Q1

Management's Discussion and Analysis

First Quarter Report
March 31, 2011

CHARTWELL
SENIORS HOUSING REIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

For the Three Months Ended March 31, 2011

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Chartwell Seniors Housing Real Estate Investment Trust ("Chartwell" or the "Trust") has prepared the following discussion and analysis (the "MD&A") to provide information to assist its current and prospective investors' understanding of the financial results for the three months ended March 31, 2011. This MD&A should be read in conjunction with Chartwell's unaudited, interim consolidated financial statements for the three months ended March 31, 2011 and the notes thereto (the "Financial Statements"), audited financial statements for the year ended December 31, 2010 and the notes thereto (the "2010 Financial Statements") and annual Management's Discussion and Analysis for the year ended December 31, 2010 (the "2010 MD&A"). This material is available on Chartwell's website at www.chartwellreit.ca. Additional information about Chartwell, including its Annual Information Form ("AIF") for the year ended December 31, 2010, 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 13, 2011.

As of January 1, 2011, Chartwell adopted International Financial Reporting Standards ("IFRS"), and the following disclosures, as well as associated interim consolidated financial statements, have been prepared in accordance with IFRS. Chartwell's effective transition date is January 1, 2010, to accommodate 2010 IFRS comparative figures. The Trust has provided information throughout this document and other publically filed documents to assist a reader in understanding Chartwell's transition from the previous Canadian Generally Accepted Accounting Principles ("CGAAP") to IFRS. A comprehensive summary of all the significant changes, including the various reconciliations of the CGAAP financial statements to those prepared under IFRS is included in note 3 to Chartwell's Financial Statements for the three months ended March 31, 2011.

All references to "Chartwell", "we", "our", "us" or "Trust", unless the context indicates otherwise, refer to Chartwell Seniors Housing Real Estate Investment Trust and its subsidiaries. For ease of reference "Chartwell" and the "Trust" are used in reference to ownership of seniors housing communities and the operation of the seniors housing communities and the third-party management business. The direct ownership of such communities and operation of such business is conducted by subsidiaries of the Trust.

In this document, "Q1" refers to the three-month period ended March 31; "Q2" refers to the three-month period ended June 30; "Q3" refers to the three-month period ended September 30; "Q4" refers to the three-month period ended December 31; "2011" refers to the calendar year 2011; "2010" refers to the calendar year 2010 and "YTD" means year-to-date.

Unless otherwise indicated, all comparisons of results for Q1 2011 are in comparison to results from Q1 2010.

In this document we use a number of key performance indicators for monitoring and analyzing our financial results such as Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO"), Net Operating Income ("NOI") and others. These key performance indicators are not defined by IFRS and may not be comparable to similar measures presented by other trusts or other companies. Please refer to the "Key Performance Indicators" section of this MD&A for details of each of these performance indicators.

All dollar references, unless otherwise stated, are in Canadian dollars. Amounts in United States dollars are identified as U.S.$.

Business Overview

Chartwell is an open-ended real estate investment trust established under the laws of the Province of Ontario. We indirectly own and manage a portfolio of seniors housing communities across the complete continuum of care from independent supportive living (“ISL”) communities, through assisted living (“AL”) communities, to long term care (“LTC”) communities, which are located in Canada and the United States (“U.S.”).

Our Vision is… to create and operate seniors housing communities where our residents enjoy a lifestyle and quality of life exceeding their expectations.

Our Mission is…

- to be the most trusted name in seniors housing;
- to provide accommodation, care and services in every home, reflective of our residents’ needs, preferences and interests, and adapt as they evolve;
- to ease the transition through the various stages of aging by providing a full continuum of care in the markets we serve;
- to provide comfort and assurance to the families of our residents that their loved ones are treated with the highest level of care, compassion and respect;
- to attract and retain the best employees by providing a rewarding and fulfilling work environment; and
- to generate reliable, sustainable and growing distributions for our Unitholders.

Our Values are…

Respect – We honour and celebrate seniors

Empathy – We believe compassion is contagious

Service Excellence – We believe in providing excellence in customer service

Performance – We believe in delivering and rewarding results

Education – We believe in lifelong learning

Commitment – We value commitment to the Chartwell family

Trust – We believe in keeping our promises and doing the right thing

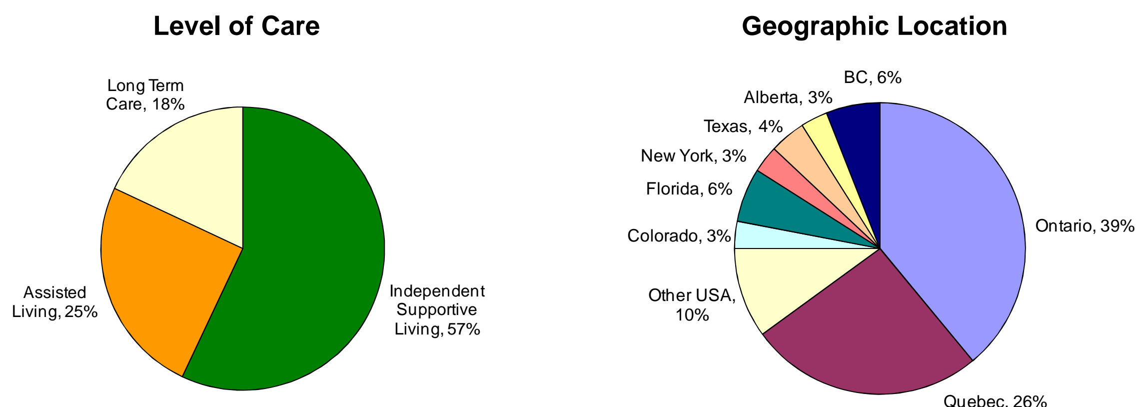
At March 31, 2011, our portfolio of seniors housing communities owned, leased or managed on behalf of others consisted of interests in 25,517 suites in 197 communities. As of March 31, 2011, our portfolio of owned and leased communities consisted of interests in 23,826 suites in 184 communities.

The following is the composition of our owned, leased and managed portfolio of seniors housing communities in our three operating segments at March 31, 2011:

	Canadian Retirement Operations		Canadian Long Term Care Operations		United States Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Properties: [1]								
100% Owned								
Operating	102	12,100	24	3,164	29	3,387	155	18,651
Development suites in lease-up	-	359	-	-	-	-	-	359
Total 100% Owned	102	12,459	24	3,164	29	3,387	155	19,010
50% Owned								
Operating	7	863	-	-	20	3,618	27	4,481
Development suites in lease-up	-	-	-	-	-	98	-	98
Total 50% Owned	7	863	-	-	20	3,716	27	4,579
Total Owned	109	13,322	24	3,164	49	7,103	182	23,589
Properties under Operating Lease:								
100% Interest	-	-	-	-	2	237	2	237
Total Leased	-	-	-	-	2	237	2	237
Total Owned and Leased	109	13,322	24	3,164	51	7,340	184	23,826
Managed Properties [2]	8	923	5	768			13	1,691
Total	117	14,245	29	3,932	51	7,340	197	25,517

(1) *Where a community provides more than one level of care, it has been designated according to the predominant level of care provided, type of licensing and funding provided and internal management responsibility.*
(2) *We hold purchase options on five of these communities.*

Composition of Portfolio of Owned and Leased Suites at Chartwell's Share of Ownership or Leased Interest, at March 31, 2011 by:



Business Strategy

Our business strategy is principally focused on providing quality care and services to our residents, which will allow us to grow AFFO from our core property portfolio over time. The following summarizes our key strategic objectives:

Enhance the quality of our cash flows and grow core property AFFO by:

- Providing high quality and expanding service offerings to our residents to maintain and improve resident satisfaction.
- Investing in innovative marketing and sales programs to increase customer traffic and sales closing ratios.
- Managing rental rates to ensure our properties are competitively positioned in the marketplace and realize rental-rate growth on suite turnover.
- Mitigating inflationary pressures on our operating costs through specific vendor management and cost-control initiatives.
- Maintaining our asset management program to ensure each asset is used to its highest potential.

Streamline operating processes; improve research and information management by:

- Investing in market and customer research in order to better tailor service offerings to our residents and our investments in new properties.
- Continuously reviewing our administrative and operating processes in order to increase efficiencies and improve support services provided to our operating teams.
- Implementing information technology ("IT") solutions to improve operating efficiencies and better communicate with our employees.

Build value through internalized development program by:

- Commencing up to five new development projects per year.

Reduce mezzanine loan exposure by:

- Converting our mezzanine loan investments into equity in the properties, wherever possible, or collecting the remaining mezzanine loans in cash.

Acquire newer, state-of-the-art properties by:

- Sourcing acquisitions of newer, state-of-the-art properties in our existing markets, which are accretive, with a preference for properties currently under management.

Maintain a strong financial position by:

- Staggering debt maturities over time.
- Financing our properties with long-term debt, while managing interest costs.
- Gradually reducing our debt levels over time.

The following summarizes the progress we made in executing our strategy in Q1 2011:

Enhance the quality of our cash flows and grow core property AFFO	• AFFO from core property operations (excluding contribution from mezzanine loans and fee revenue) was 93% of the total AFFO in Q1 2011 compared to 88% in 2010 and 79% in 2009. • Same property NOI was flat in Q1 2011 compared to Q1 2010. • Same property occupancy remained stable at 90.2% despite competitive pressures and challenging economic conditions in some of our markets. • Sales closing ratios improved by over 18% in Q1 2011 compared to Q1 2010 in Ontario and Western Canada, partly as a result of the innovative Value Match sales program.
Streamline operating processes; improve research and information management	• Ontario and Western Canada operations and marketing process efficiency reviews were completed and we commenced the implementation of a number of process improvements. • The second phase of the budgeting and forecasting system implementation is on schedule for completion in 2011, and the implementation of the Human Resource Information System ("HRIS") is on schedule for completion in 2012.
Build value through internalized development program	• Construction of two retirement homes in Kitchener and Oshawa, Ontario and the redevelopment of one LTC community in Burnaby, British Columbia are progressing on schedule and within budget.
Reduce mezzanine loan exposure	• Collected two mezzanine loans in the amount of $7.6 million, further reducing our mezzanine loan exposure to $12.6 million at March 31, 2011. • Subsequent to March 31, 2011, we converted a $1.0 million mezzanine loan to equity in a property and collected another $0.6 million mezzanine loan in cash.
Acquire newer, state-of-the-art properties	• Continued working on a number of acquisition opportunities. • Subsequent to March 31, 2011, we acquired a 33.3% interest in a retirement community in Mississauga, Ontario from Spectrum Seniors Holdings LP ("Spectrum") for $11.1 million.
Maintain a strong financial position	• Interest coverage ratio improved to 1.87x in Q1 2011 from 1.84x in Q1 2010. • Stable Indebtedness ratio of 57.4% at March 31, 2011 compared to 57.7% at December 31, 2010.

2011 Outlook and Significant Events ♦

With an improved economic outlook both in Canada and the U.S. and the significant decline in seniors housing construction starts in many of our markets, we are cautiously optimistic about 2011.

Our 2010 MD&A contains a detailed discussion of our 2011 Outlook and Significant Events. There were no significant changes in our 2011 Outlook.

♦ *This section contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section in this MD&A.*

Highlights of Consolidated Results of Operations

The following table summarizes selected financial and operating performance measures:

($000s, except occupancy rates, per unit amounts and number of units)	**Q1 2011**	Q1 2010	Increase / (Decrease)
Property revenue	182,056	162,583	19,473
Weighted average occupancy rate - same property portfolio	90.2%	90.0%	0.2pp [6]
Same property NOI [1]	42,078	42,112	(34)
FFO [2]	22,650	21,913	737
FFO per unit diluted [3]	0.16	0.17	(0.01)
AFFO [4]	20,250	19,788	462
AFFO per unit diluted [3]	0.14	0.15	(0.01)
Distributions declared	19,512	17,537	1,975
Distributions declared per unit [3]	0.135	0.135	-
Distributions declared as a percentage of AFFO	96.4%	88.6%	7.8pp
Net loss	(18,464)	(18,777)	313
Weighted average number of units outstanding, diluted [5] (000s)	144,987	130,374	14,613

(1) Excludes the effects of foreign exchange on U.S. dollar revenue.
(2) Refer to the "Non-IFRS Measures – Funds from Operations" section of this MD&A for the reconciliation of FFO to net loss.
(3) Refer to the "Key Performance Indicators – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts.
(4) Refer to the "Non-IFRS Measures – Adjusted Funds from Operations" section of this MD&A for the details of the AFFO calculation.
(5) Includes Class B Units of Chartwell Master Care LP ("Class B Units") and units issued under the Long-Term Incentive Plan ("LTIP") and Deferred Trust Unit Plan ("DTU").
(6) pp = percentage points.

AFFO in Q1 2011 was $20.3 million, an increase of $0.5 million compared to Q1 2010 AFFO of $19.8 million. On a per unit basis, AFFO in Q1 2011 was $0.14 per unit diluted compared to $0.15 per unit diluted in Q1 2010. The following items contributed to the changes in AFFO and AFFO per unit diluted:

- Incremental contribution from the property portfolio, primarily due to acquisitions, increased AFFO by $1.1 million or $0.01 per unit diluted.
- Lower interest expense, due to redemption of convertible debentures in Q4 2010, increased AFFO by $1.9 million or $0.02 per unit diluted.
- Lower other income reduced AFFO by $0.4 million or $0.03 per unit diluted.
- Lower management operations contribution reduced AFFO by $0.6 million or $0.01 per unit diluted, primarily due to lower asset management fees from ING and lower fees from Spectrum.
- Lower mezzanine loan interest income of $0.9 million reduced AFFO by $0.01 per unit diluted.
- Higher G&A expenses, primarily due to the cost of process efficiency reviews, IT related expenditures and the added costs of Harmonized Sales Taxes ("HST") reduced AFFO by $0.6 million or $0.01 per unit diluted.
- Per unit amounts were also affected by an 11% increase in the weighted average number of units outstanding primarily due to the issuance of Trust Units in Q4 2010.

In Q1 2011, FFO was $22.7 million or $0.16 per unit diluted, an increase of $0.7 million compared to Q1 2010 FFO of $21.9 million or $0.17 per unit diluted. In addition to the items described above in the discussion of AFFO, FFO was also impacted by changes in amortization of financing costs and debt mark-to-market adjustments.

Net loss in Q1 2011 was $18.5 million compared to a net loss in Q1 2010 of $18.8 million. In addition to items which impacted AFFO and FFO as discussed above, net loss amounts were also impacted by depreciation of properties, amortization of limited life intangibles, changes in future income tax expense/recovery and changes in fair values of convertible debentures, Class B Units and LTIP liability.

Same Property Portfolio Highlights

($000s, except occupancy rates)	**Q1 2011**	Q1 2010	Increase / (Decrease)
Canadian retirement:			
NOI	28,640	28,248	392
Occupancy	89.3%	89.2%	0.1pp
Canadian LTC:			
NOI	2,740	2,551	189
Occupancy	97.8%	98.3%	(0.5pp)
U.S.:			
NOI (U.S.$)	10,698	11,313	(615)
Occupancy	89.6%	88.8%	0.8pp
Combined:			
NOI [(1)]	42,078	42,112	(34)
Occupancy	90.2%	90.0%	0.2pp

(1) Excludes the effects of foreign exchange on the U.S. dollar.

Combined same property occupancy improved slightly to 90.2% with same property NOI remaining relatively flat in Q1 2011 as positive contributions from our Canadian retirement and LTC portfolios were partially offset by a decline in our U.S. portfolio NOI as follows:

- In our Canadian retirement portfolio, same property NOI increased 1.4% in Q1 2011 primarily as a result of regular annual rental rate increases and increased ancillary revenues. Occupancies remained stable at 89.3% in Q1 2011.
- In our Canadian LTC portfolio, same property NOI increased 7.4% in Q1 2011 primarily due to savings in administrative and facility costs. Occupancies declined to 97.8% in Q1 2011 compared to 98.3% in Q1 2010. All but two of our Ontario LTCs achieved average occupancies above 97% in Q1 2011 and therefore received government funding as though fully occupied. We expect to achieve annual average occupancies of 97% or higher in all our LTC communities in 2011.*
- In our U.S. portfolio, same property NOI decreased 5.4% in Q1 2011 primarily due to higher operating costs in certain jurisdictions due to regulatory requirements, higher marketing and advertising costs, as well as the expiry of the compensation freeze program in June 2010. Occupancies increased to 89.6% in Q1 2011 from 88.8% in Q1 2010.

* *This paragraph contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section of this MD&A.*

Consolidated Results of Operations

Summary of Property Revenue

($000s, except occupancy rates)	**Q1 2011**	Q1 2010	Increase / (Decrease)
Same property[1]	138,554	134,788	3,766
Acquisitions and other[1]	45,539	27,818	17,721
Eliminations	(1,359)	(1,643)	284
Foreign exchange on U.S. dollar revenue	(678)	1,620	(2,298)
Total property revenue	182,056	162,583	19,473
Weighted average occupancy rate - same property portfolio	90.2%	90.0%	0.2pp

(1) Excludes the effect of foreign exchange on U.S. dollar revenue.

Total property revenue grew 12.0% in Q1 2011 as increased revenue from our same property and acquisitions portfolios was partially offset by lower foreign exchange translation on U.S. dollar revenues.

Same property revenue increased approximately $3.8 million or 2.8% in Q1 2011. We continue to drive revenue growth as follows:

- Yield management programs in the Canadian retirement portfolio to increase market-based rates on suite turnover. However, the positive impact of these programs has been offset by move-in incentives in certain U.S. markets. Move-in incentives typically reduce the average rental rate in the first year to which the incentives apply.
- Regular annual rental rate increases that are competitive to local market conditions.
- The addition of new services for residents at many of our communities.

Summary of Direct Operating Expenses

($000s)	**Q1 2011**	Q1 2010	Increase / (Decrease)
Same property [1]	96,475	92,676	3,799
Acquisitions and other [1]	34,795	20,837	13,958
Eliminations	(1,359)	(1,643)	284
Foreign exchange on U.S. dollar expenses	(448)	1,041	(1,489)
Total direct operating expenses	129,463	112,911	16,552

(1) Excludes the effect of foreign exchange on U.S. dollar expenses.

Total direct operating expenses increased 14.7% in Q1 2011 primarily due to additional expenses for acquisitions and modest growth in same property direct operating expenses, partially offset by the impact of foreign exchange translation.

Same property direct operating expenses increased $3.8 million or 4.1% in Q1 2011 primarily due to additional staffing to provide new services, combined with investments in targeted marketing initiatives designed to drive occupancy.

General, Administrative and Trust Expenses

($000s, except percentage of revenue)	**Q1 2011**	Q1 2010	Increase / (Decrease)
G&A expenses	6,161	5,578	583
As % of revenue (excluding finance income)	3.4%	3.4%	-

In Q1 2011, G&A expenses increased $0.6 million or 10.5% partially due to higher investments in information technology and process efficiency reviews. G&A expenses, as a percentage of revenue, remained stable in Q1 2011.

In addition, our G&A expenses and direct operating expenses have been affected by the HST in Ontario and British Columbia. We estimate that HST costs added incremental $0.5 million to our G&A and direct operation expenses in Q1 2011.

Management Fee Revenue

($000s)	**Q1 2011**	Q1 2010	Increase / (Decrease)
Spectrum:			
Development management	-	-	-
Operations management	239	302	(63)
Other	-	15	(15)
Total Spectrum	239	317	(78)
ING	64	510	(446)
Other	546	619	(73)
Total management fee revenue	849	1,446	(597)

Management fee revenue declined $0.6 million in Q1 2011. Fees from Spectrum declined $0.1 million as a result of sales of operating properties by Spectrum in 2010 and in Q1 2011. Asset management fees from ING declined by $0.4 million due to our acquisition of ING's interests in the Meridian and Regency portfolios in 2010.

Mezzanine Loans and Mezzanine Loan Interest Income

The following table summarizes the changes in our investments in mezzanine loans for Q1 2011 compared to Q1 2010:

($millions)	**Q1 2011**	Q1 2010
Gross mezzanine loans outstanding (beginning of period)	44.2	89.8
Discharge of mezzanine loans on our acquisition of the related properties and land	-	(22.6)
Repayments of mezzanine loans in cash	(7.6)	(2.4)
Offset against impairment provision	(10.7)	-
Gross mezzanine loans outstanding (end of period)	25.9	64.8

In Q1 2011, we updated our assessment of the underlying value of the security for each mezzanine loan as well as the value of the corporate guarantees securing mezzanine loans where applicable. The process of determining fair value requires us to exercise judgement in making valuation assumptions including revenue and expense projections, lease-up expectations, capitalization and discount rates. Based on our updated assessment, we believe no changes are required to the overall cumulative impairment provisions at this time.

The following table summarizes reallocations in the impairment provision in Q1 2011:

($millions)	Mezzanine Loans	Accounts Receivable	Total
Balance December 31, 2010	21.5	2.6	24.1
Reallocated on collection of certain accounts receivable	0.6	(0.6)	-
Offset against principal amount of the loan and costs recorded as a reduction of mezzanine loan balances	(9.3)	-	(9.3)
Balance March 31, 2011	12.8	2.0	14.8

In Q1 2011, we collected certain accounts receivable against which an impairment provision was previously recorded. Accordingly, we reallocated $0.6 million of the impairment provision from accounts receivable to mezzanine loans.

The following table provides further details on mezzanine loans outstanding and related impairment provisions:

($millions, except number of projects)	Number of Projects	Mezzanine Loans Outstanding	Fees, net of costs recorded as a reduction of mezzanine loan balances	Impairment Provision	Net Balance Outstanding
Spectrum and Partners outside Quebec	9	14.4	(0.1)	(4.3)	10.0
Melior, Spectrum and Partners	2	8.9	(0.4)	(8.5)	-
Seasons and Partners	1	2.6	-	-	2.6
Total gross mezzanine loans outstanding	12	25.9	(0.5)	(12.8)	12.6

The following table summarizes interest income on our mezzanine loans:

($000s)	**Q1 2011**	Q1 2010	Increase / (Decrease)
Mezzanine loan interest before effective yield adjustments	597	1,230	(633)
Effective yield adjustments for:			
Placement fees integral to lending activities	-	321	(321)
Legal costs integral to lending activities	-	(52)	52
Total mezzanine loan interest income	597	1,499	(902)

Mezzanine loan interest income decreased $0.9 million in Q1 2011 due to lower balances of loans outstanding. Mezzanine loan interest and related placement fees are recognized in income using the effective interest rate method. Under this method, we update our expectations for repayment dates of the loans and re-discount the expected cash flows for the life of the project over the revised expected time to complete using the effective interest rate. When the collectability of the amounts due is uncertain, we recognize interest income only when the payments are received.

Finance Costs

($000s)	Q1 2011	Q1 2010	Increase / (Decrease)
Same property [1]	17,425	18,199	(774)
Acquisitions [1]	5,958	3,374	2,584
Foreign exchange on U.S. dollar expenses	(131)	357	(488)
Total mortgage interest	23,252	21,930	1,322
Convertible debentures	1,106	2,980	(1,874)
Credit Facility and other interest	416	-	416
Total contractual interest expense	24,774	24,910	(136)
Amortization of deferred financing costs and debt mark-to-market adjustments	705	819	(114)
Total interest expense including capitalized interest	25,479	25,729	(250)
Interest Capitalized to properties under development	(243)	-	(243)
Distributions on Class B Units recorded as interest expense	227	253	(26)
Property lease expense	651	559	92
Change in fair value of interest rate swap contract	149	-	149
Unrealized foreign exchange loss	1,337	1,895	(558)
Change in fair value of LTIP	2,000	355	1,645
Change in fair value of Class B Units	1,816	471	1,345
Change in fair value of convertible debentures	-	250	(250)
Total finance costs per financial statements	31,416	29,512	1,904

(1) Excludes the effects of foreign exchange on U.S. dollar expenses.

Interest expense on the same property portfolio decreased $0.8 million in Q1 2011 due to lower interest rates achieved on mortgage renewals as well as repayment of certain mortgages in 2010. Acquisitions added incremental interest expense of $2.6 million.

Interest expense on convertible debentures decreased $1.9 million as we redeemed $125 million of convertible debentures in Q4 2010.

At March 31, 2011, we had $53.0 million outstanding on our Credit Facility and as a result, in Q1 2011, we incurred interest expense of $0.4 million. There were no balances outstanding on our Credit Facility in Q1 2010.

During Q1 2011, we capitalized interest of $0.2 million which relates to our investment in development projects under construction. Under IFRS, interest capitalization stops once the development project becomes available for use. In Q1 2010, there were no development projects in construction and as a result, there was no capitalized interest.

Unrealized foreign exchange loss relates to U.S. dollar-denominated intercompany loans used to finance our U.S. operations. At March 31, 2011, we had net loans of $37.5 million due from our U.S subsidiaries. Although the principal amount of this debt is eliminated on consolidation, unrealized foreign exchange gains and losses are recorded in income.

Under IFRS, our unit-based compensation plans, including LTIP, are recorded as liabilities and are measured at fair value each reporting period. Changes in fair value of LTIP are primarily driven by changes in trading values of our Trust Units.

Under IFRS, Class B Units are recorded as liability and distributions paid on such units are recorded as interest expense. In addition, Class B Units are carried at fair value which fluctuates based on the trading price of our Trust Units. Changes in fair value of Class B Units increased Q1 2011 finance costs by $1.3 million

Under IFRS, we carry our convertible debentures at fair value. This value fluctuates based on the trading prices of our convertible debentures. In Q1 2010, we recorded an unrealized loss of $0.3 million and in Q1 2011, we recorded an unrealized gain of $0.9 million. This gain is reported under finance income caption in our financial statements.

Finance Income

($000s)	**Q1 2011**	Q1 2010	Increase / (Decrease)
Interest Income	940	1,380	(440)
Change in fair value of convertible debentures	938	-	938
Change in fair value of interest rate swap contract	-	92	(92)
Total finance income per financial statements	1,878	1,472	406

Interest income decreased by $0.4 million as higher interest on capital funding receivable was offset by lower interest earned on cash on hand. In addition, in Q1 2010, we received a one-time fee of $0.3 million for waiving our option to acquire an LTC property adjacent to our retirement residence in Western Canada. There was no comparable amount in Q1 2011.

Other Items

($000s)	**Q1 2011**	Q1 2010	Increase / (Decrease)
Depreciation on property, plant and equipment	(40,177)	(36,905)	(3,272)
Amortization of limited life intangible assets	(596)	(518)	(78)
Current income tax (expense)/recovery	(76)	(80)	4
Deferred income tax (expense)/recovery	4,045	(273)	4,318

Depreciation on Property, Plant and Equipment: Depreciation increased in Q1 2011 due to acquisitions completed from April through December of 2010.

Current and Deferred Income Tax (Expense) Recovery: The provision for deferred tax expense relates to temporary differences between the carrying amounts and tax-basis of assets and liabilities. These temporary differences are tax-effected using the estimated tax rate applicable to undistributed income at the time that these differences are expected to reverse.

Non-IFRS Measures

FFO and AFFO do not have a standardized meaning under IFRS and should not be construed as an alternative to net earnings or cash flows from operating activities as defined by IFRS.

Refer to the “Key Performance Indicators” section of this MD&A for a detailed discussion of the nature of various adjustments made in the calculation of FFO and AFFO, along with Management’s discussion of the usefulness of these measures in evaluating our performance.

Funds from Operations (FFO)

The following table provides a reconciliation of net income/loss to FFO:

($000s, except per unit amounts)	**Q1 2011**	Q1 2010	Increase / (Decrease)
Net income/(loss)	(18,464)	(18,777)	313
Add (Subtract):			
Depreciation of properties	40,177	36,905	3,272
Amortization of limited life intangible assets	596	518	78
Depreciation of leasehold improvements and software costs included in depreciation and amortization above	(205)	(138)	(67)
Deferred income taxes	(4,045)	273	(4,318)
Changes in fair value of interest rate swap contract	149	(92)	241
Distributions on Class B Units recorded as interest expense under IFRS	227	253	(26)
Changes in fair value of Class B Units	1,816	471	1,345
Changes in fair value of convertible debentures	(938)	250	(1,188)
Changes in fair value of LTIP	2,000	355	1,645
Unrealized foreign exchange loss	1,337	1,895	(558)
FFO [(1)]	22,650	21,913	737
FFO per unit diluted	0.16	0.17	(0.1)

(1) Refer to the “Key Performance Indicators – Funds from Operations” section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.

FFO increased $0.7 million for Q1 2011 primarily due to increased contributions from the property portfolio, lower interest expense due to redemption of convertible debentures in Q4 2010. This was offset by lower mezzanine loan interest and management fee and other income, as well as higher G&A expenses.

Adjusted Funds from Operations (AFFO)

The following table provides the calculation of AFFO:

($000s, except per unit amounts)	**Q1 2011**	Q1 2010	Increase / (Decrease)
FFO [1]	22,650	21,913	737
Add (Subtract):			
Principal portion of capital subsidy receivable from Health Authorities	890	562	328
Amounts received under income guarantees	-	69	(69)
Amortization of financing costs and fair value adjustments on mortgages payable	705	819	(114)
Deferred financing fee reserve [2]	(354)	(323)	(31)
AFFO before capex reserve	23,891	23,040	851
Maintenance capex reserve - 2% of property revenue	(3,641)	(3,252)	(389)
AFFO [3]	20,250	19,788	462
AFFO per unit diluted	0.14	0.15	(0.01)

(1) Refer to the "Key Performance Indicators – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.
(2) Deferred financing fee reserve is calculated quarterly as 60 basis points applied to our mortgages payable at the end of the quarter, pro-rated based on the weighted average term to maturity.
(3) Refer to the "Key Performance Indicators – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in the AFFO calculations.

An analysis of AFFO is described under the "Highlights of Consolidated Results of Operations" section of this MD&A.

IFRS Impact on FFO and AFFO

The adoption of IFRS has had a material impact on the presentation of our financial results. However, our actual operating and financial performance has not been affected by this accounting change.

The following table provides reconciliations of Q1 2010 FFO and AFFO as previously reported under CGAAP to FFO and AFFO reported under IFRS.

	Q1 2010	
($000s)	FFO	AFFO
As previously reported under CGAAP	19,486	20,236
Amortization of financing costs and accretion adjustments on convertible debentures	1,172	-
Unrealized foreign exchange loss	1,895	-
Amortization of below-market leases	(184)	-
Capitalized interest and operating costs on development projects in lease-up	(456)	(456)
Other	-	8
Reported under IFRS	21,913	19,788

Amortization of financing costs and accretion on convertible debentures have been eliminated on conversion to IFRS as convertible debentures are now carried at fair value.

Unrealized foreign exchange loss on cross-border intercompany loans is added back in our FFO calculations upon conversion to IFRS.

Amortization of below-market leases, under CGAAP, has been included in our FFO calculations and adjusted for in our AFFO calculations. We elected to exclude this item in our FFO calculations upon conversion to IFRS.

Under IFRS, capitalization of borrowing costs must cease upon a development property becoming available for use. Under CGAAP, borrowing costs and lease-up losses were capitalized during the lease-up of a property until it achieved a break-even level of cash flows. As a result, in Q1 2010, our FFO and AFFO were reduced by approximately $0.5 million due to the reversal of previously capitalized interest and operating costs.

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

	IFRS					CGAAP		
	2011	2010				2009		
($000s)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	183,502	189,270	186,789	175,673	165,528	166,084	164,083	166,837
Direct operating expenses	(129,463)	(133,793)	(129,996)	(119,825)	(112,911)	(116,529)	(111,812)	(113,236)
General, administrative and trust expenses	(6,161)	(6,971)	(6,248)	(5,966)	(5,578)	(4,941)	(4,425)	(5,822)
	47,878	48,506	50,545	49,882	47,039	44,614	47,846	47,779
Other Income	-	(330)	2,648	10,639	-	-	-	-
Depreciation and amortization	(40,773)	(45,400)	(40,367)	(39,928)	(37,423)	(26,374)	(26,406)	(28,332)
Other expenses	-	(1,002)	(380)	(1,912)	-	-	-	-
Finance income	1,878	3,062	97	1,783	1,472	-	-	-
Finance costs	(31,416)	(28,642)	(35,209)	(25,381)	(29,512)	-	-	-
Interest expense	-	-	-	-	-	(26,437)	(26,726)	(26,858)
Property lease expenses	-	-	-	-	-	(599)	(588)	(703)
Foreign exchange gain/(loss)	-	-	-	-		(820)	(3,848)	(4,309)
Provision for impairment of mezzanine loans and accounts receivable	-	-	-	-	-	-	-	(30,684)
Non-controlling interest	-	-	-	-	-	68	133	797
Current income tax (expense)/recovery [1]	(76)	(35)	(84)	(82)	(80)	(80)	(92)	(81)
Deferred income tax (expense)/recovery	4,045	7,922	-	(974)	(273)	2,578	4,234	4,693
Income/(loss) from continuing operations	(18,464)	(15,919)	(22,750)	(5,973)	(18,777)	(7,050)	(5,447)	(37,698)
Income/(loss) from discontinued operations	-	-	-	-	-	(186)	(3,503)	(3,416)
Net income/(loss) for the period	(18,464)	(15,919)	(22,750)	(5,973)	(18,777)	(7,236)	(8,950)	(41,114)

Our results for the past eight quarters have been affected by the contribution of acquisitions, the impact of the slow North American economy on occupancies, our decision in 2008 to reduce our exposure to third-party developers and related mezzanine loans, which resulted in declining mezzanine loan interest and management fee income, changes in foreign exchange rates resulting in foreign exchange gains and losses on cross-border intercompany loans, and the issuance of Trust Units.

Summary of Results of Operations by Division

The following section provides an analysis of the operating performance of each of our operating segments in Q1 2011 compared to Q1 2010.

Canadian Retirement Operations

The following table summarizes the composition of our Canadian Retirement Operations segment:

		Composition of Suites			
	Properties	**ISL**	**AL**	**LTC**	**Total**
Same Property - Owned					
100%	93	8,168	2,406	492	11,066
50%	3	376	-	-	376
Total same property owned	96	8,544	2,406	492	11,442
Acquisitions & Development					
100% owned:					
Operating	9	821	33	180	1,034
Development suites in lease-up	-	202	157	-	359
	9	1,023	190	180	1,393
50% owned	4	450	37	-	487
Total acquisitions & development	13	1,473	227	180	1,880
Total	109	10,017	2,633	672	13,322

The following table presents the results of operations of our Canadian Retirement Operations segment:

($000s)	**Q1 2011**	Q1 2010	Increase / (Decrease)
Revenue			
Same property	78,914	76,636	2,278
Acquisitions and development	8,828	7,656	1,172
Total revenue	87,742	84,292	3,450
Direct Operating Expenses			
Same property	50,274	48,388	1,886
Acquisitions and development	6,441	5,683	758
Total direct operating expenses	56,715	54,071	2,644
Net Operating Income			
Same property	28,640	28,248	392
Acquisitions and development	2,387	1,973	414
Total net operating income	31,027	30,221	806

Same property revenues increased 3.0% in Q1 2011 primarily due to regular annual rental rate increases and additional programs to deliver new services in certain properties.

Same property direct operating expenses increased 3.9% in Q1 2011 primarily due to higher salaries, employee benefits and utility costs.

Same property NOI increased $0.4 million or 1.4% in Q1 2011. Same property NOI in our Ontario retirement properties decreased $0.3 million or 1.9% in Q1 2011 primarily due to lower occupancies as a result of higher acuity-based resident turnover. Our Western Canadian platform same property NOI increased $0.5 million or 8.0% in Q1 2011 due to improving occupancies in our British Columbia markets.

Our Quebec platform same property NOI increased $0.2 million or 3.6% in Q1 2011 also due to continued occupancy improvements.

The following table summarizes our quarterly weighted average occupancy rates in our Canadian retirement same property portfolio:

	Q1 2011	Q1 2010	Increase / (Decrease)	Q4 2010	Increase / (Decrease)
Canadian retirement same property portfolio:					
Ontario retirement	90.7%	92.2%	(1.5pp)	91.5%	(0.8pp)
Western Canada	90.8%	87.3%	3.5pp	90.7%	0.1pp
Quebec	87.2%	86.7%	0.5pp	87.6%	(0.4pp)
Total	89.3%	89.2%	0.1pp	89.8%	(0.5pp)

On a sequential-quarter basis, our Q1 2011 occupancies declined by 0.5 percentage points from Q4 2010. We attribute this decline to seasonal factors and expect this trend to normalize later in the year.*

Canadian Long Term Care Operations

The following table summarizes the composition of our Canadian Long Term Care Operations segment:

		Composition of Suites			
	Properties	**ISL**	**AL**	**LTC**	**Total**
Same property - 100% owned	15	64	59	1,516	1,639
Acquisitions - 100% owned	8	-	-	1,385	1,385
Development - 100% owned (1)	1	-	40	100	140
Total	24	64	99	3,001	3,164

(1) Represents one Ontario LTC community where we vacated certain retirement suites in preparation for re-development.

The following table presents the results of operations of our Canadian Long Term Care Operations segment:

($000s, except occupancy rates)	**Q1 2011**	Q1 2010	Increase / (Decrease)
Revenue			
Same property	24,227	23,654	573
Acquisitions	23,842	12,503	11,339
Total revenue	48,069	36,157	11,912
Direct Operating Expenses			
Same property	21,487	21,103	384
Acquisitions	20,733	10,723	10,010
Total direct operating expenses	42,220	31,826	10,394
Net Operating Income			
Same property	2,740	2,551	189
Acquisitions	3,109	1,780	1,329
Total net operating income	5,849	4,331	1,518
Same property statistics:			
Weighted average occupancy rate	97.8%	98.3%	(0.5pp)

* *This paragraph contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section of this MD&A.*

Same property revenues increased 2.4% in Q1 2011 primarily due to higher government funding provided for direct resident care services which are mainly staffing related. Direct operating expenses increased 1.8% in Q1 2011 primarily due to higher compensation expenses offset by lower administration and facility costs. As a result, same property NOI increased $0.2 million or 7.4% in Q1 2011.

Weighted average occupancies in the same property portfolio were at 97.8% in Q1 2011, a decrease of 0.5 percentage points from Q1 2010. Occupancy in all but two of our Ontario LTC communities exceeded 97% in Q1 2011, and as a result, these communities received government funding as though fully occupied. We expect that all our LTC communities will achieve average occupancy of 97% or higher for the full year of 2011.*

In Q2 2010, we completed the acquisition of ING's 50% interest in the Regency portfolio of eight Class A LTC communities in Ontario to bring our ownership of this portfolio to 100%. The operating results of these properties are reported under Acquisitions in the previous table.

U.S. Operations

The following table summarizes the composition of our U.S Operations segment:

		Composition of Suites			
	Properties	**ISL**	**AL**	**LTC**	**Total**
Same Property - Owned					
100%	23	709	1,623	-	2,332
50%	19	2,002	1,508	-	3,510
Total same property owned	42	2,711	3,131	-	5,842
Properties under Operating Lease					
100% Interest	2	78	159	-	237
Total same property owned and leased	44	2,789	3,290	-	6,079
Acquisitions & Development Suites in Lease-up					
100% owned - operating	6	865	-	190	1,055
50% owned:					
Operating	1	-	108	-	108
Development suites in lease-up		98	-	-	98
Total acquisitions & development suites in lease-up	7	963	108	190	1,261
Total	51	3,752	3,398	190	7,340

* *This paragraph contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section of this MD&A.*

The following table presents the results of operations of our U.S. Operations segment:

(U.S.$000s, except as noted otherwise)	**Q1 2011**	Q1 2010	Increase / (Decrease)
Revenue			
Same property	35,412	34,498	914
Acquisitions, development and other (1)	12,870	7,659	5,211
Intercompany eliminations	(1,359)	(1,643)	284
Total revenue	46,923	40,514	6,409
Direct Operating Expenses			
Same property	24,714	23,185	1,529
Acquisitions, development and other (1)	7,621	4,431	3,190
Intercompany eliminations	(1,359)	(1,643)	284
Total direct operating expenses	30,976	25,973	5,003
Net Operating Income			
Same property	10,698	11,313	(615)
Acquisitions, development and other (1)	5,249	3,228	2,021
Total net operating income	15,947	14,541	1,406
Foreign exchange in CDN	(230)	579	(809)
Total net operating income in CDN	15,717	15,120	597
Same property statistics:			
Weighted average occupancy rate	89.6%	88.8%	0.8pp

(1) Includes the results of the Meridian portfolio, of which we acquired the remaining 50% interest in Q2 2010, one property on which we completed an addition, as well as the results of our U.S. management operations.

Same property revenue increased 2.7% in Q1 2011 primarily due to improved occupancies and regular annual rental rate increases. In order to successfully compete in these challenging market conditions, in select markets we continued our rental incentive programs which reduced revenue growth.

Same property direct operating expenses increased $1.5 million or 6.6% in Q1 2011 primarily due to the expiry of the 18-month compensation freeze program in the U.S. properties in June 2010, higher operating costs in certain jurisdictions due to regulatory requirements, higher marketing and advertising costs and commissions targeted to improve occupancies.

As a result, same property NOI decreased U.S.$0.6 million or 5.4% in Q1 2011.

The operating results for our U.S. operating segment in Canadian dollars were also affected by fluctuations in foreign exchange rates. The average exchange rates were as follows:

	Q1 2011	Q1 2010	Increase / (Decrease)
Weighted average exchange rate for U.S.$1.00 to CDN	0.99	1.04	(0.05)

A $0.01 change in the exchange rate for one U.S. dollar to one Canadian dollar impacts AFFO from continuing operations by approximately $0.2 million.

Financial Position

Balance Sheet Analysis

The following table summarizes the significant changes in our assets, liabilities and Unitholders' equity for March 31, 2011 compared to December 31, 2010:

	Increase / (Decrease) ($millions)	**Explanation**
Property, plant and equipment	(48.8)	Property, plant and equipment decreased due to depreciation of $40.3 million and foreign exchange translation of $18.5 million. These decreases were offset by internal growth developments, building improvements and other capital expenditures of $10.0 million during Q1 2011.
Mezzanine loans	(8.2)	Mezzanine loans outstanding decreased primarily due to the collection of two mezzanine loans in the amount of $7.6 million.
Intangible assets	(0.7)	Intangible assets decreased primarily due to amortization.
Capital funding receivable	(0.9)	During Q1 2011, we received capital funding of $1.7 million, of which $0.8 million was recorded as interest income and $0.9 million recorded as a reduction of the receivable.
Total assets	(64.3)	The decrease in total assets is primarily due to decreases in properties and in mezzanine loans.
Mortgages payable	(24.0)	Mortgages payable decreased as a result of regular amortizing principal repayments of $9.0 million and foreign exchange translation of $15.0 million.
Total liabilities	(28.7)	The decrease in total liabilities is primarily due to decreases in mortgages payable.
Unitholders' equity	(35.6)	The decrease in Unitholders' equity is primarily due to cash distributions, the allocation of net loss to the Trust's Unitholders and foreign exchange translation in other comprehensive income.

Outstanding Units Data

The following table summarizes changes in the number of outstanding units during Q1 2011:

	Trust Units	**Trust Units issued under LTIP**	**Class B Units**	**Deferred Trust Units**	**Total**
Balance December 31, 2010	140,598,132	2,244,858	1,714,652	208,834	144,766,476
Trust Units issued pursuant to the Dividend Reinvestment Plan ("DRIP")	446,772				446,772
Trust Units transferred to Treasury		(15,712)			(15,712)
DTUs issued				25,708	25,708
DTU distributions				3,439	3,439
Exchange of Class B Units	33,127		(33,127)		-
Balance March 31, 2011	141,078,031	2,229,146	1,681,525	237,981	145,226,683

Liquidity and Capital Commitments

Liquidity

Our cash commitments include payments related to long-term debt and convertible debentures, deferred purchase obligations, obligations under operating leases as well as cash distributions to Unitholders.

Our principal source of liquidity is cash flow from operations. At March 31, 2011 we had cash on hand in the amount of $11.8 million. In order to provide for our operating and capital requirements, we also raise funds through the capital markets, arrange mortgage debt financing and have arranged for a Credit Facility with a committed capacity of $75.0 million. At March 31, 2011, the maximum available borrowing capacity under the Credit Facility was $75.0 million, of which $2.2 million was utilized to support outstanding letters of credit and $53.0 million was drawn leaving available borrowing capacity at $19.8 million.

Subsequent to March 31, 2011, we arranged new financing on one of our properties in Quebec. The new $22.2 million mortgage is CMHC-insured, bears interest at 4.82% and matures in June 2036. Net proceeds from this financing were partially used to repay amounts outstanding under our Credit Facility. In addition, we expect to complete financing of one other unencumbered property during Q2 2011, in the amount of approximately $23.1 million, and to further reduce amounts outstanding under the Credit Facility.[*]

Debt Strategy

At the present time we employ the following sources of debt financing: property-specific secured mortgages; unsecured convertible debentures and the Credit Facility. Our debt management objectives are to:

- access low-cost, long-term, fixed-rate debt and short-term, variable-rate construction financing; and
- manage interest rate risk by spreading debt maturities over time with the target of no more than 10% of total debt maturing in any year.

Our Declaration of Trust limits the amount of overall indebtedness that we can incur to 60% of Adjusted Gross Book Value ("GBV"), excluding convertible debentures; or 65% of GBV including convertible debentures ("Indebtedness Ratio").

Under the Declaration of Trust, total indebtedness includes any obligation for borrowed money, any obligation incurred in connection with the acquisition of property, assets or business, other than deferred income tax liability, any capital lease obligation and any guaranteed obligations of third parties to the extent included in our consolidated balance sheet.

At March 31, 2011, our Indebtedness Ratio was 55.1% and 57.4% excluding and including convertible debentures, respectively.

Effective January 1, 2011 Chartwell's Trustees approved an amendment to the GBV definition in the Declaration of Trust to add back: (a) the difference between the GBV of assets under CGAAP and IFRS on the Transition Date, and (b) related costs in respect of completed property acquisitions that were expensed in the period incurred.

[*] *This paragraph contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section of this MD&A.*

Indebtedness Ratio: The following table presents the calculation of our Indebtedness Ratio as at March 31, 2011 and December 31, 2010:

($000s)	**March 31, 2011**	December 31, 2010
Mortgages payable (contractual amount)	1,711,660	1,736,057
Credit Facility	53,000	51,000
Convertible debentures (face value)	75,000	75,000
Total Indebtedness	1,839,660	1,862,057
Total assets	2,614,771	2,679,096
Accumulated depreciation and amortization	205,340	166,917
Change in GBV on transition to IFRS	391,342	391,342
GBV of assets	3,211,453	3,237,355
Less: Assets financed by deferred purchase consideration on acquisition properties	7,594	7,512
GBV of assets (net of deferred consideration)	3,203,859	3,229,843
Indebtedness Ratio before convertible debentures	55.1%	55.3%
Indebtedness Ratio including convertible debentures	57.4%	57.7%

In addition to the Indebtedness Ratio restrictions under our Declaration of Trust, we adopted a supplemental operating target for managing our debt portfolio and will be monitoring our Interest Coverage Ratio.

Interest Coverage Ratio: Effective December 31, 2010, we adopted an interest coverage guideline. The interest coverage guideline provides an indication of an entity's ability to service or pay the interest charges relating to the underlying debt and have generally been used by debt rating agencies to test an entity's ability to service its debt. Generally, the higher the ratio, the lower the risk of default on debt. We will target to maintain our Interest Coverage Ratio above 1.65 times.

The following table summarizes our Interest Coverage Ratio for Q1 2011 and Q1 2010:

($000s, except Interest Coverage Ratio)	**Q1 2011**	Q1 2010
Interest expense including capitalized interest	25,479	25,729
Property lease expense	651	559
	26,130	26,288
Earnings before interest, taxes, depreciation and amortization ("EBITDA") (1)	48,818	48,419
Interest Coverage Ratio	1.87x	1.84x
Target Interest Coverage Ratio	>1.65x	

(1) Refer to the "Key Performance Indicators – EBITDA" section of the 2010 MD&A for a discussion of EBITDA.

The following table presents the calculation of EBITDA:

($000s)	**Q1 2011**	Q1 2010
Net loss for the period	(18,464)	(18,777)
Add / (subtract):		
Deferred income tax	(4,045)	273
Current income tax	76	80
Finance costs	31,416	29,512
Finance income	(1,878)	(1,472)
Interest income included in finance income	940	1,380
Amortization of intangible assets	596	518
Depreciation of property, plant and equipment	40,177	36,905
EBITDA	48,818	48,419

Mortgage Debt

At March 31, 2011, we had $1,711.7 million of mortgages payable of which $1,114.3 million related to our Canadian properties and $597.4 million (U.S.$ 616.1 million) related to our U.S. properties.

The following table outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates as at March 31, 2011.

($000s) Year	Regular Principal Payments	Principal Due at Maturity	Total	% of Total Maturing Debt	Weighted Average Interest Rate of Maturing Debt
Remainder of 2011	29,671	64,992	94,663	5%	4.60%
2012	37,224	162,873	200,097	13%	4.95%
2013	37,216	102,848	140,064	8%	5.10%
2014	32,617	132,203	164,820	10%	4.36%
2015	30,026	177,106	207,132	14%	5.12%
2016	26,859	167,434	194,293	13%	6.00%
2017	19,796	231,978	251,774	18%	5.69%
2018	20,930	32,625	53,555	3%	5.55%
2019	19,824	91,030	110,854	7%	6.17%
2020	19,785	30,038	49,823	2%	4.51%
2021	18,625	17,362	35,987	1%	4.36%
2022	18,006	9,161	27,167	1%	5.60%
2023	16,180	13,648	29,828	1%	6.01%
2024	11,446	17,394	28,840	1%	7.13%
Thereafter	88,403	34,360	122,763	3%	4.95%
Total	426,608	1,285,052	1,711,660	100%	
Mark-to-market adjustments arising on acquisition			12,585		
Less: Financing costs			(18,180)		
Total Mortgage Debt			1,706,065		

The following table provides selected financial statistics for our mortgage debt portfolio:

	At March 31, 2011				At December 31, 2010
	Canadian Debt		U.S. Debt	Combined	Combined
	Fixed Rate	Variable Rate	Fixed Rate		
Amount ($millions)	1,027.6	86.7	597.4	1,711.7	1,736.1
Weighted average rate	5.27%	4.55%	5.88%	5.43%	5.44%
Average term to maturity (years)	8.2	1.2	5.6	7.3	7.5

Debt maturing through 2012 relates exclusively to mortgages on properties in our Canadian portfolio of assets. In Canada, we have access to low-cost, CMHC-insured debt. All our Canadian properties are eligible for CMHC financing and as of March 31, 2011, approximately 65% of our total Canadian mortgage debt was CMHC insured. We intend to continue financing our properties through this program, including converting conventional mortgages to CMHC-insured debt on renewal.*

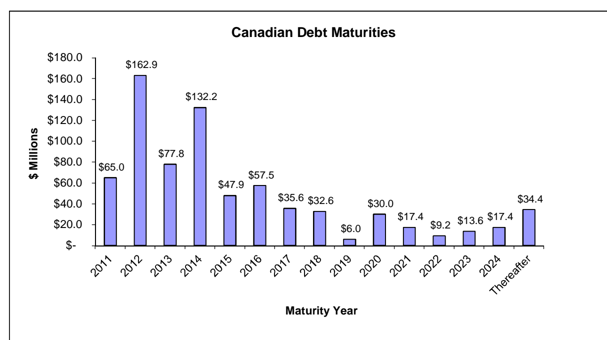
In the U.S., over 70% of our mortgages are with the Federal Home Loan Mortgage Corporation ("Freddie Mac") and Federal National Mortgage Association ("Fannie Mae"). Both of these entities are government-sponsored enterprises which provide access to competitive financing for seniors housing properties. We have no U.S. debt maturities until 2013, when U.S.$25.9 million of mortgages (or 4.2% of our total U.S. debt) will mature. The remaining U.S. loans mature between 2015 and 2019.

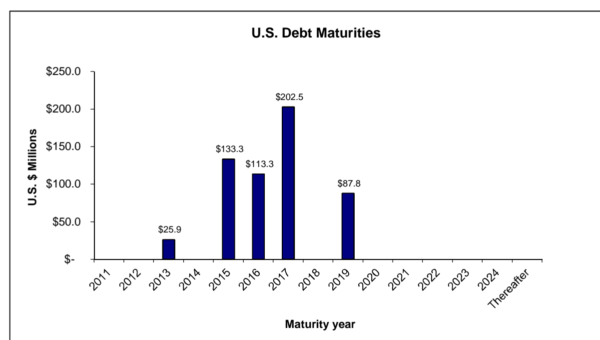
* *This paragraph contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section of this MD&A.*

Our variable-rate mortgages primarily relate to recently acquired communities in lease-up and our development projects in Canada. Variable-rate loans are expected to be refinanced with fixed-rate, CMHC-insured debt upon completion and stabilization of the internal growth projects and properties in lease-up.*

We own a 50% interest in three properties in the U.S. which are financed through a mortgage pool in the amount of U.S.$69.4 million. At March 31, 2011 we were not meeting two of the covenant requirements for this pool. Under the terms of the loan agreement, the lenders' recourse is limited to a corporate guarantee provided by CSH-INGRE LLC ("CSH-INGRE") in the amount of U.S.$4.5 million (U.S.$2.3 million at our 50% share). We are in discussion with the lenders regarding a deferral of this covenant requirement.

The following charts provide the breakdown of our debt maturities in Canada and the U.S.:





Convertible Debentures

At March 31, 2011, we had $75 million of 5.9% Convertible Debentures outstanding. The 5.9% Convertible Debentures are convertible at the holder's option into Trust Units at a conversion price of $16.25 per unit and mature on May 1, 2012. The 5.9% Convertible Debentures may be called by us at par on or after May 1, 2011.

Capital Expenditures

We classify our capital expenditures in the following main categories:

- Development – capital expenditures in respect of our development projects as described in the "Significant Events" section of this MD&A.
- Acquisition – capital expenditures which were identified during the acquisition due diligence process for newly acquired assets.
- Revenue enhancing and repositioning – capital expenditures that improve the revenue generating potential of our properties.
- Maintenance – capital expenditures incurred to maintain existing revenue generating potential of our properties, such as routine replacement of building components, furniture, fixtures and equipment. We generally allocate 2% of our gross property revenue to maintenance capital expenditures annually, however, actual amounts spent may fluctuate from period to period.

The following table summarizes additions to properties during Q1 2011:

($000s)	Q1 2011
Development	4,289
Acquisition	-
Revenue enhancing and repositioning	1,384
Maintenance	2,549
Total	8,222

Contractual Obligations and Guarantees

Details of our contractual obligations and guarantees are disclosed in our 2010 MD&A. There were no changes in our contractual obligations and guarantees in Q1 2011, which are outside of the ordinary course of business.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between Q1 2011 and Q1 2010:

Cash Provided by (Used in):	Increase / (Decrease) ($millions)	Explanation
Operating activities	3.3	Cash flows from operating activities increased primarily due to increased contributions from property operations and positive changes in non-cash working capital items, offset by lower fee and interest income and higher G&A expenses.
Financing activities	30.8	Cash flows from financing activities increased primarily due to lower mortgage principal repayments.
Investing activities	3.4	Cash flows from investing activities increased primarily due to increased mezzanine loan repayments, offset by higher additions to property, plant and equipment.

Distributions

The declaration and payment of future distributions is subject to the discretion of the Board of Trustees. The Trustees rely upon forward-looking cash flow information including forecasts and budgets, results of operations, requirements for capital expenditures and working capital, future financial prospects of the Trust, debt covenants and obligations, and any other factors deemed relevant by them in setting the distribution rate. Our monthly distributions are $0.0450 per unit, or $0.54 per unit on an annualized basis.

Our Distribution Reinvestment Plan (“DRIP”) allows Unitholders to use their monthly cash distributions to steadily increase ownership without incurring any commission or other transaction costs. Participating investors registered in the DRIP receive additional bonus units in an amount equal to 3% of their distributions which they have elected to reinvest, and this amount is paid in the form of additional units. Unitholders who are Canadian residents and beneficial holders of 1,000 units or more are eligible to participate.

The following table summarizes distributions made in Q1 2011, 2010 and 2009:

($000s)	**Q1 2011**	2010	2009
Distributions declared on Trust Units	19,285	71,144	67,711
Distributions on Class B Units	227	989	1,395
Distributions reinvested under DRIP	(3,572)	(4,795)	(5,074)
Distributions applied against LTIP receivable	(302)	(1,235)	(1,771)
Distributions paid or payable in cash	15,638	66,103	62,261

The following table summarizes cash distributions made in Q1 2011, 2010 and 2009 in relation to net loss and cash flows from operating activities:

($000s)	**Q1 2011**	2010	2009 (2)
Cash flows from operating activities	21,583	96,437	64,810
Net loss	(18,464)	(63,419)	(72,692)
Cash distributions declared (1)	15,638	66,103	62,261
Excess (shortfall) of cash flows from operating activities over cash distributions paid	5,945	30,334	2,549
Excess (shortfall) of net loss over cash distributions paid	(34,102)	(129,522)	(134,953)

(1) Cash distributions do not include distributions satisfied through issuance of units under DRIP or distributions applied against the LTIP receivable.
(2) 2009 amounts are reported under CGAAP and have not been restated to IFRS.

Cash flow from operating activities is affected by changes in non-cash working capital balances. Changes in non-cash working capital fluctuate from period to period. Changes in non-cash working capital reduced cash flows from operating activities by $3.4 million in Q1 2011.

Our distributions exceeded net income/loss in Q1 2011, 2010 and 2009. We anticipate that this will continue. We do not use net loss in accordance with IFRS as the basis to establish the level of distributions to Unitholders as net loss includes, among other items, non-cash depreciation and amortization and changes in fair values of certain liabilities. We do not consider non-cash depreciation and amortization fluctuations on fair values of certain liabilities in establishing our distribution levels as we believe that the value of our real estate investments generally does not diminish over time and as we give consideration to maintenance capital expenditures in establishing the level of annual distributions to Unitholders. We believe our current distribution level is sustainable.*

Key Performance Indicators

We use a number of key performance indicators ("KPIs") for monitoring and analyzing our financial results. These KPIs are not defined by IFRS and may not be comparable to similar measures presented by other income trusts or other companies. KPIs are described in our 2010 MD&A and there were no changes to our KPIs in Q1 2011, except as follows:

Funds from Operations

FFO does not have a standardized meaning prescribed by IFRS and should not be construed as an alternative to net earnings or cash flow from operating activities as determined by IFRS. FFO as presented may not be comparable to similar measures presented by other real estate investment trusts. However, we present FFO substantially consistent with the definition adopted by the Real Property

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* *This paragraph contains forward-looking information. Please see the "Forward-Looking Information and Risks and Uncertainties" section of this MD&A.*

Association of Canada ("REALpac") with the exception of the adjustment for the changes in fair value of LTIP. In June 2010, REALpac issued a White Paper on FFO for IFRS, which is effective upon adoption of IFRS. According to REALpac guidance, FFO is defined as follows: Profit or loss per IFRS Statement of Comprehensive Income adjusted for:

A. Unrealized changes in the fair value of investment properties
B. Depreciation of depreciable real estate assets including depreciation for components relating to capitalized leasing costs, capitalized tenant allowances treated as capital improvements and lease-related items ascribed in a business combination
C. Amortization of tenant allowances and landlord's work spent for the fit-out of tenant improvements and amortized as a reduction to revenue in accordance with SIC-15
D. Amortization of tenant/customer relationship intangibles or other intangibles arising from a business combination
E. Gains / losses from sales of investment properties and owner-occupied properties, including the gain or loss included within discontinued operations (if applicable)
F. Tax on profits or losses on disposals of properties
G. Deferred taxes
H. Impairment losses or reversals recognized on land and depreciable real estate properties, excluding those relating to properties used exclusively for administrative purposes
I. Revaluation gains or losses recognized in profit or loss on owner-occupied properties, excluding those relating to properties used exclusively for administrative purposes
J. Transaction costs expensed as a result of the purchase of a property being accounted for as a business combination
K. Foreign exchange gains or losses on monetary items not forming part of a net investment in a foreign operation
L. Gain or loss on the sale of an investment in a foreign operation
M. Changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting
N. Negative goodwill or goodwill impairment
O. Effects of redeemable units classified as financial liabilities

Other items:

P. Results of discontinued operations
Q. Adjustments for equity accounted entities
R. Non-controlling interests in respect of the above

In our opinion, the use of FFO, combined with the required primary IFRS presentations, will be fundamentally beneficial to the users of the financial information, improving their understanding of our operating results. We generally consider FFO to be a useful measure for reviewing our 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 to compare the operating performance of the Trust's real estate portfolio between financial reporting periods.

The tables presented under the "Consolidated Results of Operations – Non-IFRS Measures" section of this MD&A provide a reconciliation of FFO to net income, as reported in our Financial Statements.

Adjusted Funds from Operations

AFFO does not have a standardized meaning prescribed by IFRS and should not be construed as an alternative to net earnings or cash flow from operating activities as determined by IFRS. AFFO as presented may not be comparable to similar measures presented by other issuers. We believe AFFO is useful in the assessment of our operating performance and that this measure is also useful for valuation purposes and is a relevant measure of our ability to earn and distribute cash to Unitholders. We calculate AFFO by adding or subtracting certain items to or from FFO as defined by REALpac, as follows:

Principal portion of capital subsidy receivable: This item represents a portion of the long-term (maximum 20-year) cash flow stream provided by the Ontario Ministry of Health and Long Term Care to communities which meet certain design criteria. We include this item in AFFO calculations.

Income guarantees: This item represents amounts due from vendors of acquired communities under the applicable purchase and sale agreement. It is generally applicable to communities in lease-up.

Amortization of debt mark-to-market adjustments and amortization of financing costs: Adjustments made in AFFO calculation to adjust for non-cash interest expense items and to account for interest expense based on the contractual terms of the underlying debt.

Financing cost reserve: In order to account for financing costs routinely incurred on re-financing of existing debt, we included this reserve in the calculation of AFFO. We calculate this reserve based on our estimate of normalized costs of re-financing (60 basis points) applied to the debt balances outstanding at the end of the reporting period taking into account weighted average term to maturity of our mortgage portfolio.

Capital maintenance reserve: Capital maintenance reserve is estimated at 2% of property revenue.

The tables presented under the “Consolidated Results of Operations – Non-CGAAP Measures” section of this MD&A provide details of AFFO calculations.

Per Unit Amounts

In our calculations of FFO per unit and AFFO per unit, we include the Class B Units as the Class B Units are exchangeable into Trust Units at any time at the option of the Unitholder. In addition, we include units issued under DTU and LTIP.

Same Property Performance

We evaluate our financial performance by analyzing our same property portfolio. Generally, our same property portfolio excludes properties that have not been owned or leased continuously since the beginning of the previous fiscal year. In addition, to improve comparability, we designate properties where we have added significant capacity or expect in the current year to open new suites to be excluded from the same property portfolio.

The following table summarizes the same property portfolio for Q1 2011:

	Properties	Suites/Beds
Canadian Retirement Operations	96	11,442
Canadian Long Term Care Operations	15	1,639
U.S. Operations (owned and leased)	44	6,079
Total Same Property Portfolio	155	19,160

Critical Accounting Policies and Estimates

In our 2010 Financial Statements as well as in our 2010 MD&A, we identified the accounting policies and estimates that are critical to the understanding of our business operations and our results of operations. On January 1, 2011, with the adoption of IFRS, the critical accounting policies and estimates have been updated to conform to this adoption. Please refer to notes 1, 2 and 3 to our Financial Statements for our adoption of IFRS and a detailed discussion regarding our significant accounting policies and application of critical accounting estimates and judgements.

New Accounting Standards

Recent Accounting Pronouncements

International Financial Reporting Standards

In February 2008, the Accounting Standards Board ("AcSB") confirmed that IFRS will be mandatory in Canada for profit-oriented, publicly-accountable entities for fiscal periods beginning on or after January 1, 2011. Our first annual IFRS financial statements will be for the year ending December 31, 2011 and will include the comparative period of 2010. Starting with this quarterly report, we have provided unaudited consolidated quarterly financial information in accordance with IFRS, including comparative figures for 2010. Please refer to note 3 of our Financial Statements for a summary of the differences between our financial statements previously prepared under CGAAP and to those under IFRS as at January 1, 2010, for the three months ended March 31, 2010, and as at and for the year ended December 31, 2010.

IFRS 9, Financial Instruments

In October 2010, the International Accounting Standards Board ("IASB") issued IFRS 9 – *Financial Instruments* ("IFRS 9"). IFRS 9, which replaces IAS 39 – *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the interim and annual consolidated financial statements commencing January 1, 2013. We are assessing the impact of this new standard on our consolidated financial statements.

Exposure Draft – Leases

In August 2010, the IASB issued Exposure Draft – *Leases* to replace the current International Accounting Standard 17 – *Leases* ("IAS 17"). This Exposure Draft may significantly impact the accounting of leases under IFRS and was open for public comment until December 2010. There is currently no estimated date for adoption. We will continue to monitor the progress of this Exposure Draft, as well as other amendments to IFRS standards affecting Chartwell.

Exposure Draft – Co-ownerships

Under IAS 31 – *Interests in Joint Ventures* ('IAS 31"), there is an option to proportionately consolidate or equity-account for jointly controlled entities. The IASB is considering Exposure Draft 9 – *Joint Arrangements* ("ED 9") which is intended to replace IAS 31. ED 9 proposes to eliminate the option to proportionately consolidate interests in jointly-controlled entities. This would impact 27 jointly-controlled properties which we currently proportionately consolidate under IFRS and will not have an impact on Unitholders' Equity, net income or FFO going forward as it only has a presentation impact on the financial statements. The IASB has indicated that it expects to issue the new standard to replace IAS 31 in 2011.

Controls and Procedures

We are committed to maintaining effective disclosure controls and procedures and internal control over financial reporting. We continue making significant investments in improvements to our information systems and financial processes to further strengthen our internal controls. A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that its objectives are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; and (ii) the impact of isolated errors. Additionally, controls may be circumvented by the unauthorized acts of individuals, by the collusion of two or more people or by management override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting

The President and Chief Executive Officer and the Chief Financial Officer of the Trust have evaluated, or caused an evaluation under their direct supervision, of the design of the Trust's disclosure controls and procedures and internal control over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at March 31, 2011. Based on this evaluation, we have concluded that we have a) designed disclosure controls and procedures to provide reasonable assurance that (i) material information relating to Chartwell is made known to the President and Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the interim filings are being prepared and (ii) information required to be disclosed by Chartwell in its various reports filed or submitted under securities legislation is recorded, processed, summarized and reported within time periods specified in securities legislation; and b) designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes in the Trust's internal controls over financial reporting that occurred during the three-month period ended March 31, 2011 that have significantly affected, or are reasonably likely to significantly affect the Trust's internal control over financial reporting.

Forward–Looking Information and Risks and Uncertainties

Forward-Looking Information

This MD&A contains forward-looking information that reflects the current expectations, estimates and projections of management about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry. The words "plans", "expects", "does not expect", "is expected", "budget", "scheduled", "estimates", "intends", "anticipates", "does not anticipate", "projects", "believes" or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "might", "occur", "be achieved" or "continue" and similar expressions identify forward-looking statements. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, and that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements.

Examples of such forward-looking information in this document include but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions which may prove to be incorrect:

- information related to the stabilization of seniors housing communities in lease-up, which is subject to the risk and uncertainty that local factors affecting occupancy levels or resident fees may result in certain communities not achieving stabilization at the times expected and is based on the assumptions that the local markets in which such communities are located remain stable and our operations in such communities are consistent with historical performance;
- information related to the expected completion date of communities under construction, which is subject to the risk and uncertainty that, due to weather conditions, availability of labour and other factors, construction may be delayed, and is subject to the assumption that there is not a significant change to the typical construction timelines for our communities;
- possible benefits from the implementation of new supply chain management programs, which is subject to the risk and uncertainty that economic conditions result in increased costs of goods that offset any benefits from our purchasing power and is subject to the assumption that we are able to negotiate favourable terms with our vendors in the future;
- growth or lack thereof of G&A expenses, which is subject to the risk and uncertainty that economic conditions may result in increased costs of goods and services and management expense and is subject to the assumption that our need for corporate overhead does not substantially decrease or increase;
- our expectations regarding cash distributions and cash flow from operating activities, which are subject to the risk and uncertainty that our operating performance does not meet our expectations due to occupancy levels dropping, labour and operating costs increasing or due to other general business risks;
- our ability to predict seasonal increases in occupancy rates due to uncertain economic conditions;
- the decline in anticipated development and operations management fees due to Spectrum's reduced development activities;
- our ability to renew maturing debt, including our Credit Facility and to obtain new financings, in due course;
- the impact surrounding the implementation of the expected new regulations affecting retirement homes in Ontario;
- timing of closing of acquisitions which are subject to legal, regulatory and lenders' approvals which may not be received as currently expected;
- our expectations regarding achievement of certain occupancy levels at our LTC and retirement communities.

While we anticipate that subsequent events and developments may cause our views to change, we do not intend to update forward-looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimated expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. **There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.** These factors are not intended to represent a complete list of the factors that could affect us. See risk factors highlighted in materials filed with the securities regulatory authorities in Canada from time to time, including but not limited to our most recent Annual Information Form.

Risks and Uncertainties

Our Annual Information Form dated March 12, 2011 and our 2010 MD&A contain a detailed discussion of risk factors and uncertainties facing the REIT.

There were no significant changes to these risk factors and uncertainties as of the date of this MD&A.