

Condensed Consolidated Interim
Financial Statements
(Expressed in Canadian dollars)

**NORTHWEST HEALTHCARE
PROPERTIES REAL ESTATE
INVESTMENT TRUST**

Three months ended March 31, 2013 and 2012
(Unaudited)

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

	March 31, 2013	December 31, 2012
Assets		
Investment properties (note 5)	\$ 1,251,093	\$ 1,244,875
Goodwill	4,458	4,458
Loan receivable (note 6)	8,000	8,000
Accounts receivable	4,364	3,059
Other assets (note 7)	17,303	16,721
Restricted cash	175	175
Cash and cash equivalents	461	4,189
Total assets	\$ 1,285,854	\$ 1,281,477

Liabilities and Unitholders' Equity

Liabilities:

Mortgages payable (note 8)	\$ 621,320	\$ 626,426
Loans payable (note 9)	39,831	34,796
Class B exchangeable units (note 10)	96,131	95,042
Other financial instruments	948	1,047
Accounts payable and accrued liabilities	21,461	21,820
Distributions payable	2,574	2,567
Total liabilities	782,265	781,698
Unitholders' equity (note 11)	503,589	499,779
Commitments and contingencies (note 16)		
Total liabilities and unitholders' equity	\$ 1,285,854	\$ 1,281,477

See accompanying notes to the condensed consolidated interim financial statements.

The condensed consolidated interim financial statements were approved by the Board on May 6, 2013 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	
	2013	March 31, 2012
Revenue from operations	\$ 37,120	\$ 32,515
Property operating expenses	17,275	15,267
Property operating income	19,845	17,248
Finance cost (note 15)	7,721	6,410
Interest income	(185)	(171)
Trust expenses	956	898
Income before Class B exchangeable unit costs, fair value adjustments and disposal of investment properties	11,353	10,111
Finance costs:		
Class B exchangeable unit distributions (note 15)	(1,519)	(1,523)
Fair value adjustment of Class B exchangeable units (notes 10 and 15)	(1,912)	(5,788)
Fair value adjustment of other financial instruments (notes 8 and 15)	99	—
Fair value adjustment of investment properties (note 5)	2,177	18,184
Net loss on disposal of investment properties (note 4)	(73)	—
Net income and comprehensive income	\$ 10,125	\$ 20,984

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, 2013
(Unaudited)

	Unit capital	Retained earnings	Total
Unitholders' equity, beginning of period	\$ 395,625	\$ 104,154	\$ 499,779
Conversion of Class B exchangeable units (note 10)	823	–	823
Total net income and comprehensive income	–	10,125	10,125
Distributions	–	(7,711)	(7,711)
Distribution reinvestment plan (note 11(b))	573	–	573
Unitholders' equity, end of period	\$ 397,021	\$ 106,568	\$ 503,589

Distributions per unit during the three months ended March 31, 2013 - \$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, 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 11(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 Cash Flows
(Expressed in thousands of dollars)
(Unaudited)

	Three months ended March 31,	
	2013	2012
Operating activities:		
Net income	\$ 10,125	\$ 20,984
Adjustments for:		
Finance cost (note 15)	11,053	13,721
Interest income	(185)	(171)
Fair value adjustment of investment properties	(2,177)	(18,184)
Net loss on disposal of investment properties	73	-
Change in non-cash operating items (note 17)	(2,855)	(2,003)
Cash generated from operating activities	16,034	14,347
Interest paid	(7,970)	(6,715)
Interest paid - Class B exchangeable units	(1,524)	(1,523)
Interest received	185	186
Net cash from operating activities	6,725	6,295
Investing activities:		
Acquisition of investment properties (note 3)	(548)	(36,266)
Additions to investment properties (note 5)	(4,174)	(3,113)
Net proceeds on disposal of investment properties	962	-
Proceeds on securities	248	-
Deposits on investment properties under contract	10	1,250
Net cash used in investing activities	(3,502)	(38,129)
Financing activities:		
Distributions	(7,131)	(6,183)
Mortgage advances	5,000	16,600
Repayment of mortgages	(10,187)	(12,861)
Secured credit facility advance	19,500	48,000
Secured credit facility repayment	(14,000)	(14,000)
Transaction costs	(133)	(384)
Net cash from (used in) financing activities	(6,951)	31,172
Decrease in cash and cash equivalents	(3,728)	(662)
Cash and cash equivalents, beginning of period	4,189	3,716
Cash and cash equivalents, end of period	\$ 461	\$ 3,054

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, 2013 and 2012
(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 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.

At March 31, 2013, NorthWest Operating Trust ("NW Trust") and its affiliates controlled approximately 25.8% of the REIT through a combination of REIT units and 100% of the special voting units attached to the Class B exchangeable units of NHP Holdings Limited Partnership ("NHP"), a subsidiary of the REIT.

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, 2012, 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, derivative financial instruments 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, 2013 and 2012
(Unaudited)

2. Significant accounting policies:

The accounting policies applied by the REIT in these condensed consolidated interim financial statements are the same as those applied by the REIT in its consolidated financial statements as at and for the year ended December 31, 2012, except as described below:

Changes in accounting standards:

- (i) The REIT has adopted IFRS 10, Consolidated Financial Statements ("IFRS 10"), in its condensed consolidated interim financial statements for the three month period ending March 31, 2013. IFRS 10 replaces the guidance in IAS 27, Consolidated and Separate Financial Statements, and Standing Interpretation Committee 12, Consolidation - Special Purpose Entities ("SIC-12"). IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC-12. The adoption of IFRS 10 did not have a material impact on the REIT's condensed consolidated interim financial statements.
- (ii) The REIT has adopted IFRS 13, Fair Value Measurements ("IFRS 13"), prospectively in its condensed consolidated interim financial statements for the three month period ending March 31, 2013. IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard also requires disclosures which enable users to assess the methods and inputs used to develop fair value measurements. The adoption of IFRS 13 resulted in additional disclosure of the REIT's various methods in estimating the fair values of assets and liabilities that are measured at fair value on recurring or non-recurring basis in the statement of financial position.
- (iii) The REIT has adopted the amendments to IFRS 7, Financial Instruments: Disclosures ("IFRS 7"), in its condensed consolidated interim financial statements for the three month period ending March 31, 2013. The adoption of the amendments did not have a material impact on the REIT's condensed consolidated interim financial statements.

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, 2013 and 2012
(Unaudited)

2. Significant accounting policies (continued):

- (iv) In June 2011, the International Accounting Standards Board published amendments to IAS 1, Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income ("IAS 1"), which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively. The REIT has adopted the amendments to IAS 1 in its condensed consolidated interim financial statements for the three month period ending March 31, 2013. The adoption of the amendments did not have a material impact on the REIT's condensed consolidated interim financial statements.
- (v) IAS 28, Investments in Associates and Joint Ventures ("IAS 28"), which was amended in 2011, prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IFRS 11, Joint Arrangements ("IFRS 11"), establishes principles for financial reporting by parties to a joint arrangement. The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity-accounted. The REIT has adopted IFRS 11 and IAS 28 for the three month period ending March 31, 2013. The adoption of IFRS 11 and the amendments to IAS 28 did not have a material impact on the REIT's condensed consolidated interim financial statements.
- (vi) IFRS 12, Disclosure of Interest in Other Entities ("IFRS 12"), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. Disclosure of information that will assist financial statement users in evaluating the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements is required. The REIT has adopted IFRS 12 for the three month period ending March 31, 2013. The adoption of IFRS 12 did not have a material impact on the REIT's condensed consolidated interim financial statements

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, 2013 and 2012
(Unaudited)

3. Acquisitions:

(a) Acquisitions during the three months ended March 31, 2013:

During the three months ended March 31, 2013, the REIT acquired two small investment properties for a net cash consideration of \$548.

The net assets acquired were as follows:

Assets	
Investment properties	\$ 548
<u>Net assets acquired for cash</u>	<u>\$ 548</u>

(b) Acquisitions during the year ended December 31, 2012:

During the year ended December 31, 2012, the REIT acquired 19 investment properties for net cash consideration of \$121,163. The acquisitions of the investment properties, and related assets and liabilities have been accounted for as asset purchases.

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, 2013 and 2012
(Unaudited)

3. Acquisitions (continued):

The recognized amount of assets acquired and liabilities assumed were as follows:

Assets

Investment properties	\$ 175,138
Accounts receivable and other assets	808
	<hr/> 175,946

Liabilities

Accounts payable and accrued liabilities	1,245
Assumed mortgages, including mark-to-market adjustment	53,538
	<hr/> 54,783

Net assets acquired for cash	<hr/> \$ 121,163
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Consideration:

Cash	\$ 91,163
Note payable (the "GT Note")	30,000

	<hr/> \$ 121,163
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4. Dispositions:

During the three months ended March 31, 2013, the REIT disposed of one investment property for gross proceeds of \$1,035 and net loss on sale of \$73 related to transaction costs. The REIT repaid \$1,498 of mortgage debt and term loan associated to the investment 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, 2013 and 2012
(Unaudited)

5. Investment properties:

Balance, January 1, 2013	\$ 1,244,875
Acquisitions of investment properties (note 3)	548
Additions	4,174
Disposition of investment property	(1,035)
Increase in straight-line rents	354
Fair value adjustment	2,177
Balance, March 31, 2013	\$ 1,251,093
Balance, January 1, 2012	\$ 985,384
Acquisitions of investment properties (note 3)	175,138
Additions	19,063
Increase in straight-line rents	1,741
Fair value adjustment	63,549
Balance, December 31, 2012	\$ 1,244,875

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 (Level 3 inputs, refer to note 18).

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

	March 31, 2013	December 31, 2012
Discount rates - range	6.3% - 10.0%	6.5% - 10.0%
Discount rate - weighted average	7.5%	7.6%
Terminal capitalization rate - range	6.0% - 9.3%	6.0% - 9.3%
Terminal capitalization rate - weighted average	7.0%	7.0%

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, 2013 and 2012
(Unaudited)

5. Investment properties (continued):

The fair values of investment properties are most sensitive to changes in discount rates and terminal capitalization rates. As at March 31, 2013, a 25-basis-point movement in the weighted average portfolio discount rate and terminal capitalization rate, would change the value of investment property by \$50,300. As at December 31, 2012, a 25-basis-point movement in the weighted average portfolio discount rate and terminal capitalization rate, would change the value of investment property by \$49,700.

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.

During the three months ended March 31, 2013, commercial properties with an aggregate fair value of \$31,200 (December 31, 2012 - \$333,300) were valued by external valuation professionals with recognized and relevant professional qualification.

6. Loan receivable:

	March 31, 2013	December 31, 2012
Loan	\$ 8,000	\$ 8,000

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

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

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2013 and 2012
(Unaudited)

6. Loan receivable (continued):

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

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

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

7. Other assets:

	March 31, 2013	December 31, 2012
Prepaid expenses	\$ 3,776	\$ 2,668
Mortgage escrow	482	729
Deposits on investment properties under contract	310	320
Other deposits	869	880
Other	513	523
Investments - defeasance	11,353	11,601
	\$ 17,303	\$ 16,721

Investments consist of government bonds and cash related to the defeasance of a mortgage associated with one of the REIT's investment properties. Pursuant to the defeasance, the government bonds and cash were held in a securities account and pledged as security for the loan in return for the lender releasing the mortgage on the investment property.

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

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2013 and 2012
(Unaudited)

8. Mortgages payable:

All mortgages are secured by first or second charges on specific investment properties, with a carrying value of \$1,135,476 at March 31, 2013 and are repayable as follows:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable
2013 remainder	\$ 10,328	\$ 57,245	\$ 67,573
2014	13,224	65,418	78,642
2015	11,797	61,031	72,828
2016	11,032	117,994	129,026
2017	7,236	66,971	74,207
2018	6,313	25,617	31,930
2019	6,103	—	6,103
2020	6,074	36,907	42,981
2021	3,816	51,308	55,124
2022	1,905	50,264	52,169
2023	48	8,965	9,013
Face value	<u>\$ 77,876</u>	<u>\$ 541,720</u>	619,596
Mark-to-market adjustment			2,865
Unamortized financing costs			(1,141)
Carrying amount			\$ 621,320
		March 31, 2013	December 31, 2012
Mortgages at fixed rates - contractual amount		\$ 544,459	\$ 548,852
Mortgages at variable rates - contractual amount		75,137	75,464
Mark-to-market adjustment		2,865	3,232
Unamortized financing costs		(1,141)	(1,122)
Carrying amount		\$ 621,320	\$ 626,426
Interest rates		2.00% - 6.19%	2.00% - 6.75%
Weighted average interest rate		4.92%	4.93%

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, 2013 and 2012
(Unaudited)

8. Mortgages payable (continued):

The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on \$51,538 of its variable rate mortgages payable as at March 31, 2013. Gains or losses arising from the change in fair values of the interest rate swap contracts are recognized in the condensed consolidated interim statement of income and comprehensive income and during the three months ended March 31, 2013, the REIT recognized a fair value gain of \$99 (three months ended March 31, 2012 - nil) and a financial instrument liability of \$948 (December 31, 2012 - \$1,047).

9. Loans payable:

	March 31, 2013	December 31, 2012
Secured floating rate revolving credit facility (a)	\$ 28,042	\$ 22,500
Term loan (b)	11,074	11,219
Promissory notes payable (c)	715	1,077
	\$ 39,831	\$ 34,796

(a) Secured floating rate revolving credit facility:

The REIT has a floating rate revolving credit facility of \$50,000 which expires on March 25, 2014. The facility bears interest at banker's acceptance rate plus 2.25% or prime plus 1.25% and is secured by certain investment properties, with a carrying value of \$109,918 and the terms of a general security agreement. As at March 31, 2013, there was a \$28,042 outstanding balance on the credit facility (net of unamortized financing costs of \$208).

(b) Term loan:

During the year ended December 31, 2012, the REIT defeased a mortgage associated with one of its investment properties (see note 7). Following the defeasance, the underlying term loan did not qualify for derecognition. The term loan has a contractual interest rate of 6.53%, matures on November 1, 2013 and is recognized at an amortized cost of \$11,074 as at March 31, 2013.

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, 2013 and 2012
(Unaudited)

9. Loans payable (continued):

(c) Promissory notes payable:

During the three months ended March 31, 2013, the REIT repaid a promissory note payable for \$366 on the sale of one investment property.

The remaining promissory notes payable consist of unsecured promissory notes assumed by the REIT on the acquisition of two investment properties. The promissory notes are interest only, with a fixed interest rate of 2.00% and mature on April 1, 2015.

10. Class B exchangeable units:

Each Class B exchangeable unit of 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, 2013	7,615,546	\$ 95,042
Fair value adjustment of Class B exchangeable units	-	1,912
Class B exchangeable units issued in exchange for REIT units	(64,000)	(823)
Class B exchangeable units outstanding, March 31, 2013	7,551,546	\$ 96,131
Units issued, January 1, 2012	7,615,546	\$ 87,503
Fair value adjustment of Class B exchangeable units	-	7,539
Class B exchangeable units issued, December 31, 2012	7,615,546	\$ 95,042

During the three months ended March 31, 2013, the REIT recognized \$1,519 (three months ended March 31, 2012 - \$1,523) of distributions declared on Class B exchangeable units as finance cost.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2013 and 2012
(Unaudited)

11. Unitholders' equity:

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

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

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

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

The REIT's Trustees have discretion in declaring distributions.

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, 2013 and 2012
(Unaudited)

11. Unitholders' equity (continued):

(a) Units outstanding:

	Units	Amount
Units issued, January 1, 2013	38,499,903	\$ 395,625
Units issued in exchange of Class B exchangeable units	64,000	823
Distribution reinvestment plan	45,867	573
Units issued, March 31, 2013	38,609,770	\$ 397,021
Units outstanding, January 1, 2012	35,232,023	\$ 355,467
Private placements	3,070,000	37,799
Distribution reinvestment plan	197,880	2,411
Units issued	38,499,903	395,677
Less issue costs	-	52
Units outstanding, December 31, 2012	38,499,903	\$ 395,625

(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, 2013 and 2012
(Unaudited)

12. Deferred unit plan:

(a) Liability:

January 1, 2013	\$ 1,847
Unit-based compensation expense	306
March 31, 2013	\$ 2,153
January 1, 2012	\$ 743
Unit-based compensation expense	1,104
December 31, 2012	\$ 1,847

(b) Units outstanding:

January 1, 2013	177,135
Granted	82,836
Distribution entitlement	2,855
March 31, 2013	262,826
Vested, but not issued, March 31, 2013	–
January 1, 2012	92,719
Granted	75,113
Distribution entitlement	9,303
December 31, 2012	177,135
Vested, but not issued, December 31, 2012	–

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, 2013 and 2012
(Unaudited)

12. Deferred unit plan (continued):

For the three months ended March 31, 2013, 82,836 units were granted under the deferred unit plan at an average unit price of \$12.61.

For the year ended December 31, 2012, 75,113 units were granted under the deferred unit plan at an average unit price of \$12.45.

13. 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.

14. Transactions with related parties:

	Three months ended March 31,	
	2013	2012
Related party transactions and balances:		
Condensed consolidated interim statements of income and comprehensive income:		
Minimum rent, operating cost recoveries parking income (included in revenue)	\$ 692	\$ 817
Interest revenue (included in revenue)	74	75
Fee income and cost recovery (included in revenue)	130	122
Cost recovery (offset against operating expenses and trust expenses)	–	72
Head office rent expense (included in operating expenses and trust expenses)	77	102
Leasing costs reimbursed	47	103
Condensed consolidated interim balance sheets:		
Accounts receivable, end of period	843	161
Loan receivable, end of period	4,000	4,000
Working capital adjustment payable	92	–

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, 2013 and 2012
(Unaudited)

15. Finance cost:

	Three months ended March 31,	
	2013	2012
Interest on fixed rate debt	\$ 7,492	\$ 6,458
Interest on floating rate debt	480	220
Amortization of debt premiums	(408)	(331)
Amortization of transaction costs	157	63
	7,721	6,410
Class B exchangeable unit distributions	1,519	1,523
Fair value adjustment of Class B exchangeable units	1,912	5,788
Fair value adjustment of other financial instruments	(99)	–
	\$ 11,053	\$ 13,721

16. Commitments and contingencies:

- (a) The REIT has entered into fixed-price utility contracts with a third-party supplier in the amount of \$1,419 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, 2013 and 2012
(Unaudited)

16. Commitments and contingencies (continued):

(d) The REIT obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at March 31, 2013, the REIT has a total of \$284 in outstanding letters of credit related to construction work that is being performed on investment properties.

The REIT does not believe that any of these standby letters of credit are likely to be drawn upon.

17. Change in non-cash operating items:

	Three months ended March 31,	
	2013	2012
Increase in accounts receivable	\$ (1,305)	\$ (437)
Increase in straight-line rents	(354)	(344)
Increase in other assets, excluding deposits	(840)	(1,189)
Decrease in accounts payable and accrued liabilities	(356)	(33)
	\$ (2,855)	\$ (2,003)

18. Fair values:

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 various methods in estimating the fair values of assets and liabilities that are measured at fair value on recurring or non-recurring basis in the statement of financial position. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 - fair value is based on unadjusted quoted prices trades in active markets for identical instruments;

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, 2013 and 2012
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18. Fair values (continued):

- Level 2 - fair value is based on models using significant market-observable inputs other than quoted prices for the instruments; and
- Level 3 - fair value is based on models using significant inputs that are not based on observable market data.

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. Note 5 outlines the key assumption used by the REIT in determining fair value of its investment properties.

Derivatives instruments valued using a valuation technique with market-observable inputs (Level 2) include interest rate swap contracts. 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.

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

The fair value of the REIT's mortgages payable and loans payable are determined using present value calculations based on market-observable interest rates for mortgages and loans with similar terms and conditions.

The carrying values of the REIT's financial assets, which include accounts receivable, loan 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.

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, 2013 and 2012
(Unaudited)

18. Fair values (continued):

The fair values and levels within the fair value hierarchy for financial assets and liabilities measured at amortized cost as at March 31, 2013 are as follows:

	Carrying value	Fair value		
		Level 1	Level 2	Level 3
Financial assets:				
Loan receivable	\$ 8,000	\$ –	\$ 8,000	\$ –
Accounts receivable	4,364	4,364	–	–
Mortgage escrow	482	482	–	–
Deposits on investment properties under contract	310	310	–	–
Other deposits	869	869	–	–
Investment - defeasance	11,353	11,353	–	–
Restricted cash	175	175	–	–
Cash and cash equivalents	461	461	–	–
Financial liabilities:				
Mortgages payable	621,320	–	646,763	–
Loans payable	39,831	–	39,831	–
Accounts payable and accrued liabilities	21,478	21,478	–	–

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, 2013 and 2012
(Unaudited)

18. Fair values (continued):

The fair values and levels within the fair value hierarchy for assets and liabilities measured at fair value as at March 31, 2013 are as follows:

	Carrying value	Fair value		
		Level 1	Level 2	Level 3
Other assets:				
Investment properties	\$ 1,251,093	\$ –	\$ –	\$ 1,251,093
Financial liabilities:				
Deferred units	2,153	2,153	–	–
Class B exchangeable units	96,131	96,131	–	–
Derivative financial instruments	948	–	948	–

19. Subsequent events:

Subsequent to March 31, 2013, the REIT repaid \$8,050 of mortgage debt.

Subsequent to March 31, 2013, the REIT agreed to acquire an investment property for \$13,200.

During the period from April 1, 2013 to May 6, 2013, the REIT has entered into commitments to refinance eight of its properties for approximately \$100,600 at a weighted average rate of 3.65%. As at May 6, 2013, the REIT has received \$13,898 of cash as a result of these financing arrangements.

During the period from April 1, 2013 to May 6, 2013, the REIT declared distributions of \$0.0667 per unit or \$2,575.