CHARTWELL
SENIORS HOUSING REIT

Third Quarter 2004

Report to Unitholders

**For the Three and Nine Months Ended
September 30, 2004**

November 11, 2004

To Our Unitholders

We were very pleased with our performance in the third quarter or 2004 as we generated financial results that achieved the high end of our annualized distributable income run rate target.

Consolidated revenues for the three months ended September 30, 2004 were $38.7 million, a 30.8% increase over the second quarter of the year. Since the beginning of the year we have invested approximately $169.3 million in new acquisitions, development and mezzanine financing agreements, growing our portfolio of owned facilities by 86% to 6,191 suites. One of our stated goals is to become a leading consolidator of the highly fragmented Canadian seniors housing business, and with our significant growth so far this year, and the considerable number of opportunities we are currently evaluating, we are confident we will continue to expand our portfolio and grow distributable income while capturing economies of scale and cost synergies.

Our highly effective sales and marketing programs and cost control initiatives also enhanced our performance in the period. Net operating income from properties as a percentage of revenues rose to 31.2% in the third quarter compared to 29.5% in the second quarter of the year. Occupancies in the retirement home portfolio increased to 98% as at October 31, 2004 compared to 92% at June 30, 2004, while occupancies in our stabilized Long-Term Care facilities remained strong at 98%.

Distributable income for the three months ended September 30, 2004 was $9.4 million ($0.285 per diluted unit), higher than the $7.8 million ($0.299 per diluted unit) forecast at the time of our Initial Public Offering (IPO). Per unit amounts in the third quarter were lower than the IPO forecast due to the timing of deployment of the proceeds from the secondary public offering of trust units we completed in August. For the nine months ended September 30, 2004 distributable income was $19.6 million or $0.647 per diluted unit compared to the forecast of $22.0 million or $0.846 per diluted unit.

We were very pleased to have generating a much-improved payout ratio of 91.4% in the third quarter. We are also confident we will meet our annualized distributable income run rate target of between $1.16 and $1.19 per unit in the fourth quarter of 2004, resulting in a further improvement in our payout ratio.

During the third quarter we accelerated our internal growth programs with a number of projects in existing facilities to add suites as well as upgrades and repositioning strategies at others to enhance revenues and occupancies. We will continue to expand and update additional properties going forward.

Our focus on providing residents with a safe and rewarding lifestyle continues to attract seniors to our facilities across the country. Looking ahead, we are confident that our growing presence in key Canadian markets, our proven reputation for quality care and service, and our full spectrum of retirement lifestyles will enhance our performance through the balance of 2004 and in the years ahead.

(signed)	(signed)	(signed)
Stephen Suske	Robert Ezer	Brent Binions
Vice Chair & President	Chief Executive Officer	EVP Long-Term Care
		& Government Relations

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Consolidated Financial Statements
(In Canadian dollars)

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Three-month and nine-month periods ended September 30, 2004
(Unaudited)

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets
(In thousands of Canadian dollars)

	September 30, 2004	December 31, 2003
	(Unaudited)	
Assets		
Properties (note 3)	$ 540,143	$ 276,027
Mezzanine loans receivable (note 4)	42,497	24,879
Management contracts, resident contracts and customer relationships (note 5)	56,660	43,518
Cash and cash equivalents	319	40,308
Other assets (note 6)	19,312	24,175
Licenses	8,130	–
Goodwill	10,300	10,300
	$ 677,361	$ 419,207
Liabilities and Unitholders' Equity		
Liabilities:		
Mortgages payable (note 7)	$ 334,484	$ 157,091
Loans payable (note 8)	18,868	–
Accounts payable and other liabilities (note 9)	24,463	14,625
Distributions payable	3,054	3,767
	380,869	175,483
Unitholders' equity	296,492	243,724
Commitments and contingencies (notes 14 and 15)		
Subsequent events (note 18)		
	$ 677,361	$ 419,207

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 September 30, 2004	Nine-month period ended September 30, 2004
Revenue:		
Resident	$ 33,919	$ 83,404
Mezzanine loan interest (notes 4 and 12(a))	1,200	3,087
Management and financing fees (note 12(a))	3,517	5,401
Other	55	482
	38,691	92,374
Expenses:		
Direct operating	23,366	58,007
General and administration	1,513	4,827
	24,879	62,834
	13,812	29,540
Interest expense (note 12(b))	4,686	10,380
Depreciation and amortization	9,270	22,515
	13,956	32,895
Write-down in carrying value of management contracts (note 5)	–	501
Loss for the period	$ (144)	$ (3,856)
Loss per unit (note 11)	$ (0.004)	$ (0.131)

See accompanying notes to consolidated financial statements.

CHARTWELL SENIORS HOUSING REAL ESTATE INVESTMENT TRUST

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

Nine-month period ended September 30, 2004
(Unaudited)

	Units issued in dollars, net (note 10)	LTIP units under subscription	LTIP installment loans receivable	Losses	Distributions	Total
Unitholders' equity, January 1, 2004	$ 248,595	$ 8,753	$ (8,291)	$ (1,607)	$ (3,726)	$ 243,724
Loss for the period from January 1, 2004 to March 31, 2004	–	–	–	(866)	–	(866)
Distributions	–	–	–	–	(7,306)	(7,306)
Issuance of Class B units of Chartwell Master Care LP	7,919	–	–	–	–	7,919
Issue costs	(103)	–	–	–	–	(103)
Repayment of installment loans receivable	–	–	352	–	–	352
Interest on instalment loans receivable	–	–	(80)	–	–	(80)
Distributions applied against installment loans receivable	–	–	251	–	–	251
Unitholders' equity, March 31, 2004	256,411	8,753	(7,768)	(2,473)	(11,032)	243,891
Loss for the period from April 1, 2004 to June 30, 2004	–	–	–	(2,846)	–	(2,846)
Distributions	–	–	–	–	(7,391)	(7,391)
Issuance of Class B units of Chartwell Master Care LP	1,000	–	–	–	–	1,000
Issuance of Trust Units under the Distribution Reinvestment Program	242	–	–	–	–	242
Trust Units issued under the Long-Term Incentive Program	–	363	(328)	–	–	35
Issue costs	(54)	–	–	–	–	(54)
Repayment of installment loans receivable	–	–	60	–	–	60
Interest on instalment loans receivable	–	–	(76)	–	–	(76)
Distributions applied against installment loans receivable	–	–	212	–	–	212
Unitholders' equity, June 30, 2004	257,599	9,116	(7,900)	(5,319)	(18,423)	235,073
Loss for the period from July 1, 2004 to September 30, 2004	–	–	–	(144)	–	(144)
Distributions	–	–	–	–	(8,507)	(8,507)
Issuance of Trust Units pursuant to secondary public offering	66,600	–	–	–	–	66,600
Issuance of Trust Units on acquisition of properties	3,000	–	–	–	–	3,000
Issuance of Trust Units under the Distribution Reinvestment Program	323	–	–	–	–	323
Units issued under the Long-Term Incentive Program	–	60	(54)	–	–	6
Interest on instalment loan receivable	–	–	(78)	–	–	(78)
Distributions applied against instalment loan receivable	–	–	219	–	–	219
Unitholders' equity, September 30, 2004	$ 327,522	$ 9,176	$ (7,813)	$ (5,463)	$ (26,930)	$ 296,492

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 September 30, 2004	Nine-month period ended September 30, 2004
Cash provided by (used in):		
Operating activities:		
Loss for the period	$ (144)	$ (3,856)
Items not affecting cash:		
Depreciation and amortization	9,270	22,515
Write-down in carrying value of management contracts	–	501
Amortization of below-market resident contracts	(384)	(948)
Option benefit granted under the Long-Term Incentive Plan	3	21
Income from long-term investment	(5)	(24)
Distributions received on long-term investment	–	46
	8,740	18,255
Amortization of deferred financing expenses	452	627
Amortization of debt premium	42	106
Change in non-cash operating items	1,379	(1,910)
	10,613	17,078
Financing activities:		
Proceeds from mortgage financing	–	50,035
Net proceeds from loans payable	3,868	18,868
Mortgage principal repayments	(1,743)	(7,079)
Deferred financing costs	(1,414)	(3,422)
Trust Units issued pursuant to secondary public offering	70,313	70,313
Issue costs	(3,713)	(3,870)
Distributions paid	(7,556)	(22,974)
Deposits received under Long-Term Incentive Plan	6	606
	59,761	102,477
Investing activities:		
Acquisition of assets, net of debt assumed and units issued (note 2)	(57,772)	(151,713)
Additions to properties	(1,463)	(3,264)
Mezzanine loans receivable	(12,180)	(17,618)
Restricted cash	–	13,000
Capital funding receivable	20	51
	(71,395)	(159,544)
Decrease in cash and cash equivalents	(1,021)	(39,989)
Cash and cash equivalents, beginning of period	1,340	40,308
Cash and cash equivalents, end of period	$ 319	$ 319
Supplemental cash flow information:		
Interest paid	$ 4,649	$ 10,211

Supplemental cash flow information (note 16)

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 period ended December 31, 2003. During 2004, Chartwell REIT adopted the new accounting policies described in (b), (c) and (d) below:

As Chartwell REIT commenced operations on November 14, 2003, comparative figures have not been presented in connection with the consolidated statements of income, unitholders' equity and cash flows.

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) Licenses:

Licenses for the operation of long-term care facilities, when acquired, are recorded at cost.

These licenses have an indefinite life and are not amortized, but tested for impairment at least annually by comparing their carrying amount with their fair value.

1. Significant accounting policies (continued):

(c) Financial derivatives:

Chartwell REIT uses interest rate derivatives to manage its exposure to fluctuations in interest rates. When entered into, these derivatives are designated as hedges of the underlying liability. Gains or losses on hedges of existing assets or liabilities are deferred. Unrealized gains or losses on hedged commitments or anticipated transactions are not recorded in the consolidated financial statements until the transaction occurs.

Payments and receipts under interest rate swap contracts are recognized as adjustments to interest expense on long-term debt.

(d) Development management fees:

Revenue from development management activities are recorded on a project specific basis using the percentage of completion method based upon the level of effort expended to achieve pre-determined project milestones. No development management revenue is recognized prior to obtaining relevant permits or commencement of construction activities. Development management fees of $2,297 and $2,724 were recognized in the three and nine-month periods ended September 30, 2004, respectively.

2. Acquisitions:

During the three-month period ended September 30, 2004, Chartwell REIT completed the acquisitions of 10 seniors housing facilities. In the nine-month period ended September 30, 2004, Chartwell REIT acquired a total of 20 seniors housing facilities and a 50% interest in seven other facilities.

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

2. Acquisitions (continued):

The acquisitions have been recorded by the purchase method, with the results of operations included in these financial statements from the date of acquisition. The following table summarizes the acquired net assets, at fair value:

	Acquisitions from January 1, 2004 to March 31, 2004	Acquisitions from April 1, 2004 to June 30 2004	Acquisitions from July 1, 2004 to September 30 2004	Total
Assets:				
Properties	$ 68,513	$ 72,271	$ 128,189	$ 268,973
Land held for development	–	–	1,600	1,600
Licenses	8,130	–	–	8,130
Resident contracts	6,572	6,144	15,323	28,039
Capital funding receivable	2,824	–	–	2,824
	86,039	78,415	145,112	309,566
Liabilities:				
Mortgages payable	7,464	50,328	75,181	132,973
Below-market resident contracts	795	339	988	2,122
Working capital	800	510	477	1,787
	9,059	51,177	76,646	136,882
Net assets acquired	$ 76,980	$ 27,238	$ 68,466	$ 172,684
Settled by:				
Issuance of Trust Units	$ –	$ –	$ 3,000	$ 3,000
Issuance of Class B units of Chartwell Master Care LP	7,919	1,000	–	8,919
Vendor take-back mortgage	1,358	–	–	1,358
Deferred consideration on acquisition of properties	–	–	7,694	7,694
Cash	67,703	26,238	57,772	151,713
	$ 76,980	$ 27,238	$ 68,466	$ 172,684

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 these 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 12(b)).

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

3. Properties:

			September 30, 2004			December 31, 2003
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
			(Unaudited)			
Land	$ 59,840	$ –	$ 59,840	$ 26,900	$ –	$ 26,900
Buildings	471,684	7,121	464,563	242,816	786	242,030
Furniture, fixtures and equipment	17,718	1,978	15,740	7,291	194	7,097
	$ 549,242	$ 9,099	$ 540,143	$ 277,007	$ 980	$ 276,027

4. Mezzanine loans receivable:

In accordance with the terms of a Development Agreement dated November 14, 2003 ("Development Agreement") as amended, Chartwell REIT has advanced mezzanine loans of $40,096 (December 31, 2003 - $24,879) to Spectrum Seniors Housing Development LP ("Spectrum"), a limited partnership related to Chartwell REIT by virtue of common management. 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 September 30, 2004 bear interest at a rate of 14% per annum and are secured by second charges or pledges of Spectrum's interest over 24 (December 31, 2003 - 10) 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.

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

4. Mezzanine loans receivable (continued):

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 $2,401 to one of Spectrum's joint venture partners (the "Borrower"). These loans bear interest at 11.5% and 12% and are secured by a second fixed charge over the two development projects and a pledge of the Borrower's interests in the 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 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 Borrower.

5. Management contracts, resident contracts and customer relationships:

			September 30, 2004			December 31, 2003
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
			(Unaudited)			
Management contracts	$ 5,640	$ 1,226	$ 4,414	$ 6,213	$ 404	$ 5,809
Resident contracts	62,169	14,217	47,952	34,131	1,496	32,635
Customer relationships	5,200	906	4,294	5,200	126	5,074
	$ 73,009	$ 16,349	$ 56,660	$ 45,544	$ 2,026	$ 43,518

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.

During the nine-month period ended September 30, 2004, the termination of one management contract resulted in a write-down of $501 in the carrying value of management contracts.

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

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

6. Other assets:

	September 30, 2004 (Unaudited)	December 31, 2003
Accounts receivable	$ 2,289	$ 2,043
Deferred financing costs, net of accumulated amortization of $668 (December 31, 2003 - $41)	4,547	1,752
Amounts receivable for closing adjustments (note 12(c))	581	3,589
Capital funding receivable	2,773	–
Deposits on acquisitions	–	630
Long-term investment	1,518	1,539
Restricted cash	–	13,000
Due from Spectrum (note 12(a))	2,234	539
Land held for development	1,600	–
Prepaid expenses	2,266	768
Other	1,504	315
	$ 19,312	$ 24,175

Included in other income is $5 and $24 of income earned from Chartwell REIT's long-term investment for the three-month and nine-month periods ended September 30, 2004, respectively.

The capital funding receivable represents the discounted cash flows receivable from the Ontario Government 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 bear interest at fixed rates ranging from 3.36% to 7.75% (2003 - 4.15% to 7.75%), and variable rates ranging from prime to prime plus 1.45% (weighted average interest rate of 5.36% (2003 - 5.68%)) per annum. As at September 30, 2004, $41,207 of Chartwell's mortgages were at variable rates of interest. All mortgages 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
2004	$ 1,942	$ 29,345	$ 31,287
2005	8,625	49,474	58,099
2006	8,608	18,217	26,825
2007	8,320	14,210	22,530
2008	8,355	33,371	41,726
Thereafter	20,489	133,528	154,017
	$ 56,339	$ 278,145	$ 334,484

8. Loans payable:

	September 30, 2004	December 31, 2003
	(Unaudited)	
Operating line of credit	$ 7,000	$ –
Secured bridge loan	11,868	–
	$ 18,868	$ –

The REIT has arranged for a secured revolving operating facility in the amount of $18,500. The operating facility can be increased to $25,000 upon provision of further security.

Amounts outstanding under the operating line of credit bear interest at the bankers' acceptance rate plus 1.875% and are secured by second charges on specific facilities. The credit facility is due on November 30, 2004.

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

8. Loans payable (continued):

The secured bridge loan bears interest at prime plus 2%, is secured by second charges over two seniors' housing facilities and matures on November 5, 2004, with an option to extend the maturity date by an additional 90 days.

9. Accounts payable and other liabilities:

	September 30, 2004 (Unaudited)	December 31, 2003
Accounts payable and accrued liabilities	$ 11,994	$ 7,367
Amounts payable for closing adjustments	–	3,858
Below-market resident contracts, net of $1,073 of accumulated amortization (2003 - $125)	3,902	2,728
Resident deposits	873	672
Deferred consideration on acquisition of properties	7,694	–
	$ 24,463	$ 14,625

Deferred consideration on acquisition of properties relates to the two acquisitions completed in the three-month period ended September 30, 2004. Of this amount, $5,694 was settled subsequent to September 30, 2004. The remaining $2,000 is due on the earlier of the property achieving certain operating results and September 14, 2006.

10. Unitholders' capital:

Chartwell REIT's unitholders' capital is represented by two categories of unit equity: Trust Units and Special Voting Units issued to holders of Class B Units of Chartwell Master Care LP ("Master LP"), a subsidiary of Chartwell REIT. 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. As a result, unitholders' capital includes the issued and outstanding Trust Units of Chartwell REIT, as well as the Class B Master LP Units.

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

10. Unitholders' capital (continued):

Chartwell REIT is authorized to issue unlimited Trust Units.

(a) The following units are issued and outstanding:

	Number of voting units	Amount
Units outstanding, January 1, 2004	27,475,500	$ 248,595
February 11, 2004:		
Issuance of Class B Master LP units	791,855	7,919
Less issue costs	–	(103)
Units outstanding, March 31, 2004	28,267,355	256,411
Units issued pursuant to the Distribution Reinvestment Program	21,470	242
June 21, 2004:		
Issuance of Class B Master LP units	88,106	1,000
Less issue costs	–	(54)
Units outstanding, June 30, 2004	28,376,931	257,599
Units issued pursuant to the Distribution Reinvestment Program	29,126	323
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
Less issue costs	–	(3,713)
Units outstanding, September 30, 2004	34,913,347	$ 327,522

(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%.

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

10. Unitholders' capital (continued):

(c) Long-Term Incentive Plan:

On June 8, 2004 Chartwell REIT issued 30,000 Trust Units pursuant to the Long-Term Incentive Plan ("LTIP") at $11.49 per Trust Unit. On August 11, 2004 Chartwell REIT issued an additional 5,000 Trust Units pursuant to the LTIP at $11.46 per Unit.

As of September 30, 2004 there were 860,000 LTIP units under subscription outstanding.

11. Loss for the period per unit calculation:

	Three-month period ended September 30, 2004		Nine-month period ended September 30, 2004	
	Weighted average units	Amount	Weighted average units	Amount
Loss for the period	32,172,481	$ (144)	29,470,462	$ (3,856)
LTIP units under subscription	857,717	–	838,443	–
	33,030,198	$ (144)	30,308,905	$ (3,856)
Loss per unit		$ (0.004)		$ (0.131)

12. Related party transactions:

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

(a) Under the terms of the Development Agreement (note 4), Chartwell REIT provides operations management and development management services to Spectrum. Chartwell REIT earned management fees of $2,374 and $2,995 with respect to these services during the three-month and nine-month periods ended September 30, 2004, respectively.

12. Related party transactions (continued):

In addition Chartwell REIT earned $468 in financing fees from Spectrum during the three-month period ended September 30, 2004.

Chartwell REIT advanced an additional $12,180 and $17,618 in mezzanine loans to Spectrum and its joint venture partner during the three-month and nine-month periods ended September 30, 2004, respectively (note 4).

Other assets as of September 30, 2004 include $2,234 (December 31, 2003 - $539) due from Spectrum for management fees, financing fees and certain costs paid by Chartwell REIT on behalf of Spectrum.

In addition, other assets include advances of $200 (December 31, 2003 - $200) due from a joint venture where Spectrum holds a 72.5% interest.

(b) During the three-month period 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 $80 from an entity controlled by an officer of Chartwell REIT.

(c) As of December 31, 2003, other assets included $358 due from entities controlled by officers of Chartwell REIT and represented post-closing adjustments on acquisitions of properties (note 2). These amounts were settled prior to September 30, 2004.

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.

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

13. 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, administration and trust 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.

	Three-month period ended September 30, 2004			
	Retirement operations	Long-term care operations	Management operations	Total
		(Unaudited)		
Revenue	$ 23,576	$ 10,343	$ 3,517	$ 37,436
Direct operating expenses	13,894	9,172	300	23,366
Income before the undernoted	9,682	1,171	3,217	14,070
Interest expense	4,127	559	–	4,686
Income before depreciation and amortization	5,555	612	3,217	9,384
Depreciation and amortization	7,304	1,424	542	9,270
	$ (1,749)	$ (812)	$ 2,675	114
Items not allocated to operating segments:				
Interest and other income				1,255
General and administration expenses				(1,513)
Loss for the period				$ (144)
Expenditures for assets by segment:				
Properties and resident contracts	$ 138,549	4,963	$ –	$ 143,512
Capital improvements	757	706	–	1,463

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

13. Segmented information (continued):

	Nine-month period ended September 30, 2004			
	Retirement operations	Long-term care operations	Management operations	Total
	(Unaudited)			
Revenue	$ 57,017	$ 26,387	$ 5,401	$ 88,805
Direct operating expenses	34,042	23,092	873	58,007
Income before the undernoted	22,975	3,295	4,528	30,798
Interest expense	9,038	1,342	–	10,380
Income before depreciation and amortization and write-down	13,937	1,953	4,528	20,418
Depreciation and amortization	17,555	3,360	1,600	22,515
Write-down in carrying values of management contracts	–	–	501	501
	$ (3,618)	$ (1,407)	$ 2,427	(2,598)
Items not allocated to operating segments:				
Interest and other income				3,569
General and administration expenses				(4,827)
Loss for the period				$ (3,856)
Expenditures for assets by segment:				
Properties, licenses and resident contracts	$ 232,032	$ 73,110	$ –	$ 305,142
Capital improvements	2,333	931	–	3,264

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

13. Segmented information (continued):

	September 30, 2004				
	Retirement operations	Long-term care operations	Management operations	Other	Total
	(Unaudited)				
Total assets	$ 549,173	$ 63,934	$ 21,757	$ 42,497	$ 677,361
Total liabilities	335,064	42,751	–	3,054	380,869

14. Joint Venture operations:

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

	Three-month period ended September 30, 2004	Nine-month period ended September 30, 2004
Assets	$ 52,889	$ 52,889
Liabilities	34,579	34,579
Revenues	2,296	2,296
Expenses (including depreciation and amortization of $563)	2,643	2,643
Cash provided by (used in):		
Operating	$ 93	$ 93
Investing	41	41
Financing	(67)	67

Chartwell REIT is contingently liable for the other venturer's portion of the liabilities of the joint venture in which it participates, amounting to $34,579. The total assets of this joint venture are available to satisfy these liabilities.

15. 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 amount to approximately $270.

(b) Acquisitions:

As of September 30, 2004, Chartwell REIT committed to acquire four seniors housing facilities for an aggregate purchase price of approximately $41,300. Subsequent to September 30, 2004, Chartwell REIT completed the acquisition of two of these facilities for a purchase price of approximately $18,300 (note 18).

(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. The ultimate amount paid will be recorded in the financial statements with a corresponding adjustment to the purchase price of the property when the suites are complete and/or the property achieves stabilization.

(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.

15. Commitments and contingencies (continued):

(d) Mezzanine loans receivable:

As at September 30, 2004, Chartwell REIT has committed to provide additional mezzanine financing to Spectrum and other parties in the amount of $13,931 (note 4).

(e) Letters of credit:

As of September 30, 2004, Chartwell REIT was contingently liable for letters of credit in the amount of $195.

(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.

16. Supplemental cash flow information:

At September 30, 2004, distributions of $3,054 (December 31, 2003 - $3,767) remained payable to unitholders. This amount has 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 $8,919 of Class B Units of Master LP and $3,000 of Trust units and the issuance of a $1,358 vendor take-back mortgage. These amounts have been excluded from financing and investing activities in the consolidated statements of cash flows.

Deferred purchase consideration on acquisition of properties of $7,694 was excluded from investing and operating activities for the three-month and nine-month periods ended September 30, 2004.

During the three-month and nine-month periods ended September 30, 2004, distributions of $219 and $682, respectively, and interest of $78 and $234, respectively were applied against installment loans receivable related to the LTIP. These amounts have been excluded from financing activities on the consolidated statements of cash flows.

16. Supplemental cash flow information (continued):

During the three-month and nine-month periods ended September 30, 2004, Trust Units valued at $323 and $565, respectively, were issued pursuant to the DRIP. This amount has been excluded from financing activities on the consolidated statements of cash flows.

17. 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 September 30, 2004, $60,075 of Chartwell'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 5 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.

(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, 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.

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

(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 September 30, 2004 were $339,717 as compared to their carrying values of $334,484.

As of September 30, 2004, the fair value of capital funding receivable approximates its carrying value.

(d) Variable interest entities:

In June 2003, The Canadian Institute of Chartered Accountants (the "CICA") issued AcG-15, Consolidation of Variable Interest Entities. 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 is effective for all annual and interim periods, beginning on or after November 1, 2004.

Chartwell REIT is currently evaluating the impact of applying AcG-15 and has not yet completed its analysis.

18. Subsequent events:

Subsequent to September 30, 2004, Chartwell REIT completed the acquisition of two facilities located in Ontario from entities owned in the past by one of the Chartwell REIT's trustees for an aggregate purchase price of approximately $18,300. The purchase price was settled through the assumption of mortgages payable in the amount of approximately $4,300 and the issuance of 1,183,188 Class B units of Master LP valued at $14,000.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2004

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 and nine months ended September 30, 2004. This discussion and analysis should be read in conjunction with the unaudited consolidated financial statements of the REIT for the period and the notes thereto and the Management Discussion and Analysis and Audited Consolidated Financial Statements for the period from November 14, 2003 to December 31, 2003 ("Post IPO" period) and notes thereto found in Chartwell's 2003 Annual Report. 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 November 9, 2004.

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 discussed in the Management's Discussion and Analysis included in the REIT's 2003 Annual Report and other regulatory filings. There can be no assurance that the expectations of management of Chartwell will prove to be correct.

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's Discussion and Analysis section of Chartwell's 2003 Annual Report. The unaudited interim consolidated financial statements for the three and nine months ended September 30, 2004 follow the same accounting policies and methods of application except for any new or additional policies described in Note 1 to the Consolidated Financial Statements.

Subsequent to December 31, 2003 the REIT adopted three new accounting policies.

- With the completion of the acquisition of long-term care facilities, a portion of the purchase price paid for such facilities is now allocated to licenses. Licenses are not amortized, but tested for impairment annually.

- During the period the REIT entered into an interest rate swap arrangement where variable interest rate debt is swapped for fixed rate debt. This derivative financial instrument was designated as a hedge of the underlying liability. Gains and losses on this hedge are deferred.

- Revenue from development management is recorded on a project specific basis using the percentage of completion method based upon the level of effort expended to achieve pre-determined project milestones. No development management revenue is recognized prior to obtaining relative permits or the commencement of construction activities.

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 and any exchangeable security distribution amount; 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, and amounts received as contingent consideration for Operating Subsidies that 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 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 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, 2004 the Board of Trustees approved a revision to the definition of Distributable Income to include 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 and amounts received as contingent consideration for Operating Subsidies that are not included in Net Income under GAAP. Distributable income run-rate is calculated by annualizing quarterly distributable income.

OVERVIEW

The REIT commenced operations on November 14, 2003 following completion of its Initial Public Offering ("IPO"). The REIT did not hold any material assets prior to November 14, 2003 and is considered to have begun operations on that date.

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. As of September 30, 2004 Chartwell's portfolio of seniors housing facilities owned or managed on behalf of others consisted of interests in 12,406 suites in 119 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 3,500 people in its owned properties.

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 can provide mezzanine financing to Spectrum to develop seniors housing facilities and, in return, will receive 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.

RESULTS OF OPERATIONS

The selected information presented below is based on the consolidated financial statements of the REIT for the three and nine months ended September 30, 2004. No comparative results for the same periods in 2003 can be provided, as the entity was not in existence prior to November 14, 2003.

The REIT’s Offering prospectus dated October 31, 2003 included a statement of forecast income for the three months ended September 30, 2004 (the “Forecast”). The following table compares the unaudited results of the REIT for the nine months ended September 30, 2004 and the three months ended September 30, 2004 with the financial Forecast presented in the REIT’s prospectus. In light of recent acquisitions and other events previously disclosed, management has updated its outlook for the year ended December 31, 2004. Details can be found in the Outlook section of this discussion.

Period ended September 30, 2004 ($,000 except per unit amounts)	**Nine months ended September 30/2004 Actual**	**Nine months ended September 30, 2004 Forecast**	**Three months ended September 30/2004 Actual**	**Three months ended September 30/2004 Forecast**
Revenue:				
Retirement Homes	57,017	52,549	23,576	18,111
Long-Term Care facilities	26,387	30,801	10,343	10,334
Mezzanine loan interest	3,087	3,955	1,200	1,275
Management fees:				
Spectrum [1]	3,463	1,573	2,842	593
Other	1,938	2,291	675	822
Other income	482	-	55	-
	92,374	91,169	38,691	31,135
Expenses:				
Direct operating	58,007	56,106	23,366	18,899
General and administrative	4,827	3,673	1,513	1,214
	62,834	59,779	24,879	20,113
Income before Interest, depreciation and amortization	29,540	31,390	13,812	11,022
Interest expense	10,380	9,105	4,686	3,114
Income before depreciation and amortization	19,160	22,285	9,126	7,908
Depreciation and amortization[2]	22,515	4,458	9,270	1,529
Write down of carrying value of management contracts	501	-	-	-
Net income (loss)	(3,856)	17,827	(144)	6,379
Depreciation and amortization	22,515	4,458	9,270	1,529
Amortization of deferred financing expenses	627	216	452	72
Amortization of below market leases	(948)	-	(384)	-
Amortization of debt premiums	(627)	(509)	(281)	(169)
Write down of carrying value of management contracts	501	-	-	-
Principal portion of capital funding receivable	50	-	19	-
Amounts received under Net Operating Income guarantee	1,337	-	466	-
Distributable Income	19,599	21,992	9,398	7,811
Weighted average number of units outstanding	29,470,462	25,179,191	32,172,481	25,263,942
Dilutive LTIP	838,443	825,000	857,717	825,000
	30,308,905	26,004,191	33,030,198	26,088,942
Distributable Income per unit – basic	0.665	0.873	0.292	0.309
Distributable Income per unit – diluted	0.647	0.846	0.285	0.299
Distributions declared	23,438		8,585	
Distributions per unit - diluted	0.773		0.260	

1) The original forecast did not contemplate the current policy for recognizing revenue from development management activities (see discussion under Management Fees).

2) The accounting policy for depreciation and amortization used in the forecast did not contemplate the new policies required to be adopted by all real estate companies effective January 1, 2004 (see discussion under Depreciation and Amortization).

Revenue

Retirement Homes

($,000)	Nine months ended September 30/2004 Actual	Nine months ended September 30, 2004 Forecast	Three months ended September 30/2004 Actual	Three months ended September 30/2004 Forecast
Retirement Home Revenue[(1)]	57,017	52,549	23,576	18,111

(1) Retirement Home Revenue includes amortization of below market leases of $948 and $384 for the nine and three months ended September 30, 2004 that was not stipulated by the original forecast.

For the nine months ended September 30, 2004, Retirement Home revenues were higher than forecast due to the contribution from the acquisition of twelve properties and the acquisition of a 50% interest in seven properties that were not included in the forecast. Retirement Home revenues for the three months ended September 30, 2004 were higher than forecast due to ten of the twelve property acquisitions closing during the third quarter of 2004. These acquisitions contributed $8.1 million of revenue for the nine months ended September 30, 2004 and $6.7 million in the third quarter.

The increase in revenue attributable to these acquisitions was offset by the following:

- The REIT did not acquire two Retirement Home properties from Spectrum that were forecasted to be acquired by September 30, 2004. It is anticipated that these facilities will be acquired in the first quarter of 2005. The REIT continued to receive management fee revenue and mezzanine interest income from these properties.

- Regulatory delays in the acquisition of one free standing retirement home and three retirement homes housed in long-term care facilities resulting from elections held in Ontario in the fall of 2003. Management had anticipated these acquisitions would be completed by December 31, 2003. These acquisitions were completed by February 11, 2004.

- The anticipated lease-up of a retirement facility in Western Canada was slowed by a delay in the opening of an adjacent long-term care facility, not owned by the REIT. The vendor of this retirement facility provided the REIT with a net operating income guarantee of $1.0 million to compensate the REIT in the event of a shortfall in actual net operating income compared to Forecast. The REIT had collected on the full income guarantee at September 30, 2004. Lease up at this facility had increased from 47% as at June 30, 2004 to 75% as at September 30, 2004 and it is expected that the property will achieve a 90% occupancy by the first quarter of 2005 and that the revenue for 2005 will be in line with the original forecast.

- Previously reported lower than forecast occupancies in seven facilities contributed to a reduction in Retirement Home revenues for the nine months to September 30, 2004. However, as a result of comprehensive marketing strategies implemented at these properties, the average occupancy has improved from 86% as at June 30, 2004 to 93% as at September 30, 2004. These marketing initiatives have had an impact across the entire Retirement Home portfolio with an overall occupancy in Retirement Homes of 97% at October 31, 2004, up from 92% at June 30, 2004. These occupancies are based on the number of residents in a facility. The Retirement Homes' occupancy at October 31, 2004, based on the number of units occupied, is 92%, up from 86% at June 30, 2004.

Management believes that retirement home revenues will exceed the Forecast in the fourth quarter due to the number of facilities acquired in 2004 not included in the Forecast and continued improvement in occupancies being experienced across the portfolio.

<u>Long-Term Care Facilities</u>

($,000)	Nine months ended September 30/2004 Actual	Nine months ended September 30, 2004 Forecast	Three months ended September 30/2004 Actual	Three months ended September 30/2004 Forecast
Long-Term Care Revenue	26,387	30,801	10,343	10,334

Revenues from long-term care facilities for the nine months ended September 30, 2004 were lower than forecasted due primarily to regulatory delays in closing the acquisition of seven long-term care facilities that management had anticipated would close by December 31, 2003. The acquisition of these facilities was completed by February 11, 2004.

Revenues from the long-term care facilities for the three months ended September 30, 2004 were in line with the forecast.

The revenue contributed by the 31 long–term care beds in a facility acquired in the third quarter was offset by lower than forecasted revenues from three existing facilities, one of which was in lease-up at the time of the acquisition. The facility that was in lease up filled up slower than anticipated. This facility was 97% occupied at September 30, 2004 and is expected to achieve full occupancy in the fourth quarter.

Another long-term care facility will be undergoing a capital improvement program that will reposition the facility and increase the potential revenue due to the conversion of suites that will create additional preferred accommodation. It is anticipated that this will be completed in the third quarter of 2005 with the resulting benefits commencing at that time.

The third facility was impacted by the opening of two new facilities in the immediate vicinity. These new facilities achieved full occupancy in October 2004, and it is expected that the REIT's facility will return to full occupancy by December 31, 2004.

In addition the Long-Term Care Homes did not receive their normal inflation increase for the accommodation envelope until October 1, 2004 instead of the expected date of July 1, 2004.

Competition in Ontario from the addition of approximately 17,300 new long-term care beds over the past 4 years is expected to continue putting pressure on occupancies in the short-term on certain of the REIT's long-term care and retirement homes. Furthermore, management has noticed that in markets where the last of the new long- term care facilities have opened, the market for both long-term care and Retirement Homes have firmed up to pre-announcement levels.

Mezzanine Loan Interest

($,000)	Nine months ended September 30/2004 Actual	Nine months ended September 30, 2004 Forecast	Three months ended September 30/2004 Actual	Three months ended September 30/2004 Forecast
Mezzanine loan interest	3,087	3,955	1,200	1,275

As of September 30, 2004, the REIT advanced $40.1 million of mezzanine loans to Spectrum. In accordance with the terms of the Development Agreement with Spectrum, mezzanine loans will bear interest at a rate equal to the greater of the yield on five year Canada bonds plus 5% and the annualized REIT's cash distributions yield for the most recent quarter, subject to a minimum rate of 10% per annum and a maximum rate of 14% per annum. All mezzanine loans to Spectrum outstanding as at September 30, 2004 bear interest at 14% per annum.

Mezzanine Loan Interest for the three month period ended September 30, 2003 was slightly below the Forecast as the effect of the additional interest from mezzanine financings not included in the Forecast did not fully offset the impact of previously reported delays in the commencement of the original Spectrum projects included in the original forecast.

During the three months ended September 30, 2004, the REIT advanced $9.8 million of additional mezzanine funds to Spectrum for ten development projects of which four were not included in the original forecast.

In addition, the REIT advanced $2.4 million of mezzanine funds to Spectrum's joint venture partner in two development projects in British Columbia, neither of which were included in the original Forecast. These loans bear interest at 11.5% and 12% per annum.

Mezzanine Loan Interest for the nine months ended September 30, 2004 was $.85 million below the Forecast due to the following:

- The delay in the advancing of the mezzanine loans included in the original forecast, of which the majority were advanced by the end of third quarter of 2004.
- As previously disclosed, a facility that was originally forecasted to be acquired by Spectrum was acquired by the REIT in the second quarter of 2004. The reduction in mezzanine interest was offset by the operating income that the REIT now receives from this property.

Management anticipates that Mezzanine Loan Interest will exceed the Forecast for the fourth quarter of 2004. This is a result of a full quarter impact of the funds advanced prior to September 30, 2004. The REIT has also identified eight other projects for which funds are expected to be advanced prior to December 31, 2004.

Management Fees

($,000)	Nine months ended September 30/2004 Actual	Nine months ended September 30, 2004 Forecast	Three months ended September 30/2004 Actual	Three months ended September 30/2004 Forecast
Spectrum	3,463	1,573	2,842	593
Other	1,938	2,291	675	822
	5,401	3,861	3,517	1,415

Management fees from Spectrum and other third parties were higher than Forecast for the three months ended September 30, 2004 due to a much higher level of development activity in the quarter than Forecast as Spectrum commenced the development of eleven projects.

In addition, financing fees of $0.4 million were earned from Spectrum for arranging construction credit facilities for its projects. These fees were earned pursuant to an agreement between the REIT and Spectrum. The fees were not included in the original forecast and it is expected that the REIT will continue to earn fees from this source in the future.

The above increases were offset by the previously disclosed loss of a management contract in the third quarter of 2004. The REIT had recorded a one-time reduction in the carrying value of management contracts in the previous quarter.

Management fees from Spectrum for the nine month period ended September 30, 2004 were higher than the Forecast due to development and financing fees described above.

The REIT recognizes development management fee revenue using a percentage of completion method based upon the level of effort expended to achieve pre-determined project milestones. The REIT estimates that 65% of the efforts are spent by the time of the commencement of construction. As such the REIT recognizes 65% of the total project development fees upon the earlier of the commencement of construction activity, or the obtaining of the required permit.

The original forecast was based upon a different estimate of the revenue earned throughout the development period. The adoption of the current accounting policy resulted in $0.8 million and $1 million increase in management fees for the three and nine months ended September 30, 2004 respectively for the projects included in the original Forecast.

In addition, the REIT recognized development management fees of $1.2 million and $1.3 million in the three and nine months ended September 30, 2004 respectively for projects that were not contemplated in the original forecast.

Management fees for the nine months ended September 30, 2004 also included the amounts earned pursuant to the escrow closing at November 14, 2004 of three long-term care facilities. This revenue ceased on February 11, 2004 with the acquisition of the facilities. In addition, the REIT entered into four new third-party management contracts during 2004 that were not included in the Forecast.

It is anticipated that management fee revenue will exceed Forecast in the fourth quarter of 2004 as an additional four Spectrum's development projects are scheduled to commence. In addition, the REIT expects to earn fees for financing three Spectrum construction projects in the fourth quarter of 2004.

Other Income

($,000)	**Nine months ended September 30/2004 Actual**	**Nine months ended September 30, 2004 Forecast**	**Three months ended September 30/2004 Actual**	**Three months ended September 30/2004 Forecast**
Other income	482	-	55	-

Other income represents primarily interest income earned in the period on the excess cash proceeds from public offerings that were not deployed for acquisitions.

Expenses

Direct Operating Expenses

($,000)	**Nine months ended September 30/2004 Actual**	**Nine months ended September 30, 2004 Forecast**	**Three months ended September 30/2004 Actual**	**Three months ended September 30/2004 Forecast**
Direct operating	58,007	56,106	23,366	18,899

Direct operating expenses for the nine months ended September 30, 2004 were higher than Forecast due to the increase in the number of facilities owned and managed by the REIT.

Direct operating expenses in the third quarter of 2004 were higher than Forecast due to the costs associated with operating facilities acquired during the period and higher property operating overheads. The higher operating overhead costs were incurred in order to support the current and anticipated growth in the REIT's portfolio. With the infrastructure now in place we expect the impact of these costs on margins to diminish over time as the portfolio continues to grow.

General and Administrative Expenses

($,000)	Nine months ended September 30/2004 Actual	Nine months ended September 30, 2004 Forecast	Three months ended September 30/2004 Actual	Three months ended September 30/2004 Forecast
General and administrative	4,827	3,673	1,513	1,214

General and administrative expenses, including trust expenses, were higher than Forecast for the three and nine month periods ended September 30, 2004 due primarily to the addition of new staff during the second quarter to manage Chartwell's current and future growth (including a new VP Real Estate Finance, VP Third-Party Management Services, VP Labour Relations, five general financial support staff and Western Canadian operations personnel) and the costs to consolidate multiple offices into a single leased head office facility in Mississauga, Ontario. In addition, Chartwell has experienced higher than anticipated securities regulation compliance costs in 2004 than Forecast. General and Administrative Expenses were 5.2% of gross revenues for the nine months ended September 30, 2004 and 3.9% for the three months ended September 30, 2004. Management anticipates that general and administrative expenses will represent approximately 5% of gross revenues for the full year of 2004..

Interest Expense

($,000)	Nine months ended September 30/2004 Actual	Nine months ended September 30, 2004 Forecast	Three months ended September 30/2004 Actual	Three months ended September 30/2004 Forecast
Interest expense	10,380	9,105	4,686	3,114

Interest expense was higher than the Forecast for the three and nine month periods ended September 30, 2004 mainly due to the additional mortgage debt assumed or arranged in respect of the financing of new acquisitions. Chartwell REIT also incurred additional interest costs in respect of the amounts outstanding under its line of credit and secured bridge facility.

Depreciation and Amortization

($,000)	Nine months ended September 30/2004 Actual	Nine months ended September 30, 2004 Forecast	Three months ended September 30/2004 Actual	Three months ended September 30/2004 Forecast
Depreciation and amortization	22,515	4,458	9,270	1,529

Depreciation and amortization expense for the three and nine months ended September 30, 2004 was significantly higher than Forecast due to the required adoption of two new accounting policies not contemplated in the Forecast. These policies were required to be adopted by all

Canadian real estate companies in order to comply with the new CICA requirements of EIC-140 “Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination” and Handbook Section 1100 “Generally Accepted Accounting Principles”. As a result of the EIC -140 amortization expenses increased by approximately $5.2 million ($0.157 per diluted unit) in the third quarter and $12.4 million ($0.409 per diluted unit) in the first nine months of 2004 due to shorter amortization period for acquired resident contracts. The Forecast did not stipulate allocation of purchase price to these intangible assets. In addition, depreciation expense increased by approximately $1 million ($0.030 per diluted unit) in the third quarter and $4.1 million ($0.135 per diluted unit) in the first nine months of 2004 due to a required change in accounting policy for depreciating real property from the sinking fund method, which had been used in the Forecast, to the straight line method.

Operating Margins

Operating margin is defined as net operating income as a percentage of revenue excluding the amortization of below market leases.

	Q1 2004	Q2 2004	Q3 2004	YTD 2004
RH	39.7%	38.8%	40.1%	39.3%
LTC	14.1%	12.6%	11.3%	12.5%
Management Operations	69.7%	69.6%	91.5%	83.8%

The retirement home margins increased in the third quarter due to improved occupancies experienced in the portfolio and the acquisition of three independent-living facilities in Quebec, which generated higher than average margins due to the limited services that are provided to the residents in these facilities.

The lower margins in the long-term care portfolio are due mainly to the continuing pressures from competition in Ontario, which resulted in lower than expected occupancies in certain facilities and the previously mentioned delay in the receipt of increase in accommodation fees from the government.

The higher margins generated by the management operations are primarily due to the increased development management and financing fees earned during the third quarter.

Net Income (Loss)

Net Income was below forecast primarily due to the significant increase in Depreciation and Amortization expenses as a result of the adoption of required accounting changes, as discussed above and, therefore, is not comparable to the Forecast.

Distributable Income and Distributable Income per Unit

Period ended September 30, 2004 ($,000 except per unit amounts)	Nine months ended September 30/2004 Actual	Nine months ended September 30, 2004 Forecast	Three months ended September 30/2004 Actual	Three months ended September 30/2004 Forecast
Distributable Income	19,599	21,992	9,398	7,811
Weighted average number of units outstanding	29,470,462	25,179,191	32,172,481	25,263,942
Dilutive LTIP	838,443	825,000	857,717	825,000
	30,308,905	26,004,191	33,030,198	26,088,942
Distributable Income per unit – basic	0.665	0.873	0.292	0.309
Distributable Income per unit – diluted	0.647	0.846	0.285	0.299
Distributions declared	23,438		8,585	
Distributions per unit - diluted	0.773		0.260	

Distributable Income for the three months ended September 30, 2004 was higher than the Forecast primarily due to the following:

- The acquisition of twelve seniors housing facilities and a 50% interest in the seven seniors housing facilities completed in 2004 that were not contemplated by the original forecast.

- Higher than forecasted development fee income from Spectrum.

- Financing fees from Spectrum, not included in the original forecast.

- The amounts received under the net operating income guarantees not contemplated by the original forecast.

Distributable Income per unit for the three months ended September 30, 2004 was lower than forecasted primarily due to the timing of deployment of the proceeds from the secondary public offering completed in the quarter.

Distributable Income and Distributable Income per unit for the nine months ended September 30, 2004 was lower than Forecast primarily due to the following:

- On November 24, 2003, the REIT raised $29.7 million net of issue costs through the issuance of 3.150 million of Trust units pursuant to the over allotment option. This capital was not fully deployed in income producing properties until near the end of the second quarter of 2004. The increase in units outstanding also negatively impacted per unit amounts.

- As discussed previously, the acquisition of eight seniors housing facilities Forecasted to close prior to December 31, 2003 were delayed due to regulatory delays. All of these acquisitions were completed by February 11, 2004. Four of these facilities were operated in escrow by the vendors for the account of the REIT, from November 14, 2003 to the date of closing.

- The mezzanine financing advances to Spectrum and related management fees with respect to a portfolio of four seniors housing facilities contemplated by the Offering were also postponed past the anticipated December 31, 2003 closing date due to regulatory delays. .

- Direct operating costs and general and administrative costs were also higher than Forecast in the nine months ended September 30, 2004 due to factors outlined earlier in this discussion.

- The REIT experienced certain operating and occupancy issues through the first six months of 2004. As outlined earlier in this discussion, the majority of these issues have been addressed and the occupancies in the identified facilities have increased in the third quarter.

FINANCIAL POSITION

	September 30, 2004	December 31, 2003
Real Property Investments	540,143	$276,027
Total Assets	677,361	419,207
Mortgages Payable	334,484	157,091
Total Liabilities	380,869	175,483
Unitholders' Equity	296,492	243,724
Total Liabilities and Equity	677,361	419,207

The increase in total assets as at September 30, 2004 compared with December 31, 2003 is due primarily to the completion of acquisitions of eight seniors housing facilities contemplated by the IPO as well as twelve seniors housing facilities and a 50% interest in seven other facilities. The increase in licenses from the year-end is due to the acquisition of long-term care facilities in the first quarter of 2004.

Mortgages payable increased from December 31, 2003 due primarily to financing of acquisitions completed in the period and mortgages assumed in same transactions. This was partially offset by mortgage principal repayments of approximately $7.1 million. As a result of its acquisition activity, the REIT accessed its credit facilities and had outstanding loans payable of approximately $18.9 million at September 30, 2004.

PROPERTY PORTFOLIO

The following table summarizes the composition of Chartwell's real estate portfolio as at September 30, 2004 as compared to December 31, 2003:

As at	September 30, 2004	December 31, 2003
Number of suites	6,191	3,319
Number of properties	63(2)	40(1)
Composition (% of annualized NOI)		
Independent living	27%	20%
Retirement homes	59%	71%
Long-Term Care facilities	14%	9%

1) AS AT DECEMBER 31, 2004, FOUR OF THESE FACILITIES WERE OPERATED IN ESCROW BY THE VENDORS FOR THE ACCOUNT OF CHARTWELL. THE ACQUISITION OF THESE FACILITIES WAS COMPLETED ON FEBRUARY 11, 2004.
2) INCLUDES 7 PROPERTIES IN WHICH CHARTWELL HOLDS A 50% INTEREST.

The increase in the property portfolio as at September 30, 2004 is due to the acquisition of interests in 23 properties (2,872 suites) over the nine month period, excluding four properties operated in escrow on December 31, 2003.

The portfolio is geographically diversified with 56% of total suites situated in Ontario, 28% in Quebec, 8% in Alberta and 8% in British Columbia as at September 30, 2004. The REIT does not own or manage facilities in the United States.

Chartwell established a new joint venture relationship with Groupe Melior Inc. ("Melior"), a manager and operator of seniors housing facilities in the Province of Quebec. Under the agreement, Chartwell and Melior formed a new management company, 50% owned by each of Chartwell and Melior, to operate all of the properties to be owned by Melior and Chartwell in the Province of Quebec.

Through this joint venture, Chartwell acquired a 50% interest in seven properties in such centres as Aylmer, Hull and Quebec City for approximately $50.6 million. In total, the portfolio consists of 1,032 independent living, assisted living and long-term care suites in operation or in lease-up. Chartwell will also have access to a development pipeline of a further 1,000 suites in properties located throughout the Province of Quebec.

This strategic relationship with an established and proven participant in the Quebec seniors housing business is a key element in Chartwell's plan to grow its presence in the province.

MORTGAGE DEBT

The following table outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates as at September 30, 2004:

Year	Regular Principal	Principal Due at Maturity	Total	Weighted Average Interest Rate of Maturing Debt
2004	1,942	29,345	31,287	4.52%
2005	8,625	49,474	58,099	4.80%
2006	8,608	18,217	26,825	4.58%
2007	8,320	14,210	22,530	4.79%
2008	8,355	33,371	41,726	5.52%
2009-2014	17,561	121,550	139,111	5.62%
2015-2020	2,928	11,978	14,906	7.25%
Total	56,339	278,145	334,484	

The average term to maturity for the total mortgage portfolio is approximately 4.8 years, and the weighted average interest rate is 5.36%.

During the third quarter, the REIT assumed mortgages totaling $75.2 million bearing a weighted average interest rate of 5.3%. For the nine-month period ended September 30, 2004, the REIT assumed mortgages totaling $133.0 million of which $2.6 million was repaid on closing.

During the first six months of 2004, the REIT arranged new mortgage financing for ten of its newly acquired facilities in the aggregate amount of $50.0 million. This mortgage debt bears interest at a weighted average rate of 5.55% and matures on various dates up to February 2014.

The REIT had $41 million of floating rate mortgage debt outstanding at September 30 2004. Of this debt $36 million was assumed on acquisitions that were completed in the third quarter. Subsequent to the end of the quarter the REIT converted $23 million of this debt to a fixed rate of 4.35% for 5 years. In addition the REIT has obtained a commitment to convert an additional $3 million of the floating rate mortgages to fixed rate debt.

In the first quarter of 2004 the vendor of one facility, an entity controlled by certain officers of the REIT, provided Chartwell with a vendor take back mortgage in the amount of $1.4 million. This mortgage is interest free and matures on December 1, 2005. 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 September 30, 2004 Chartwell's debt leverage ratio was 50.3%. 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 $68 million. This would allow the REIT to acquire approximately $171 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 September 30, 2004 were as follows:

Payment due by Period	(000's of dollars)						
	Total	2004	2005	2006	2007	2008	Thereafter
Mortgages Payable	334,484	31,287	58,099	26,825	22,530	41,726	154,017
Operating Leases	2,980	6	157	260	280	294	1,983
Land Rent	7,214	32	126	126	126	126	6,678
Mezzanine Loan Funding Obligations	13,931	13,931	-	-	-	-	-
Purchase Obligations	58,948	27,818	31,130	-	-	-	-
Total Contractual Obligations	417,557	73,074	89,512	27,211	22,936	42,146	162,678

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

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 four retirement residences in Ontario, British Columbia and Quebec.

Purchase obligations relate to the following:

- Announced acquisitions of three retirement homes and one long-term care facility for a total purchase price of $41.3 million.
- Three contingent considerations on 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, 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 on acquisition of properties:
    - $5.7 million related to the acquisition of a retirement home in Quebec due on the earlier of the property achieving pre-determined revenue levels and December 31, 2004. This amount was settled subsequent to September 30, 2004.

- $2 million related to the acquisition of a retirement home in Ontario due on the earlier of the property achieving certain operating results commencing February 2005 and 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. In addition the REIT has arranged a secured revolving operating facility up to $18.5 million. The operating facility can be increased to $25 million upon the provision of further security. As of September 30, 2004 the REIT had borrowed $7 million under this facility.

Chartwell has also arranged for a secured bridge facility in the amount of $11.9 million, which has been fully utilized as of September 30, 2004. This facility will be repaid from the proceeds of the refinancings of two properties, which secure this facility. This facility was paid down by $2.3 million subsequent to September 30 2004 and it is expected the remaining refinancing will be completed in the fourth quarter of 2004.

Management is currently negotiating an increase to its existing credit facilities and expects that the increased facilities will be sufficient to satisfy its current contractual obligations.

The REIT completed a secondary offering of Trust Units on August 6, 2004, issuing 6.25 million trust units at $11.25 per unit. The gross proceeds amounted to $70.3 million and were used to repay the balances outstanding under the REIT's credit facilities and acquisitions.

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 capital expenditures on the properties.

Management is confident that the REIT's operations will generate sufficient cash resources to maintain its current level of distributions.

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

	Nine months ended September 30, 2004	Period from Nov. 14, 2003 to Dec. 31, 2003
Cash provided by (used) in:		
Operating activities	17,078	(7,560)
Financing activities	102,469	259,246
Investing activities	(159,544)	(211,378)
Increase (Decrease) in cash and cash equivalents	(39,989)	40,308

Cash provided by operating activities increased due to positive funds from operations in the period and the change in non-cash working capital. The changes in the non-cash working capital are mainly due to the increase in accounts payable and other liabilities due to the additions of new properties to the portfolio offset by higher prepaid expenses and other assets.

Cash provided by financing activities in 2004 represents mainly the proceeds from the August 2004 secondary offering and proceeds from mortgages and loans payable, offset by debt principal repayments and distributions. Financing activities for the period ended December 31, 2003 include proceeds from the IPO.

Investing activities for the nine months ended September 30, 2004 represent cash used for the acquisition of interests in 27 seniors housing facilities and advances to Spectrum and its joint venture partners for the development of 14 seniors housing facilities. This compares with the acquisition of 40 properties in the period ending December 31, 2003 and mezzanine loans advanced for 10 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 period from January 1, 2004 to September 30, 2004:

i) Under the terms of the Development Agreement with Spectrum, a company controlled by the senior management of the REIT, the REIT provides mezzanine financing for Spectrum's development projects and provides development and operations management services for a fee.

   As of September 30, 2004, the REIT had advanced $40.1 million (December 31, 2003 - $24.9 million) of mezzanine funds to Spectrum. These loans bear interest at 14% and are secured by second charges or pledges in interests in 24 seniors' housing development properties. In addition, the REIT has advanced $2.4 million of mezzanine loans to one of spectrum's joint venture partners (the "Borrower"). These loans bear interest at 11.5% and 12% and are secured by the second fixed charge over the two development projects and a pledge of the Borrower's interest in the 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.

   For the third quarter and first nine months of 2004, the REIT earned interest income of $1.2 million and $3.1 million respectively on its mezzanine loans and $2.8 million and $3.5 million respectively of management and financing fees from Spectrum. Other Assets as of September 30, 2004 include $2.2 million due from Spectrum.

   In addition, accounts receivable includes $0.2 million due from a joint venture where Spectrum holds a 72.5% interest.

ii) In February, 2004, the REIT acquired four seniors housing facilities acquired from the entities controlled by officers of Chartwell for a total purchase price of $39.4 million. The purchase price was settled for a cash payment of $30.1 million, the issuance of 791,855 Class B Units of Master Care LP valued at $7.9 million and a vendor-take-back mortgage of $1.4 million.

Prior to closing these facilities were operated in escrow by the vendors for account of Chartwell. During the period, Chartwell earned management fees in the amount of $0.3 million and accrued interest expense in the amount of $0.1 million pursuant to the Escrow Agreement.

SUBSEQUENT EVENTS

On October 22, 2004 the REIT announced that it had acquired two luxury retirement residences situated in mid-town Toronto. The properties are well established in upscale markets with significant demand for the high-end accommodation and services offered by the facilities. Totaling 109 suites, the purchase price was approximately $18.3 million. The vendors have elected to receive approximately $14.0 million in Class B Chartwell Master Care LP Units in partial settlement of the purchase price. The Class B LP Units are exchangeable for units of the REIT on a one-for-one basis. The balance of the purchase price will be satisfied by the assumption of mortgage debt. The transaction is effective as of October 1, 2004.

Chartwell acquired the two residences from a limited partnership that includes Mr. Thomas Schwartz, a member of Chartwell Master Care LP's Board of Directors. The transaction was reviewed and approved by the Chartwell Investment Committee, which is composed entirely of independent directors, after comprehensive due diligence and receipt of independent third-party evaluations of the properties. These evaluations indicated that the purchase price was fair and in line with other similar transactions in the market. The full Board of Directors subsequently considered and approved the transaction. Mr. Schwartz, both in his capacity as a member of the Investment Committee and as a director, refrained from voting on the transaction and excused himself from the deliberations of the Committee and the Board.

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 through the balance of 2004 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. Chartwell also has access to over 3,000 suites currently owned by Spectrum. Chartwell has the option to acquire these suites at a discount to appraised value.

Chartwell also believes that internal revenue growth will come from enhancing the already high occupancies in its 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.

In addition, as a component of its internal growth program, management intends to add new suites to existing facilities through property expansions. As of September 30, 2004 the REIT is engaged in the following projects:

- Repositioning of the Gibson Long Term Care Centre to create addition 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 and will obtain financing for 80% of the estimated cost.

- Addition of 18 suites at New Edinburgh Square Retirement Home. The expected completion date is the second quarter of 2005. Management estimates the REIT will invest approximately $2.0 million in the project and will obtain financing for 80% of the estimated cost.

- Repositioning of Devonshire Seniors Residence. The expected completion date is the second quarter of 2005. Management estimates the REIT will invest approximately $1.5 million in the project.

- A 97-suite addition at Le Monestere D'Aylmer. The expected completion date is the second quarter of 2006. Management estimates the REIT will invest approximately $2.1 million in the project.

- A 56-suite addition at Le Residence Principale Cowansville. The expected completion date is the second quarter of 2006. Management estimates the REIT will invest approximately $1.3 million in the project.

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.

In light of recent acquisitions and other previously disclosed developments, on July 14, 2004 management updated its outlook for the year ended December 31, 2004 with reference to the Forecast.

As a result of the factors outlined in the July 14, 2004 update, and based on information available at that time, Chartwell estimated that total distributable income for the year ended December 31, 2004 was expected to be approximately $29.8 million or $0.95 per unit. This compared to distributable income of $29.7 million as discussed in the MD&A and the Forecast. Management is confident it will achieve this target.

The updated outlook also estimated that its annualized distributable income run-rate would be between $1.12 and $1.15 per Unit in the third quarter of 2004. With distributable income of $0.285 per Unit in the third quarter of 2004 for an annualized distributable income run rate of $1.14 per unit, Chartwell achieved its revised outlook for the period.

In addition, the updated outlook estimated that the REIT's annualized distributable income run-rate would be between $1.16 and $1.19 per Unit in the fourth quarter of 2004. Management is also confident that it will achieve this target.

Management of the REIT does not intend to provide guidance or forecasts on an ongoing basis.

QUARTERLY FINANCIAL INFORMATION

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

($000's, except per unit amounts)	Period From Nov. 14/03 to Dec. 31/03	Three Months Ended Mar. 31/04	Three Months Ended June 30/04	Three Months Ended Sept. 30/04
Revenues	$ 9,220	$ 24,093	$ 29,590	$ 38,691
Direct Operating Expenses	(5,170)	(15,162)	(19,479)	(23,366)
General, Administrative and Trust Expenses	(1,415)	(1,484)	(1,830)	(1,513)
Income before interest, depreciation and amortisation	2,635	7,447	8,281	13,812
Interest Expense	(1,236)	(2,649)	(3,045)	(4,686)
Depreciation and Amortization	(3,006)	(5,664)	(7,581)	(9,270)
Write down of carrying value of management contracts	-	-	(501)	-
Net Loss for the period	(1,607)	(866)	(2,846)	(144)
Add Back:				
Depreciation and Amortization	3,006	5,664	7,581	9,270
Amortization of Deferred Financing Costs	41	84	91	452
Amortization of Below Market Leases	(125)	(260)	(304)	(384)
Amortization of Debt Premiums	(75)	(162)	(184)	(281)
Write down of carrying value of management contracts	-	-	501	-
Principal portion of Capital Funding Receivable	-	12	19	19
Amounts received under the Net Operating Income guarantee	-	-	871	466
Distributable Income	1,240	4,472	5,729	9,398
Distributable Income Per Unit:				
Basic	0.046	0.1603	0.203	0.292
Diluted	0.045	0.1557	0.197	0.285