

Interim Consolidated Financial Statements of

**NORTHWEST HEALTHCARE
PROPERTIES REAL ESTATE
INVESTMENT TRUST**

Three months ended September 30, 2010 and
period from March 25, 2010 to September 30, 2010
(Unaudited)

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Interim Consolidated Balance Sheet

September 30, 2010
(Unaudited)

Assets

Income-producing properties (note 3)	\$ 514,436,928
Goodwill and intangible assets (note 4)	70,940,827
Due from related party (note 5)	13,430,871
Accounts receivable (note 14)	3,233,970
Leasing costs (note 6)	3,845,593
Other assets (note 7)	3,626,377
Restricted cash (note 8)	175,000
Cash and cash equivalents	3,219,041
	<hr/>
	\$ 612,908,607

Liabilities and Unitholders' Equity

Liabilities:

Mortgages payable (note 9)	\$ 334,990,409
Loan payable (note 10)	16,239,824
Accounts payable and accrued liabilities	11,941,271
Below-market leases (note 11)	8,155,612
Distribution payable	1,766,813
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	373,093,929

Unitholders' equity (note 12) 239,814,678

Related party (note 14)
Commitments and contingencies (note 15)
Subsequent events (note 19)

\$ 612,908,607

See accompanying notes to interim consolidated financial statements.

On behalf of the Board:

"Edward J. Dato" _____ Trustee

"Peter Riggan" _____ Trustee

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statement of Operations
(Unaudited)

	Three months ended September 30, 2010	Period from March 25, 2010 to September 30, 2010
Revenue	\$ 21,233,833	\$ 42,603,011
Expenses:		
Property operating	6,180,716	11,996,598
Property taxes	2,852,592	5,785,777
Mortgage and facility interest	4,530,491	9,163,263
Trust	435,546	893,980
Depreciation of income-producing properties	2,489,842	5,257,580
Amortization of leasing costs	69,263	114,197
Amortization of in-place leases and tenant relationships	4,036,869	7,843,720
	<u>20,595,319</u>	<u>41,055,115</u>
Net income	\$ 638,514	\$ 1,547,896
Basic income per unit (note 12(d))	\$ 0.02	\$ 0.06
Diluted income per unit (note 12(d))	\$ 0.02	\$ 0.06

See accompanying notes to interim consolidated financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statement of Unitholders' Equity

Period from March 25, 2010 to September 30, 2010
(Unaudited)

	REIT unit equity	Class B LP unit equity	Issue costs	Net income	Distributions	Contributed surplus	Total
Unitholders' equity, beginning of period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public offering (note 12(a))	187,500,000	77,497,720	(15,764,738)	-	-	-	249,232,982
Units issued under deferred unit plan (note 12(b))	-	-	-	-	-	20,996	20,996
Net income	-	-	-	1,547,896	-	-	1,547,896
Distributions	-	-	-	-	(10,999,466)	-	(10,999,466)
Distribution reinvestment plan (note 12(c))	12,270	-	-	-	-	-	12,270
Unitholders' equity, end of period	\$ 187,512,270	\$ 77,497,720	\$ (15,764,738)	\$ 1,547,896	\$ (10,999,466)	\$ 20,996	\$ 239,814,678

See accompanying notes to interim consolidated financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statement of Cash Flows
(Unaudited)

	Three months ended September 30, 2010	Period from March 25, 2010 to September 30, 2010
Cash provided by (used in):		
Operating activities:		
Net income	\$ 638,514	\$ 1,547,896
Items not affecting cash:		
Depreciation and amortization	2,411,244	5,098,062
Amortization of mortgage premium	(174,855)	(340,329)
Amortization of intangible assets	4,036,869	7,843,720
Amortization of recoverable improvements	78,598	159,518
Amortization of financing costs	138,720	280,931
Amortization of leasing costs	69,263	114,197
Amortization of above-market leases	368,904	664,645
Amortization of below-market leases	(674,169)	(1,433,711)
Unit-based compensation	-	20,996
Leasing costs	(2,158,807)	(3,959,790)
Change in non-cash operating items (note 16)	(1,122,379)	(8,184,647)
	3,611,902	1,811,488
Financing activities:		
Proceeds from issuance of units, net of issue costs	(117,669)	171,735,262
Proceeds from loan	16,500,000	16,500,000
Proceeds from new mortgage financing	14,000,000	14,000,000
Distributions	(5,287,949)	(9,220,383)
Repayment of mortgages	(1,523,360)	(50,738,456)
Repayment of acquired bank indebtedness	-	(2,787,672)
Financing costs	(75,651)	(604,892)
	23,495,371	138,883,859
Investing activities:		
Acquisitions of net assets (note 2)	(28,778,601)	(134,718,241)
Additions to income-producing properties	(351,019)	(1,792,904)
Additions to recoverable improvements	(847,973)	(1,165,161)
Deposits on income-producing properties under contract	750,000	200,000
	(29,227,593)	(137,476,306)
Increase (decrease) in cash and cash equivalents	(2,120,320)	3,219,041
Cash and cash equivalents, beginning of period	5,339,361	-
Cash and cash equivalents, end of period	\$ 3,219,041	\$ 3,219,041
Supplemental cash flow information:		
Interest paid	\$ 4,519,260	\$ 9,103,981

See accompanying notes to interim consolidated financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

NorthWest Healthcare Properties Real Estate Investment Trust (the "Trust") is an 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 Trust 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 health care real estate commercial properties (note 2). The Trust invests primarily in real properties operated as medical offices in Canada.

1. Significant accounting policies:

(a) Basis of presentation:

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The consolidated financial statements include the accounts of the Trust and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

(b) Property acquisitions:

Upon the acquisition of income-producing properties, the Trust allocates the purchase price, including acquisition costs, to the fair value of assets and liabilities, including land, buildings, furniture, fixtures and equipment, recoverable improvements and intangible assets, such as the value of the above- and below-market leases, in-place leases and tenant relationships.

(c) Income-producing properties:

Income-producing properties are recorded at cost less accumulated depreciation. An impairment loss is required to be recognized when the carrying amount of the property exceeds the sum of the undiscounted cash flows expected from its use and disposal. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

1. Significant accounting policies (continued):

Income-producing properties are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	29 - 40 years
Building improvements	5 - 25 years
Recoverable improvements	5 - 30 years
Furniture, fixtures and equipment	5 years

(d) Leasing costs:

Leasing commissions and other leasing costs which include directly attributable internal costs of obtaining and renewing leases are amortized on a straight-line basis over the term of the related lease.

Payments to tenants under lease obligations are characterized either as tenant improvements owned by the landlord or as tenant inducements. When the obligation is determined to be a tenant improvement owned by the Trust, the Trust is considered to have acquired an asset. If the Trust determines that for accounting purposes it is not the owner of the tenant improvements, then the obligations under the lease are treated as tenant inducements. Tenant improvements and tenant inducements are amortized on a straight-line basis over the term of the lease. The amortization of tenant improvements is recorded as amortization expense and the amortization of tenant inducements is treated as a reduction of revenue.

(e) Goodwill and intangible assets and below-market leases:

Intangible assets are recorded at cost less accumulated amortization and consist of in-place leases, tenant relationships and above-market leases.

Goodwill represents the cost of acquired net assets in excess of their fair values.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

1. Significant accounting policies (continued):

Below-market leases are recorded at cost less accumulated amortization.

The values of the above- and below-market leases are amortized and recorded as either an increase (in the case of below-market leases) or a decrease (in the case of above-market leases) to revenue over the remaining term of the associated tenant occupancy. The value associated with in-place leases, which represents the avoided costs of originating the acquired leases plus the value of lost net rental revenue over the estimated lease-up period of the property, is similarly amortized over the remaining term of the tenant occupancy. The value of tenant relationships is amortized over the remaining term of the associated tenant occupancy plus renewal terms if applicable.

Intangible assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is not amortized, but reviewed for impairment annually, or more frequently if events or changes in circumstances indicate the asset might be impaired, by comparing the carrying value of a reporting unit with its fair value. If a lease is cancelled prior to the maturity date, any associated amounts are written off.

(f) Cash and cash equivalents:

Cash and cash equivalents include unrestricted cash and short-term investments. Short-term investments, comprising money market instruments, have a maturity of 90 days or less at their date of purchase and are stated at cost, which approximates net realizable value.

(g) Financing costs:

Financing costs are presented with the related debt and amortized using the effective interest rate over the anticipated life of the related debt.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

1. Significant accounting policies (continued):

(h) Revenue recognition:

The Trust has adopted the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases is accounted for on the straight-line basis over the term of the lease. Accordingly, an accrued rent receivable/payable is recorded from the tenants for the current difference between the straight-line rent recorded as rental revenue and the rent that is contractually due from the tenant.

Revenue from income-producing properties includes rents earned from tenants under lease agreements, parking, realty tax and operating cost recoveries and other incidental income. Lease related revenue is recognized as revenue over the term of the underlying leases. Other revenue is recognized at the time the service is provided.

(i) Unit-based compensation:

The Trust uses the fair value based method of accounting for its equity awards, under which compensation expense is measured at the grant date and recognized over the vesting period.

(j) Income taxes:

The Trust is an unincorporated open-ended investment trust created by the Declaration of Trust. The Trust will be taxed as a mutual fund trust for income tax purposes. Pursuant to the terms of the Declaration of Trust, the Trust intends to make distributions not less than the amount necessary to ensure that the Trust will not be liable to pay income taxes.

On June 22, 2007, new legislation relating to the federal income taxation of a specified investment flow-through trust or partnership ("SIFT") received royal assent (the "SIFT Rules").

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

1. Significant accounting policies (continued):

Under the SIFT Rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital will not be subject to the tax.

Under the SIFT rules, the new taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The Trust has reviewed the SIFT rules and has assessed their interpretation and application to the Trust's assets and revenue, and it has determined that it meets the REIT Conditions for the period ended September 30, 2010. Accordingly, no net current income tax expense or future income tax assets or liabilities have been recorded in the interim consolidated financial statements.

(k) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. In determining the fair value of assets and liabilities of businesses it acquires, the estimated useful lives and net recoverable amounts for income-producing properties, the net realizable value of properties held for and under development, as well as the fair value of goodwill, if any, the Trust relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the uncertainty of predictions concerning future events. By nature, asset valuations are subjective and do not necessarily result in precise determinations. Actual results could differ from those estimates.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

1. Significant accounting policies (continued):

(l) Financial instruments:

Financial instruments are classified as one of the following: (i) held-to-maturity, (ii) loans and receivables, (iii) held-for-trading, (iv) available-for-sale, or (v) other liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in the interim consolidated statement of operations. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value and any unrealized gains and losses will be recognized in the interim consolidated statement of comprehensive income.

The Trust designated its restricted cash, cash and cash equivalents as held-for-trading; accounts receivable and other receivables as loans and receivables; and mortgages payable, bank indebtedness, accounts payable and other liabilities as other liabilities. The Trust has neither available-for-sale nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset's or liability's carrying value at inception.

(m) Comprehensive income:

The Trust has determined that there are no comprehensive income items that should be included in an interim consolidated statement of comprehensive income and, consequently, no such statement is presented.

(n) Future changes in accounting policies:

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards ("IFRS") will, for public entities, replace Canadian GAAP effective for fiscal periods beginning on or after January 1, 2011, with comparative figures presented on the same basis. The Canadian Securities Administrators have provided issuers with the option of early adopting IFRS for Canadian reporting purposes. The Trust does not intend to prematurely adopt IFRS at this time. The Trust is currently evaluating the impact of adopting IFRS and its primary accounting principles and developing its changeover plan.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

2. Acquisitions:

On March 25, 2010, subsidiaries of the Trust indirectly acquired from NorthWest Operating Trust ("NW Operating Trust") 45 commercial properties through its acquisition of Healthcare Properties LP ("HPLP") for a net purchase price of \$171,899,206. The net assets acquired have been accounted for using the purchase method of accounting. The purchase price has been allocated to the assets and liabilities assumed, based on their fair values at the date of acquisition, as follows:

Assets

Income-producing properties	\$ 479,805,378
Intangible assets	72,687,741
Other assets	4,822,912
	557,316,031

Liabilities

Bank indebtedness	2,787,672
Assumed mortgages, including mark-to-market adjustments	358,487,430
Accounts payable and accrued liabilities	14,309,659
Unearned revenue	492,190
Below-market leases	9,339,874
	385,416,825

Net assets acquired	\$ 171,899,206
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Consideration given indirectly by the Trust:

Class B LP units of NHP Holdings Limited Partnership ("NHP") (note 12)	\$ 77,497,720
Cash	105,624,502
Due from NW Operating Trust (note 5)	(11,223,016)
	\$ 171,899,206

Total consideration paid	\$ 171,899,206
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Immediately following the acquisition of HPLP, the Trust repaid \$47,744,567 of the assumed mortgages.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

2. Acquisitions (continued):

During the period from March 25, 2010 to September 30, 2010, the Trust acquired three income-producing properties and a piece of land adjacent to an income-producing property owned by the Trust for net cash consideration of \$29,093,739. The acquisition of the property and the related assets and liabilities has been recorded by the purchase method. The net assets acquired were as follows:

Assets

Income-producing properties	\$ 36,931,064
Intangible assets	6,761,452
Other assets	228,455
	43,920,971

Liabilities

Assumed mortgages, including mark-to-market adjustments	13,645,549
Accounts payable and accrued liabilities	601,428
Unearned revenue	330,806
Below-market leases	249,449
	14,827,232

Net assets acquired for cash	\$ 29,093,739
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3. Income-producing properties:

	Cost	Accumulated depreciation	Net book value
Land	\$ 90,149,947	\$ —	\$ 90,149,947
Buildings and building improvements	423,786,134	5,048,339	418,737,795
Recoverable improvements	5,427,310	159,518	5,267,792
Furniture, fixtures and equipment	331,117	49,723	281,394
	\$ 519,694,508	\$ 5,257,580	\$ 514,436,928

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

4. Goodwill and intangible assets:

	Cost	Accumulated amortization	Net book value
In-place leases	\$ 43,245,147	\$ 5,793,326	\$ 37,451,821
Tenant relationships	25,829,205	2,050,394	23,778,811
Above-market leases	5,916,946	664,645	5,252,301
Goodwill	4,457,894	–	4,457,894
	\$ 79,449,192	\$ 8,508,365	\$ 70,940,827

5. Due from related party:

Due from NW Operating Trust	\$ 13,430,871
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The balance represents the following: (a) the working capital deficiency of HPLP (note 2) of \$11,223,016 on the date of acquisition which, under the terms of the acquisition agreement, is to be funded by NW Operating Trust; and (b) the issue costs of \$1,991,000 related to the issuance of units (note 12) which were assumed by the Trust to be reimbursed by NW Operating Trust. During the three months ended September 30, 2010, NW Operating Trust agreed to pay interest at 4.5% per annum for the thirty days commencing July 5, 2010 and 8.0% per annum thereafter. The interest is included in the above balance.

6. Leasing costs:

	Cost	Accumulated amortization	Net book value
Leasing costs	\$ 3,959,790	\$ 114,197	\$ 3,845,593

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

7. Other assets:

Prepaid expenses	\$ 2,230,953
Mortgage escrow	603,827
Other deposits	791,597
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	\$ 3,626,377

8. Restricted cash:

Restricted cash	\$ 175,000
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Restricted cash represents an earn-out reserve on a first mortgage on one of the Trust's properties.

9. Mortgages payable:

The Trust has various first mortgage facilities and one second mortgage at fixed rates ranging from 4.77% to 6.53% with terms ranging from three months to ten years. One first mortgage totalling \$1,365,000 requires no principal repayments until maturity. The weighted average interest rate is 5.53%.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

9. Mortgages payable (continued):

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

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable
2010 remainder	\$ 1,684,565	\$ 1,365,000	\$ 3,049,565
2011	6,970,614	—	6,970,614
2012	7,189,645	10,028,231	17,217,876
2013	7,323,163	17,228,511	24,551,674
2014	6,476,907	47,594,815	54,071,722
2015	5,185,732	49,630,869	54,816,601
2016	4,509,674	94,029,878	98,539,552
2017 and thereafter	2,218,971	71,247,479	73,466,450
	<u>\$ 41,559,271</u>	<u>\$ 291,124,783</u>	332,684,054
Mark-to-market adjustment			2,403,640
Unamortized financing costs			(97,285)
			<u>\$ 334,990,409</u>

Mortgage interest expense for the period from March 25, 2010 to September 30, 2010 was \$8,904,326 (three months ended September 30, 2010 - \$4,333,739).

10. Loan payable:

The Trust has a floating rate revolving credit facility of \$35,000,000 which expires on March 25, 2011 subject to an extension term of one year. The credit facility bears interest at the banker's acceptance rate plus 350 basis points or prime plus 2.5% and is secured by certain income-producing properties and the terms of a general security agreement. As at September 30, 2010, there was \$16,500,000 outstanding on the credit facility.

The loan payable balance at September 30, 2010 of \$16,239,824 has been recorded net of unamortized financing costs of \$260,176.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

11. Below-market leases:

	Cost	Accumulated amortization	Net book value
Below-market leases	\$ 9,589,323	\$ 1,433,711	\$ 8,155,612

12. Unitholders' equity:

The Trust is authorized to issue an unlimited number of units. 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 Trust to redeem their units on demand. Upon receipt of the redemption notice by the Trust, 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 Trust's unitholders' equity is represented by two categories of equity: trust units of the Trust and exchangeable units of NHP, a subsidiary of the Trust. Each Class B unit of NHP is exchangeable into one unit of the Trust. As at September 30, 2010, there were 7,749,772 exchangeable units issued and outstanding by NHP with a stated value of \$77,497,720. These exchangeable units are economically equivalent to trust units and are entitled only to receive distributions equal to those provided to holders of trust units. As a result, the unitholders' equity includes the issued and outstanding units of the Trust and the exchangeable units of the subsidiary of the Trust.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
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12. Unitholders' equity (continued):

The Trust's trustees have discretion in declaring distributions.

(a) Units outstanding:

	Units	Amount
Units issued, beginning of period	–	\$ –
Issuance of units initial public offering	17,500,000	175,000,000
Issuance of units over-allotment option	1,250,000	12,500,000
Class B LP units of NHP issued	7,749,772	77,497,720
Distribution investment plan	1,099	12,270
Units issued	26,500,871	265,009,990
Less issue costs	–	15,764,738
Units issued, net of issue costs, end of period	26,500,871	\$ 249,245,252

(b) Deferred unit plan:

In order to align the interest between the trustees and certain officers of the Trust, there may be grants of deferred units under the deferred unit plan. Under the plan, the maximum number of units authorized for issuance shall not exceed 5% of the units issued and outstanding at any given time. The deferred units vest as follows:

- (i) 50% of the deferred units on the third anniversary of the award date;
- (ii) 25% of the deferred units on the fourth anniversary of the award date; and
- (iii) 25% of the deferred units on the fifth anniversary of the award date.

For the period from March 25, 2010 to September 30, 2010, 3,876 units were granted under the deferred unit plan at an average unit price of \$11.03.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
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(Unaudited)

12. Unitholders' equity (continued):

(c) Dividend investment plan:

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

(d) Per unit calculation:

Per unit information is calculated based on the weighted average number of units outstanding for the period. The weighted average numbers of basic and diluted units outstanding for the period from March 25, 2010 to September 30, 2010 are 26,414,338 and 26,416,213, respectively. The weighted average numbers of basic and diluted units outstanding for the three months ended September 30, 2010 are 26,499,963 and 26,503,794, respectively.

13. Segment disclosure:

All of the Trust'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 Trust's rental revenue.

14. Related party transactions and balances:

Except as disclosed elsewhere in the financial statements, the following are the related party transactions:

- (a) The Trust has entered into head leases with NW Operating Trust on three properties. The annual minimum rent for the head leases totals \$2,169,242 plus an annual parking supplement of \$334,800. The head leases commenced March 25, 2010 and have a term of five years subject to certain rights of termination upon third party leasing of such space.

For the period from March 25, 2010 to September 30, 2010, the Trust earned a total of \$1,606,526 (three months ended September, 2010 - \$778,770) of minimum rent, operating cost recoveries and parking income related to the head leases.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
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14. Related party transactions and balances (continued):

NW Operating Trust is responsible for all leasing costs incurred in leasing the head lease spaces. For the period from March 25, 2010 to September 30, 2010, the Trust has incurred leasing costs of \$971,319 (three months ended September 30, 2010 - \$522,779) to be reimbursed by NW Operating Trust.

As of September 30, 2010, accounts receivable includes \$1,090,155 pertaining to head lease rents and leasing cost reimbursements.

- (b) NW Operating Trust has leased space in the property until the tenant begins paying rent starting October 1, 2010 under their lease agreement. For the period from March 25, 2010 to September 30, 2010, the Trust earned \$260,738 (three months ended September 30, 2010 - \$125,559) of related revenue, of which \$41,098 is included in accounts receivable as at September 30, 2010.
- (c) The Trust earned revenue from a tenant which is owned and operated by a related party. For the period from March 25, 2010 to September 30, 2010, the Trust earned revenue of \$484,056 (three months ended September 30, 2010 - \$232,968) related to the tenant.
- (d) The Trust has entered into Management and Cost Sharing Agreements with NW Operating Trust to provide property management services for two properties for a period of five years commencing March 25, 2010 for \$418,630 per annum plus reimbursement of expenditures based on standard commercial terms provided by the Trust. During the period from March, 25, 2010 to September 30, 2010, the Trust recovered costs of \$464,950 (three months ended September 30, 2010 - \$253,559). \$197,606 (three months ended September 30, 2010 - \$123,900) has been recorded on a cost recovery basis against operating expenses, with the remainder recorded as revenue. \$85,102 is included in accounts receivable as at September 30, 2010.
- (e) The Trust has entered into a Leasing and Construction Supervision Services Agreement with NW Operating Trust to provide supervision and leasing services at the properties subject to the head leases for a period of five years, commencing March 25, 2010. During the period from March, 25, 2010 to September 30, 2010, the Trust earned supervision and leasing fees of \$170,469 (three months ended September 30, 2010 - \$79,415). This amount is included in revenue and accounts receivable.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

14. Related party transactions and balances (continued):

- (f) The Trust has entered into a sublease agreement with an affiliate of NW Operating Trust to lease its head office premises. The sublease term is for the period from March 25, 2010 to December 31, 2010. This sublease was amended during the three months ended September 30, 2010 for rent charges. The Trust is to pay an annual minimum rent of \$100,000 plus additional rents. For the period from March 25, 2010 to September 30, 2010, \$106,074 (three months ended September 30, 2010 - nil) was incurred for this lease.
- (g) The Trust has entered into a Support Services agreement with NW Operating Trust to provide NW Operating Trust certain support services for a fee based on an allocation of the relevant costs of the support services incurred by the Trust. For the period from March 31, 2010 to September 30, 2010, the Trust recovered \$120,556 (three months ended September 30, 2010 - \$64,172) from NW Operating Trust related to these services. This amount has been recorded on a cost recovery basis against operating and trust expenses and is included in accounts receivable as at September 30, 2010.
- (h) During the three months ended September 30, 2010, the Trust entered into a head lease with NW Operating Trust on one of its properties. The annual minimum rent for the head lease is \$60,756. The head lease commenced August 1, 2010 and has a term of nine months subject to certain rights of termination upon third party leasing of the space.

For the period from March 25, 2010 to September 30, 2010, the Trust earned \$21,635 (three months ended September 2010 - \$21,635) of minimum rent and operating cost recoveries related to the head lease. This amount is included in accounts receivable as at September 30, 2010.

15. Commitments and contingencies:

- (a) The Trust has assumed an obligation with respect to one ground lease. The lease expires on June 30, 2036, with monthly payments of \$18,750.
- (b) The Trust entered into an agreement related to the acquisition of one of the properties where it has agreed to pay the original vendor an additional \$700,000 plus accrued interest upon obtaining municipal approval to introduce paid parking within a period of five years from the closing date.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

15. Commitments and contingencies (continued):

- (c) The Trust entered into an agreement related to the acquisition of one of the properties where it has agreed to pay the vendor an additional \$600,000 provided a specified post-closing increase in rental income is achieved within one year of the closing of the acquisition.
- (d) The Trust is involved in litigation and claims in relation to the income-producing 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 interim consolidated financial statements.

16. Change in non-cash operating items:

	Three months ended September 30, 2010	Period from March 25, 2010 to September 30, 2010
Increase in due from related party	\$ (216,855)	\$ (2,207,855)
Increase in accounts receivable	(1,244,317)	(1,175,664)
Decrease (increase) in other assets, excluding deposits	517,337	(631,379)
Increase in straight-line rents	(191,070)	(376,938)
Increase (decrease) in accounts payable and accrued liabilities	12,526	(3,792,811)
	\$ (1,122,379)	\$ (8,184,647)

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

17. Capital management:

The Trust's primary objectives when managing capital are to maximize unit value through the ongoing active management of the Trust's assets, the acquisition of additional properties and the development and construction of projects which are leased to creditworthy tenants.

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

The Trust's strategy is also driven by policies as set out in the Amended and Restated Declaration of Trust, as well as requirements from certain lenders.

The requirements of the Trust's operating policies as outlined in the Amended and Restated Declaration of Trust includes requirements that the Trust will not:

- (a) incur or assume indebtedness on properties in excess of 75% of the property's market value; and
- (b) incur or assume indebtedness which would cause the total indebtedness of the Trust to exceed 65% of Gross Book Value as defined.

In addition, the Trust is required under the terms of its credit facility to meet certain financial covenants, including:

- (a) a Debt to Gross Book Value ratio of not more than 65%;
- (b) an Interest Coverage Ratio of not less than 1.75%;

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

17. Capital management (continued):

- (c) a Debt Service Coverage Ratio of not less than 1.50; and
- (d) a minimum Adjusted Unitholders' Equity of not less than the aggregate of: (i) \$200,000,000; and (ii) 75% of net proceeds in connection with equity offerings after June 30, 2010.

The Trust complied with all financial covenants during the period from March 25, 2010 to September 30, 2010.

18. Risk management and fair values:

- (a) Risk management:

In the normal course of business, the Trust is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

- (i) Interest rate risk:

Floating rate debt puts the Trust at risk that interest rates may rise before long-term fixed rate debt is arranged. At September 30, 2010, none of the Trust's mortgages bear interest at floating rates. The Trust staggers the maturities of its mortgages payable in order to minimize the exposure to future interest rate fluctuations.

- (ii) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Trust by failing to discharge its obligations. The Trust is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the interim consolidated balance sheet. The Trust actively manages to minimize its credit risk through careful selection and assessment of its credit parties based on knowledge obtained through means such as due diligence carried out in respect of leasing transactions to new tenants.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

18. Risk management and fair values (continued):

(iii) Liquidity risk:

Liquidity risk is the risk that the Trust will encounter difficulty in meeting its financial obligations when they come due. Managements' strategy to managing liquidity risk is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities. The Trust, whenever possible, enters into long-term leases with creditworthy tenants which assist in maintaining a predictable cash flow. The Trust's policy is to ensure adequate funding is available from operations, established lending facilities and other sources as required.

(iv) Market risk:

All of the Trust's income-producing properties are focused on the Canadian medical office sector. Market risk is the risk that changes in market prices, such as interest rates and equity prices, will affect the Trust's financial instruments. All of the Trust's operations are denominated in Canadian dollars, resulting in no direct foreign exchange risk.

(b) Fair values:

The fair values of the Trust's financial assets, which include accounts receivable, mortgage escrow, other deposits, restricted cash and cash and cash equivalents as well as financial liabilities, which include accounts payable and accrued liabilities, approximate their recorded values due to their short-term nature. The fair value of the Trust's mortgages payable at September 30, 2010 is \$345,056,181. The fair values have been estimated based on the current market rates for mortgages with similar terms and conditions.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements (continued)

Three months ended September 30, 2010 and period from
March 25, 2010 to September 30, 2010
(Unaudited)

19. Subsequent events:

The Trust has issued an additional 6,495,000 units at a price of \$11.55 per unit, representing gross proceeds of \$75,017,250 on October 29, 2010. In addition, the Trust has issued an additional 974,250 units at a price of \$11.55 per unit, representing gross proceeds of \$11,252,588.

The Trust has entered into binding purchase and sale agreements to acquire two additional income-producing properties and a development property for aggregate consideration of \$77,100,000.