First Quarter 2005

Report to Unitholders

For the Three Months Ended
March 31, 2005

To Our Unitholders

We generated very strong performance in the first quarter of 2005 compared with last year. Revenues were up 87%, distributable income more than doubled, and funds from operations rose 63%.

Through 2004 and the first quarter of 2005 we invested approximately $398 million in acquiring interests in 37 facilities totaling 4,414 suites, including our first purchase from Spectrum, our property development partner. As a result, our owned portfolio increased 84% to 7,130 suites in 73 facilities and contributed approximately 92.1% of revenues in the period. Including managed suites and suites under development, Chartwell's property portfolio increased 21.4% to 14,084 suites in 130 facilities compared to the end of last year's first quarter.

As of the quarter end, we had advanced $51.7 million in mezzanine loans to our development partners, generating interest revenue as well as development, management and other fees. Mezzanine loan interest contributed 4.0% of the REIT's first quarter revenue, while management fees contributed 3.7%. Once completed and fully stabilized, the acquisition of interests in these 30 new properties will further enhance the overall quality and average age of our portfolio.

As a result of this growth, consolidated revenues for the quarter rose to $45.0 million from $24.1 million last year. EBITDA was $13.5 million compared to $7.4 million last year. Distributable income increased to $9.7 million or $0.26 per fully diluted unit compared to $4.5 million or $0.16 in the prior year. Cash distributions were $10.3 million or $0.27 per unit compared to $7.3 million or $0.25 per unit last year. Effective with the March 2005 payment, monthly cash distributions were increased by 4% to $0.8875 per unit, Chartwell's first increase in monthly cash distributions since its Initial Public Offering in November 2003.

We issued approximately 7.2 million units in the quarter, of which 6.25 million related to a successful public offering completed on March 30. Not including the cash distributions paid on these new units our pay-out ratio would have been approximately 100%, well below the 163% ratio in the first quarter of 2004.

Subsequent to the end of the first quarter, we acquired another three seniors housing facilities for an aggregate purchase price of $41.8 million. One of the homes acquired was our second developed by Spectrum. In addition, we advanced approximately $10.8 million in mezzanine loans to Spectrum and other parties at interest rates between 10% and 14%.

We continue to maintain our high occupancies at 93% as we realize cost synergies and economies of scale from our expanding property portfolio.

Our growth is clearly generating significant benefits for our Unitholders. However, we are now seeing a compression in capitalization rates in our sector due to increased competition for properties. Nevertheless, we will continue to acquire well-located and accretive properties going forward while our strong and growing pipeline of development properties will generate solid and sustainable growth through 2005 and beyond. We are confident we will generate sufficient distributable cash in 2005 to maintain our current level of monthly cash distributions for the balance of year.

(signed)	(signed)	(signed)
Stephen Suske	Robert Ezer	Brent Binnions
Vice Chair & President	Chief Executive Officer	Executive Vice President

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Management's Discussion and Analysis

For the three months ended March 31, 2005

(all dollar references, unless otherwise stated, are in thousands of dollars, except per unit amounts)

Chartwell Seniors Housing Real Estate Investment Trust (the "REIT" or "Chartwell") has prepared the following discussion and analysis (the "MD&A") to provide information to assist its Unitholders' understanding of the financial results for the three months ended March 31, 2005. This discussion and analysis should be read in conjunction with the REIT's unaudited consolidated financial statements for the three months ended March 31, 2005, the notes thereto and the audited financial statements and management's discussion and analysis for the year ended December 31, 2004. This material is available on the REIT's website at www.chartwellreit.ca. Additional information about the REIT, including the Annual Information Form can be found on SEDAR at www.sedar.com.

The discussion and analysis in this MD&A is based on information available to management as of May 6, 2005.

FORWARD LOOKING DISCLAIMER

This discussion may contain forward-looking statements that reflect the current expectations of the management about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry. Chartwell has tried to identify these forward-looking statements by using words such as "may", "will", "expect", "anticipate", "believe", "intend", "plan", "estimate", "potentially" and similar expressions. Such forward-looking statements necessarily involve known and unknown risks and uncertainties that may cause Chartwell or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties are further discussed under Risks and Uncertainties in this MD&A. There can be no assurance that the expectations of management of Chartwell will prove to be correct.

BUSINESS OVERVIEW

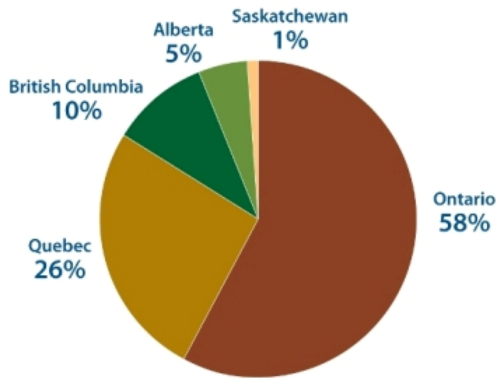
Chartwell is an open-ended real estate investment trust established under the laws of the Province of Ontario. The REIT indirectly holds a portfolio of seniors housing facilities across the complete spectrum of care from independent living facilities ("IL Facilities"), through retirement homes ("Retirement Homes") to long-term care facilities ("LTC Facilities"), all of which are located in Canada. All references to "Chartwell" or "the REIT", unless the context otherwise requires, means the REIT and its subsidiaries. For ease of reference "Chartwell" and "the REIT" have been used in reference to ownership of seniors housing facilities and the operation of the seniors housing operations and development management business. Actual direct ownership of such facilities and the operation of such business is conducted by a subsidiary of the REIT. As of March 31, 2005 Chartwell's portfolio of seniors housing facilities owned or managed on behalf of others consisted of interests in over 14,000 suites in 130 facilities which are operating, under construction or in various stages of development, located in the Provinces of Ontario, Alberta, Saskatchewan, British Columbia and Quebec. In addition to managing its own properties, Chartwell provides management and advisory services to third party owners of seniors housing facilities. Chartwell is committed to the delivery of quality care and services to seniors and operates a variety of programs to meet the needs of clients and the demands of each local marketplace. Chartwell employs approximately 3,700 people in its owned properties.

As of March 31, 2005, the REIT operated the following portfolio of homes in its three operating segments:

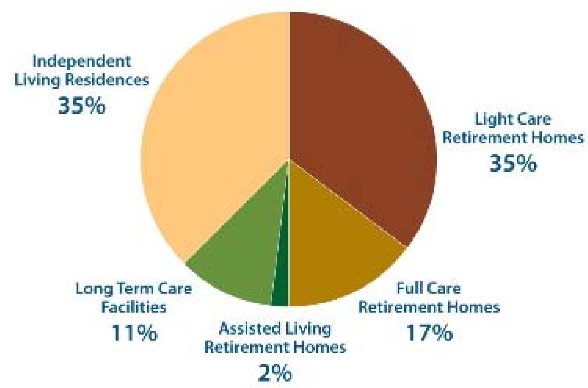
	Retirement Operations	Long-Term Care Operations	Management Operations	Total
Facilities	68[(1)]	9[(1)]	57[(2)]	134[(1)]
Suites/Beds	6,214	916	6,954[(2)]	14,084

(1) Four facilities that have a combination of long-term care and retirement beds are reported in both operating segments.
(2) Includes stabilized, lease-up and facilities under development.

Composition of portfolio of owned and managed suites by geographical location



Composition of portfolio of owned and managed homes by level of care



Chartwell has a first right to purchase additional stabilized seniors housing facilities through a development program carried out by Spectrum Seniors Housing Development LP ("Spectrum"), a development entity owned principally by the REIT's senior management. Chartwell provides mezzanine financing to Spectrum to develop seniors housing facilities and, in return, receives a first right to purchase Spectrum's interest in such facilities, when stabilized (a facility which has had an average resident occupancy rate of 90% or greater during the preceding three calendar months), at a discount to appraised value. As part of its seniors housing operations and development management business, Chartwell also provides management and advisory services, for a fee, to Spectrum in respect of its facilities and development program.

Chartwell also provides mezzanine financing to entities controlled by Le Groupe Melior ("Melior") and their joint venture partners to develop seniors housing facilities.

Chartwell has a right to purchase these facilities upon stabilization at fair market value. Chartwell also provides structuring, consulting and advisory services to Melior and its joint venture partners in respect of their development program.

SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2005

The following have had a significant effect on results of Chartwell REIT for the three months ended March 31, 2005 relative to the three months ended March 31, 2004.

Acquisitions

During the three month period ended March 31, 2005, Chartwell REIT acquired 5 seniors housing facilities (333 suites) in two separate transactions for a total purchase price of $30.6 million. The purchase price was settled by the assumption of mortgages payable of $5.0 million, issuance of 1.055 million Class B Units of Chartwell Master Care LP ("Master LP"), a subsidiary of the REIT, valued at $13.9 million, the repayment of $4.1 million of mezzanine loans receivable and cash.

The following table summarizes the acquisitions completed in the First Quarter of 2005 and in the year ended December 31, 2004:

#	Property	Location	Type	Effective date of acquisition	Beds/Suites
	2005				
1)	Barclay House	North Bay, ON	Retirement	February 28, 2005	63
2)	The Georgian	Timmins, ON	Retirement	February 28, 2005	63
3)	The Pinewood	Pembroke, ON	Retirement	February 28, 2005	45
4)	The Westmount	Sudbury, ON	Retirement	February 28, 2005	84
5)	Glacier Ridge	Thunder Bay, ON	Retirement	March 30, 2005	78
					333
	2004				
1	Aurora Resthaven	Aurora, ON	Long term care	February 11, 2004	240
2	Ballycliffe Lodge	Ajax, ON	Long term care	February 11, 2004	100
			Retirement		42
3	Bon-Air	Cannington, ON	Long term care	February 11, 2004	55
			Retirement		9
4	The Gibson	Toronto, ON	Long term care	February 11, 2004	202
5	Gibson Retirement Residence	Toronto, ON	Retirement	February 11, 2004	73
6	Pine Grove Lodge	Woodbridge, ON	Long term care	February 11, 2004	100
			Retirement		40
7	Residence Champlain	L'Original, ON	Long term care	February 11, 2004	60
8	White Eagle	Toronto, ON	Long term care	February 11, 2004	56
9	Lynnwood	Chilliwack, BC	Retirement	March 1, 2004	121
10	New Edinburgh Square	Ottawa, ON	Retirement	April 29, 2004	95
11	Le Monastere d'Aylmer(1)	Aylmer, PQ	Retirement	June 21, 2004	200
12	Marquis de Tracey I(1)	Sorel-Tracey, PQ	Retirement	June 21, 2004	128
13	Marquis de Tracey II(1)	Tracey, PQ	Retirement	June 21, 2004	65
14	Notre Dame de Hull(1)	Hull, PQ	Retirement	June 21, 2004	205
15	Domaine du Chateaux de Bordeaux(1)	Sillery, PQ	Retirement	June 21, 2004	163
16	La Residence St-Pierre(1)	Rouyn-Noranda, PQ	Retirement	June 21, 2004	122
17	Residence Principale(1)	Cowansville, PQ	Retirement	June 21, 2004	145
18	Cite-Jardin	Gatineau, PQ	Retirement	July 1, 2004	284
19	Willow Manor	Maple Ridge, BC	Long term care	July 29, 2004	33
			Retirement		100
20	Residence Le Duplessis	Trois Riviers, PQ	Retirement	August 31, 2004	223
21	Residence Ste Genevieve	Ste Foy, PQ	Retirement	August 31, 2004	202
22	Cedar Creek Lodge	Chilliwack, BC	Retirement	September 1, 2004	16
23	Norman Manor	Chilliwack, BC	Retirement	September 1, 2004	29
24	Carrington House	Mission, BC	Retirement	September 1, 2004	70
25	Riverside Manor	Hope, BC	Retirement	September 1, 2004	30
26	Oak Park Terrace	Windsor, ON	Retirement	September 10, 2004	112
27	Rideau Place	Ottawa, ON	Retirement	September 14, 2004	115
28	Number Four Teddington Place	Toronto, ON	Retirement	October 1, 2004	51
29	Nine Twenty One Millwood	Toronto, ON	Retirement	October 1, 2004	58
30	Domaine Cascade	Shawinigan, PQ	Retirement	December 1, 2004	218
31	Oasis St. Jean	St. Jean sur Richeleau, PQ	Retirement	December 1, 2004	239
32	Brookside Manor(1)	Kanata, ON	Retirement	December 1, 2004	80
					4,081

(1) Chartwell acquired a 50% interest in these facilities.

$90 Million Equity Issue

On March 30, 2005, the REIT completed an offering of Trust Units and issued 6.25 million Units at $14.45 per Unit. The net proceeds of $85.2 million, after the payment of issue related costs of $5.1 million, were used to repay the amounts outstanding under the REIT's credit facilities, to finance acquisitions, mezzanine loans and for general corporate purposes.

Mezzanine Loans

During the three month period ended March 31, 2005, the REIT advanced additional mezzanine loans totaling $3.8 million to Spectrum and other parties for the development of 2 seniors housing facilities. The loans bear interest at the rates between 10% and 14% and are secured by second fixed charges and/or pledges of the borrowers' interests in the projects.

In addition, one mezzanine loan receivable in the amount of $4.1 million was repaid on the acquisition of the Glacier Ridge Retirement Home from Spectrum.

New Financing Arrangements

In the First Quarter of 2005, the REIT arranged new mortgage financing (or refinanced existing mortgages) for 5 of its facilities in the aggregate amount of $12.0 million. This debt bears interest at a weighted average rate of 5.9% and matures on various dates up to February 2017.

The REIT has finalized an increase to its secured revolving operating facility from $30 million at December 31, 2004 to $55 million as at March 31, 2005. There were no amounts outstanding on this facility at March 31, 2005.

In the First Quarter of 2005, the REIT arranged for an additional secured bridge facility in the amount of $3.6 million, of which $3.35 million was utilized as of March 31, 2005. Chartwell also repaid a portion of another bridge facility from the proceeds of the refinancing of one property in the amount of $4.1 million. As of March 31, 2005, the REIT had three bridge facilities outstanding in the amount of $12.4 million, which were secured by second charges over 4 facilities.

OUTLOOK

Management continues to seek out and evaluate a number of acquisition, development and mezzanine financing opportunities that it believes will significantly add to revenues and distributable income in 2005 and beyond.

The Canadian seniors housing industry is highly fragmented with the ten largest participants in the business accounting for only 23% of Canadian seniors housing suites. As the country's second largest industry participant, Chartwell believes it has the resources and the experience to structure and offer smaller operators an exit strategy that meet their needs.

Management has seen a compression in capitalization rates in 2005 and as a result, although the acquisition activity is continuing as anticipated, the expected accretiveness of acquisitions has declined from original expectations. Management does not expect capitalization rates to return to their prior levels in 2005. As a result of this trend, management believes that in the current environment of high property pricing, new development will become an increasingly important source of internal growth.

Chartwell has the right to acquire interests in over 4,500 suites in lease up or under development by Spectrum, Melior and their joint venture partners. Management anticipates that the REIT will acquire between 4 and 6 properties from Spectrum and one property from Melior in 2005. The REIT acquired the first of these facilities from Spectrum on March 30, 2005 and a second facility was acquired from Spectrum on May 3, 2005.

Chartwell also believes that internal revenue growth will come from enhancing the already high occupancies in its owned properties and through the introduction of innovative new services to residents. It is also confident that overall profitability will increase as the REIT captures the economies of scale resulting from the growth in its portfolio, as well as enhanced efficiencies in administration, operations, purchasing and cost control. Management anticipates that in 2005 the REIT will continue the implementation of its highly effective marketing programs throughout the portfolio, which should have a positive effect on properties occupancies.

In addition, as a component of its internal growth program, management intends to add new suites to existing facilities through property expansions. As of March 31, 2005 the REIT is engaged in the following projects, which continue to proceed on schedule and in line with budget expectations:

- Repositioning of the Gibson Long Term Care Centre to create additional preferred accommodation. The expected completion date is the third quarter of 2005. Management estimates the REIT will invest approximately $2.6 million in the project.

- Addition of 18 suites at New Edinburgh Square Retirement Home. The expected completion date is the third quarter of 2005. Management estimates that the total project cost will amount to approximately $3.0 million and the REIT will obtain financing for 80% of the estimated cost.

- Repositioning of Devonshire Seniors Residence to configure 44 smaller outdated units into 22 units more attractive to the market place. The expected completion date is the second quarter of 2005. Management estimates that the total project cost will amount to $2.5 million and will be partially financed by a construction loan.

- A 97-suite addition at the 50% owned Le Monestere D'Aylmer. The expected completion date is the second quarter of 2006 and estimated total project costs are $11.6 million. Management estimates the REIT will invest approximately $2.1 million in the project.

- A 56-suite addition at the 50% owned Le Residence Principale Cowansville. The expected completion date is the second quarter of 2006 and estimated total project costs are $7.1 million. Management estimates the REIT will invest approximately $1.3 million in the project.

- A 42-suite addition at the 50% owned Residence de Hull. The expected completion date is the third-quarter of 2005 and estimated total project costs are $4.3 million. Management estimates the REIT will invest approximately $0.3 million in the project.

As detailed later in this Management, Discussion and Analysis, the REIT faced occupancy challenges in a number of markets. Management is addressing these issues and anticipates improvements in these markets over the next six months.

Overall demand for seniors housing continues to grow significantly in Canada, driven by positive demographics, increased life expectancy, and the fact that seniors are wealthier than ever before, better informed about the range of options available to them and are able to afford the level of service they want and need. Chartwell believes it is well positioned to capitalize on this increase in demand.

FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The REIT prepares its financial statements in Canadian dollars in accordance with Canadian Generally Accepted Accounting Principles (GAAP). For a full discussion of the significant accounting policies and estimates, refer to the Management Discussion and Analysis section of Chartwell's 2004 Annual Report. The unaudited interim consolidated financial statements for the three months ended March 31, 2005 follow the same accounting policies and methods of application.

Other Performance Measures

Distributable Income is presented because management believes this non-GAAP measure is a relevant measure of the ability of the REIT to earn and distribute cash returns to Unitholders. Distributable Income (defined as net earnings before depreciation and amortization, future income tax expense or credits, gains or losses on asset dispositions, amortization of discounts or premiums on long-term debt and deferred financing costs, interest on convertible debentures; plus up to 100% of the principal portion of capital subsidy receivable from Ontario Ministry of Health and Long-Term Care for Long-Term Care facilities, amounts received as contingent consideration for Operating Subsidies that are not included in Net Income under GAAP, and fees that are contractually receivable in the reporting period and are not included in Net Income under GAAP) is not a measure recognized under GAAP and does not have a standardized meaning prescribed by GAAP. Distributable Income as computed by the REIT may differ from similar computations as reported by other organizations and, accordingly, may not be comparable to distributable income as reported by such organizations.

Effective January 1, 2005, the Board of Trustees adjusted the computation of Distributable Income to include fees that are contractually receivable in the reporting period and are not included in Net Income under GAAP.

To the extent these fees are included in GAAP Net Income in subsequent periods, they will be deducted from Distributable Income.

The tables presented under the Results of Operations section of this MD&A provides the reconciliation of Distributable Income to Net Income and cash flow from operating activities, as reported on the REIT's consolidated financial statements.

Funds from operations ("FFO") defined as net income computed in accordance with GAAP, excluding gains or losses from sales of depreciable real estate and extraordinary items, plus depreciation and amortization, and future income taxes and after adjustments for equity accounted for entities and non-controlling interests, is not a recognized measure under GAAP. FFO as presented may not be comparable to similar measures presented by other real estate investment trusts, however, the REIT presents FFO consistent with the definition adopted by the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC").

The use of FFO, combined with the required primary GAAP presentations has been fundamentally beneficial, improving the understanding of operating results of REITs among the investing public and making comparisons of REIT operating results more meaningful. Management generally considers FFO to be a useful measure for reviewing the REIT's comparative operating and financial performance because, by excluding real estate asset depreciation and amortization (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates). FFO can help one compare the operating performance of a REIT's real estate between periods or as compared to different REITs.

RESULTS OF OPERATIONS

The selected information presented below is based on the unaudited consolidated financial results of the REIT for the three month periods ended March 31, 2005 and March 31, 2004.

The following table compares the results of the REIT for the three months ended March 31, 2005 with the results for the three months ended March 31, 2004.

($000's except per unit amounts)	**For the three months ended March 31, 2005**	**For the three months ended March 31, 2004 (restated)**	**Change**
Revenue:			
Property revenue	41,439	21,966	19,473
Mezzanine loan interest	1,791	873	918
Fees:			
Spectrum	1,008	177	831
Other	640	756	(116)
Other Income	100	321	(221)
	44,978	24,093	20,885
Expenses:			
Direct operating	(29,494)	(15,162)	(14,332)
General and administrative	(1,999)	(1,484)	(515)
	(31,493)	(16,646)	(14,847)
Income before interest, depreciation and amortization	13,485	7,447	6,038
Interest expense	(5,684)	(2,649)	(3,035)
Income before depreciation and amortization	7,801	4,798	3,003
Depreciation and amortization	(10,769)	(5,664)	(5,105)
Write down of carrying value of property	(817)	-	(817)
Non-controlling interest	448	73	375
Net Loss for the period	(3,337)	(793)	(2,544)
Add back (subtract):			
Depreciation and amortization	10,769	5,664	5,105
Amortization of deferred financing expenses	344	84	260
Amortization of below market leases	(415)	(260)	(155)
Amortization of debt premiums, net [1]	(389)	(162)	(227)
Write down of carrying value of assets	817	-	817
Principal portion of capital funding receivable	20	12	8
Amounts received under Net Operating Income Guarantee	307	-	307
Contractually receivable fees, not included in net income under GAAP[2]	2,025	-	2,025
Non-controlling interest	(448)	(73)	(375)
Distributable income[3]	9,693	4,472	5,221
Weighted average number of units outstanding[4]	36,545,050	27,893,182	8,651,868
Dilutive LTIP	860,000	825,000	35,000
	37,405,050	28,718,182	8,686,868
Distributable income per unit – basic	0.265	0.160	0.105
Distributable income per unit – diluted	0.259	0.156	0.103
Distributions declared[5]	10,250	7,306	2,944
Distributions per unit – diluted	0.274	0.254	0.02
Payout ratio – diluted[6]	106%	163%	(57%)

(1) Includes amortization of debt discounts of $48 and $24 for the three months ended March 31, 2005 and three months ended March 31, 2004, respectively.

(2) Effective January 1, 2005, the Board of Trustees adjusted the computation of Distributable Income to include fees that are contractually receivable in the reporting period and are not included in Net Income under GAAP.

(3) Includes distributable income of $1,167 and $932 for the three months ended March 31, 2005 and March 31, 2004, respectively attributable to Class B Units of Master LP.

(4) Includes the weighted average of 4,549,870 and 2,585,085 of outstanding Class B Units of Master LP for the three months ended March 31, 2005 and March 31, 2004 respectively.

(5) Includes $1,269 and $686 of distributions declared on Class B Units of Master LP for the three months ended March 31, 2005 and March 31, 2004 respectively.

(6) Payout ratio increased as the REIT issued an additional 6,250,000 Trust Units on March 30, 2005. Distributions on these units amounted to $555, which resulted in a 6% increase in the payout ratio for the First Quarter of 2005.

Reconciliation of Distributable Income to Cash Flow from Operating Activities

($000's)	Three months ended March 31, 2005	Three months ended March 31, 2004 (restated)
Cash flow from operating activities	8,112	3,164
Add (Subtract):		
Change in non-cash operating items	1,668	1,518
Amortization of debt discounts	(48)	(24)
Amortization of debt premiums, net	(389)	(162)
Principal portion of capital funding received	20	12
Amounts received under Net Operating Income Guarantees	307	-
Income from long-term investment net of distributions	23	(36)
Distributable Income	9,693	4,472

Reconciliation of Funds From Operations

($000's except per unit amounts)	Three months ended March 31, 2005	Three months ended March 31, 2004 (restated)
Net loss per financial statements	(3,337)	(793)
Add (subtract):		
Depreciation of real estate assets	4,289	2,136
Amortization of management contracts, resident contracts and customer relationships	6,480	3,528
Depreciation of leasehold improvements included in depreciation of real estate assets	(10)	(3)
Write down of carrying value of property	817	-
Non-controlling interest	(448)	(73)
Funds from Operations	7,791	4,795
Funds from Operations per unit diluted	0.208	0.167

Property Revenue

($000's)	Three months ended March 31, 2005	Three months ended March 31, 2004	Change $
Property Revenue	41,439	21,966	19,473

The following factors contributed to the $19,473 increase in property revenue:

- Acquisitions completed subsequent to March 31, 2004 contributed an increase of $13,521.
- Full quarter contribution of properties acquired in the First Quarter of 2004 resulted in an increase of $4,949.

- Same property revenues increased by $1,003, an increase of 6.5%. This increase is primarily due to the following:

  - Improved occupancies in several retirement homes in Ontario and Western Canada as compared to the First Quarter of 2004.
  - Revenue from new services offered to residents.
  - Regular annual rent increases.

Mezzanine Loan Interest

($000's)	Three months ended March 31, 2005	Three months ended March 31, 2004	Change $
Mezzanine Loan Interest	1,791	873	918

- The $918 increase is due to higher average loan balances outstanding in the First Quarter of 2005 as compared to the First Quarter of 2004.

Fees

($000's)	Three months ended March 31, 2005	Three months ended March 31, 2004	Change $
Spectrum	1,008	177	831
Other	640	756	(116)
	1,648	933	715

Fees earned from Spectrum for the three months ended March 31, 2005 were higher than in the First Quarter of 2004 due to the following:

- Development management fees of $655 from the management of development activities for 15 projects in the First Quarter of 2005 as compared to 2 projects in the First Quarter of 2004.

- In the First Quarter of 2005, Chartwell earned financing fees of $121 for arranging construction financing for one of Spectrum's projects. There were no financing fees earned in the First Quarter of 2004.

- Higher operations management fees as Spectrum's properties in lease-up had higher occupancies in the First Quarter of 2005 as compared to the First Quarter of 2004.

Fees from other parties for the three months ended March 31, 2005 were lower due to the following:

- In the First Quarter of 2004 fees included $297 earned from the four properties operated in escrow. Chartwell ceased earning these fees on completion of the acquisition of these properties in February 2004.

- Management fees from other third parties amounted to $484 in the First Quarter of 2005, compared to $459 in the First Quarter of 2004. The lost revenue from four management contracts cancelled during 2004 was offset by the contribution from new contracts and higher revenues from existing contracts as a result of increased occupancies at the managed properties.

- In the First Quarter of 2005, the REIT completed agreements in respect of 4 new development projects with aggregate fees amounting to $3,114. $2,025 of these fees were contractually receivable at March 31, 2005. Due to the nature of the related agreements, these fees did not qualify for immediate recognition under GAAP and will be recorded as income over the terms of the REIT's involvement in these projects.

  Effective January 1, 2005, the REIT's Board of Trustees adjusted the computation of Distributable Income to include fees that are contractually receivable within the reporting period and are not included in Net Income under GAAP.

  Subsequent to March 31, 2005, all fees included in Distributable Income were received.

Other Income

($000's)	**Three months ended March 31, 2005**	**Three months ended March 31, 2004**	**Change $**
Other Income	100	321	(221)

- Higher other income in the First Quarter of 2004 was primarily due to the interest income earned on funds obtained pursuant to over allotment option exercised by the underwriters on the initial public offering, that were not fully deployed as at March 31, 2004.

Direct Operating Expenses

($000's)	**Three months ended March 31, 2005**	**Three months ended March 31, 2004**	**Change $**
Direct Operating Expenses	29,494	15,162	14,332

Direct operating expenses for the three months ended March 31, 2005 were higher due to the following:

- Acquisitions completed subsequent to March 31, 2004 contributed $8,245 of the increase.

- Full Quarter contribution of properties acquired in First Quarter of 2004 resulted in an increase of $4,830.

- Same property operating expenses increased by $1,259, an increase of 13.6%. This increase was primarily due to the following:

  - Cost of additional programs and services offered to residents in four Western Canada facilities. These programs and services were necessary to improve occupancies and have been effective to date.
  - Higher utilities and property operating overhead costs.

General and Administrative

($000's)	Three months ended March 31, 2005	Three months ended March 31, 2004	Change $
General and Administrative	1,999	1,484	515

- Higher general and administrative costs were primarily due to the addition of new staff during 2004 and in the First Quarter of 2005 to manage Chartwell's current and future growth, and resulting higher rental and general office expenses.

  In the First Quarter of 2005 professional, legal and accounting costs were higher than in the First Quarter of 2004 due to the increased size of the REIT.

- General and Administrative Expenses represented 4.3% of gross revenues in the First Quarter of 2005 compare to 6.2% of gross revenues in the First Quarter of 2004.

Interest Expense

($000's)	Three months ended March 31, 2005	Three months ended March 31, 2004	Change $
Interest Expense	5,684	2,649	(3,035)

- Acquisitions completed subsequent to March 31, 2004 contributed an increase of $2,130.

- Full quarter contribution of properties acquired in the First Quarter of 2004 resulted in an increase of $426.

- Interest expense incurred on existing properties in the First Quarter of 2005 was $83 lower than in the First Quarter of 2004 due to mortgage principal repayments.

- In the First Quarter of 2005, Chartwell incurred interest expenses of $562 on the amounts outstanding under its operating line of credit and bridge loans.

Depreciation and Amortization

($000's)	Three months ended March 31, 2005	Three months ended March 31, 2004	Change $
Depreciation and Amortization	10,769	5,664	5,105

- The increase in depreciation and amortization is due to the acquisition of properties completed subsequent to March 31, 2004 and full quarter contribution of properties acquired in the First Quarter of 2004.

Non-controlling Interest

- In response to Emerging Issues Committee ("EIC") – 151, Exchangeable Securities Issued by Subsidiaries of Income Trusts, which was issued on January 19, 2005, Chartwell REIT has adopted a new policy applicable to Class B Units of Master LP, a subsidiary of Chartwell REIT effective December 31, 2004. Under EIC-151, equity applicable to the Class B Units of Master LP is considered to be a non-controlling interest. Previously, Chartwell REIT included the Class B Units of Master LP as part of unitholder's equity.

  The REIT adopted this change retroactively with the restatement of the prior period's Financial Statements.

- Non-controlling interest represents the amount of net loss allocable to the holders of Class B Units of Master LP.

Net Loss

($000's)	Three months ended March 31, 2005	Three months ended March 31, 2004 (restated)	Change $
Net Loss for the period	(3,337)	(793)	(2,544)
Net Loss per unit	(0.091)	(0.031)	(0.06)

For the First Quarter of 2005, the REIT's net loss increased by $2,544 from the First Quarter of 2004.

In addition to the factors discussed above, the following factors affected the Net Loss:

- In the First Quarter of 2005, the REIT recorded a write down in the carrying value of one property that had been acquired as part of the larger portfolio at the time of the initial public offering. This facility is not competitive in its market and management determined that the best course of action would be to divest of the property. The REIT is currently developing a formal plan of disposition.

Distributable Income and Distributions

($000's)	For the three months ended March 31, 2005	For the three months ended March 31, 2004	Change
Distributable Income(1)(4)	$9,693	$4,472	$5,221
Distributions Declared(2)	10,250	7,306	2,944
Weighted average number of units outstanding (diluted)(3)	37,405,050	28,718,182	8,686,868
Distributable Income per unit	$0.259	$0.156	$0.103
Distributions per unit	$0.274	$0.254	$0.020
Payout Ratio	106%	163%	(57%)

(1) Includes distributable income of $1,167 and $932 for the three months ended March 31, 2005 and March 31, 2004, respectively attributable to Class B Units of Master LP.

(2) Includes $1,269 and $686 of distributions declared on Class B Units of Master LP for the three months ended March 31, 2005 and March 31, 2004 respectively.

(3) Includes the weighted average of 4,549,870 and 2,585,085 of outstanding Class B Units of Master LP for the three months ended March 31, 2005 and March 31, 2004 respectively.

(4) Effective January 1, 2005, the Board of Trustees adjusted the computation of Distributable Income (refer to "Other Performance Measures" section of this MD&A).

Distributable income and distributions declared in the First Quarter of 2005 was higher due to the following:

- Distributable Income and Distributable Income per units in the First Quarter of 2005 were higher as compared to the First Quarter of 2004 primarily due to the increased contribution of acquisitions, lending and management activities in the First Quarter of 2005.

- Distributions declared are higher due to more units outstanding in the First Quarter of 2005 as compared to the First Quarter of 2004 and an increase in the monthly distribution from $0.08540 per unit to $0.08875 per unit effective March 30, 2005.

- Distributions per unit also increased as the REIT issued an additional 6,250,000 Trust Units on March 30, 2005. Distributions on these units amounted to $555, which resulted in a 6% increase in the payout ratio for the First Quarter of 2005.

SEGMENTED INFORMATION

The following discussion and analysis provides information on the financial results for each operating segment of the REIT for the First Quarter of 2005 compared to the First Quarter of 2004 and discusses future financial trends.

Retirement Operations

The following table represents the results of operations and financial position of the retirement operations segment of the REIT for the First Quarter of 2005 and the First Quarter of 2004.

$000's	As at and for the three months ended March 31, 2005	As at and for the three months ended March 31, 2004	Change
Revenues	31,363	15,576	15,787
Direct Operating Expenses	19,145	(9,391)	(9,754)
	12,218	6,185	(6,033)
Interest Expense	(5,093)	(2,368)	(2,725)
Income before depreciation and amortization	7,125	3,817	(3,308)
Depreciation and amortization	(9,167)	(4,869)	(4,298)
Write down of carrying value of property	(817)	-	(817)
Net Loss for the period	(2,859)	(1,052)	(1,807)
Operating Margins[(1)]	38.1%	38.7%	(0.6%)
Assets	624,764	358,806	265,958
Liabilities	373,078	183,935	189,143

(1) Operating margin is defined as net operating income as a percentage of revenue excluding the amortization of below market resident contracts of $415 and $260 for the three months ended March 31, 2005 and March 31, 2004 respectively.

Revenues

- Acquisition of interests in 28 retirement homes completed subsequent to March 31, 2004 contributed to $13,521 of revenues in the First Quarter of 2005.

- Full quarter contribution of retirement home acquisitions completed during the First Quarter of 2004 increased revenue by $1,262.

- Same property revenue increased by $1,003, an increase of 6.5%. This increase was primarily attributed to the following:

  - The increase in occupancy of two retirement homes in Ontario that were previously impacted by an oversupply of long-term care beds in their market areas.
  - A facility in Western Canada that was acquired in lease-up with an accompanying income guarantee achieved stabilized occupancy in the First Quarter of 2005.
  - Additional resident services were introduced in four facilities in Alberta. The REIT constructed new kitchens and added on-site food services in two independent retirement facilities. The REIT also contracted with local health authorities to provide funded home care in the other two of these facilities.
  - The occupancy in the retirement homes' portfolio as of March 31, 2005, based on the number of units, was 92%, consistent with the occupancy at December 31,

2004. This occupancy was favourably impacted by the acquisitions completed in the First Quarter of 2005 whose average occupancy was in excess of 95%. Excluding the impact of these acquisitions, Retirement Home occupancy declined slightly in the quarter.

- In the First Quarter of 2005, the REIT experienced significantly lower than anticipated occupancies in 3 of its facilities in Western Ontario, 2 facilities in the Greater Toronto Area and 1 facility in Eastern Ontario. These occupancy issues were primarily due to the competition from newly opened long-term care and retirement facilities in these markets.

- Management continues to track the absorption rates of all Long-Term Care Facilities in Ontario as well as Retirement Home competitors in all markets and is of the opinion that occupancy levels will improve for the balance of the year. In addition, the first quarter is historically the most challenging quarter for new admissions.

Direct Operating Expenses

- Acquisition of 28 retirement homes completed subsequent to March 31, 2004 resulted in an $8,245 increase in direct operating expenses in the First Quarter of 2005.

- Full quarter contribution of retirement homes acquired during the First Quarter of 2004 increased direct operating expenses by $648.

- Same property direct operating expenses increased by $1,259, an increase of 13.6%. This increase was primarily due to the following:

  - The cost associated with the additional resident services which were introduced in four facilities in Alberta.
  - The higher property operating overheads attributable to the addition of senior operations management personnel in 2004 and the First Quarter of 2005.
  - Higher utility costs.

Operating Margins

Retirement homes operating margins in the First Quarter of 2005 were 38.1% compared to 38.7% in the First Quarter of 2004, and 39.0% in the fourth quarter of last year.

The decline in operating margins for the First Quarter of 2004 was primarily due to the additional property operating overhead and decreased revenue in certain markets.

Additionally operating margins were affected in certain properties where increased resident service programs were introduced, including the aforementioned Western Canada properties. Where such service programs were introduced, occupancy, revenue and net income increased, however, since service programs operate at lower margins than do accommodation, the overall margins are diluted.

Generally operating margins are expected to be lower in the First Quarter that the margins for the remainder of the year, due to higher property operating costs and the longer lead-time to replace residents on suite turnover during the winter months.

Management expects that the retirement home margins will improve over the remainder of the year as the REIT implements property specific action plans developed for each under performing property.

Interest Expense

The increase in interest costs is due to the acquisitions completed in 2004 and the First Quarter of 2005.

Depreciation and Amortization

The increase in depreciation and amortization expenses was due to the acquisitions completed in 2004 and the First Quarter of 2005.

Net Loss

Net loss increased in the First Quarter of 2005 as compared to the same period in 2004, as the positive net operating income contribution from new acquisitions was offset by higher interest and depreciation and amortization expenses.

As previously discussed in this MD&A, the REIT also recorded a write-down of carrying value of one retirement home in the First Quarter of 2005.

Long-Term Care Operations

The following table represents results of operations and financial position of the long-term care operating segment for the First Quarter of 2005 as compared to the First Quarter of 2004.

$000's	For the three months ended March 31, 2005	For the three months ended March 31, 2004	Change
Revenues	10,076	6,390	3,686
Direct Operating Expenses	(9,287)	(5,488)	(3,799)
	789	902	(113)
Interest Expense	(591)	(281)	(310)
Income before depreciation and amortization	198	621	(423)
Depreciation and amortization	(1,152)	(236)	(916)
Net Income (Loss) for the period	(954)	385	(1,339)
Operating Margins	7.8%	14.1%	(6.3%)
Assets	66,721	63,475	3,246
Liabilities	43,431	39,670	3,761

Revenues

- The $3,686 increase in revenues is due to the acquisitions of eight long-term care facilities in the First Quarter of 2004.
- In the First Quarter of 2005, two long-term care facilities experienced certain occupancy issues:
  - One facility continued to face competitive pressures from two new facilities that opened in the same market. Both of these new homes were filled up by March 31, 2005. In addition, this home experienced two outbreaks in the First Quarter, which restricted admissions. Admissions have recommenced at the end of March 2005. As a result of these issues, full occupancy is expected to be delayed to the third quarter of 2005.
  - The re-development of another facility continues as planned, however, the re-development has had a greater adverse impact on the existing occupancy than previously anticipated. In addition, a new long-term facility opened in the same market in December 2004. This facility filled up by March 31, 2005. As a result of these issues, the lease up of this facility will take longer than originally anticipated.

Direct Operating Expenses

- The increase in direct operating expenses was also due to the full quarter contribution of the long-term care facilities acquired in the First Quarter of 2004.

- In the First Quarter of 2005, one facility in Quebec experienced certain operational difficulties that resulted in significantly higher than anticipated operating expenses. Remedial action has been taken and management anticipates improvements by the end of the second quarter.

<u>Operating Margins</u>

- Long-term care operating margins significantly declined in the First Quarter of 2005 as compared to the First Quarter of 2004 due to the occupancy issues experienced at two long-term care facilities in Ontario, and higher than expected direct operating expenses at one Quebec facility, as discussed above.

- Operating margins of other properties in the long-term care portfolio were in line with management expectations and industry benchmarks.

- Management anticipates that the operating margins will improve during the remainder of 2005, as the impact of the issues described above diminishes over time. Management also anticipates a positive impact on operating margins from the new Class A long-term care facility acquired at the beginning of the Second Quarter of 2005.

<u>Interest Expense</u>

- The increase in interest costs is due to the full quarter contribution of facilities acquired during the First Quarter of 2004.

<u>Depreciation and Amortization</u>

The increase in depreciation and amortization is also due to the full quarter contribution of facilities acquired in 2004.

<u>Net Income (Loss)</u>

The significant decrease in net income is due to lower operating revenue, higher interest and depreciation and amortization costs as discussed above.

Management Operations

$000's	For the three months ended March 31, 2005	For the three months ended March 31, 2004	Change
Revenues	1,648	933	715
Direct Operating Expenses	(1,062)	(283)	(779)
	586	650	(64)
Interest Expense	-	-	-
Income before depreciation and amortization	586	650	(64)
Depreciation and amortization	450	559	109
Net Income (Loss) for the period	136	91	45
Operating Margins	35.6%	69.7%	(34.1%)
Assets	15,699	20,624	(4,925)
Liabilities	-	-	-

Revenues

Fee revenues increased from the First Quarter of 2004 due to the following:

- Development and operations management fees from Spectrum increased by $700 due to the larger number of projects managed in 2005, as well as higher occupancies in the properties in lease-up.
- The REIT earned $121 of financing fees in the First Quarter of 2005 for arranging construction financing for one of Spectrum's projects. No financing fees were earned in the First Quarter of 2004.
- In the First Quarter of 2005, the REIT earned $153 of structuring, mezzanine placement and consulting fees from six development projects in Quebec. There were no such fees earned in the First Quarter of 2004.

In the First Quarter of 2005, the REIT completed agreements in respect of 4 new development projects with aggregate fees amounting to $3,114. $2,025 of these fees were contractually receivable at March 31, 2005. Due to the nature of the related agreements, these fees did not qualify for immediate recognition under GAAP and will be recorded as income over the terms of the REIT's involvement in these projects.

Effective January 1, 2005, the REIT's Board of Trustees adjusted the computation of Distributable Income to include such contractually receivable fees (refer to "Other Performance Measures" section of this MD&A).

- In the First Quarter of 2004 management fees included $297 earned from the four properties operated in escrow. Chartwell ceased earning these fees on completion of the acquisition of these properties in February 2004.

- Management anticipates that management operations will continue to generate significant revenues and Distributable Income for the REIT in 2005 and beyond.

Direct Operating Expenses

Direct operating expenses increased in the First Quarter of 2005 compared to the First Quarter of 2004 as more management efforts were required to support higher revenue stream and structure new development projects with Spectrum and other parties.

Operating Margins

Operating margins decreased as the increase in fees did not fully offset higher operating expenses incurred to structure new development projects and support operations management activities.

Depreciation and Amortization

Depreciation and amortization is decreased due to the write-down of four management contracts and related customer relationships on cancellation of these contracts in 2004.

QUARTERLY FINANCIAL INFORMATION

The following table summarizes the REIT's quarterly financial information:

($000's, except per unit amounts)	Three Months Ended March 31, 2005	Three Months Ended December 31, 2004	Three Months Ended September 30, 2004 (restated)	Three Months Ended June 30, 2004 (restated)	Three Months Ended March 31, 2004 (restated)	Period From November 14, 2003 to December 31, 2003 (restated)
Revenues	$ 44,978	$ 45,406	$ 38,691	$ 29,590	$ 24,093	$ 9,220
Direct Operating Expenses	(29,494)	(27,161)	(23,366)	(19,479)	(15,162)	(5,170)
General, Administrative and Trust Expenses	(1,999)	(2,024)	(1,513)	(1,830)	(1,484)	(1,415)
Income before interest, depreciation and amortization	13,485	16,221	13,812	8,281	7,447	2,635
Interest Expense	(5,684)	(6,521)	(4,686)	(3,045)	(2,649)	(1,236)
Depreciation and Amortization	(10,769)	(10,671)	(9,270)	(7,581)	(5,664)	(3,006)
Write down of carrying value of assets	(817)	(1,159)	-	(501)	-	-
Non-controlling interest	448	196	3	266	74	103
Net Loss for the period	(3,337)	(1,934)	(141)	(2,580)	(792)	(1,504)
Add Back:						
Depreciation and Amortization	10,769	10,671	9,270	7,581	5,664	3,006
Amortization of Deferred Financing Costs	344	1,363	452	91	84	41
Amortization of Below Market Leases	(415)	(409)	(384)	(304)	(260)	(125)
Amortization of Debt Premiums	(389)	(74)	(281)	(184)	(162)	(75)
Write down of carrying value of assets	817	1,159	-	501	-	-
Principal portion of Capital Funding Receivable	20	19	19	19	12	-
Amounts received under the Net Operating Income guarantee	307	546	466	871	-	-
Fees contractually receivable	2,025	-	-	-	-	-
Non-controlling interest	(448)	(196)	(3)	(266)	(74)	(103)
Distributable Income	9,693	11,145	9,398	5,729	4,472	1,240
Distributable Income Per Unit, diluted	0.259	0.305	0.285	0.197	0.158	0.045

Chartwell REIT's quarterly results for the past 5 quarters have been affected by the acquisition of new facilities and an increase in revenue resulting from higher development management and financing activities.

General, Administration and Trust Expenses have increased over the past 5 quarters to provide additional infrastructure for the REIT's growth.

FINANCIAL POSITION

($000's)	March 31, 2005	December 31, 2004
Real Property Investments	$611,210	$588,812
Mezzanine Loans	51,730	52,021
Total Assets	805,573	740,252
Mortgages Payable	381,785	374,520
Loans Payable	12,374	41,518
Total Liabilities	420,444	440,678
Non-controlling Interest	52,455	40,279
Unitholders' Equity	332,674	259,295
Total Liabilities and Equity	805,573	740,252

The increase in total assets as at March 31, 2005 compared with December 31, 2004 is due primarily to the acquisition of five seniors housing facilities completed in the First Quarter of 2005.

Mortgages payable increased from December 31, 2004 due to the financing attributable to acquisitions completed in the period and mortgages assumed on these same transactions. This was partially offset by mortgage principal repayments and the retirement of long-term debt of approximately $9.8 million. The REIT re-paid the outstanding balance on its line of credit with the proceeds from the equity issue completed on March 30, 2005.

The non-controlling interest increased from December 31, 2004 mainly due to the issuance of approximately 1.1 million Class B Units of Master LP valued at $13.9 million, offset by $1.3 million of distributions paid on these units.

Outstanding Units Data

The following table summarizes the information with respect to the units outstanding as of March 31, 2005 and December 31, 2004.

($000's)	March 31, 2005	December 31, 2004
Trust Units	38,188,883	31,913,005
LTIP Units under subscription	860,000	860,000
	39,048,883	32,773,005
Class B Units of Master LP	5,268,058	4,213,149
	44,316,941	36,986,154

During the three months period ended March 31, 2005, the REIT issued 6,250,000 Trust Units pursuant to Public Offering, 25,878 Trust Units under its Distribution Reinvestment Program and 1,054,909 Class B Units of Master LP on acquisitions of five seniors housing facilities.

PROPERTY PORTFOLIO

The following table summarizes the composition of Chartwell's real estate portfolio of owned facilities as at March 31, 2005, December 31, 2004 and March 31, 2004:

As at	March 31, 2005	December 31, 2004	March 31, 2004
Number of suites	7,130	6,818	3,879
Number of properties	73(1)	68(1)	45(2)
Composition (based on the number of suites):			
Independent living	29%	30%	16%
Retirement homes	57%	55%	70%
Long-Term Care facilities	14%	15%	14%

(1) Includes 8 properties in which Chartwell holds a 50% interest, and 1 facility in which Chartwell holds a 39% interest.
(2) Includes 1 facility in which Chartwell holds a 39% interest.

During the three months ended March 31, 2005, the REIT acquired 5 properties (333 suites). In the First Quarter of 2005 suites conversions and reconfigurations reduced the owned portfolio suite count by 21 suites.

As of March 31, 2005, the REIT's owned portfolio is geographically diversified with 54% of total suites situated in Ontario, 32% in Quebec, 7% in Alberta and 7% in British Columbia. The REIT does not currently own or manage facilities in the United States.

MORTGAGE DEBT

The following table outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates as at March 31, 2005:

Year	Regular Principal Payments	Principal Due at Maturity	Total	Weighted Average Interest Rate of Maturing Debt
2005	10,891	34,549	45,440	4.77%
2006	10,240	39,465	49,705	4.57%
2007	9,800	14,221	24,021	4.79%
2008	9,879	36,843	46,722	5.70%
2009	5,388	92,680	98,068	4.81%
2010-2015	15,390	89,272	104,662	5.63%
2016-2020	2,211	10,956	13,167	6.77%
Total	63,799	317,986	381,785	

The average term to maturity for the total mortgage is approximately 4.7 years (December 31, 2004 – 5.0 years), and the weighted average interest rate is 5.25% (December 31, 2004 – 5.23%). Management is pursuing a strategy of increasing the average term to maturity of the mortgage portfolio by seeking longer terms on new mortgage debt.

During the First Quarter of 2005, the REIT assumed mortgages totaling $5.0 million bearing a weighted average interest rate of 6.03%, and arranged new mortgage financing (or refinanced assumed mortgages) for 5 of its facilities in the aggregate amount of $12.0 million. These mortgages bear interest at a weighted average rate of 5.9% and mature on various dates up to February 2014.

The REIT had $8.4 million of variable rate mortgage debt outstanding at March 31, 2005. This debt was assumed on the acquisition of 3 seniors housing facilities in the Province of Quebec in the second quarter of 2004.

The REIT also entered into an interest rate swap on a $13.8 million mortgage, securing a fixed rate of 5.95% including stamping fee, until the mortgage matures in February 2014.

The maximum debt leverage permitted by Chartwell's Declaration of Trust is 60%. At March 31, 2005 Chartwell's debt leverage ratio was 46.6%. If Chartwell were to increase its borrowing to the maximum 60% allowed under its declaration of trust, it would increase its available cash by approximately $114.0 million. This would allow the REIT to acquire approximately $285.0 million of new assets. Management of the REIT does not expect that its debt leverage ratio will exceed 55% on a long-term basis.

CONTRACTUAL OBLIGATIONS

The REIT's major contractual obligations as at March 31, 2005 were as follows:

Payment due by Period	(000's of dollars)						
	Total	2005	2006	2007	2008	2009	Thereafter
Mortgages Payable	381,785	45,440	49,705	24,021	46,722	98,068	117,829
Loans Payable	12,374	12,374					
Operating Leases	4,712	254	425	455	477	477	2,624
Land Rent	7,151	95	126	126	126	126	6,552
Mezzanine Loan Funding Obligations	26,779	26,779	-	-	-	-	-
Purchase Obligations	53,725	44,475	9,250	-	-	-	-
Total Contractual Obligations	486,526	129,417	59,506	24,602	47,325	98,671	127,005

Operating leases relate to the agreements entered into by the REIT for office space in Ontario and British Columbia.

Land rent relates to an obligation assumed by Chartwell in respect of a land lease which expires on July 17, 2061 with annual payments of $0.126 million.

Mezzanine loan funding obligations relate to approved loans to Spectrum and other parties to fund the development and lease-up of 11 retirement residences in Quebec, Ontario and British Columbia. Partial advances on 4 of these projects were made prior to March 31, 2005.

Purchase obligations relate to the following:

- The acquisition of 3 seniors housing facilities for a total purchase price of $41.8 million. These acquisitions were completed subsequent to March 31, 2005 (see Subsequent Events).

- Three contingent considerations in respect of completed acquisitions:

    - $4.25 million contingent upon the property achieving certain operating targets, the measurement of which is to be made annually commencing in December 31, 2005.

    - $5.0 million in respect of certain suites being added to the acquired facility, payable in installments commencing in the year ended December 31, 2005 and conditional upon the property achieving certain operating targets.

    - $0.68 million in respect of two properties upon these properties achieving predetermined income targets over a three-year period.

- Deferred purchase consideration of $2 million related to the acquisition of a retirement home in Ontario that is due on the earlier of:

    (i) the property achieving certain operating results commencing March 2005; and
    (ii) September 2006.

LIQUIDITY AND CAPITAL RESOURCES

Chartwell's cash commitments include payments related to long-term debt, cash distributions to Unitholders, operating leases and minimum purchase obligations.

Chartwell's principal source of liquidity is cash flow from operations. The REIT has negotiated an increase to its secured revolving operating facility to $55 million. There were no amounts outstanding on this facility as at March 31, 2005.

During the First Quarter of 2005, Chartwell repaid $4.1 million outstanding on one Bridge Loan from the proceeds of the refinancing of one property. Chartwell also arranged an additional bridge loan for another facility in amount of $3.6 million of which $3.35 million was utilized at March 31, 2005. As of March 31, 2005, Chartwell had $12.4 million outstanding in its Bridge Loans secured by second charges over four properties.

The REIT completed an offering of Trust Units on March 30, 2005, issuing 6.25 million trust units at $14.45 per unit. The net proceeds after payment of $5.1 million of issue costs amounted to $85.2 million. The proceeds were used to repay the balances outstanding under the REIT's credit facilities, to finance acquisitions, mezzanine loans and for general corporate purposes.

Due to the issues discussed under Distributable Income and Distributions section of this MD&A, the REIT's total distributions for the quarter exceeded the amount of its Distributable Income. These excess distributions were financed from the REIT's credit facilities. Management believes that the REIT will generate sufficient cash from its activities to maintain its current level of distributions.

Management expects that the principal use of funds in the future will be for the acquisition of seniors housing properties, debt repayments, distributions, mezzanine financing to Spectrum and other third parties, and capital expenditures on the existing property portfolio.

Capital Expenditures

For the three months ended March 31, 2005, the REIT incurred $1.1 million of capital additions to its properties. These expenditures fall within the following major categories:

- Building improvements include capital expenditures that increase revenue generating potential of the properties such as additions of new units and capital expenditures incurred in order to introduce new services to residents.
- Long-term replacement items include expenditures for assets that will likely be replaced several times over the life of the building, such as roofing, paving, HVAC equipment, etc.
- Furniture, Fixtures and Equipment ("FF&E") purchases.

The additions to real estate properties were reduced by the amounts receivable under the Net Operating Income guarantees provided to the REIT by the vendor of certain facilities acquired in 2004.

The following table summarizes additions to properties for the three months ended March 31, 2005:

(000's)	**March 31, 2005**
Building improvements	-
Long-Term Replacement Items	311
Furniture, Fixtures and Equipment	644
Other	140
Net Operating Income guarantee accrual	(319)
Total	776

In addition to the amounts reflected above, during the three months period ended March 31, 2005, Chartwell incurred additional capital expenditures of $1,171 related to its internal growth projects (refer to the "Outlook" section of this MD&A). These costs are recorded with other assets on the financial statements and will be transferred to properties upon completion of projects.

Cash Flows

The following table summarizes Chartwell's cash flows for the period:

	Three months ended March 31, 2005	Three months ended March 31, 2004
Cash provided by (used) in:		
Operating activities	8,112	3,164
Financing activities	48,630	29,586
Investing activities	(12,244)	(57,562)
Increase (Decrease) in cash and cash equivalents	44,498	(24,812)

Cash provided by operating activities increased due to positive funds from operations in the period from the contributions of new acquisitions and management activities.

Cash provided by financing activities in the First Quarter of 2005 represents mainly the proceeds from the March 30, 2005 secondary offering and proceeds from mortgages and loans payable, offset by debt principal repayments and distributions.

Investing activities in the First Quarter of 2005 represent cash used for the acquisition of interests in 5 seniors housing facilities and advances to Spectrum and other third parties for the development of 2 seniors housing facilities. This compares with the acquisition of 9 properties in the First Quarter of 2004 (including four properties operated in escrow by the vendors for the account of Chartwell) and mezzanine loans advanced for 4 development projects undertaken by Spectrum.

TRANSACTIONS WITH RELATED PARTIES

In the normal course of operations, the REIT enters into transactions with various related parties. The following is a summary of significant related party transactions for the three months ended March 31, 2005:

i) Under the terms of the Development Agreement with Spectrum, a company controlled by the senior management of the REIT (including Stephen Suske, Vice Chairman and President, Robert Ezer, Chief Executive Officer, Brent Binions, Executive Vice President, Leslie Veiner, Chief Financial Officer, Richard Noonan, Chief Operating Officer and Peter Gaskill, Senior Vice President, Development), the REIT provides mezzanine financing for Spectrum's development projects and provides development and operations management services for a fee.

   As of March 31, 2005, mezzanine loans receivable from Spectrum amounted to $41.3 million (December 31, 2004 - $42.8 million). These loans bear interest at rates between 10% and 14% and are secured by second charges or pledges in interests in 26 seniors' housing development properties.

For the three months ended March 31, 2005, the REIT earned interest income of $1.5 million on its mezzanine loans and $0.9 million and $0.1 million respectively of management and financing fees from Spectrum. Other Assets as of March 31, 2005 include $1.5 million due from Spectrum, of which $1.4 million was paid subsequent to March 31, 2005.

Included in distributions payable at March 31, 2005 is $184 (December 31, 2004 - $170) due to Spectrum.

In addition, accounts receivable includes $0.1 million due from a joint venture where Spectrum holds a 72.5% interest.

ii) On March 30, 2005, the REIT acquired from Spectrum the Glacier Ridge Retirement Home, a 78 unit facility in Thunder Bay, Ontario. The purchase price of $10.7 million, before closing costs, was satisfied by the cash payment of $5.4 million used to retire the existing construction debt, issuance of 79,909 Class B Units of Master LP valued at $1.2 million, and retirement of mezzanine loan receivable of $4.1 million.

iii) As of March 31, 2005, the REIT had mezzanine loans receivable of $10.4 million from two of Spectrum's joint venture partners (including $8.0 million advanced to entities controlled by Melior (the "Borrowers"). These loans bear interest at rates between 11.5% and 14% and are secured by second fixed charges over the five development projects and a pledge of the Borrowers' interests in these projects.

Each mezzanine loan matures on the earliest of the fifth anniversary of the initial advance of the funds, the date of sale of the related development property, or the second anniversary of the date upon which the property achieved stabilized occupancy, as defined in the Development Agreement with Spectrum and loan agreements with the Borrower.

iv) During the quarter ended March 31, 2005, the REIT earned interest income of $0.3 million, and structuring, mezzanine placement and consulting fees of $0.2 million from Melior.

Accounts receivable at March 31, 2005 include $0.5 million due from Melior. Subsequent to March 31, 2005, this balance was paid.

v) Subsequent to March 31, 2005, the REIT acquired from Spectrum the Bridlewood Retirement Home, a 59 unit facility located in Gloucester, Ontario. The purchase price of $8.4 million, before closing costs, was satisfied by a cash payment of $0.6 million, issuance of 34,771 Class B Units of Master LP, valued at $0.5 million, assumption of $4.3 million of existing debt, and retirement of mezzanine loans receivable of $3.0 million.

<u>Subsequent Events</u>

Subsequent to March 31, 2005, Chartwell REIT completed the acquisition of three seniors housing facilities for an aggregate purchase price of $41,800. The purchase price was settled through the assumption of mortgages payable of $12,103, the issuance of 104,312 Class B Units of Master LP valued at $1,493, retirement of $2,995 of mezzanine loans receivable, and cash. One of these facilities with the purchase price of $8,350 was acquired from Spectrum.

On closing of one of the acquired facilities, the REIT arranged for new mortgage financing in the amount of $12.5 million, bearing interest at 5.29% and maturing on April 1, 2025.

Also, subsequent to March 31, 2005, Chartwell REIT advanced $10,776 of mezzanine loans to Spectrum and other parties. These loans bear interest at rates between 10% and 14% per annum.

Consolidated Financial Statements
(In Canadian dollars)

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Three-month periods ended March 31, 2005 and 2004
(Unaudited)

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets
(In thousands of Canadian dollars)

	March 31, 2005 (Unaudited)	December 31, 2004
Assets		
Properties (note 3)	$ 611,210	$ 588,812
Mezzanine loans receivable (note 4)	51,730	52,021
Management contracts, resident contracts and customer relationships (note 5)	52,523	55,055
Cash and cash equivalents	44,793	295
Other assets (note 6)	26,887	25,639
Licenses	8,130	8,130
Goodwill	10,300	10,300
	$ 805,573	$ 740,252
Liabilities and Unitholders' Equity		
Liabilities:		
Mortgages payable (note 7)	$ 381,785	$ 374,520
Loans payable (note 8)	12,374	41,518
Accounts payable and other liabilities (note 9)	22,350	21,482
Distributions payable	3,935	3,158
	420,444	440,678
Non-controlling interest (note 10)	52,455	40,279
Unitholders' equity	332,674	259,295
Commitments and contingencies (notes 15 and 16)		
Subsequent events (note 20)		
	$ 805,573	$ 740,252

See accompanying notes to consolidated financial statements.

Approved by the Trustees:

"Charles Moses" Trustee

"Joseph Wright" Trustee

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Operations
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

	Three-month period ended March 31, 2005	2004 (Restated - note 1(b))
Revenue:		
Resident	$ 41,439	$ 21,966
Mezzanine loan interest (notes 4 and 13(a) and (b))	1,791	873
Fees (note 13(a), (b) and (c))	1,648	933
Other	100	321
	44,978	24,093
Expenses:		
Direct operating	29,494	15,162
General and administration	1,999	1,484
	31,493	16,646
	13,485	7,447
Interest expense (note 13(c))	5,684	2,649
	7,801	4,798
Depreciation of properties	4,289	2,136
Amortization of management contracts, resident contracts and customer relationships	6,480	3,528
Write-down of carrying value of properties (note 3)	817	–
	11,586	5,664
	(3,785)	(866)
Non-controlling interest (note 10)	448	73
Loss for the period	$ (3,337)	$ (793)
Loss per unit (note 12)	$ (0.091)	$ (0.031)

See accompanying notes to consolidated financial statements.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Unitholders' Equity
(In thousands of Canadian dollars)

Three-month periods ended March 31, 2005 and 2004
(Unaudited)

	Units issued in dollars, net (note 11)	LTIP units under subscription	LTIP instalment loan receivable	Losses	Distributions	Total
Unitholders' equity, January 1, 2004, as previously stated	$ 248,595	$ 8,753	$ (8,291)	$ (1,607)	$ (3,726)	$ 243,724
Restatement (note 1(b))	(21,500)	–	–	103	286	(21,111)
Unitholders' equity, January 1, 2004, as restated	227,095	8,753	(8,291)	(1,504)	(3,440)	222,613
Loss for the period from January 1, 2004 to March 31, 2004	–	–	–	(793)	–	(793)
Distributions to unitholders	–	–	–	–	(6,619)	(6,619)
Issue costs	(103)	–	–	–	–	(103)
Repayment of instalment loan receivable	–	–	352	–	–	352
Interest on instalment loan receivable	–	–	(80)	–	–	(80)
Distributions applied against instalment loan receivable	–	–	251	–	–	251
Unitholders' equity, March 31, 2004 (restated - note 1(b))	$ 226,992	$ 8,753	$ (7,768)	$ (2,297)	$ (10,059)	$ 215,621

	Units issued in dollars, net (note 11)	LTIP units under subscription	LTIP instalment loan receivable	Losses	Distributions	Total
Unitholders' equity, December 31, 2004	$ 297,475	$ 9,176	$ (7,671)	$ (6,951)	$ (32,734)	$ 259,295
Loss for the period from January 1, 2005 to March 31, 2005	–	–	–	(3,337)	–	(3,337)
Distributions to unitholders	–	–	–	–	(8,980)	(8,980)
Issuance of Trust Units pursuant to public offering	90,313	–	–	–	–	90,313
Issuance of Trust Units under the Distributions Reinvestment Program	364	–	–	–	–	364
Issue costs	(5,113)	–	–	–	–	(5,113)
Interest on instalment loan receivable	–	–	(88)	–	–	(88)
Distributions applied against instalment loan receivable	–	–	220	–	–	220
Unitholders' equity, March 31, 2005	$ 383,039	$ 9,176	$ (7,539)	$ (10,288)	$ (41,714)	$ 332,674

See accompanying notes to consolidated financial statements.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)
(Unaudited)

	Three-month period ended March 31, 2005	2004 (Restated - note 1(b))
Cash provided by (used in):		
Operating activities:		
Loss for the period	$ (3,337)	$ (793)
Items not affecting cash:		
Depreciation and amortization	10,769	5,664
Write-down of carrying value of properties	817	–
Amortization of below-market resident contracts	(415)	(260)
Income from long-term investment	(23)	(10)
Distributions received on long-term investment	–	46
Non-controlling interest	(448)	(73)
	7,363	4,574
Amortization of deferred financing expenses	344	84
Amortization of debt discounts	48	24
Change in non-cash operating items	357	(1,518)
	8,112	3,164
Financing activities:		
Proceeds from mortgage financing	12,004	43,182
Proceeds from loans payable	5,133	–
Mortgage principal repayments	(9,791)	(3,760)
Repayments of loans payable	(34,277)	–
Deferred financing costs	(166)	(1,668)
Trust Units issued pursuant to public offering	90,313	–
Issue costs	(5,113)	(103)
Distributions paid	(8,311)	(7,866)
Distributions paid to non-controlling interest unitholders	(1,162)	(722)
Repayment of instalment loan receivable	–	523
	48,630	29,586
Investing activities:		
Acquisition of assets, net of debt assumed, repayment of loan receivable and units issued (note 2)	(7,703)	(67,703)
Additions to properties	(776)	(640)
Advances of mezzanine loans receivable	(3,785)	(2,231)
Restricted cash	–	13,000
Capital funding receivable	20	12
	(12,244)	(57,562)
Increase (decrease) in cash and cash equivalents	44,498	(24,812)
Cash and cash equivalents, beginning of period	295	40,308
Cash and cash equivalents, end of period	$ 44,793	$ 15,496
Supplemental cash flow information:		
Interest paid	$ 6,124	$ 2,633

Supplemental cash flow information (note 17)

See accompanying notes to consolidated financial statements.

Chartwell Seniors Housing Real Estate Investment Trust ("Chartwell REIT") is an unincorporated open-ended real estate investment trust created on July 7, 2003 pursuant to a Declaration of Trust, as amended. It is governed by the laws of Ontario. Chartwell REIT began operations on November 14, 2003 and invests primarily in real properties operated as retirement homes and long-term care facilities in Canada.

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") and are consistent with those policies and methods of application as the audited consolidated financial statements prepared as at and for the year ended December 31, 2004.

These consolidated financial statements do not include all of the disclosures required by GAAP applicable to financial statements; therefore, they should be read in conjunction with the audited consolidated financial statements.

(b) Change in accounting policy:

In response to Emerging Issues Committee ("EIC") 151, Exchangeable Securities Issued by Subsidiaries of Income Trusts, which was issued on January 19, 2005, Chartwell REIT has adopted a new accounting policy applicable to the Class B Units of Master Care LP, a subsidiary of Chartwell REIT ("Master LP") effective December 31, 2004. Under EIC-151, equity applicable to the Class B Units of Master LP is considered to be a non-controlling interest. Previously, Chartwell REIT included the Class B Units of Master LP as part of its unitholders' equity.

Chartwell REIT adopted this change in accounting policy retroactively with the restatement of prior period's financial statements (note 10). As a result, the net loss was reduced by $448 ($0.012 per unit) and $73 ($0.003 per unit) for the three-month periods ended March 31, 2005 and 2004, respectively.

(In thousands of Canadian dollars, except per unit amounts)

2. Acquisitions:

The following table summarizes the acquired net assets, at fair value, for the three-month periods ended March 31, 2005 and 2004.

	March 31, 2005	March 31, 2004
Assets:		
Properties	$ 26,728	$ 68,513
Licenses	–	8,130
Resident contracts	3,948	6,572
Capital funding receivable	–	2,824
	30,676	86,039
Liabilities:		
Mortgages payable	5,004	7,464
Below-market resident contracts	–	795
Working capital	–	800
	5,004	9,059
Net assets acquired	$ 25,672	$ 76,980
Settled by:		
Issuance of Class B Units of Chartwell Master LP	$ 13,893	$ 7,919
Vendor take-back mortgage	–	1,358
Repayment of mezzanine loan receivable	4,076	–
Cash	7,703	67,703
	$ 25,672	$ 76,980

The acquisitions have been recorded by the purchase method, with the results of operations included in these financial statements from the date of acquisition.

Chartwell REIT is in the process of completing the valuation of the net assets acquired and, based on this valuation, the purchase price allocation may be adjusted in future periods.

Included in 2005 acquisitions is one facility acquired from Spectrum Seniors Housing Development LP ("Spectrum"), a limited partnership related to Chartwell REIT by virtue of common management, for a purchase price of $10,921.

(In thousands of Canadian dollars, except per unit amounts)

2. Acquisitions (continued):

Included in 2004 acquisitions are four long-term care facilities acquired from entities controlled by officers of Chartwell REIT for a total purchase price of $39,468. These properties were previously managed by Chartwell REIT (note 13(c)).

3. Properties:

March 31, 2005	Cost	Accumulated depreciation	Net book value
		(Unaudited)	
Land	$ 68,812	$ –	$ 68,812
Buildings	538,556	13,503	525,053
Furniture, fixtures and equipment	21,203	3,858	17,345
	$ 628,571	$ 17,361	$ 611,210

December 31, 2004	Cost	Accumulated depreciation	Net book value
Land	$ 65,745	$ –	$ 65,745
Buildings	516,570	10,205	506,365
Furniture, fixtures and equipment	19,569	2,867	16,702
	$ 601,884	$ 13,072	$ 588,812

During the three-month period ended March 31, 2005, Chartwell REIT recorded a write-down of the carrying value of one property in the amount of $817.

4. Mezzanine loans receivable:

In accordance with the terms of a Development Agreement dated November 14, 2003 ("Development Agreement") as amended, Chartwell REIT provides mezzanine loans to Spectrum. As at March 31, 2005, mezzanine loans receivable from Spectrum amounted to $41,331 (December 31, 2004 - $42,800). In accordance with the Development Agreement, the loans bear interest at a rate equal to the greater of the yield on five-year Canada bonds plus 5% and the annualized Chartwell REIT's cash distribution yield for the most recent quarter, subject to a minimum rate of 10% per annum and a maximum rate of 14% per annum. The loans outstanding as at March 31, 2005 bear interest at rates of 10% to 14% per annum and are secured by second charges or pledges of Spectrum's interest over 26 (December 31, 2004 - 27) seniors' housing development properties.

Under the terms of the Development Agreement, Chartwell REIT has the first right to purchase Spectrum's interest in each development property provided that Spectrum must offer Chartwell REIT the opportunity to purchase any development property within one year of such property reaching a stabilized occupancy. If Chartwell REIT elects to purchase a development property, Chartwell REIT will acquire the property at an amount equal to 95%, 92.5% or 90% of appraised fair market value, depending upon the amount of mezzanine financing provided on the development property or at 100% of the appraised fair market value if no mezzanine financing had been advanced.

Chartwell REIT has the first option to provide mezzanine financing to Spectrum for future development properties under the terms and conditions specified in the Development Agreement.

In addition, Chartwell REIT has advanced two mezzanine loans totalling $10,399 (December 31, 2004 - $9,221) to two of Spectrum's joint venture partners (the "Borrowers"). One of the Borrowers, with an outstanding loan balance of $7,998 at March 31, 2005 (December 31, 2004 - $6,820), is a significant joint venture partner of Chartwell REIT on other unrelated properties. These loans bear interest at 11.5% and 14% and are secured by a second fixed charge over the two development projects and a pledge of the Borrower's interests in the projects.

(In thousands of Canadian dollars, except per unit amounts)

4. Mezzanine loans receivable (continued):

Each mezzanine loan matures on the earliest of: the fifth anniversary of the initial advance of the funds; the date of sale of the related development property; or on the second anniversary of the date upon which the property achieves a stabilized occupancy, as defined in the Development Agreement with Spectrum and loan agreements with the Borrowers. No principal is due prior to maturity of each loan.

Effective December 24, 2004, the Development Agreement was amended to provide Spectrum with a right to terminate the agreement upon providing six months' notice. Under such circumstances, certain rights of Chartwell REIT in respect of existing mezzanine loans and options on related projects will continue.

5. Management contracts, resident contracts and customer relationships:

March 31, 2005	Cost	Accumulated amortization	Net book value
		(Unaudited)	
Management contracts	$ 4,721	$ 1,411	$ 3,310
Resident contracts	68,339	22,397	45,942
Customer relationships	4,507	1,236	3,271
	$ 77,567	$ 25,044	$ 52,523

December 31, 2004	Cost	Accumulated amortization	Net book value
Management contracts	$ 4,721	$ 1,186	$ 3,535
Resident contracts	68,418	20,394	48,024
Customer relationships	4,507	1,011	3,496
	$ 77,646	$ 22,591	$ 55,055

(In thousands of Canadian dollars, except per unit amounts)

5. Management contracts, resident contracts and customer relationships (continued):

Management contracts and customer relationships represent the value of contractual agreements to provide management and advisory services for the operations of seniors' residences owned by third parties.

At March 31, 2005, cost and accumulated amortization of resident contracts were reduced by $4,027 for fully amortized resident contracts.

Resident contracts represent in-place resident contracts valued at acquisition.

6. Other assets:

	March 31, 2005	December 31, 2004
	(Unaudited)	
Accounts receivable (note 13(b))	$ 4,604	$ 4,925
Deferred financing costs, net of accumulated amortization of $2,375 (December 31, 2004 - $2,031; March 31, 2004 - $125)	5,655	5,833
Capital funding receivable	2,734	2,754
Long-term investment	1,546	1,523
Due from Spectrum (note 13(a))	1,466	3,127
Land held for development	1,600	1,600
Prepaid expenses	4,121	2,537
Other	5,161	3,340
	$ 26,887	$ 25,639

Included in other income is $23 and $10 of income earned from Chartwell REIT's long-term investment for the three-month periods ended March 31, 2005 and 2004, respectively.

The capital funding receivable represents the discounted cash flows receivable from the Government of Ontario over a 20-year period in respect of construction costs of one long-term care facility.

(In thousands of Canadian dollars, except per unit amounts)

7. Mortgages payable:

Mortgages payable are secured by first and second charges on specific facilities and are repayable as follows for the years ending December 31:

	Regular principal payments	Principal due on maturity	Total
2005	$ 10,891	$ 34,549	$ 45,440
2006	10,240	39,465	49,705
2007	9,800	14,221	24,021
2008	9,879	36,843	46,722
2009	5,388	92,680	98,068
Thereafter	17,601	100,228	117,829
	$ 63,799	$ 317,986	$ 381,785

	March 31, 2005	December 31, 2004
	(Unaudited)	
Mortgages at fixed rates	$373,359	$366,123
Interest rates	3.28% - 8.95%	3.28% - 8.95%
Weighted average rate	5.27%	5.23%
Mortgages at variable rates	$8,426	$8,397
Interest rates	Prime - prime plus 1%	Prime - prime plus 1%
Weighted average rate	4.44%	4.51%

For the three months ended March 31, 2005, interest on mortgages payable amounted to $4,835 (March 31, 2004 - $2,565), excluding the amortization of deferred financing costs.

(In thousands of Canadian dollars, except per unit amounts)

8. Loans payable:

	March 31, 2005 (Unaudited)	December 31, 2004
Secured revolving operating facility	$ –	$ 28,418
Secured bridge loans	12,374	13,100
	$ 12,374	$ 41,518

Chartwell REIT has arranged for a secured revolving operating facility in the amount of $55,000.

Amounts outstanding under the secured revolving operating facility bear interest at the bank's prime rate plus 0.65% and are secured by first and second charges on specific facilities. The credit facility is due on March 14, 2006. There were no amounts outstanding on this facility as at March 31, 2005.

The secured bridge loans bear interest at prime plus 1%, are secured by second charges over four seniors' housing facilities and are repayable on demand.

9. Accounts payable and other liabilities:

	March 31, 2005 (Unaudited)	December 31, 2004
Accounts payable and accrued liabilities	$ 16,122	$ 14,977
Below-market resident contracts, net of accumulated amortization of $1,898 (December 31, 2004 - $1,483; March 31, 2004 - $385)	3,077	3,492
Resident deposits	1,151	1,013
Deferred consideration on acquisition of properties	2,000	2,000
	$ 22,350	$ 21,482

(In thousands of Canadian dollars, except per unit amounts)

9. Accounts payable and other liabilities (continued):

Deferred consideration on acquisition of property relates to the acquisition of one property completed during 2004 and is due on the earlier of the property achieving certain operating results and September 14, 2006.

10. Non-controlling interest:

Non-controlling interest represents the amount of equity related to the Class B Units of Master LP, which is consolidated in these financial statements. Class B Units of Master LP are exchangeable, at the option of the holder, into Trust Units. Holders of the Class B Units of Master LP are entitled to receive distributions equal to those provided to holders of Trust Units. Class B Units are transferable to third parties with Chartwell REIT's consent.

The details of changes in non-controlling interests are as follows:

	March 31, 2005	March 31, 2004
		(Restated - note 1(b))
Opening balance	$ 40,279	$ 21,111
Issuance of Class B Units of Master LP (note 2)	13,893	7,919
Non-controlling interest's share of loss for the period	(448)	(73)
Distributions on Class B Units of Master LP	(1,269)	(687)
Closing balance	$ 52,455	$ 28,270

(In thousands of Canadian dollars, except per unit amounts)

11. Unitholders' capital:

Chartwell REIT is authorized to issue unlimited Trust Units.

(a) The following units are issued and outstanding:

	Number of voting units	Amount
Trust Units issued:		
November 14, 2003, initial public offering	21,140,000	$ 211,400
November 14, 2003, private placement	957,200	9,572
November 24, 2003, exercise of over-allotment option	3,150,000	31,500
November 28, 2003, private placement	78,300	783
Issue costs	–	(26,160)
Balance, December 31, 2003 (restated - note 1(b))	25,325,500	227,095
Issue costs	–	(103)
Balance, March 31, 2004	25,325,500	226,992
August 6, 2004:		
Units issued pursuant to secondary public offering	6,250,000	70,313
September 14, 2004:		
Issuance of Trust Units on acquisition of properties	257,290	3,000
Units issued pursuant to the Distribution Reinvestment Program	80,215	937
Issue costs	–	(3,767)
Balance, December 31, 2004	31,913,005	297,475
March 30, 2005:		
Units issued pursuant to secondary public offering	6,250,000	90,313
Units issued pursuant to the Distribution Reinvestment Program	25,878	364
Issue costs	–	(5,113)
Units outstanding, March 31, 2005	38,188,883	$ 383,039

(In thousands of Canadian dollars, except per unit amounts)

11. Unitholders' capital (continued):

(b) Distribution Reinvestment Program ("DRIP"):

Chartwell REIT has established a DRIP for its unitholders, which allows participants to reinvest their monthly cash distributions in additional Trust Units at an effective discount of 3%.

12. Loss for the period per unit calculation:

	Three-month period ended			
	March 31, 2005		March 31, 2004	
	Weighted average units	Amount	Weighted average units	Amount
			(Restated - note 1(b))	
Loss for the period	36,545,050	$ (3,337)	25,325,500	$ (793)
Long Term Incentive Plan ("LTIP") units under subscription	860,000	–	825,000	–
	37,405,050	$ (3,337)	26,150,500	$ (793)
Loss per unit		$ (0.091)		$ (0.031)

13. Related party transactions:

Except as disclosed elsewhere in these financial statements, the related party transactions were as follows:

(a) During the three months ended March 31, 2005, Chartwell REIT earned mezzanine loan interest of $1,469 (March 31, 2004 - $873) from Spectrum. Under the terms of the Development Agreement (note 4), Chartwell REIT also provides operations management and development management services to Spectrum. During the three months ended March 31, 2005, Chartwell REIT earned management fees of $888 (March 31, 2004 - $177) in respect of these services.

13. Related party transactions (continued):

In addition, Chartwell REIT earned $121 (March 31, 2004 - nil) in financing fees from Spectrum during the three months ended March 31, 2005.

Other assets as of March 31, 2005 include $1,466 (December 31, 2004 - $3,127) due from Spectrum for management fees, mezzanine loan interest and certain costs paid by Chartwell REIT on behalf of Spectrum. Subsequent to March 31, 2005, $1,364 of this balance was repaid. In addition, other assets include advances of $50 (December 31, 2004 - $125) due from a joint venture where Spectrum holds a 72.5% interest.

Included in distributions payable at March 31, 2005 is $184 (December 31, 2004 - $170) due to Spectrum.

(b) During the three months ended March 31, 2005, Chartwell REIT earned fees of $153 and interest of $256 from the entities controlled by one of its significant joint venture partners.

At March 31, 2005, accounts receivable include $492 (December 31, 2004 - $1,474) due from these entities. Subsequent to March 31, 2005, this balance was repaid.

(c) During the three months ended March 31, 2004, in accordance with an Escrow Agreement, Chartwell REIT earned management fees in the amount of $298 and incurred interest expense in the amount of $40 from an entity controlled by an officer of Chartwell REIT.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

14. Segmented information:

Chartwell REIT monitors and operates its retirement operations, long-term care operations and management operations separately.

The accounting policies of each of the segments are the same as those described for Chartwell REIT. Certain general and administration expenses are managed centrally by Chartwell REIT and are not allocable to reportable operating segments. Chartwell REIT has no material intersegment revenue, transfers or expenses.

(In thousands of Canadian dollars, except per unit amounts)

14. Segmented information (continued):

Assets, not allocated to operating segments, consist primarily of mezzanine loans and cash. Liabilities, not allocated to operating segments, consist of distributions payable.

	As at and for the three-month period ended March 31, 2005			
	Retirement operations	Long-term care operations	Management operations	Total
Revenue	$ 31,363	$ 10,076	$ 1,648	$ 43,087
Direct operating expenses	19,145	9,287	1,062	29,494
Income before the undernoted	12,218	789	586	13,593
Interest expense	5,093	591	–	5,684
Income before depreciation and amortization	7,125	198	586	7,909
Depreciation and amortization	9,167	1,152	450	10,769
Write-down of carrying value of properties	817	–	–	817
	$ (2,859)	$ (954)	$ 136	(3,677)
Items not allocated to operating segments:				
Mezzanine loan interest and other income				1,891
General and administration expenses				(1,999)
Non-controlling interest				448
Loss for the period				$ (3,337)

	Retirement operations	Long-term care operations	Management operations	Other	Total
Total assets	$ 624,764	$ 66,721	$ 15,699	$ 98,389	$ 805,573
Total liabilities	373,078	43,431	–	3,935	420,444
Expenditures for assets by segment:					
Acquisitions - properties and resident contracts	30,676	–	–	–	30,676
Capital improvements	550	226	–	–	776

(In thousands of Canadian dollars, except per unit amounts)

14. Segmented information (continued):

	As at and for three-month period ended March 31, 2004 (Restated - note 1(b))			
	Retirement operations	Long-term care operations	Management operations	Total
Revenue	$ 15,576	$ 6,390	$ 933	$ 22,899
Direct operating expenses	9,391	5,488	283	15,162
Income before the undernoted	6,185	902	650	7,737
Interest expense	2,368	281	–	2,649
Income before depreciation and amortization	3,817	621	650	5,088
Depreciation and amortization	4,869	236	559	5,664
	$ (1,052)	$ 385	$ 91	(576)
Items not allocated to operating segments:				
Mezzanine loan interest and other income				1,194
General, administrative and trust expenses				(1,484)
Non-controlling interest				73
Loss for the period				$ (793)
Expenditures for assets by segment:				
Acquisitions - properties and resident contracts	$ 15,068	$ 55,538	$ –	$ 70,606
Capital improvements	640	–	–	640

(In thousands of Canadian dollars, except per unit amounts)

14. Segmented information (continued):

	As at December 31, 2004				
	Retirement operations	Long-term care operations	Management operations	Other	Total
Total assets	$ 604,636	$ 64,622	$ 16,832	$ 54,162	$ 740,252
Total liabilities	395,044	42,476	–	3,158	440,678

15. Joint ventures' operations:

The following amounts included in the consolidated financial statements are Chartwell REIT's proportionate interest in its joint ventures:

	March 31, 2005	December 31, 2004
	(Unaudited)	
Assets	$ 54,509	$ 55,838
Liabilities	38,156	38,715

	Three-month periods ended March 31,	
	2005	2004
Revenue	$ 2,646	$ –
Expenses, including depreciation and amortization of $735; March 31, 2004 - nil	3,068	–
Cash provided by (used in):		
Operating	201	–
Financing	(207)	–
Investing	(125)	–

15. Joint ventures' operations (continued):

Chartwell REIT is contingently liable for the other venturer's portion of the liabilities of the joint ventures in which it participates, amounting to $38,156. The total assets of these joint ventures are available to satisfy these liabilities.

16. Commitments and contingencies:

(a) Operating leases:

Chartwell REIT has assumed an obligation with respect to one land lease. The lease expires on July 17, 2061 with annual payments of $126. In addition, Chartwell REIT has operating leases on office space which expire on various dates up to May 31, 2015. Annual payments on these leases vary from $254 to $477 over the term of the lease.

(b) Acquisitions:

As of March 31, 2005, Chartwell REIT committed to acquire three seniors housing facilities for an aggregate purchase price of approximately $41,800. Subsequent to March 31, 2005, Chartwell REIT completed these acquisitions (note 20).

(c) Contingent consideration on acquisitions:

(i) The vendor of one property is entitled to receive an additional $4,250 contingent upon the property achieving predetermined operating targets, the measurement of which is to be made annually commencing on December 31, 2005. Any payments made by Chartwell REIT will be recorded in the financial statements with a corresponding adjustment to the purchase price of the property when, and if, the targets are met and payments become due.

(ii) The purchase and sale agreement related to one property acquired commits Chartwell REIT to the payment of up to $5,000 in respect of certain suites that are being added to the facility. This amount is payable in $1,000 instalments upon the property achieving certain increases over the net operating income benchmarks. The ultimate amount paid will be recorded in the financial statements with a corresponding adjustment to the purchase price of the property.

16. Commitments and contingencies (continued):

(iii) The vendor of an interest in two facilities is entitled to receive an additional $675 over a three-year period subject to the properties achieving certain earnings targets. Any payments made by Chartwell REIT will be recorded in the financial statements with a corresponding adjustment to the purchase price of the property when, and if, the targets are met and payments become due.

(d) Mezzanine loans receivable:

As at March 31, 2005, Chartwell REIT has committed to provide additional mezzanine financing to Spectrum and other parties in the amount of $26,779 (note 4).

(e) Letters of credit:

As of March 31, 2005, Chartwell REIT was contingently liable for letters of credit in the amount of $225.

(f) Litigations and claims:

In the normal course of operations, Chartwell REIT becomes a defendant in actions brought against it from time to time. It is not possible to predict the ultimate outcome of the various proceedings at this time or estimate additional costs that may result.

17. Supplemental cash flow information:

At March 31, 2005, distributions of $3,935, including $469 applicable to non-controlling interest (December 31, 2004 - $3,158, including $360 applicable to non-controlling interest) remained payable to unitholders. These amounts have been excluded from financing and operating activities in the consolidated statements of cash flows.

The acquisition of net assets (note 2) was partially financed through the issuance of $13,893 of Class B Units of Master LP. This amount has been excluded from financing and investing activities in the consolidated statements of cash flows.

17. Supplemental cash flow information (continued):

During the three-month periods ended March 31, 2005 and 2004, distributions of $220 and $251, respectively, and interest of $88 and $80, respectively were applied against instalment loans receivable related to the LTIP. These amounts have been excluded from financing activities on the consolidated statements of cash flows.

During the three-month periods ended March 31, 2005 and 2004, Trust Units valued at $364 and nil, respectively, were issued pursuant to the DRIP. This amount has been excluded from financing activities on the consolidated statements of cash flows.

18. Financial instruments and financial risk management:

In the normal course of business, Chartwell REIT is exposed to various financial risks, including changes in interest rates and government regulatory controls. The following describes these financial risks and how they are managed by Chartwell REIT and the fair values of these financial instruments:

(a) Interest rate risk:

Interest rate risk arises with changes in interest costs, which affect Chartwell REIT's floating rate debt on an ongoing basis and its fixed-rate debt upon renewal. At March 31, 2005, $20,800 (December 31, 2004 - $49,915) of Chartwell REIT's mortgages and loans payable bear interest at floating rates. To mitigate interest rate risk, Chartwell REIT fixes or otherwise limits the interest rate on its long-term debt to the extent possible either on renewal or through the purchase of derivative instruments. Generally, Chartwell REIT fixes the term of long-term debt within a range from five to 15 years. To limit exposure to the risk of higher interest rates at renewal, Chartwell REIT spreads the maturities of its fixed rate long-term debt over time.

18. Financial instruments and financial risk management (continued):

To reduce the interest rate cash flow risk on all of its mortgages payable, Chartwell REIT entered into an interest rate swap contract with a notional principal amount of $13,836 that entitles Chartwell REIT to receive interest at floating rates on the notional principal amount and obliges it to pay interest at a fixed rate of 5.95%. The net interest receivable or payable under the contract is settled quarterly with the counterparty, which is a Canadian chartered bank. The fair value of the interest rate swap contract based on cash settlement requirements as of March 31, 2005 is a negative value of $1,058.

(b) Credit and collection risk:

Chartwell REIT is exposed to credit risk in the collection of its mezzanine loans receivable and accounts receivable. Chartwell REIT is exposed to normal credit risk from customers. Chartwell REIT has four significant categories of customers: governments, borrowers, including Spectrum, resident clients and retirement homes and long-term care facilities to which it provides management services. Government customers are composed of various provincial governments. Collection risk associated with these customers relates to their ability to potentially challenge certain charges.

(c) Fair value:

Fair value represents management's estimates of the market value at a given point in time. The fair values of Chartwell REIT's financial assets and financial liabilities, except as noted, approximate their carrying values due to their short-term nature.

The fair values of mortgages payable as at March 31, 2005 were $385,792 as compared to their carrying values of $381,785.

As of March 31, 2005, the fair value of capital funding receivable approximates its carrying value.

19. Impact of new accounting pronouncements:

In June 2003, The Canadian Institute of Chartered Accountants issued Accounting Guideline AcG 15 ("AcG-15"), Consolidation of Variable Interest Entities ("VIE"). AcG-15 provides guidance for applying consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. AcG-15 defines a variable interest entity as an entity that either does not have sufficient equity at risk to finance its activities without subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. AcG-15 requires the primary beneficiary to consolidate VIEs and considers an entity to be the primary beneficiary of a VIE if it holds variable interests that expose it to a majority of the VIE's expected losses or entitle it to receive a majority of the VIE's expected residual returns or both. AcG-15 is effective for all annual and interim periods, beginning on or after November 1, 2004.

Upon implementation of AcG-15, Chartwell REIT identified that at March 31, 2005 it held variable interests in six variable interest entities. Chartwell REIT provides development services, mezzanine loans, structuring services and consulting services to these entities. These six variable interest entities are expected to incur development costs of approximately $146,472.

Although these entities were identified as VIEs, it was determined that Chartwell REIT is not the primary beneficiary and therefore these VIEs are not subject to consolidation.

As of March 31, 2005, Chartwell REIT had mezzanine loans receivable of $7,998 and accounts receivable of $492 due from these entities.

20. Subsequent events:

Subsequent to March 31, 2005, Chartwell REIT completed the acquisition of three seniors housing facilities for an aggregate purchase price of $41,800. One of these facilities with the purchase price of $8,350 was acquired from Spectrum. The purchase price was settled through the assumption of mortgages payable of $12,103, the issuance of 104,312 Class B Units of Master LP valued at $1,493, retirement of $2,995 of mezzanine loans receivable and cash.

20. Subsequent events (continued):

Also, subsequent to March 31, 2005, Chartwell REIT advanced $10,776 of mezzanine loans to Spectrum and other parties. These loans bear interest at rates between 10% and 14% per annum.

21. Comparative figures:

Certain 2004 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2005.