2023 Third Quarter

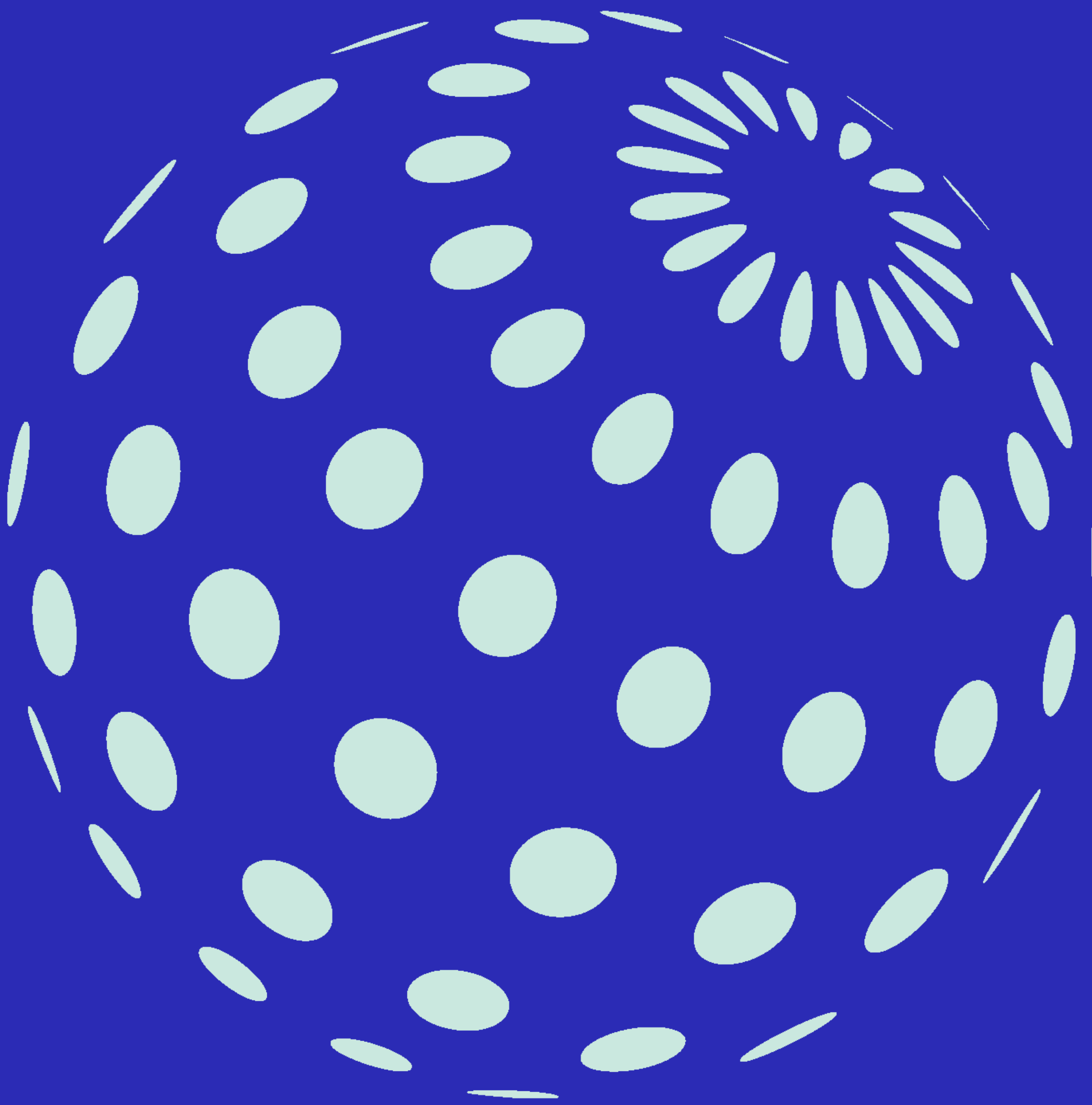
Condensed Consolidated

Interim Financial Statements

Northwest Healthcare Properties

Real Estate Investment Trust

Q3



NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

As at	Note	September 30, 2023		December 31, 2022	
Assets					
Investment properties	4	$	6,858,000	$	6,612,535
Equity accounted investments	5		352,695		395,397
Intangible asset			42,580		44,966
Goodwill			37,510		39,612
Deferred tax assets			15,906		14,152
Financial instruments	6		51,769		38,124
Other assets	7		159,755		280,369
Accounts receivable			30,384		17,381
Assets held for sale	4		218,012		983,430
Cash and cash equivalents	14		67,591		88,034
Total assets		$	7,834,202	$	8,514,000
Liabilities					
Mortgages and loans payable	8	$	3,634,759	$	3,405,861
Convertible debentures	9		334,728		275,270
Unit-based compensation liabilities	10		14,987		23,837
Class B exchangeable units	11		8,687		16,245
Deferred tax liabilities			404,702		458,087
Financial instruments	6		2,181		—
Income taxes payable			18,209		15,811
Accounts payable and accrued liabilities			133,998		133,308
Distributions payable			7,295		16,044
Liabilities related to assets held for sale	8		46,942		427,562
Total liabilities		$	4,606,488	$	4,772,025
Unitholders' Equity					
Unitholders' equity	11		2,109,073		2,456,847
Non-controlling interests	12		1,118,641		1,285,128
Total liabilities and unitholders' equity		$	7,834,202	$	8,514,000

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

		For the three months ended September 30,		For the nine months ended September 30,	
	Note	**2023**	2022	**2023**	2022
Net Property Operating Income					
Revenue from investment properties	**13**	**$ 122,182**	$ 116,293	**$ 384,010**	$ 333,119
Property operating costs		**27,085**	26,746	**95,471**	77,622
		95,097	89,547	**288,539**	255,497
Other Income (loss)					
Interest and other	**7**	**7,882**	3,827	**15,963**	9,841
Development revenue		**—**	—	**—**	3,746
Management fees		**3,660**	(3,231)	**11,139**	15,459
Share of profit (loss) of equity accounted investments	**5**	**1,966**	3,050	**(19,917)**	22,565
		13,508	3,646	**7,185**	51,611
Expenses and other					
Mortgage and loan interest expense		**58,715**	40,864	**167,550**	98,775
General and administrative expenses		**16,664**	12,421	**45,235**	35,560
Transaction costs	**4**	**11,255**	3,740	**34,688**	15,858
Development costs		**—**	—	**—**	3,430
Foreign exchange gain (loss)		**2,521**	3,822	**(7,487)**	(777)
		89,155	60,847	**239,986**	152,846
Income before finance costs, net gain (loss) on financial instruments, and fair value adjustments		**19,450**	32,346	**55,738**	154,262
Finance income (expense)					
Amortization of financing costs	**8**	**(2,686)**	(2,857)	**(8,649)**	(7,824)
Amortization of mark-to-market adjustment	**8**	**—**	300	**—**	719
Class B exchangeable unit distributions	**11**	**(342)**	(342)	**(1,026)**	(1,026)
Fair value adjustment of Class B exchangeable units	**11**	**2,052**	2,497	**7,558**	5,455
Accretion of financial liabilities	**8**	**(814)**	(2,003)	**(6,602)**	(12,049)
Fair value adjustment of convertible debentures	**9**	**12,613**	5,167	**26,792**	14,892
Convertible debenture issuance costs		**(91)**	(7,048)	**(4,601)**	(7,048)
Net gain on financial instruments	**6**	**(6,585)**	10,468	**14,204**	59,901
Fair value adjustment of investment properties	**4**	**(122,204)**	(14,743)	**(414,189)**	118,424
Fair value adjustment of unit based compensation liabilities	**10**	**2,692**	3,239	**12,275**	6,855
Income (loss) before taxes		**(95,915)**	27,024	**(318,500)**	332,561
Current tax expense		**11,049**	2,813	**22,515**	17,240
Deferred tax expense (recovery)		**(11,694)**	3,129	**(49,179)**	54,175
Income tax expense (recovery)		**(645)**	5,942	**(26,664)**	71,415
Total net income (loss)		**$ (95,270)**	$ 21,082	**$ (291,836)**	$ 261,146
Net income (loss) attributable to:					
Unitholders		**$ (81,276)**	$ 6,611	**$ (210,855)**	$ 164,490
Non-controlling interests		**(13,994)**	14,471	**(80,981)**	96,656
		$ (95,270)	$ 21,082	**$ (291,836)**	$ 261,146

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

(in thousands of Canadian dollars)

Unaudited

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	**2023**	2022
Net income (loss)	**$ (95,270)**	$ 21,082	**$ (291,836)**	$ 261,146
Other comprehensive income (loss) ("OCI"):				
Items that have been or may be reclassified subsequently to income (loss):				
Foreign currency translation adjustments	**$ (12,508)**	$ (22,244)	**$ (85,825)**	$ (213,369)
Current tax recovery	**—**	—	**—**	289
Other comprehensive loss, net of tax	**(12,508)**	(22,244)	**(85,825)**	(213,080)
Total comprehensive income (loss) for the period	**$ (107,778)**	$ (1,162)	**$ (377,661)**	$ 48,066
Total comprehensive income (loss) attributable to:				
Unitholders	**$ (92,573)**	$ 454	**$ (231,944)**	$ 31,089
Non-controlling interests	**(15,205)**	(1,616)	**(145,717)**	16,977
	$ (107,778)	$ (1,162)	**$ (377,661)**	$ 48,066

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

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

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated Other Comprehensive Loss	Retained Earnings	Total Unitholders' Equity	Non-Controlling Interests (note 12)	Total Equity
Balance, December 31, 2022		$ 2,503,875	$ 39,724	$ (858,645)	$ (315,777)	$ 1,087,671	$ 2,456,848	$ 1,285,128	$ 3,741,976
Units issued through distribution reinvestment plan	**11**	18,222	—	—	—	—	18,222	8,659	26,881
Units issued on exercise of unit-based compensation	**10**	2,426	—	—	—	—	2,426	—	2,426
Distributions		—	—	(136,479)	—	—	(136,479)	(29,428)	(165,907)
Foreign currency translation adjustments		—	—	—	(21,088)	—	(21,088)	(64,737)	(85,825)
Net loss		—	—	—	—	(210,856)	(210,856)	(80,981)	(291,837)
Balance, September 30, 2023		$ 2,524,523	$ 39,724	$ (995,124)	$ (336,865)	$ 876,815	$ 2,109,073	$ 1,118,641	$ 3,227,714

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated Other Comprehensive Loss	Retained Earnings	Total Unitholders' Equity	Non-Controlling Interests (note 12)	Total Equity
Balance, December 31, 2021		$ 2,290,032	$ 39,724	$ (669,223)	$ (291,778)	$ 1,023,376	$ 2,392,131	$ 1,131,443	$ 3,523,574
Public offering of units	**11**	164,270	—	—	—	—	164,270	122,200	286,470
Private placement of units		15,000	—	—	—	—	15,000	—	15,000
Units issued through distribution reinvestment plan	**11**	24,867	—	—	—	—	24,867	2,514	27,381
Units issued on exercise of unit-based compensation awards		811	—	—	—	—	811	—	811
Distributions		—	—	(141,349)	—	—	(141,349)	(27,334)	(168,683)
Foreign currency translation adjustments		—	—	—	(133,481)	—	(133,481)	(79,889)	(213,370)
Other comprehensive income, excluding foreign currency translation adjustments		—	—	—	79	—	79	210	289
Net income		—	—	—	—	164,490	164,490	96,656	261,146
Balance, September 30, 2022		$ 2,494,980	$ 39,724	$ (810,572)	$ (425,180)	$ 1,187,866	$ 2,486,818	$ 1,245,800	$ 3,732,618

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

		For the three months ended September 30,		For the nine months ended September 30,	
	Note(s)	**2023**	2022	**2023**	2022
Cash provided by (used in):					
Operating activities					
Net income (loss)		**$ (95,270)**	$ 21,082	**$ (291,836)**	$ 261,146
Adjustments for:					
Income tax expense (recovery)		**(645)**	5,942	**(26,664)**	71,415
Income taxes paid		**(7,637)**	(5,771)	**(19,629)**	(20,170)
Amortization of other assets		**358**	301	**956**	1,050
Mortgage and loan interest expense		**58,715**	40,864	**167,550**	98,775
Mortgage and loans interest paid		**(56,266)**	(34,822)	**(169,688)**	(87,505)
Finance costs	14	**(10,732)**	4,286	**(13,472)**	6,881
Interest income		**(3,494)**	(3,827)	**(11,575)**	(9,841)
Share of (profit) loss of equity accounted investments	5	**(1,966)**	(3,050)	**19,917**	(22,565)
Unrealized foreign exchange loss (gain)		**2,689**	3,653	**(6,457)**	1,268
Fair value adjustment of investment properties	4	**122,204**	14,743	**414,189**	(118,424)
Fair value loss (gain) on financial instruments	6	**6,585**	(10,468)	**(14,204)**	(59,901)
Transaction costs		**11,255**	3,740	**34,688**	15,858
Fair value adjustment of deferred unit plan liability		**(2,692)**	(3,239)	**(12,275)**	(6,855)
Unit-based compensation expense	10	**1,883**	2,023	**7,380**	7,228
Redemption of units issued under deferred unit plan		**(2)**	(595)	**(1,464)**	(4,388)
Changes in non-cash working capital balances	14	**1,156**	32,406	**4,600**	38,590
Cash provided by (used in) operating activities		**26,141**	67,268	**82,016**	172,562
Investing activities					
Acquisitions of investment properties	3	**(10,593)**	(109,506)	**(14,636)**	(1,043,692)
Additions to investment properties	4	**(85,196)**	(55,491)	**(191,586)**	(116,677)
Net proceeds on disposal of investment properties		**74,892**	5,500	**197,929**	6,418
Contributions in equity accounted investments	5	**(405)**	(250)	**(1,565)**	(17,805)
Net investment in financial instruments	6, 7	**91,766**	(2,127)	**91,766**	(130,689)
Transaction costs and deposits attributable to investment activities	3	**(4,038)**	(94)	**(29,787)**	(12,654)
Distribution income	5, 7	**3,587**	4,904	**13,184**	13,109
Cash interest received		**869**	1,641	**2,581**	4,293
Additions to furniture and fixtures		**(8)**	(95)	**(87)**	(513)
Receipts (payments) from foreign exchange contracts		**96**	(196)	**304**	(467)
Cash provided by (used in) investing activities		**70,970**	(155,714)	**68,103**	(1,298,677)
Financing activities					
Mortgage and loan proceeds	8	**274,524**	186,470	**601,198**	1,678,493
Repayment of mortgages and loans	8	**(314,981)**	(196,005)	**(695,084)**	(829,190)
Issuance of convertible debentures, net of issuance cost	9	**(91)**	148,202	**81,649**	148,202
Proceeds from issuance of units, net of issuance costs	11, 12	**(62)**	(335)	**(209)**	301,470
Financing fees paid		**(2,104)**	(1,176)	**(9,192)**	(7,942)
Distributions paid		**(48,613)**	(39,361)	**(126,859)**	(115,441)
Class B exchangeable units distributions paid		**(342)**	(342)	**(1,026)**	(1,026)
Distributions paid to non-controlling interests		**(7,160)**	(6,772)	**(20,757)**	(24,817)
Cash provided by (used in) financing activities		**(98,829)**	90,681	**(170,280)**	1,149,749
Net change in cash and cash equivalents		**(1,718)**	2,235	**(20,161)**	23,634
Effect of foreign currency translation		**1,025**	(4,946)	**(295)**	(14,432)
Net change in cash and cash equivalents		**(693)**	(2,711)	**(20,456)**	9,202
Cash and cash equivalents, beginning of period		**68,224**	74,613	**87,987**	62,700
Cash and cash equivalents, end of period	14	**$ 67,531**	$ 71,902	**$ 67,531**	$ 71,902

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

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

1. Basis of Preparation and Statement of Compliance

These unaudited condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting as issued by the International Accounting Standards Board. Certain information and note disclosure included in the annual consolidated financial statements based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS") have been omitted in these unaudited condensed consolidated interim financial statements. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the REIT's annual consolidated financial statements for the year ended December 31, 2022. These unaudited condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT on November 8, 2023.

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

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

2. Significant Accounting Policies

All significant accounting policies have been applied on a basis consistent with those stated and applied in the most recent annual consolidated financial statements of the REIT for the year ended December 31, 2022 with the exception of accounting policies implemented in 2023. Changes to significant accounting policies are described below and updates related to operating risks are described in Note 20.

Joint arrangements

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

The REIT’s investments in joint ventures are recorded using the equity method and are initially recognized in the consolidated balance sheets at cost and adjusted thereafter to recognize the REIT’s share of the profit or loss and other comprehensive income or loss of the joint ventures. The REIT’s share of the joint ventures' profit or loss and other comprehensive income or loss is recognized in the REIT’s consolidated statements of income (loss) and comprehensive income (loss).

The elimination of interest income and expense arising on balances held by the REIT with equity method investees is not specifically addressed in IFRS. The REIT had previously elected to eliminate its share of interest income and management fee income against its share of profit or loss from its equity method investments. During the first quarter of fiscal 2023, the REIT elected to change its policy to account for and present downstream transactions with its joint ventures on a gross basis (note 5). As a result, the REIT and the joint ventures report these transactions in their respective results of operations that are included in the REIT's consolidated statements of income (loss) and comprehensive income (loss). The REIT changed its accounting policy to improve reporting disclosures and comparability with standalone accounts for its equity method investments, while ensuring net income (loss) is unchanged as compared to the REIT's historical presentation basis. Relevant comparative periods in these unaudited condensed consolidated interim financial statements have been amended to reflect the change in accounting policy.

(in thousands of Canadian dollars, unless otherwise stated)

3. Investment Property Acquisitions

During the nine months ended September 30, 2023, the following investment property acquisitions were completed:

Segment		**Acquisition Cost** (i)	**Property specific debt**
Australasia	$	14,636	—

i. Acquisition costs include transaction costs directly attributable to this transaction activity and were capitalized totaling $0.7 million, which includes an internal allocation of investment resources deemed to be directly attributable to acquiring these investment property assets.

4. Investment Properties

As at		**September 30, 2023**		December 31, 2022
Balance, beginning of period	**$**	**6,612,536**	$	6,294,305
Acquisition of investment properties (note 3)		**14,636**		1,051,258
Disposition of investment properties		**(23,241)**		(7,070)
Additions to investment properties		**191,305**		166,705
Increase in straight line rents		**5,080**		2,305
Reclassified to and from assets held for sale		**449,919**		(943,461)
Right of use asset addition		**—**		206
Fair value adjustments		**(257,317)**		23,480
Foreign currency translation		**(134,918)**		24,808
Balance, end of period	**$**	**6,858,000**	$	6,612,536

Investment properties are measured at their estimated fair values. The investment properties are re-measured to fair value at each reporting date.

The estimated fair values of the REIT's investment properties are based on the following valuation methodologies:

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

The estimated fair values of the investment properties as at September 30, 2023 and December 31, 2022 were determined using internal valuation models and the results of valuations performed by independent third party appraisers. Significant inputs, assumptions and a number of methods are used by the REIT in determining the estimated fair values of its investment properties, including capitalization rates, terminal capitalization rates, discount rates and future cash flows that incorporate inflation rates, vacancy rates, market rents, property level capital expenditures, and net operating income.

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

As at September 30, 2023	Americas	Europe	Australasia
Discount rate - range	6.3% - 9.0%	4.2% - 6.8%	5.3% - 8.3%
Discount rate - weighted average	7.3%	5.2%	6.6%
Terminal capitalization rate - range	5.5% - 8.3%	4.7% - 7.9%	4.5% - 6.8%
Terminal capitalization rate - weighted average	6.6%	5.4%	5.2%
Overall capitalization rate - range	3.1% - 9.8%	4.3% - 7.9%	4.3% - 8.0%
Overall capitalization rate - weighted average	6.4%	5.8%	5.1%

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

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

Capitalization rate sensitivity increase/ (decrease)	Weighted average overall capitalization rate	Estimated fair value of investment properties (in millions of Canadian dollars)	Fair value variance (in millions of Canadian dollars)	% Change
(0.75)%	5.00 %	$ 7,913	$ 1,054	15.0 %
(0.50)%	5.25 %	$ 7,527	$ 668	10.0 %
(0.25)%	5.50 %	$ 7,177	$ 319	5.0 %
— %	5.75 %	$ 6,858	$ —	— %
0.25 %	6.00 %	$ 6,567	$ (291)	(4.0)%
0.50 %	6.25 %	$ 6,300	$ (559)	(8.0)%
0.75 %	6.50 %	$ 6,053	$ (806)	(12.0)%

The REIT engages independent third-party appraisers to appraise its income producing properties such that approximately one-third of the portfolio is independently appraised annually and each income producing property is appraised at least once over a five-year period. The REIT's internal valuation models incorporate the results of valuations performed by independent third-party appraisers. During the nine months ended September 30, 2023, income producing properties with an aggregate estimated fair value of $3.1 billion representing approximately 45.5% of its consolidated investment property portfolio, were valued by independent third party appraisers. As at December 31, 2022 income producing properties with an aggregate estimated fair value of $4.0 billion representing approximately 61.0% of its portfolio, were valued by independent third party appraisers.

(in thousands of Canadian dollars, unless otherwise stated)

As at September 30, 2023, the REIT classified income producing properties totaling $218.0 million (December 31, 2022 - $1 billion) as assets held for sale and $46.9 million (December 31, 2022 - $0.4 billion) of directly associated property level debt expected to be part of the sale transaction in conjunction with the related investment properties as liabilities related to assets held for sale. The associated debt is secured by the underlying investment properties. Income producing properties of $58.7 million classified as held for sale form part of the security to the revolving credit facility (see Note 8). The related borrowings have not been classified as liabilities related to assets held for sale but the REIT plans to use proceeds from the respective sale transaction to repay amounts borrowed under the credit facility of approximately $40 million.

During the nine months ended September 30, 2023, the REIT disposed of income producing properties that were classified as held for sale in Australasia and the Americas for gross proceeds of $174.7 million to third parties. No gains or losses were recognized on the sales. The proceeds from the sale were used to partially repay the related term debt, as well as other short-term variable-rate debt.

As at December 31, 2022, the REIT had classified its portfolio of UK investment properties within the Europe segment as assets held for sale. During the period, the REIT exited its exclusive negotiations regarding a new joint venture targeting healthcare real estate in the UK. Accordingly, the REIT determined the UK portfolio no longer met the criteria for classification as held for sale and reclassified income producing properties of $833.5 million and related debt of $446.1 million to investment properties and mortgages and loans, respectively during the second quarter of fiscal 2023. The REIT incurred transaction costs of $10.1 million during the nine months ended September 30, 2023 related to the marketing of the UK portfolio, which has been expensed and classified as part of transaction costs.

5. Equity Accounted Investments

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

As at September 30, 2023, the total equity commitment to separate Australian and European joint ventures previously established is approximately $3.2 billion and $2.9 billion, respectively, less funding to date of $2.3 billion and $0.6 billion, respectively, which includes an aggregate 30% participation interest by the REIT.

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

The REIT's investments in its initial Australian JV arrangements, where capital funding has been deployed to fund the acquisition of investment properties, were all governed under the same investment framework as at September 30, 2023. The investment framework included sharing a common third-party joint venture partner, owning assets that are in similar asset classes and geographical regions, and have similarly structured investment management terms. Accordingly, the REIT has combined its Australian joint ventures arrangements as the Australasia JVs in the following table. The table shows the changes in the REIT's carrying value of its equity method investments by segment in the period:

(in thousands of Canadian dollars, unless otherwise stated)

September 30, 2023	Australasia	Europe	Total
Balance, beginning of period	$ 299,873	$ 95,524	**$ 395,397**
Contributions	—	1,576	**1,576**
Share of loss for the period	(14,376)	(5,541)	**(19,917)**
Distributions	(7,570)	—	**(7,570)**
Foreign currency translation	(15,777)	(1,014)	**(16,791)**
Balance, end of period	**$ 262,150**	**$ 90,545**	**$ 352,695**

The following tables summarizes certain financial information of the REIT's equity method investments:

	September 30, 2023		
	Australia	**Europe**	**Total**
Total assets	$ 2,042,433	$ 595,449	**$ 2,637,882**
Total liabilities	1,111,209	310,213	**1,421,422**
Net assets	931,224	285,236	**1,216,460**
Less: Non-controlling interests	58,289	—	**58,289**
Net assets less non-controlling interests	872,935	285,236	**1,158,171**
REIT's ownership Interest	30.0%	30% to 33.57%	**30% to 33.57%**
Equity Accounted Investments	**$ 262,150**	**$ 90,545**	**$ 352,695**

Included in total assets is cash of $19.9 million and $8.3 million in Australia and Europe, respectively (December 31, 2022 - $20.4 million and $1.9 million) to which the REIT has rights to its relative ownership interests without restriction.

(in thousands of Canadian dollars, unless otherwise stated)

For the three months ended September 30,	**2023**			2022		
	Australasia	**Europe**	**Total**	Australasia	Europe	Total
Revenue	$ 25,237	$ 10,202	**$ 35,439**	$ 24,564	$ 9,309	$ 33,873
Interest income	1,707	—	**1,707**	1,347	—	1,347
Total revenue	$ 26,944	$ 10,202	**$ 37,146**	$ 25,911	$ 9,309	$ 35,220
Expenses and fair value adjustments						
Operating costs	2,177	1,642	**3,819**	$ 2,122	$ 2,129	$ 4,251
Mortgage and loan interest expense	15,287	6,185	**21,472**	8,530	5,805	14,335
General and administrative expenses	2,649	1,626	**4,275**	3,088	1,073	4,161
Other	229	105	**334**	162	—	162
Fair value (gain) loss attributable to investment properties	(635)	428	**(207)**	2,088	(1,302)	786
Income tax expense	—	584	**584**	—	689	689
Net income (loss)	$ 7,237	$ (368)	**$ 6,869**	$ 9,921	$ 915	$ 10,836
Non-controlling interests	540	—	**540**	750	—	750
Net income (loss) attributable to owners	6,697	(368)	**6,329**	9,171	915	10,086
Weighted average share of income (loss)	30.0%	30% to 33.57%	**30% to 33.57%**	30.0%	30% to 33.57%	30% to 33.57%
REIT's share of income (loss)	$ 2,011	$ (45)	**$ 1,966**	$ 2,751	$ 299	$ 3,050

For the nine months ended September 30,	**2023**			2022		
	Australasia	**Europe**	**Total**	Australasia	Europe	Total
Revenue	$ 81,363	$ 31,112	**$ 112,475**	$ 76,089	$ 25,833	$ 101,922
Interest income	5,154	33	**5,187**	3,858	59	3,917
Total revenue	$ 86,517	$ 31,145	**$ 117,662**	$ 79,947	$ 25,892	$ 105,839
Expenses and fair value adjustments						
Operating costs	10,170	5,945	**16,115**	$ 8,141	$ 5,220	$ 13,361
Mortgage and loan interest expense	41,895	18,205	**60,100**	16,584	15,258	31,842
General and administrative expenses	7,573	3,738	**11,311**	8,070	2,698	10,768
Other	568	309	**877**	471	—	471
Fair value (gain) loss attributable to investment properties	71,422	23,887	**95,309**	(34,657)	5,312	(29,345)
Income tax expense	—	(2,766)	**(2,766)**	—	(14)	(14)
Net income (loss)	$ (45,111)	$ (18,173)	**$ (63,284)**	$ 81,338	$ (2,582)	$ 78,756
Non-controlling interests	2,811	—	**2,811**	4,031	—	4,031
Net income (loss) attributable to owners	(47,922)	(18,173)	**(66,095)**	77,307	(2,582)	74,725
Weighted average share of income (loss)	30.0%	30% to 33.57%	**30% to 33.57%**	30.0%	30.0% to 33.6%	30.0% to 33.6%
REIT's share of income (loss)	$ (14,376)	$ (5,541)	**$ (19,917)**	$ 23,192	$ (627)	$ 22,565

(in thousands of Canadian dollars, unless otherwise stated)

The fair value movements of investment properties in the JVs have been determined using the same valuation methodologies as the REIT (see note 4).

Included in the REIT's share of income (loss) on a gross basis $1.3 million and $3.8 million for the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 - $2.2 million and $3.1 million) of interest expense related to loan balances outstanding between the REIT and the European JVs and $1.4 million and $3.8 million for the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 - $2.1 million and $2.2 million) of management fee expenses relating to services provided by the REIT to Australasia and Europe equity method investees.

6. Financial Instruments

As at		**September 30, 2023**		December 31, 2022
Financial assets:				
Interest rate derivatives		**51,544**		37,568
Foreign exchange contracts		**225**		556
Total financial assets	**$**	**51,769**	$	38,124
Financial liabilities:				
Interest rate derivatives		**2,181**		
Total financial liabilities	**$**	**2,181**	$	—

The REIT is a party to interest rate derivative contracts with respect to certain variable rate mortgages and term debts related to its investment properties in Europe and the Americas, as well as portions of its credit facility in Australasia. The total notional amount of these interest rate derivatives with different counterparties as at September 30, 2023 is $1.7 billion (December 31, 2022 - $0.8 billion) (note 8).

Segment	Currency	Type	Notional Amount (CAD)	Effective Date	Remaining Term (months)	Effective Interest Rate	Fair Value (CAD)
Americas	USD	Cap	$ 393,860	2/10/2023	4	8.19%	$ (2,181)
Americas	USD	Swap		2/12/2024	28	6.61%	8,258
Europe	GBP	Cap	440,599	3/14/2023	5	6.47%	2,281
Europe	GBP	Swap		3/14/2024	25	6.19%	5,056
Europe	EUR	Cap	108,516	7/21/2021 - 9/15/2022	37	2.31%-2.40%	8,121
Europe	EUR	Swap	99,994	4/15/2016 - 6/30/2023	45	1.45%-3.50%	8,859
Australasia	AUD	Swap	649,271	12/7/2015 - 9/5/2022	31	4.06%-5.56%	18,969
							$ 49,363

The Australasian interest derivative swaps relate to credit facilities in Vital Trust wherein the REIT consolidates its 28.7% interest.

(in thousands of Canadian dollars, unless otherwise stated)

During the first quarter of fiscal 2023, the REIT entered into interest rate cap transactions with respect to its Americas and European segments, with a total notional amount of $834.8 million, to fix and cap the interest rate for a term of one year. Concurrently, the REIT entered into an incremental interest rate swap transaction on $446.5 million of its Americas segment debt that will be effective from February 2024 until the maturity date of the underlying debt, being January 31, 2025. During the period, the REIT repaid $52.3 million of this debt, resulting in a remaining balance and interest rate derivative notional amount which is $394.2 million as of September 30, 2023.

Concurrently, the REIT entered into an incremental interest rate swap transaction on $440.6 million of its UK portfolio debt that is effective March 2024 until the maturity date of the underlying debt, being November 1, 2025.

The components of the gain (loss) attributable to derivative financial instruments are as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	**2023**	2022
Fair value adjustment - interest rate derivatives	**$ (5,864)**	$ 10,618	**$ 12,157**	$ 60,340
Receipts/(payments) under financial instruments	**419**	(198)	**305**	(467)
Fair value adjustment - other financial instruments	**(1,140)**	46	**1,742**	26
	$ (6,585)	$ 10,466	**$ 14,204**	$ 59,899

7. Other Assets

As at	September 30, 2023	December 31, 2022
Investment in unlisted securities (i)	**$ 117,705**	$ 224,183
Acquisition and financing costs (ii)	**10,403**	21,867
Loan and mortgage receivable (iii)	**5,345**	10,268
Finance lease receivable (iv)	**6,733**	6,987
Prepaid expenses	**7,253**	3,658
Right-of-use lease assets	**3,363**	4,413
Commodity taxes recoverable	**4,060**	4,152
Furniture and office equipment	**4,893**	4,701
Other	**—**	140
	$ 159,755	$ 280,369

i. The REIT has a non-controlling investment interest in unlisted securities of an Australian healthcare fund that invests in and holds investment properties. The REIT accounts for its interest as a financial asset measured at fair value through profit and loss ("FVTPL") under IFRS 9.

   During the three and nine months ended September 30, the REIT received $5.6 million and $9.7 million, respectively, of income related to the REIT's investment in these unlisted securities, which were recognized as part of interest and other income in the statements of income (loss) and comprehensive income (loss). During the three and nine months ended September 30, the REIT sold units having a value of approximately $95.9 million (A$109.9 million) related to its investment in unlisted securities at their carrying value. The proceeds were used towards a partial repayment of the Australasian term debt, which is secured by the underlying unlisted securities.The estimated fair value of the REIT's investment after the partial sale of its interest in the unlisted securities is $117.7 million as at September 30, 2023.

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

(in thousands of Canadian dollars, unless otherwise stated)

iii. Loan and mortgage receivable is carried at amortized cost and relates to an interest-bearing loan with a third party secured by an Australasian investment property with original maturity in September 2023. During the year, the REIT received $5.0 million related to early repayment made in connection with an extension of the loan term, which matures in November 2023.

iv. Finance lease receivable relates to a long-term land lease with a third party, with a discount rate of 6.5% and remaining term of 65 years.

8. Mortgages and Loans Payable

As at		**September 30, 2023**		December 31, 2022
Mortgages payable, net of financing costs	**$**	**759,743**	$	851,097
Term debt, net of financing costs		**2,281,710**		2,462,577
Credit facilities, net of financing costs		**628,633**		506,804
Lease liabilities		**11,615**		12,926
Total Mortgages and loans payable	**$**	**3,681,701**	$	3,833,404
Less: Liabilities related to assets held for sale, net of financing costs (note 4)		**46,942**		427,543
Mortgages and loans payable	**$**	**3,634,759**	$	3,405,861
Current portion mortgages and loans payable		**191,401**		1,497,245
Non-current portion of mortgages and loans payable	**$**	**3,443,358**	$	1,908,616
Total mortgages and loans payable	**$**	**3,634,759**	$	3,405,861

Mortgages

All mortgages are secured by first or second charges on specific investment properties in the Americas and Europe, with an estimated fair value of $1.4 billion as at September 30, 2023 (December 31, 2022 - $1.6 billion).

Term debt

As at September 30, 2023, the term debt balance, excluding financing costs, includes secured financing of:

- Americas term debt of $568.4 million (December 31, 2022 - $456.7 million), secured by related investment properties with an estimated fair value of $1.1 billion (December 31, 2022 - $1.2 billion);
- Australasian term debt of $1.1 billion (December 31, 2022 - $1.2 billion), secured by related investment properties, security trust deeds, and unlisted securities held by the REIT with a total fair value of $2.8 billion (December 31, 2022 - $3.0 billion);
- Australasian secured term financing of $183.2 million (December 31, 2022 - $193.4 million) secured by 191,708,036 units (December 31, 2022 - 183,534,120 units) of Vital Trust held by the REIT; and
- UK term debt, net of financing cost of $440.6 million (December 31, 2022 - $435.4 million), secured by UK Portfolio investment properties with a total estimated fair value of $814.6 million (December 31, 2022 - $956.6 million).

On January 31, 2023, the REIT extended its $394.2 million ($290.3 million USD) term loan facility, included as part of the Americas segment, secured by its US investment properties by two years, such that the revised maturity date of the facility is now January 31, 2025.

(in thousands of Canadian dollars, unless otherwise stated)

On July 21, 2023, the REIT refinanced Australasian term debt maturing in September 2023 and bearing variable rate interest of 6.35% to extend the weighted average term to maturity by 4 years. As at September 30, 2023, the outstanding balance is $69.8 million. The refinanced facility bears variable interest at 5.62%..

During the nine months ended September 30, 2023, the REIT repaid $91.8 million of term debt secured by unlisted units using proceeds from the sale of the units (see note 7).

Credit facilities

Certain revolving credit facilities with an outstanding balance of $284.2 million (December 31, 2022 - $195.6 million) are secured by a first or second charge on investment properties with an estimated fair value of $421.7 million (December 31, 2022 - $0.3 billion).

On March 27, 2023, the REIT amended and refinanced the terms of its revolving credit facility to increase its available capacity by $81.0 million from a total of $208.5 million to $289.5 million, subject to incremental security in certain Americas 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 $173.2 million to January 2024.

On August 2, 2023, the REIT executed an interim non-revolving tranche under its revolving credit facility to increase availability by $50.0 million. The tranche matures in October 2023. The facility is secured by certain assets in the REIT's Americas portfolio and it bears interest ranging from 10.6% to 13.8%. Concurrently, the REIT further extended the maturity date of its revolving unsecured credit facility with an outstanding balance of $173.2 million credit facility by one year to January 2025, The facility bears interest ranging from 10.37% to 10.55% (previously 9.97% to 10.37%).

During the period, the REIT extended the maturity date of its revolving unsecured credit facility with an outstanding balance of $125.0 million credit facility by one year to November 2024, The facility bears interest ranging from 8.73% to 10.01%.

Lease liabilities

The land lease, in which the REIT is a lessee, on which one of the REIT's investment properties is built is accounted for as a finance lease. The remaining term of the lease as at September 30, 2023 is 65 years. In addition, the REIT has recognized other lease liabilities for leases where the REIT is a lessee. Minimum payments under the lease and their present values are as follows:

As at	**September 30, 2023**	December 31, 2022
Minimum lease payments payable:		
Not later than one year	**$ 1,805**	$ 2,024
Later than one year and not later than five years	**4,409**	5,362
Later than five years	**28,039**	29,637
	34,253	37,023
Future finance charges	**(22,638)**	(24,097)
Present value of minimum lease payments	**$ 11,615**	$ 12,926
Present value of minimum lease payments:		
Not later than one year	**1,759**	1,920
Later than one year and not later than five years	**3,959**	4,851
Later than five years	**5,897**	6,155
	$ 11,615	$ 12,926

(in thousands of Canadian dollars, unless otherwise stated)

As at September 30, 2023, the scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term Debts	Credit Facilities	Finance Lease	**Total**
2023 (remainder)	$ 5,623	$ 5,891	$ 50,000	$ 479	**$ 61,993**
2024	200,896	57,421	125,000	1,633	**384,950**
2025	165,713	1,213,640	173,186	1,253	**1,553,792**
2026	183,446	254,461	284,216	1,146	**723,269**
2027	67,205	300,014	—	777	**367,996**
2028 & thereafter	139,516	466,185	—	6,327	**612,028**
	$ 762,399	$ 2,297,612	$ 632,402	$ 11,615	**$ 3,704,028**
Financing costs	(2,656)	(15,902)	(3,769)	—	**(22,327)**
Liabilities related to asset held for sale	(46,942)	—	—	—	**(46,942)**
Total	$ 712,801	$ 2,281,710	$ 628,633	$ 11,615	**$ 3,634,759**

A summary of the maturity and the weighted average interest rates relating to the mortgages and loans payable, including term debts and credit facilities, outstanding at September 30, 2023 are as follows:

	Maturity	**Weighted Average Interest Rate**	**Carrying Value**	**Available to be Drawn**
Fixed rate				
Mortgages	March 2024 - August 2031	3.11 %	$ 723,110	$ —
Term debts	November 2027 - June 2031	5.90 %	1,706,202	109,351
Total fixed rate debt			$ 2,429,312	$ 109,351
Variable Rate				
Mortgages	March 2025 - June 2030	6.45 %	39,289	—
Term debts	April 2024 - March 2029	6.92 %	591,410	48,812
Credit facilities	October 2023 - March 2026	8.77 %	632,402	—
Total variable rate debt			$ 1,263,101	$ 48,812
Total mortgages and loans payable, excluding the following:			$ 3,692,413	$ 158,163
Financing costs			(22,327)	—
Liabilities related to asset held for sale			(46,942)	—
Total mortgages and loans payable, excluding lease liabilities:			**3,623,144**	158,163
Lease liabilities		5.39 %	11,615	—
Total mortgages and loans payable			**$ 3,634,759**	**$ 158,163**

In certain instances, the amounts available to be drawn on mortgages and loan facilities noted above fluctuate depending on variables under those arrangements, such as interest yields and net operating income of the secured properties as stipulated by applicable calculations. As at September 30, 2023, the REIT's borrowing under its revolving credit facility exceeded the available amount as calculated in accordance with the terms of the facility by $3.4 million. Subsequent to September 30 2023, as a consequence of this determination, the REIT repaid the excess borrowing in accordance with the terms of the credit facility.

(in thousands of Canadian dollars, unless otherwise stated)

The maximum amount available to be drawn is $158.2 million as at September 30, 2023 in respect of Vital Trust's term debts which is subject to restrictions over the extent to which the REIT it can access.

The table below summarizes the movements in the REIT's mortgages and loans, excluding finance leases, during the nine months ended September 30, 2023:

	Mortgages	Term Debts	Credit Facilities	Total
Balance, beginning of period	$ 851,078	$ 2,035,034	$ 506,804	**$ 3,392,916**
Repayments	(94,208)	(468,643)	(132,234)	**(695,085)**
Advances and refinancing proceeds	3,430	342,189	255,580	**601,199**
Reclassified from (to) liabilities related to assets held for sale	(48,145)	401,586	—	**353,441**
Additional financing fees incurred	(284)	(4,925)	(3,983)	**(9,192)**
Amortization of finance fees	3,026	3,844	1,779	**8,649**
Accretion of financial liabilities	—	6,602	—	**6,602**
Foreign currency adjustment	(9,490)	(22,816)	(3,080)	**(35,386)**
Ending balance, September 30, 2023	**$ 705,407**	**$ 2,292,871**	**$ 624,866**	**$ 3,623,144**

The REIT has entered into interest rate derivative contracts to limit its exposure to fluctuations in interest rates on $1.7 billion of variable rate debts as at September 30, 2023 (December 31, 2022 - $784.2 million). The interest rate derivatives terminate during the remainder of 2023 and 2030 and are measured at fair value through profit and loss (note 6).

(in thousands of Canadian dollars, unless otherwise stated)

9. Convertible Debentures

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

As at		**September 30, 2023**		December 31, 2022
Balance, beginning of period	**$**	**275,270**	$	137,225
Issuance of convertible debenture		**86,250**		155,250
Change in fair value of convertible debentures		**(26,792)**		(17,205)
Balance, end of period	**$**	**334,728**	$	275,270

On April 27, 2023, the REIT issued $75.0 million principal amount of unsecured subordinated convertible debentures (the "Series NWH.DB.I"). On May 3, 2023, the over-allotment option was exercised for an additional $11.3 million principal amount. The debentures bear interest at 7.75% per annum, payable semi-annually on April 30 and October 31 each year, with a maturity date of April 30, 2028. Each Series NWH.DB.I is convertible at the holder's option to 94.8 REIT units per one thousand dollars principal amount of the debenture, representing a conversion price of $10.55 per REIT unit. On April 30, 2026 and prior to the maturity date, Series NWH.DB.I may be redeemed by the REIT at a price equal to the principal amount plus accrued and unpaid interest and with settlement in cash or units.

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

As at		**September 30, 2023**		December 31, 2022
NWH.DB.G		**124,063**		123,125
NWH.DB.H		**132,351**		152,145
NWH.DB.I		**78,314**		—
Fair Value	**$**	**334,728**	$	275,270
Current		**124,063**		123,125
Non-Current		**210,665**		152,145
	$	**334,728**	$	275,270

Debentures Series	Conversion price per Unit ($)	Maturity	Interest rate	Interest payment	Interest payment dates
NWH.DB.G	$13.35	December 31, 2023	5.50%	Semi-annual	June 30 and December 31
NWH.DB.H	$16.00	August 31, 2027	6.25%	Semi-annual	February 28 and August 31
NWH.DB.I	$10.55	April 30, 2028	7.75%	Semi-annual	April 30 and October 31

(in thousands of Canadian dollars, unless otherwise stated)

10. Unit-Based Compensation

Under the Equity Incentive Plan ("the Plan") that was approved in 2022, together with the previous Deferred Unit Plan ("DUP"), a maximum of 9,000,000 the REIT’s trust units are authorized to be issued.

The related activity and fair value estimates of the unit-based compensation liabilities are as follows:

As at		September 30, 2023		December 31, 2022
Balance, beginning of period	$	23,837	$	26,223
Unit based compensation expense		7,380		15,222
Exercised and paid in cash		(1,464)		(6,219)
Exercised and settled in Trust Units		(2,426)		(1,151)
Fair value adjustment		(12,275)		(10,236)
Foreign exchange		(65)		(2)
Balance, end of period	$	14,987	$	23,837

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

Deferred Units

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

Deferred units compensation expense is determined upon grant based on the service commencement date and 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. As at September 30, 2023, 1,717,364 unvested deferred units with a fair value of $8.7 million are expected to vest between 2023 and 2026. Unit-based compensation is classified as a liability. The awards are re-measured at fair value each reporting period, based on the fair market value of a REIT unit or Vital Trust unit, as applicable, and the change in fair value is recognized as part of compensation expense for the period.

Units outstanding under the deferred unit plans as at September 30, 2023 are as follows.

As at September 30, 2023	REIT	Vital Trust
Balance, beginning of period	2,801,751	225,387
Exercised and paid in cash	(177,658)	(35,388)
Exercised and paid in REIT units	(351,219)	—
Forfeited	(18,231)	—
Distribution entitlement	204,227	3,616
Balance, as at September 30, 2023	2,458,870	193,615
Units vested but not exercised	753,068	182,053

(in thousands of Canadian dollars, unless otherwise stated)

Restricted Units

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

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

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

As at	September 30, 2023		December 31, 2022	
	Number of RU's	Weighted Average Grant Date Fair Value per unit	Number of RU's	Weighted Average Grant Date Fair Value per unit
RU's outstanding, beginning of year	**196,758**	**$ 12.08**	**—**	**$ —**
New grants and distributions	437,080	8.16	196,758	12.08
Forfeited	(9,486)	8.90	—	—
Exercised and paid in cash	(28,052)	6.32	—	—
RUs Outstanding	**596,300**	**$ 12.03**	**196,758**	**$ 12.08**

The fair value of the outstanding RU's was $0.9 million as at September 30, 2023 and is based on the market price of the REIT's unit. The fair value is adjusted for changes in the market price of the REIT's units and recorded as a liability with a corresponding impact on compensation expense included as part of general and administrative expenses in the period in which the change occurs.

Performance Units

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

As at	September 30, 2023		December 31, 2022	
	Number of PUs	Weighted Average Grant Date Fair Value per unit	Number of PUs	Weighted Average Grant Date Fair Value per unit
PUs outstanding, beginning of year	706,758	10.92	—	—
New grants and distributions	1,180,611	8.15	706,758	10.92
Forfeited	(1,077,532)	9.82	—	—
PUs Outstanding	**809,837**	**$ 8.35**	**706,758**	**$ 10.92**

(in thousands of Canadian dollars, unless otherwise stated)

The estimated fair value of the outstanding PU's was $0.5 million as at September 30, 2023 and is subject to both internal and external performance measures.

Grant date	July 4, 2022	April 14, 2023
Weighted average remaining term to vesting	1.3	2.3
Average volatility rate	26.8 %	26.8 %
Weighted average risk free interest rate	4.6 %	5.7 %

The REIT’s unit-based compensation expense recognized as part of general and administrative expense was:

	For the three months ended September 30,		**For the nine months ended September 30,**	
	2023	2022	**2023**	2022
Deferred Units	**1,398**	1,634	**$ 4,187**	$ 10,188
Restricted Units	**445**	114	**1,023**	114
Performance Units	**40**	277	**2,170**	277
Unit-based compensation expense	**1,883**	2,025	**$ 7,380**	$ 10,579
Fair value remeasurement:				
Deferred Units	**(1,971)**	(3,390)	**$ (8,938)**	$ (7,006)
Restricted Units	**(124)**	(14)	**(467)**	(14)
Performance Units	**(597)**	167	**(2,870)**	167
Total fair value remeasurement	**(2,692)**	(3,237)	**$ (12,275)**	$ (6,853)
Total unit-based compensation expense, including fair value adjustment	**$ (809)**	$ (1,212)	**$ (4,895)**	$ 3,726

(in thousands of Canadian dollars, unless otherwise stated)

11. Unitholders' Equity

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

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

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

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

The following table shows the changes in REIT units during the nine months ended September 30, 2023.

	REIT units	Amount
Balance, December 31, 2022	**240,647,589**	**$ 2,503,875**
Units issued through distribution reinvestment plan (i)	2,175,190	18,222
Units issued under deferred unit plan (note 14)	351,219	2,426
Balance, September 30, 2023	**243,173,998**	**$ 2,524,523**

(i) The REIT previously established a distribution reinvestment plan (“DRIP”) for its unitholders, which allows participants to reinvest their monthly cash distributions in additional REIT units at an effective discount that is determined by applying 3% to the REIT's weighted average unit trading value for the five trading days immediately preceding the relevant distribution date. During Q2 2023, the Board approved the elimination of the 3% bonus distribution under the DRIP. The DRIP will remain suspended until further notice.

On June 7, 2023, the TSX approved the REIT's application to proceed with a normal course issuer bid ("NCIB") for a portion of its Trust Units from time to time. Trust Units representing up to 10% of the REIT’s public float may be purchased for cancellation under the NCIB, subject to certain maximum daily amounts, over the next 12 months. No units were repurchased during the period.

As at September 30, 2023, there were 1,710,000 Exchangeable Units outstanding (December 31, 2022 - 1,710,000).

(in thousands of Canadian dollars, unless otherwise stated)

12. Non-Controlling Interests

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

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

As at September 30, 2023	Vital Trust	Fritz-Lang-Platz 6	Total
REIT's ownership interest	28.7 %	94.9 %	
Total assets	$ 2,738,844	$ 23,205	$ 2,762,049
Total liabilities	1,181,817	7,872	1,189,689
Net assets	$ 1,557,027	$ 15,333	$ 1,572,360
Attributable to:			
Unitholders of the REIT	439,524	14,195	453,719
Non-controlling interests	1,117,503	1,138	1,118,641
	$ 1,557,027	$ 15,333	$ 1,572,360

	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
	Vital Trust	Fritz-Lang-Platz 6	Total	Vital Trust	Fritz-Lang-Platz 6	Total
Revenue from investment properties	$ 33,846	$ 420	$ 34,266	$ 33,795	$ 402	$ 34,197
Net income (loss) attributable to:						
Unitholders of the REIT	(5,158)	(695)	(5,853)	5,116	312	5,428
Non-controlling interests	(13,996)	2	(13,994)	14,463	8	14,471
Net income (loss)	$ (19,154)	$ (693)	$ (19,847)	$ 19,579	$ 320	$ 19,899
Total comprehensive income (loss) attributable to:						
Unitholders of the REIT	(5,773)	(793)	(6,566)	(2,642)	130	(2,512)
Non-controlling interests	(15,204)	(4)	(15,208)	(1,623)	7	(1,616)
Total comprehensive income (loss)	$ (20,977)	$ (797)	$ (21,774)	$ (4,265)	$ 137	$ (4,128)
Distributions attributable to non-controlling interests	$ 9,589	$ —	$ 9,589	$ 9,163	$ —	$ 9,163

(in thousands of Canadian dollars, unless otherwise stated)

	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Fritz-Lang-Platz 6	Total
Revenue from investment properties	**$ 107,531**	**$ 1,368**	**$ 108,899**	$ 98,683	$ 1,210	$ 99,893
Net income (loss) attributable to:						
Unitholders of the REIT	**(32,160)**	**(1,256)**	**(33,416)**	40,814	507	41,321
Non-controlling interests	**(80,914)**	**(67)**	**(80,981)**	96,629	26	96,655
Net income (loss)	**$ (113,074)**	**$ (1,323)**	**$ (114,397)**	$ 137,443	$ 533	$ 137,976
Total comprehensive income (loss) attributable to:						
Unitholders of the REIT	**(57,681)**	**(1,443)**	**(59,124)**	10,322	(149)	10,173
Non-controlling interests	**(145,643)**	**(77)**	**(145,720)**	16,983	(8)	16,975
Total comprehensive income (loss)	**$ (203,324)**	**$ (1,520)**	**$ (204,844)**	$ 27,305	$ (157)	$ 27,148
Distributions attributable to non-controlling interests	**$ 29,428**	**$ —**	**$ 29,428**	$ 27,334	$ —	$ 27,334

The difference between the net income (loss) and total comprehensive income (loss) reflects the movements during the three and nine months ended September 30, 2023, attributable to the foreign currency translation of accounts related to the REIT's net investments in Vital Trust and Fritz-Lang-Platz 6, being foreign operations of the REIT.

	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Fritz-Lang-Platz 6	Total
Cash flows from (used in):						
Operating	**$ 11,788**	**$ 18**	**$ 11,806**	$ 19,043	$ (133)	$ 18,910
Investing	**(2,692)**	**1**	**(2,691)**	(141,461)	(5)	(141,466)
Financing	**(8,669)**	**(48)**	**(8,717)**	111,754	222	111,976
Effect of foreign currency translation	**(239)**	**—**	**(239)**	(804)	(5)	(809)
Net change in cash	**$ 188**	**$ (29)**	**$ 159**	$ (11,468)	$ 79	$ (11,389)

	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	Vital Trust	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Fritz-Lang-Platz 6	Total
Cash flows from (used in):						
Operating	**$ 24,694**	**$ (2,061)**	**$ 22,633**	$ 65,689	$ 96	$ 65,785
Investing	**(40,114)**	**1,646**	**(38,468)**	(317,731)	$ (63)	(317,794)
Financing	**14,778**	**(2,731)**	**12,047**	254,998	$ (57)	254,941
Effect of foreign currency translation	**(1,052)**	**—**	**(1,052)**	(3,493)	$ —	(3,493)
Net change in cash	**$ (1,694)**	**$ (3,146)**	**$ (4,840)**	$ (537)	$ (24)	$ (561)
Cash balance at period end	**$ 8,992**	**$ 135**	**$ 9,127**	$ 6,241	$ 58	$ 6,299

(in thousands of Canadian dollars, unless otherwise stated)

The REIT is subject to restrictions over the extent to which it can access cash of Vital Trust and Fritz-Lang-Platz 6 in the form of cash distributions, or use of assets and access to debt and credit facilities as a result of borrowing arrangements, regulatory restrictions and the REIT's economic interests in Vital Trust and Fritz-Lang-Platz 6, being limited to the REIT's ownership interests of 28.7% and 94.9%, respectively. Similarly, the REIT is not subject to recourse over Vital Trust's borrowings and as a result, Vital Trust is restricted over the extent to which it can access the REIT's assets, debt and credit facilities.

13. Rental Revenue

The components of rental revenue are as follows:

	For the three months ended September 30,				For the nine months ended September 30,			
		2023		2022		**2023**		2022
Rental income	**$**	**98,383**	$	93,808	**$**	**298,801**	$	262,557
Operating cost recoveries	**$**	**15,360**	$	15,080		**45,623**		43,173
Property tax and insurance recoveries	**$**	**6,512**	$	5,603		**33,531**		22,053
Other revenue	**$**	**1,927**	$	1,802		**6,055**		5,337
Rental revenue	**$**	**122,182**	$	116,293	**$**	**384,010**	$	333,120

14. Supplemental Cash Flow Information

(i) Cash, cash equivalents and restricted cash

As at		**September 30, 2023**		December 31, 2022
Cash and cash equivalents	**$**	**67,531**	$	87,987
Restricted cash		**60**		47
Total cash, cash equivalents and restricted cash	**$**	**67,591**	$	88,034

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

(ii) Changes in Non-Cash Working Capital Balances

	For the three months ended September 30,				For the nine months ended September 30,			
		2023		2022		**2023**		2022
Accounts receivable	**$**	**(5,928)**	$	9,562	**$**	**(15,661)**	$	25,369
Other assets		**(2,905)**		(2,535)		**5,459**		6,824
Accounts payable and accrued liabilities		**9,989**		25,379		**14,802**		6,397
Changes in non-cash working capital balances	**$**	**1,156**	$	32,406	**$**	**4,600**	$	38,590

(in thousands of Canadian dollars, unless otherwise stated)

(iii) Non-Cash Financing and Investing Activities

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	**2023**	2022
Non-cash distributions to unitholders under the DRIP (note 11)	**$ —**	8,498	**$ 18,222**	$ 24,867
Units issued under unit-based compensation plan (note 10)	**1,221**	—	**2,426**	811
Non-cash distributions from unlisted securities under dividend reinvestment program (note 7)	**—**	—	**—**	5,284

(iv) Finance expenses (income)

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	**2023**	2022
Amortization of deferred financing costs	**$ 2,686**	$ 2,857	**$ 8,649**	$ 7,824
Amortization of marked to market adjustment	**—**	(300)	**—**	(719)
Distributions on Exchangeable Units	**342**	342	**1,026**	1,026
Fair value adjustment of Class B exchangeable units	**(2,052)**	(2,497)	**(7,558)**	(5,455)
Accretion of financial liabilities	**814**	2,003	**6,602**	12,049
Fair value adjustment of Convertible Debentures	**(12,613)**	(5,167)	**(26,792)**	(14,892)
Convertible Debenture issuance costs	**91**	7,048	**4,601**	7,048
Total finance expense (income), net	**$ (10,732)**	$ 4,286	**$ (13,472)**	$ 6,881

15. Related Party Transactions

As announced on August 8, 2023, the REIT's former Chairman and Chief Executive Officer, Paul Dalla Lana resigned from the Board of Trustees and his role as Chief Executive Officer ("CEO") of the REIT. In connection with the resignation, Mr. Dalla Lana and Northwest Value Partners Inc. ("NWVP"), an entity controlled by Mr. Dalla Lana, entered into a mutual separation agreement with the REIT (the "Separation Agreement").

Separation Agreement

Pursuant to the Separation Agreement, a release was provided to the REIT and its affiliates and the parties agreed to enter into an agreement of purchase and sale pursuant to which NWVP (or an affiliate thereof) would acquire the REIT's interest in an investment property located in Toronto, Ontario for total consideration of $34.0 million and with the completion of such transaction subject to a due diligence period and other closing conditions. The value of the investment property has been adjusted at September 30, 2023 to the amount of the purchase price and is reflected in the fair value adjustment included in the investment property movement in the period as per note 4.

As at August 8, 2023, the former CEO held and will retain the rights to a total of 1,056 vested REIT deferred units valued at $0.1 million (December 31, 2022 - 992 deferred units valued at $0.1 million) and he forfeit 1,068,045 performance units valued at $2.4 million (December 31, 2022 - 423,869 performance units valued at $5.0 million) issued under the REIT's equity incentive plan that are were scheduled to vest in three years from the grant date subject to the achievement of certain vesting conditions.

These transactions were recognized at the amount agreed to by the parties and are subject to the terms and conditions of the Separation Agreement.

Ownership Interest held by NWVP

The Class B exchangeable units of NWI Healthcare Properties LP ("NWI LP") are entirely held by NWVP and it’s affiliates. NWVP also holds an interest in REIT units. Pursuant to the amended and restated Declaration of Trust dated May 15, 2015 NWVP has certain rights to appoint trustees to the REIT’s Board of Trustees. As at September 30, 2023 NWVP’s rights to appoint trustees were not satisfied and accordingly does not have a representative on the Board of Trustees, and accordingly neither Paul Dalla Lana nor NWVP are deemed to be related parties prospectively from the date of the Seperation Agreement.

Other transactions while a member of Key Management Personnel

The REIT incurred charges from NWVP of $2.6 million during the nine months ended September 30, 2023 , including applicable sales taxes, during the period from January 1 to August 8, 2023, which included (i) annual base and performance-based compensation for CEO management services of $1.3 million excluding deferred units held by the former CEO, (ii) expense reimbursements of $0.2 million, and; (iii) the cost of NWVP personnel seconded to the REIT totaling $0.1 million. The aforementioned charges were recorded as part of general and administrative expenses and transaction costs in the consolidated statements of income (loss) and comprehensive income (loss).

The REIT incurred charges to NWVP during the nine months ended September 30, 2022, of $2.3 million, gross of HST, which includes annual compensation for CEO services for $1.3 million, expense reimbursement of $0.6 million, and the cost NWVP personnel seconded to the REIT totaling $0.2 million. The aforementioned charges were recorded as part of general and administrative expenses and transaction costs.

During the period from January 1 to August 8, 2023 the REIT made payments to NWVP of $2.6 million to settle the charges noted above. The REIT also made advances during this period of $0.8 million that were fully repaid by NWVP. As at September 30, 2023, the REIT has no amounts owing or receivable from NWVP.

(in thousands of Canadian dollars, unless otherwise stated)

16. Segmented Information

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

During the three and nine months ended September 30, 2023, one tenant in Brazil accounted for 10% (for the three and nine months ended September 30, 2022 - 11%) of the total revenue from investment properties.

As at September 30, 2023	**Americas**	**Europe**	**Australasia**	**Total**
Investment properties	**$ 2,605,479**	**$ 1,480,170**	**$ 2,772,351**	**$ 6,858,000**
Mortgages and loans payable	**$ 1,759,468**	**$ 769,723**	**$ 1,105,568**	**$ 3,634,759**
As at December 31, 2022	**Americas**	**Europe**	**Australasia**	**Total**
Investment properties	$ 2,778,776	$ 711,962	$ 3,121,797	$ 6,612,535
Mortgages and loans payable	$ 1,842,853	$ 343,004	$ 1,220,004	$ 3,405,861

For the three months ended September 30, 2023	**Americas**	**Europe**	**Australasia**	**Total**
Operating Income				
Revenue from investment properties	$ 59,600	$ 25,777	$ 36,805	$ 122,182
Property operating costs	17,844	5,181	4,060	27,085
Net property operating income	41,756	20,596	32,745	95,097
Other Income				
Interest and other	1,354	339	6,189	7,882
Management fees	—	—	3,660	3,660
Share of income from equity accounted investment	—	(45)	2,011	1,966
	1,354	294	11,860	13,508
Mortgage and loan interest expense	38,174	9,583	10,958	58,715
General and administrative expenses	6,691	3,922	6,051	16,664
Transaction costs	7,815	1,381	2,059	11,255
Foreign exchange (gain) loss	3,899	24	(1,402)	2,521
	56,579	14,910	17,666	89,155
Operating income (loss)	$ (13,469)	$ 5,980	$ 26,939	$ 19,450

(in thousands of Canadian dollars, unless otherwise stated)

For the three months ended September 30, 2022	**Americas**	**Europe**	**Australasia**	**Total**
Operating Income				
Revenue from investment properties	$ 57,278	$ 22,292	$ 36,723	$ 116,293
Property operating costs	17,703	4,326	4,717	26,746
Net property operating income	39,575	17,966	32,006	89,547
Other Income				
Interest and other	1,336	2,483	8	3,827
Management fees	—	—	(3,231)	(3,231)
Share of income (loss) from equity accounted investment	—	299	2,751	3,050
	1,336	2,782	(472)	3,646
Mortgage and loan interest expense	30,189	1,296	9,379	40,864
General and administrative expenses	5,848	2,601	3,972	12,421
Transaction costs	2,748	1,747	(755)	3,740
Foreign exchange (gain) loss	2,740	11	1,071	3,822
	41,525	5,655	13,667	60,847
Operating income (loss)	$ (614)	$ 15,093	$ 17,867	$ 32,346

For the nine months ended September 30, 2023	**Americas**	**Europe**	**Australasia**	**Total**
Operating Income				
Revenue from investment properties	$ 190,414	$ 76,533	$ 117,063	**$ 384,010**
Property operating costs	64,502	14,915	16,054	**95,471**
Net property operating income	125,912	61,618	101,009	**288,539**
Other income				
Interest and other	4,030	488	11,445	**15,963**
Management fees	—	—	11,139	**11,139**
Share of income from equity accounted investments	—	(5,541)	(14,376)	**(19,917)**
	4,030	(5,053)	8,208	**7,185**
Mortgage and loan interest expense	105,706	26,839	35,005	**167,550**
General and administrative expenses	21,403	8,941	14,891	**45,235**
Transaction costs	17,068	10,946	6,674	**34,688**
Foreign exchange (gain) loss	(7,206)	29	(310)	**(7,487)**
	136,971	46,755	56,260	**239,986**
Operating income (loss)	$ (7,029)	$ 9,810	$ 52,957	**$ 55,738**

(in thousands of Canadian dollars, unless otherwise stated)

For the nine months ended September 30, 2022	Americas	Europe	Australasia	Total
Operating Income				
Revenue from investment properties	$ 157,259	$ 68,181	$ 107,679	$ **333,119**
Property operating costs	50,854	12,063	14,705	$ **77,622**
Net property operating income	106,405	56,118	92,974	**255,497**
Other income				
Interest and other	3,536	3,746	6,295	$ **13,577**
Development revenue	—	—	—	$ **—**
Management fees	—	2,586	12,873	$ **15,459**
Share of income from equity accounted investments	—	(627)	23,192	$ **22,565**
	3,536	5,705	42,360	**51,601**
Mortgage and loan interest expense	68,787	4,434	25,554	$ **98,775**
General and administrative expenses	18,166	5,794	11,600	$ **35,560**
Transaction costs	7,537	8,560	(239)	$ **15,858**
Development costs	—	3,430	—	$ **3,430**
Foreign exchange (gain) loss	(2,880)	24	2,079	$ **(777)**
	91,610	22,242	38,994	**152,846**
Operating income (loss)	$ 18,331	$ 39,581	$ 96,340	$ **154,252**

17. Commitments and Contingent Liabilities

(a) The REIT obtains letters of credit to support its obligations with respect to construction work and additions to its investment properties and to satisfy mortgage financing requirements. As at September 30, 2023, the REIT has a total of $2.7 million (December 31, 2022 - $2.8 million) in outstanding letters of credit under the REIT's secured revolving floating rate credit facility, which forms part of the total Credit Facilities discussed in note 8. These letters of credit relate to construction work that is being performed on the REIT's investment properties. The REIT does not expect any of these standby letters of credit to be drawn upon and, therefore, no corresponding liability has been recorded.

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

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

(d) The REIT has entered into acquisition and construction agreements on certain development properties and is committed to associated costs of $217.4 million as at September 30, 2023 where timing is discretionary (December 31, 2022 - $248 million).

(e) In 2021, a subsidiary of the REIT entered into a commitment with a charitable Hospital Foundation to make a total contribution of $8.7 million over 10 years ($0.7 million per annum) to support eligible investment initiatives in capital infrastructure or equipment. The donation is expensed over the term of the commitment.

(f) In 2022, The REIT pledged a contribution of $5.0 million to the University of Toronto in support of research on impacts of the pandemic on health systems across the world. As at September 30, 2023, $1.9 million has been paid by the REIT. Contributions are expensed in the period incurred.

(g) The REIT indemnifies individuals who have acted at the REIT's request to be a trustee, director and/ or officer of the REIT (and/ or one or more of its direct and indirect subsidiaries), to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory and other legal limitation periods. The nature of the indemnification agreements prevents the REIT from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements. As such, the REIT has not recognized a provision related to the indemnification.

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

18. Fair Values

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

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

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

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

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

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

(in thousands of Canadian dollars, unless otherwise stated)

The fair value hierarchy, by level of assets and liabilities measured at fair value in these consolidated financial statements or disclosed in the notes herein as at September 30, 2023 are as follows:

		Fair Value		
	Carrying value	Level 1	Level 2	Level 3
Assets measured at fair value:				
Investment properties	$ 6,858,000	$ —	$ —	$ 6,858,000
Financial instruments	51,769.03	—	51,769	—
Investment in unlisted securities	117,705	—	—	117,705
Assets held for sale	218,012	—	—	218,012
Assets recorded at amortized cost:				
Loans receivable	5,345	—	—	5,345
Liabilities measured at fair value:				
Financial instruments	2,181	—	2,181	—
Convertible debentures	334,728	334,728	—	—
Class B LP exchangeable units	8,687	—	8,687	—
Unit-based compensation liabilities	14,987	—	14,485	502
Financial liabilities recorded at amortized cost:				
Mortgages and loans payable	3,634,759	—	3,570,216	—
Liabilities related to assets held for sale	46,942	—	46,942	—

19. Capital Management

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

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

As at September 30, 2023, the REIT is in compliance with its debt to gross book value ratio of the Declaration of Trust at 47.3% (December 31, 2022 - 45.3%).

(in thousands of Canadian dollars, unless otherwise stated)

As at	September 30, 2023	December 31, 2022
Debt		
Gross value of debt excluding convertible debentures (1)	**$ 3,704,024**	$ 3,855,247
Gross value of total debt (2)	**4,038,756**	4,130,517
Gross Book Value of Assets		
Total assets	**$ 7,834,202**	$ 8,514,000
Debt-to-Gross Book Value (Declaration of Trust)	**47.3 %**	45.3 %
Debt-to-Gross Book Value (including convertible debentures)	**51.6 %**	48.5 %

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

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

The REIT's capital management is also impacted by various financial covenants in certain loan agreements. As at September 30, 2023, the REIT is in compliance with all such financial covenants in respect of the loans and mortgages disclosed in note 8.

The REIT has multiple credit facilities that contain a common financial covenant requiring the REIT to maintain a prescribed equity amount, as defined. The key sensitivities associated with such covenant are the REIT's net operating income and overall capitalization rate, both of which impact the REIT's estimate of fair value in connection with its investment properties at period end. The REIT is monitoring these considerations as it relates to its compliance assessment in future periods.

20. Risk Management

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

Credit Risk

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

(in thousands of Canadian dollars, unless otherwise stated)

Liquidity Risk

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

The following table sets out the REIT's contractual cash flows which includes interest payments based on interest rates applicable September 30, 2023 on its mortgages and loans payable and convertible debentures:

	Carrying Amount	Contractual Cash Flows	2023	2024	2025	2026	2027	Thereafter
Accounts payable and accrued liabilities	$ 133,998	$ 133,998	$ 133,998	$ —	$ —	$ —	$ —	$ —
Income tax payable	18,209	18,209	18,209	—	—	—	—	—
Distributions payable	7,295	7,295	7,295	—	—	—	—	—
Liabilities related to AHFS	46,942	46,942	10,772	36,170	—	—	—	—
Mortgages and loans payable	3,623,144	3,645,471	61,515	521,225	1,367,688	722,124	367,219	605,700
Finance lease payable	11,615	11,616	479	1,633	1,253	1,146	777	6,328
Convertible debentures	334,728	366,500	125,000	—	—	—	155,250	86,250
	$ 4,175,931	$ 4,230,031	$ 357,268	$ 559,028	$ 1,368,941	$ 723,270	$ 523,246	$ 698,278

The REIT expects to repay or refinance all debts maturing over the next 12 months using existing liquidity, net proceeds from the issuance of convertible debentures (note 9) net proceeds from sales of investment properties classified as assets held for sale (note 4), strategic investment property sales in the Americas segment, and new financings or renewed financings (note 8).

More specifically, the REIT has (i) initiated a process of securing new financings in respect of unencumbered investment properties in the Americas segment, which was completed subsequent to September 30, 2023; (ii) subsequent to the reporting period announced that it seeks approval of debenture holders to amend and extend the NWH.DB.G convertible debenture that is due December 31, 2023 and (iii) entered into a trust deed and settlement with several parties, including a third party institutional investment partner, as well as, a manager and responsible entity of an Australian fund in which the REIT holds an investment in unlisted securities, which are valued at $117.7 million at September 30, 2023. The agreement stipulates, among other things, that the parties to the deed, will work in good faith to assist the REIT to divest its investment in these securities by December 31, 2023.

There are no assurances that the timing, amounts and terms of any refinancing, or other efforts as described above will be favorable or satisfactory to the REIT's liquidity and ability to settle loans payable as they become due.

The REIT's financial condition and results of operations would be adversely affected if it is unable to obtain financing/refinancing or cost-effective financing/refinancing, or if it were unable to meet its other liquidity requirements from ongoing operating cash flows.

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

Interest Rate Risk

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

At September 30, 2023, $1.3 billion of the REIT's debt associated with investment properties is financed at variable rates exposing the REIT to interest rate risk on such debt. Sensitivity to a plus or minus 1% change in the interest rates associated with variable rate debts would impact the net income (loss) and comprehensive income (loss) by $36.8 million annually with all other variables held constant.

Price Risk

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

21. Subsequent Events

i. On September 22, 2023, the REIT announced a distribution of $0.03 per unit to unitholders of record on September 29, 2023, and paid on October 16, 2023. On October 16, 2023, the REIT announced a distribution of $0.03 per unit to unitholders of record on October 31, 2023, and will be paid on November 15, 2023.

ii. Subsequent to September 30th, the REIT sold two properties in the Americas currently classified as assets held for sale at their fair value of $52.2 million. Proceeds were used to repay $12.4 million of directly associated property level debt currently classified as liabilities associated with assets held for sale and to partially repay variable rate debt.

iii. Subsequent to September 30, 2023, the REIT sold $14.5 million of its investment in unlisted securities under the terms of an existing agreement. The proceeds were used towards repaying the remaining amount outstanding of the Australasian term debt, secured by the underlying unlisted securities

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iv. On October 25, 2023, the REIT executed a term loan for total proceeds of $140.0 million, bearing interest of 11.6% maturing on April 26, 2025. The loan is secured by certain Brazil properties. The proceeds were used to repay the $50.0 million revolving credit facility maturing on October 31, 2023 bearing interest at 12.31%. The remaining proceeds were used to repay additional variable rate debt.

v. Subsequent to September 30, 2023, the REIT partially repaid $11.1 million towards Australasian term debt bearing 9.11% interest maturing on April 1, 2025. The loan is secured by Vital Trust units held by the REIT.

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