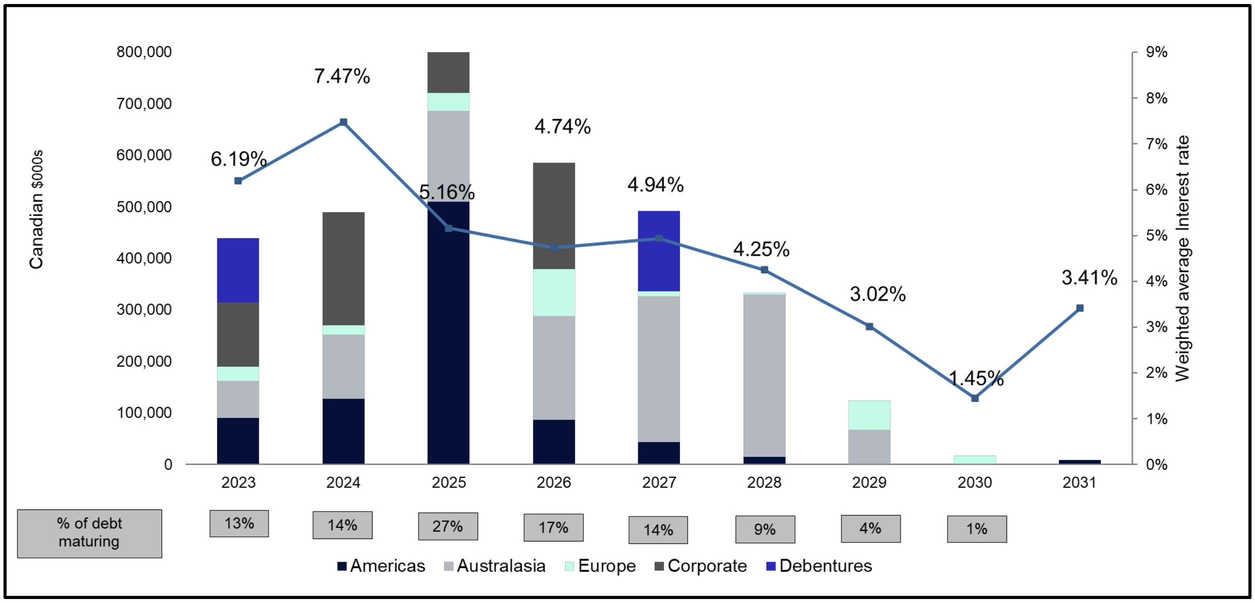
	As at March 31, 2023					
	Weighted Average Interest Rate	**Outstanding Balance**	**Marked to Market**	**Unamortized Financing Costs**	**Balance**	**Maturity**
Americas debt [1], [2]	4.49 %	1,145,004	—	(6,492)	1,138,512	April 2023 - August 2031
Europe debt [3]	3.71 %	793,541	—	(9,093)	784,448	June 2023 - June 2030
Australasia term loans	4.69 %	1,242,921	—	(6,223)	1,236,698	September 2023 - March 2029
Corporate debt	8.32 %	739,912	—	(3,046)	736,866	November 2023 - March 2026
	5.11 %	**$ 3,921,378**	**$ —**	**$ (24,854)**	**$3,896,524**	
Finance Lease		12,528	—	—	12,528	April 2088
Total Debt excluding Convertible Debentures	**5.09 %**	**$ 3,933,906**	**$ —**	**$ (24,854)**	**$3,909,052**	
Convertible Debentures (Corporate)	5.92 %	280,250	(8,178)	—	272,072	December 2023 - August 2027
Total Debt	**5.15 %**	**$ 4,214,156**	**$ (8,178)**	**$ (24,854)**	**$4,181,124**	

(1) The Brazil debt fully amortizes over a ten year period.

(2) Debt in the Americas of approximately $44.5 million was classified as held for sale as of March 31, 2023.

(3) European debt of approximately $470.8 million was classified as liabilities held for sale as of March 31, 2023.

The following chart summarizes, as at March 31, 2023, the REIT's debt maturities excluding those related to liabilities associated with assets classified as held for sale:



Additional details on the maturities of the REIT's mortgages and loans payables are detailed below:

DEBT MATURITIES

	Americas		Europe		Australasia		Corporate	
Expressed in thousands of Canadian dollars	Total debt payable	WAIR	Total debt payable	WAIR	Total debt payable	WAIR	Total debt payable	WAIR
2023	$ 118,076	5.79 %	$ 34,867	2.17 %	$ 72,089	5.74 %	$ 125,000	8.02 %
2024	162,952	3.63 %	32,410	1.87 %	124,962	8.13 %	218,502	9.81 %
2025	586,437	4.59 %	506,382	4.46 %	176,734	4.21 %	190,710	8.13 %
2026	115,808	3.12 %	95,553	2.31 %	201,770	4.21 %	205,700	7.00 %
2027	71,606	5.63 %	22,069	2.10 %	283,228	4.21 %	—	— %
2028	32,921	5.58 %	21,309	2.29 %	316,162	4.21 %	—	— %
2029	18,730	— %	63,702	1.94 %	67,976	4.21 %	—	— %
2030	19,389	— %	17,249	1.45 %	—	— %	—	— %
2031	19,085	3.41 %	—	— %	—	— %	—	— %
	$1,145,004	4.49 %	$ 793,541	3.67 %	$1,242,921	4.69 %	$ 739,912	8.32 %
Less liabilities related to assets held for sale (1)	(44,519)	4.96 %	(470,757)	4.45 %	—	— %	—	— %
Unamortized financings costs	(6,492)		(9,093)		(6,223)		(3,046)	
Total	$1,093,993	4.47 %	$ 313,691	2.50 %	$1,236,698	4.69 %	$ 736,866	8.32 %

(1) Americas and Europe debt classified as liabilities held for sale are net of unamortized financing costs of approximately $0.2 million and $7.3 million, respectively.

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

	Americas Debt	Europe Mortgages	Australasia Term Loans	Corporate Debt	Total (1)
Opening balance, January 1, 2023	**$ 1,136,740**	**$ 342,702**	**$ 1,213,672**	**$ 699,802**	**$ 3,392,916**
Principal amortization	(3,862)	(1,686)	—	—	(5,548)
Repayments	(5,343)	—	(120,036)	—	(125,379)
Advances	1,033	—	166,590	41,100	208,723
Reclassified from/(to) held for sale	(44,519)	(33,023)	—	—	(77,542)
Additional financing fees incurred	(2,318)	(2)	(1,701)	(1,751)	(5,772)
Amortization of finance fees	939	887	522	622	2,970
Inflation adjustment	5,043	—	—	—	5,043
Foreign exchange adjustment	6,280	4,813	(22,349)	(2,907)	(14,163)
Ending balance, March 31, 2023	**$ 1,093,993**	**$ 313,691**	**$ 1,236,698**	**$ 736,866**	**$ 3,381,248**

(1) Total debt excluding finance lease

Finance Lease Payable

The lease of land on which one of Australian investment properties is built is accounted for as a finance lease. The remaining term of the lease at March 31, 2023 was 65 years. There is no purchase option.

Convertible Debentures

The following table summarizes, as at March 31, 2023, the REIT's Convertible Debentures:

CONVERTIBLE DEBENTURES

Expressed in thousands of Canadian dollars	Fair Value (1)	Face Value	Interest Rate	Conversion Price per Unit	Maturity Date	Interest Payment Dates
As at March 31, 2023						
Series NWH.DB.G	123,125	125,000	5.50 %	$ 13.35	**December 31, 2023**	**June 30, December 31**
Series NWH.DB.H	148,946	155,250	6.25 %	$ 16.00	**August 31, 2027**	**February 28 and August 31**
	$ 272,071	**$ 280,250**	**5.92 %**			

Notes

(1) The fair value of the Convertible Debentures is based on the closing trading price of the REIT's Convertible Debentures as at the reporting date.

Unit-Based Liability

On April 12, 2022, the 2022 Equity Incentive Plan (the “Plan”) was approved. Under the Plan, together with the existing Deferred Unit Plan ("DUP"), a maximum of 9,000,000 the REIT’s trust units are authorized to be issued. The new Plan replaces the DUP introduced in 2018. No further awards will be granted under the 2018 DUP prospectively. However, any awards previously granted pursuant to the DUP shall remain outstanding and continue to be governed by the terms of the 2018 DUP.

<u>Deferred Units</u>
The deferred units granted under the 2022 Equity Incentive 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 three to five years.

<u>Restricted Units</u>
The REIT grants restricted units under the Plan. As at March 31, 2023, 100% of the restricted units granted vest 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.

<u>Performance Units</u>
The REIT grants performance units 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.

Under IFRS, the REIT’s Unit-Based Liability with respect to deferred units and restricted units is measured at fair-value every reporting period, based on the fair market value of a REIT Trust Unit at the reporting date, whereas, Unit-Based Liability related to the performance units, is measured at fair-value every reporting period using a Monte-Carlo simulation at the reporting date. The change in fair value of the Unit-Based Liability is recognized in income. As at March 31, 2023 the Unit-Based Liability is $22.5 million (December 31, 2022 - $23.8 million) representing 2,411,526 deferred units, 41,620 restricted units and 179,517 performance units accrued as at March 31, 2023. (December 31, 2022 - 2,305,900 deferred units, 31,738 restricted units and 116,718 performance units accrued).

RATIOS AND COVENANTS

Pursuant to the Declaration of Trust the REIT shall not incur or assume any indebtedness, as defined, if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the REIT would be more than 65% of GBV.

The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with a term to maturity that is appropriate having regard to the lease maturity profile for each property and which allows the REIT to (i) achieve and maintain staggered debt maturities to lessen exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix the rates and extend loan terms as long as possible when borrowing conditions are favourable. The following summarizes the status of these key ratios as at and for the three months ended March 31, 2023 and 2022:

RATIOS

As at	**March 31, 2023**	**December 31, 2022**
Gross book value	$8,418,407	$ 8,514,000
Debt - declaration of trust (1)	$3,933,906	$ 3,855,247
Debt to Gross Book Value - Declaration of Trust	**46.7 %**	**45.3 %**
Debt - including convertible debentures (1)	$4,205,978	$ 4,130,517
Debt to Gross Book Value - Including Convertible Debentures	**50.0 %**	**48.5 %**

	Three months ended March 31,		
	2023	**2022**	**Variance**
Income (Loss) before taxes	$ (117,105)	$156,715	$ (273,820)
Add (deduct):			
Mortgage and loan interest expense	51,648	23,387	28,261
Distributions on Exchangeable Units	342	342	—
Amortization of deferred financing costs	2,970	2,221	749
Amortization of marked to market adjustment	—	(90)	90
EBITDA(1)	$ (62,145)	$ 182,575	$ (244,720)
Loss on revaluation of financial liabilities	5,043	8,573	(3,530)
Fair market value losses (gains)	162,498	(114,406)	276,904
DUP compensation expense	2,346	1,648	698
Foreign exchange loss (gain)	(7,216)	(594)	(6,622)
Convertible debenture issuance costs	21	—	21
Transaction costs	5,020	5,599	(579)
Less: share of (profit) loss of equity accounted investments	(3,988)	(5,168)	1,180
Add: distribution income from equity accounted investments	5,229	5,108	121
Adjusted EBITDA(1)	$ 106,808	$ 83,335	$ 23,473
Mortgage and loan interest expense	$ 51,648	$ 23,387	$ (28,261)
Less: debt repayment costs	—	—	—
Adjusted mortgage and loan interest expense(1)	$ 51,648	$ 23,387	$ (28,261)
Interest coverage (1)	**2.07**	**3.56**	**(1.49)**

Notes

(1) As defined in Performance Measurement in this MD&A.

LIQUIDITY AND CASH RESOURCES

Cash Resources and Liquidity

CASH AND LIQUIDITY				
Expressed in thousands of Canadian dollars		As at March 31, 2023		As at December 31, 2022
Cash and cash equivalents	$	76,168	$	87,987
Restricted Cash		60		47
Total	**$**	**76,228**	**$**	**88,034**

The REIT also has Credit Facilities that provide for additional liquidity. As at March 31, 2023, the facilities were fully drawn. Subsequent to March 31, 2023, the REIT issued the convertible debenture Offering (see **Subsequent Events**). The proceeds will be partially used to repay a portion of the Credit Facilities.

The liquidity of the Australasian secured financing fluctuates based on the market price (as defined in the agreement) of the pledged units securing the facilities and is currently fully drawn.

On the assumption that occupancy levels remain strong, and that the REIT will be able to obtain financing on reasonable terms, the REIT anticipates meeting all current and future obligations as they come due. Management expects to refinance maturing debt and finance future acquisitions from: (i) existing cash balances, and (ii) a mix of mortgage debt secured by investment properties, acquisition facilities, operating facilities, issuance of equity and convertible/unsecured debentures, and select asset sales. Cash flows generated from operating activities and distribution income received from the REIT's investment in Vital Trust are sources of liquidity to service debt (except maturing debt), sustain maintenance capital expenditures, leasing costs and unit distributions.

Contractual cash flows

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

The following table sets out the REIT's contractual cash flows as at March 31, 2023:

CONTRACTUAL CASH FLOWS

Expressed in thousands of Canadian dollars	Carrying amount	Contractual cash flows	2023	2024	2025	2026	2027	Thereafter
Accounts payable and accrued liabilities	$ 131,428	$ 131,428	$ 131,428	$ —	$ —	$ —	$ —	$ —
Distributions payable	16,110	16,110	16,110	—	—	—	—	—
Income tax payable	15,680	15,680	15,680	—	—	—	—	—
Liabilities associated with assets held for sale	515,276	522,357	522,357	—	—	—	—	—
Convertible debentures	272,072	280,250	125,000	—	—	—	155,250	—
Finance lease payable	12,528	12,528	1,529	1,623	1,251	1,139	773	6,213
Mortgages and loans payable	3,381,248	3,399,083	350,033	532,294	962,208	618,831	376,903	558,814
Total	**$4,344,342**	**$ 4,377,436**	**$1,162,137**	**$ 533,917**	**$ 963,459**	**$ 619,970**	**$ 532,926**	**$ 565,027**

The REIT currently intends to distribute a high percentage of its AFFO to Unitholders. As such, the REIT will not retain a material amount, or possibly none of operating cash flows or any cash distributions received from its investments in Vital Trust and JVs, to finance other capital requirements, such as acquisitions, maturing debt principal and significant capital expenditures. Instead, the REIT intends to finance such initiatives through the issuance of additional equity or debt securities. From time to time, the REIT may also consider other financing initiatives, such as the refinancing of mortgages on existing properties and entering into additional credit facilities.

The REIT's current liabilities, which are due within the next twelve months, totaled $1.4 billion (including $0.5 billion liabilities held for sale), exceeding current assets of $1.2 billion (including assets held for sale), resulting in a working capital deficiency of $256.0 million as at March 31, 2023.

Current liabilities include:

1. Canadian dollar and US dollar denominated revolving and non-revolving credit facilities with balances outstanding of $343.5 million. The REIT will use net proceeds generated from the sale of the UK Portfolio and the non-core assets to partially repay corporate credit facilities with outstanding term of less than 12 months. Subsequently to March 31, 2023, the REIT issued $86.3 million of unsecured convertible debentures which will be used to partially repay the facilities (see **Subsequent Events**). The remaining credit facilities will be refinanced or repaid on or before maturity.

2. $107.4 million of Canadian mortgage maturities. The REIT currently expects the remaining balance of these mortgages to be refinanced on or before maturity. Mortgages maturing in April and May 2023 amounting to $45.2 million were rolled into the revolving credit facility or extended (see **Subsequent Events**).

3. Australian term debts with a total outstanding balance of $72.1 million at a weighted average rate of 5.74%, maturing September 2023. The REIT currently expects these credit facilities will be refinanced on or before maturity.

4. Convertible debenture series NWH.DB.G with fair value of $123.1 million maturing December 31, 2023. The REIT expects to repay the debenture series on or before their maturity.

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

Changes in Cash

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

NET CHANGE IN CASH [1]

Expressed in thousands of Canadian dollars	Three months ended March 31, 2023		
	2023	**2022**	**Variance**
Cash provided by / (used in):			
Operating activities	$ 21,172	$ 53,162	$ (31,990)
Investing activities	(58,755)	(246,770)	188,015
Financing activities	25,765	352,409	(326,644)
Net increase / (decrease) in cash during the period	**(11,818)**	**158,801**	**(170,619)**
Effect of foreign currency translation	(1)	(3,904)	3,903
Net increase / (decrease) in cash during the period	**$ (11,819)**	**$ 154,897**	**$ (166,716)**

<u>Operating activities</u>

Cash generated by operating activities totaled $21.2 million for the three months ended March 31, 2023, as compared to cash generated by operating activities of $53.2 million for the three months ended March 31, 2022, a decrease of $32.0 million. This decrease is primarily related to a $28.4 million increase in mortgage and loan interest paid, a negative working capital movement of $21.3 million, an increase of $2.7 million in G&A partially offset by a $18.4 million increase in NOI and an increase of $3.6 million in management fees.

<u>Investing activities</u>

Cash used by investing activities totaled $58.8 million for the three months ended March 31, 2023, which is primarily related to $53.5 million of additions to investment properties, primarily on developments in Australasia and the Americas, $9.5 million of acquisition activity in the Australasia, partially offset by distributions received from associates and unlisted securities of $6.9 million.

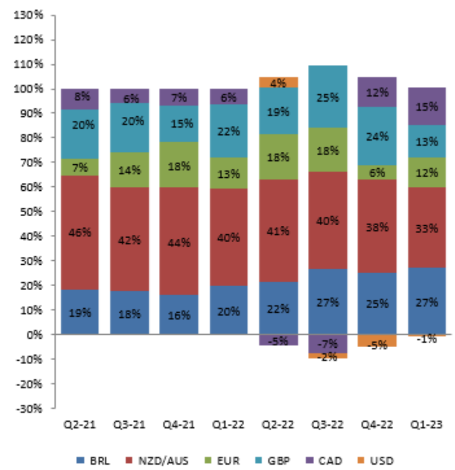
<u>Financing activities</u>

During the three months ended March 31, 2023, cash generated by financing activities totaled $25.8 million as compared to cash generated of $352.4 million during the three months ended March 31, 2022. The balance as at March 31, 2023 consisted of $77.8 million of net mortgages, loans payable and credit facilities, partially offset by distributions paid to REIT unitholders and to non-controlling interest of $45.8 million, distributions on Exchangeable Units of $0.3 million and financing fees paid of $5.8 million.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months ended March 31, 2023, the majority of the REIT's AFFO, including Corporate costs such as certain general and administrative expenses, interest expenses and interest income that were denominated in Canadian dollars, was conducted in currencies other than Canadian dollars while its distributions to Unitholders were denominated only in Canadian dollars. A summary of the REIT's currency exposure by quarter for the last five quarters is presented below:

AFFO by Currency by Quarter [(1)]



Trading Range

(Against CAD)	BRL	EUR	GBP	USD	NZD	AUD
Three months ended March 31, 2023:						
High	0.2615	1.3470	1.5703	1.3739	0.8232	0.9096
Low	0.2346	1.4189	1.4604	1.2467	0.7744	0.8779
Average	0.2602	1.4502	1.6420	1.3517	0.8511	0.9243
Balance Sheet:						
March 31, 2023	0.2661	1.4716	1.6732	1.3529	0.8476	0.9062
December 31, 2022	0.2560	1.4487	1.6370	1.3541	0.8596	0.9230
Profit & Loss:						
Q1 2023 Average Rate	0.2602	1.4502	1.6420	1.3517	0.8511	0.9243
Q4 2022 Average Rate	0.2579	1.3856	1.5928	1.3576	0.8191	0.8920
Q3 2022 Average Rate	0.2489	1.3146	1.5353	1.3053	0.8003	0.8917
Q2 2022 Average Rate	0.2599	1.3591	1.6036	1.2762	0.8301	0.9120
Q1 2022 Average Rate	0.2423	1.4218	1.6997	1.2667	0.8562	0.9166
Q4 2021 Average Rate	0.2257	1.4411	1.6987	1.2603	0.8755	0.9176
Q3 2021 Average Rate	0.2408	1.4844	1.7355	1.2593	0.8820	0.9251
Q2 2021 Average Rate	0.2319	1.4799	1.7168	1.2288	0.8779	0.9454

Notes

(1) Canadian Dollar AFFO represents the Canadian region AFFO and Corporate interest income less interest expense paid on Canadian-denominated debt and certain general and administrative expenses.

For the three months ended March 31, 2023, a portion of the AFFO generated in foreign currencies was retained in those foreign currencies to provide funds for operations, future investments in those foreign jurisdictions and to minimize currency conversion costs, while a portion has been repatriated back to Canada to fund distributions, interest payments and other corporate expenses.

For the three months ended March 31, 2023, US dollar AFFO was a loss of $0.3 million while Canadian dollar distributions paid in cash totaled $46.2 million. Deficiencies were funded from cash repatriated to Canada from Brazil, Europe, Australia, and New Zealand as well as the draws on Corporate credit facilities in the normal course of operations.

As at March 31, 2023, the REIT held approximately $25.7 million of cash and receivables denominated in Canadian Dollars.

The REIT monitors its foreign exchange exposure and its hedging strategy on an ongoing basis.

The REIT may utilize currency hedges, when necessary, practicable and economically feasible to do so, to mitigate the impact of foreign currency fluctuations and to provide more certainty regarding the payment of distributions to unitholders if the Canadian dollar increases in value compared to foreign currencies. The REIT's current hedging arrangements include natural currency hedges through local-currency denominated debt, inflation- indexed leases that provide protection against currency devaluation, and exposure to a diversified basket of currencies. Future hedging arrangements may include implementing specific foreign currency hedging derivatives. The REIT does not currently have any specific foreign currency hedging derivatives in place.

Among the REIT's global currencies, compared to December 31, 2022, the BRL, Euro, and GBP were up relative to the Canadian dollar by 3.9%, 1.6%, and 2.2%, respectively, while the USD, NZD and AUD were down by 0.1%, 1.4% and 1.8% respectively.

PART V – 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.

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.

PART VI – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

All significant accounting policies have been applied on a basis consistent with those followed in the most recent audited annual consolidated financial statements of the REIT for the year ended December 31, 2022 with the exception of the new and changes to accounting standards and policies implemented in 2023, which are described in note 2 of the REIT's condensed consolidated interim financial statements for the three months ended March 31, 2023.

The preparation of financial statements in conformity with IFRS requires the REIT to make judgments, estimates, and assumptions that affect the reported amounts recognized in the financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the financial statements. Actual results could differ from estimates. Please refer to note 1 in the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2022.

PART VII – RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Trust Units and the Convertible Debentures and in the activities of the REIT which current and prospective Unitholders and current or prospective investors in Convertible Debentures should carefully consider. The REIT's Annual Information Form, which can be found on SEDAR at www.sedar.com., contains a detailed summary, under "Risk Factors", of the risk factors pertaining to the REIT and its business.

PART VIII – CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's disclosure controls and procedures (as defined by National Instrument 52 109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators ("NI 52 109") to provide reasonable assurance that: (i) material information relating to the REIT, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the filings are being prepared; and (ii) material information required to be disclosed in the fillings or other reports filed or submitted by the REIT under securities legislation is recorded, processed, summarized and reported on a timely basis and within the time period specified by securities legislation.

Changes in Internal Controls Over Financial Reporting

There were no significant changes made in internal controls over financial reporting during the three months ended March 31, 2023, that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

PART IX – NET ASSET VALUE

Expressed in thousands of Canadian dollars, except per unit amounts		Q1 2023		Q4 2022
Total Assets		**$ 8,418,407**		**$ 8,514,000**
less Total Liabilities		(4,812,434)		(4,772,025)
less Non-controlling interests		(1,265,778)		(1,285,128)
Unitholders' equity		**2,340,195**		**2,456,847**
Add/(deduct):				
Goodwill		(39,059)		(39,612)
Deferred unit plan liability		22,547		23,837
Deferred tax liability	409,871		443,935	
less NCI	(107,908)	301,963	(109,584)	334,351
Financial instruments - net	(20,821)		(38,124)	
less NCI	6,007	(14,814)	13,624	(24,500)
Exchangeable Units		14,484		16,245
Global Manager valuation adjustment		576,318		576,318
Other		—		—
Net Asset Value ("NAV")		**$ 3,201,634**		**$ 3,343,486**
Adjusted Units Outstanding (000s)- period end (1)		243,345		242,358
NAV per Unit		**$ 13.16**		**$ 13.80**

Notes

(1) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic per unit measure that includes the Class B LP Units in basic units outstanding/weighted average units outstanding.

Global Manager Valuation

The REIT determined the value of the Global Manager by utilizing the discount cash flow approach which includes significant valuation assumptions such as forecast of management fees, operating expenses, discount rates, capitalization rates, inflation rates, interest rates, taxation rates, foreign currency exchange rates and earnings multiples.

CORPORATE INFORMATION

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Stock Exchange Listing
Toronto Stock Exchange (TSX)
Listing symbols:
REIT Trust Units - NWH.UN
5.50% convertible debentures - NWH.DB.G
6.25% convertible debentures - NWH.DB.H

Distribution Reinvestment Plan

Participants in the REIT's distribution reinvestment plan may elect to have all cash distributions of the REIT automatically reinvested in additional Trust Units at a price per Trust Unit calculated by reference to the weighted average of the trading price for the Trust Units on the TSX for the five trading days immediately preceding the relevant distribution date. Unitholders who so elect will receive a further distribution of Trust Units equal to 3% of each distribution that was reinvested by them.

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