

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

**NORTHWEST HEALTHCARE
PROPERTIES REAL ESTATE
INVESTMENT TRUST**

Three months ended March 31, 2012
(Unaudited)

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

	March 31, 2012	December 31, 2011
Assets		
Investment properties (note 4)	\$ 1,047,241	\$ 985,384
Goodwill	4,458	4,458
Loan receivable (note 5)	8,000	8,000
Accounts receivable	4,746	4,324
Other assets	5,606	5,660
Restricted cash	175	175
Cash and cash equivalents	3,054	3,716
Total assets	\$ 1,073,280	\$ 1,011,717

Liabilities and Unitholders' Equity

Liabilities:

Mortgages payable (note 6)	\$ 508,839	\$ 501,757
Loans payable (note 7)	39,693	5,902
Class B exchangeable units (note 8)	93,291	87,503
Accounts payable and accrued liabilities	18,046	17,945
Distributions payable	2,354	2,349
Total liabilities	662,223	615,456
Unitholders' equity (note 9)	411,057	396,261
Commitments and contingencies (note 14)		
Total liabilities and unitholders' equity	\$ 1,073,280	\$ 1,011,717

See accompanying notes to the condensed consolidated interim financial statements.

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

"Michael Knowlton" _____ Trustee

"Peter Riggan" _____ Trustee

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

	Three months ended	
	2012	March 31, 2011
Revenue from operations	\$ 32,515	\$ 27,102
Property operating expenses	15,267	12,450
Operating income	17,248	14,652
Finance cost (note 13)	6,410	5,924
Interest income	(171)	(36)
Trust expenses	898	864
Income before undernoted items	10,111	7,900
Finance cost - Class B exchangeable unit distributions (note 13)	(1,523)	(1,536)
Finance cost - fair value adjustment of Class B exchangeable units (notes 8 and 13)	(5,788)	(1,536)
Fair value adjustment of investment properties (note 4)	18,184	4,545
Net income and comprehensive income	\$ 20,984	\$ 9,373

See accompanying notes to the condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Unitholders' Equity
(Expressed in thousands of dollars)

Three months ended March 31, 2012
(Unaudited)

	Unit capital	Retained earnings	Total
Unitholders' equity, beginning of period	\$ 355,467	\$ 40,794	\$ 396,261
Total net income and comprehensive income	–	20,984	20,984
Distributions	–	(7,058)	(7,058)
Distribution reinvestment plan (note 9(b))	870	–	870
Unitholders' equity, end of period	\$ 356,337	\$ 54,720	\$ 411,057

Distributions per unit during the three months ended March 31, 2012 - \$0.20.

See accompanying notes to the condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Unitholders' Equity
(Expressed in thousands of dollars)

Three months ended March 31, 2011
(Unaudited)

	Unit capital	Retained earnings (deficit)	Total
Unitholders' equity, beginning of period	\$ 269,760	\$ (10,459)	\$ 259,301
Public offering, net of costs	82,443	—	82,443
Total net income and comprehensive income	—	9,373	9,373
Distributions	—	(6,015)	(6,015)
Distribution reinvestment plan (note 9(b))	529	—	529
Unitholders' equity, end of period	\$ 352,732	\$ (7,101)	\$ 345,631

Distributions per unit during the three months ended March 31, 2011 - \$0.20.

See accompanying notes to the condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

	Three months ended March 31,	
	2012	2011
Operating activities:		
Net income	\$ 20,984	\$ 9,373
Adjustments for:		
Finance cost	13,721	8,996
Interest income	(171)	(36)
Fair value adjustment of investment properties	(18,184)	(4,545)
Change in non-cash operating items (note 15)	(2,003)	(3,499)
Cash generated from operating activities	14,347	10,289
Interest paid	(6,715)	(7,226)
Interest paid - Class B exchangeable units	(1,523)	-
Interest received	186	36
Net cash from operating activities	6,295	3,099
Investing activities:		
Acquisition of investment properties (note 3)	(36,266)	(158,084)
Additions to investment properties (note 4)	(3,113)	(1,642)
Deposits on investment properties under contract	1,250	5,850
Net cash used in investing activities	(38,129)	(153,876)
Financing activities:		
Proceeds from issuance of units, net of issue costs	-	82,443
Distributions	(6,183)	(4,992)
Mortgage advances	16,600	4,275
Repayment of mortgages	(12,861)	(3,290)
Secured credit facility advance	48,000	30,000
Secured credit facility repayment	(14,000)	-
Secured interim bridge facility advances	-	95,000
Repayment of interim bridge facility	-	(80,000)
Transaction costs	(384)	(503)
Net cash from financing activities	31,172	122,933
Decrease in cash and cash equivalents	(662)	(27,844)
Cash and cash equivalents, beginning of period	3,716	46,312
Cash and cash equivalents, end of period	\$ 3,054	\$ 18,468

See accompanying notes to the condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2012 and 2011
(Unaudited)

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

1. Basis of preparation:

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

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

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2012 and 2011
(Unaudited)

2. Significant accounting policies:

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

3. Acquisitions:

(a) Acquisitions during the three months ended March 31, 2012:

During the three months ended March 31, 2012, the REIT acquired three investment properties for net cash consideration of \$36,266. The acquisitions of the investment properties, and related assets and liabilities have been accounted for as asset purchases. The net assets acquired were as follows:

Assets

Investment properties	\$ 40,216
Accounts receivable and other assets	7
	<hr/> 40,223

Liabilities

Accounts payable and accrued liabilities	172
Assumed mortgages, including mark-to-market adjustment	3,785
	<hr/> 3,957

Net assets acquired for cash	<hr/> \$ 36,266
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NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2012 and 2011
(Unaudited)

3. Acquisitions (continued):

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

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

Assets

Investment properties	\$ 255,058
Accounts receivable and other assets	314
	<hr/> 255,372

Liabilities

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

Net assets acquired for cash	<hr/> \$ 217,682
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4. Investment properties:

Balance, January 1, 2012	\$ 985,384
Acquisitions of investment properties	40,216
Additions	3,113
Increase in straight-line rents	344
Fair value adjustment	18,184
	<hr/> Balance, March 31, 2012
	\$ 1,047,241

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2012 and 2011
(Unaudited)

4. Investment properties (continued):

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

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

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

	March 31, 2012	December 31, 2011
Discount rates - range	7.0% - 11.0%	7.0% - 11.0%
Discount rate - weighted average	7.9%	8.0%
Terminal capitalization rate - range	6.0% - 10.3%	6.0% - 10.3%
Terminal capitalization rate - weighted average	7.2%	7.3%

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

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2012 and 2011
(Unaudited)

5. Loan receivable:

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

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

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

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

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

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2012 and 2011
(Unaudited)

6. Mortgages payable:

All mortgages are secured by first or second charges on specific investment properties and are repayable as follows:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable
2012	\$ 8,841	\$ –	\$ 8,841
2013	11,508	60,166	71,674
2014	10,339	47,595	57,934
2015	8,969	56,117	65,086
2016	8,451	98,033	106,484
2017	4,896	60,939	65,835
2018	4,231	17,643	21,874
2019	4,046	–	4,046
2020	3,936	36,907	40,843
2021	1,590	51,308	52,898
2022	177	10,792	10,969
Face value	<u>\$ 66,984</u>	<u>\$ 439,500</u>	506,484
Mark-to-market adjustment			2,950
Unamortized financing costs			(595)
Carrying amount			<u>\$ 508,839</u>

	March 31, 2012	December 31, 2011
Mortgages at fixed rates - contractual amount	\$ 506,484	\$ 499,160
Mark-to-market adjustment	2,950	3,067
Unamortized financing costs	(595)	(470)
Carrying amount	<u>\$ 508,839</u>	<u>\$ 501,757</u>
Interest rates	3.40% - 6.53%	3.40% - 6.53%
Weighted average interest rate	5.18%	5.22%

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2012 and 2011
(Unaudited)

7. Loans payable:

Secured floating rate revolving credit facility:

The REIT has a floating rate revolving credit facility of \$50,000 which expires on March 25, 2014. The facility bears interest at banker's acceptance rate plus 2.25% or prime plus 1.25% and is secured by certain investment properties, with a carrying value of \$100,740 and the terms of a general security agreement. As at March 31, 2012, there was a \$39,693 outstanding balance on the credit facility (net of unamortized financing costs of \$307).

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

8. Class B exchangeable units:

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

Class B exchangeable units outstanding:

	Units	Amount
Units issued, January 1, 2012	7,615,546	\$ 87,503
Fair value adjustment of Class B exchangeable units	—	5,788
Class B exchangeable units issued, March 31, 2012	7,615,546	\$ 93,291

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2012 and 2011
(Unaudited)

8. Class B exchangeable units (continued):

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

During the three months ended March 31, 2012, the REIT recognized \$1,523 (three months ended March 31, 2011 - \$1,536) of distributions declared on Class B exchangeable units as finance cost.

9. Unitholders' equity:

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

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

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

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2012 and 2011
(Unaudited)

9. Unitholders' equity (continued):

The REIT's Trustees have discretion in declaring distributions.

(a) Units outstanding:

	Units	Amount
Units issued, January 1, 2012	35,232,023	\$ 355,467
Distribution reinvestment plan	74,489	870
Units issued, March 31, 2012	35,306,512	\$ 356,337

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

(b) Distribution reinvestment plan:

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2012 and 2011
(Unaudited)

10. Deferred unit plan:

(a) Liability:

January 1, 2012	\$ 743
Unit-based compensation expense	288
March 31, 2012	\$ 1,031

January 1, 2011	\$ 70
Unit-based compensation expense	673
December 31, 2011	\$ 743

(b) Units outstanding:

January 1, 2012	92,719
Granted during the period	56,986
Distribution entitlement	1,588
March 31, 2012	151,293

Vested, but not issued, March 31, 2012 –

January 1, 2011	10,806
Granted during the year	78,061
Distribution entitlement	3,852
December 31, 2011	92,719

Vested, but not issued, December 31, 2011 –

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2012 and 2011
(Unaudited)

10. Deferred unit plan (continued):

For the three months ended March 31, 2012, 56,986 units were granted under the deferred unit plan at an average unit price of \$12.33.

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

11. Segment disclosure:

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

12. Transactions with related parties:

	Three months ended March 31,	
	2012	2011
Related party transactions and balances:		
Minimum rent, operating cost recoveries parking income (included in revenue)	\$ 817	\$ 1,042
Interest revenue (included in revenue)	75	-
Fee income and cost recovery (included in revenue)	122	206
Cost recovery (offset against operating expenses and trust expenses)	72	59
Head office rent expense (included in operating expenses and trust expenses)	102	102
Leasing costs	103	2,184
Accounts receivable, end of period	161	5,666
Loan receivable, end of period (note 5)	4,000	-

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2012 and 2011
(Unaudited)

13. Finance cost:

	Three months ended March 31,	
	2012	2011
Interest on fixed rate debt	\$ 6,458	\$ 5,072
Interest on floating rate debt	220	717
Amortization of debt premiums	(331)	(368)
Amortization of transaction costs	63	503
	6,410	5,924
Class B exchangeable unit distributions	1,523	1,536
Fair value adjustment of Class B exchangeable units	5,788	1,536
	\$ 13,721	\$ 8,996

14. Commitments and contingencies:

- (a) The REIT has entered into fixed-price utility contracts with a third-party supplier in the amount of \$1,590 to provide electricity and gas for its own use at its investment properties.
- (b) The REIT is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a significant adverse effect on the condensed consolidated interim financial statements.
- (c) As part of the purchase and sale agreement with an affiliate of NW Trust related to the acquisition of an investment property, the REIT agreed that in the event a development agreement is not achieved with NW Trust, the REIT would sever and sell the development land portion of the investment property to NW Trust for \$2,950.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2012 and 2011
(Unaudited)

15. Change in non-cash operating items:

	Three months ended March 31,	
	2012	2011
Increase in accounts receivable	\$ (437)	\$ (4,040)
Increase in straight-line rents	(344)	(365)
Increase in other assets, excluding deposits	(1,189)	(874)
Increase (decrease) in accounts payable and accrued liabilities	(33)	1,780
	<u>\$ (2,003)</u>	<u>\$ (3,499)</u>

16. Fair values:

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

The fair value of the REIT's mortgages payable at March 31, 2012 is \$532,563. The fair values have been estimated based on the current market rates for mortgages with similar terms and conditions.

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2012 and 2011
(Unaudited)

17. Subsequent events:

On April 10, 2012, the REIT secured a two year \$13,000 floating rate mortgage loan against an investment property.

On April 10, 2012, the REIT completed the acquisition of an investment property for aggregate consideration of \$14,500. Subsequent to the acquisition, the REIT entered into a six year, \$9,550 mortgage at a fixed interest rate of 3.62%.

On May 7, 2012, the REIT secured a ten year \$11,700 mortgage against an investment property at a fixed interest rate of 4.31%.

Subsequent to the quarter, the REIT entered into an agreement with an affiliate of NW Trust to acquire a twelve property portfolio from GT Canada Medical Properties REIT ("GT Canada") for a purchase price of \$87,300. The purchase price will be satisfied by the assumption of approximately \$49,500 in mortgage debt and the issue of REIT units to GT Canada (at GT Canada's option) and cash. The transaction is conditional upon more than two-thirds of the GT Canada unitholders tendering their units to an affiliate of NW Trust.

During the period from April 1, 2012 to May 7, 2012, the REIT declared distributions of \$0.0667 per unit or \$2,355.