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Q3

Third Quarter Report
September 30, 2018

MANAGEMENT'S DISCUSSION & ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

For the Three and Nine Months Ended September 30, 2018

Contents

About this Management's Discussion and Analysis

Chartwell Retirement Residences ("Chartwell" or the "Trust") has prepared the following management's discussion and analysis (the "MD&A") to provide information to assist its current and prospective investors' understanding of the financial results of Chartwell for the three and nine months ended September 30, 2018. This MD&A should be read in conjunction with Chartwell's unaudited, condensed consolidated interim financial statements for the three and nine months ended September 30, 2018, and the notes thereto (the "Financial Statements"), the audited consolidated financial statements for the years ended December 31, 2017 and 2016 and the notes thereto (the "2017 Financial Statements") and the annual MD&A for the year ended December 31, 2017 (the "2017 MD&A"). This material is available on Chartwell's website at www.chartwell.com. Additional information about Chartwell, including its Annual Information Form ("AIF") for the year ended December 31, 2017, 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 8, 2018.

All references to "Chartwell," "we," "our," "us" or the "Trust" refer to Chartwell Retirement Residences and its subsidiaries, unless the context indicates otherwise. For ease of reference, "Chartwell" and the "Trust" are used in reference to the ownership and the operation of retirement and long term care communities and the third-party management business of Chartwell. The direct ownership of such communities and operation of such business is conducted by subsidiaries of the Trust.

In this document we refer to Chartwell's Joint Arrangements that are joint ventures as defined by International Financial Reporting Standards ("IFRS") in 'IFRS 11 – Joint Arrangements' and that are accounted for using the equity method as "Equity-Accounted JVs".

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; "2018" refers to the calendar year 2018; "2017" refers to the calendar year 2017; "2016" refers to the calendar year 2016; and "YTD" means year-to-date.

Unless otherwise indicated, all comparisons of results for Q3 2018 are in comparison to results from Q3 2017.

In this document we use a number of performance measures that are not defined in generally accepted accounting principles ("GAAP") such as Net Operating Income ("NOI"), Funds from Operations ("FFO"), "Net Debt", "Adjusted EBITDA", "Net Debt to Adjusted EBITDA Ratio", "Liquidity", "Imputed Cost of Debt", "Lease-up-Losses", "Adjusted Development Costs", "Unlevered Yield", "Stabilized NOI" "Adjusted Resident Revenue", "Adjusted Direct Property Operating Expense" and any related per unit amounts to measure, compare and explain the operating results and financial performance of the Trust (collectively, the "Non-GAAP Financial Measures"). These Non-GAAP Financial Measures do not have standardized meanings prescribed by GAAP and, therefore, may not be comparable to similar measures used by other issuers. The Real Property Association of Canada ("REALPAC") issued white papers with recommendations for calculations of FFO, Adjusted Funds from Operations ("AFFO"), and Adjusted Cash Flow from Operations ("ACFO") (the "REALPAC Guidance"). Our FFO definition is substantially consistent with the definition adopted by REALPAC. Please refer to the "Additional Information on Non-GAAP Financial Measures" section of this MD&A for details. As part of our financial covenants reporting, we present AFFO in accordance with the definitions used in our credit agreements. This definition differs from the definition in the REALPAC Guidance.

In this document we use various financial metrics and ratios in our disclosure of financial covenants such as "Debt Service Coverage Ratio", "Interest Coverage Ratio", "Total Leverage Ratio", "Adjusted Consolidated Unitholders' Equity Ratio", "Secured Indebtedness Ratio", "Unencumbered Property Asset Ratio", "Consolidated EBITDA to Consolidated Interest Expense Ratio", "Indebtedness Percentage", "Consolidated EBITDA", "Consolidated Interest Expense", "Regularly-Scheduled Debt Principal Repayments", "Consolidated Indebtedness", "Adjusted Consolidated Gross Book Value of Assets", “AFFO”, “Secured Indebtedness”, “Consolidated Unsecured Indebtedness”, “Unencumbered Property Asset Value”, “Aggregate Adjusted Assets”, “Unencumbered Aggregate Adjusted Assets”, “Adjustment for accumulated depreciation and amortization”, and “Amortization of finance costs and fair value adjustment on mortgages payable”. These metrics are calculated in accordance with the definitions contained in our credit agreements and the trust indenture governing our outstanding debentures, and may be described using terms which differ from standardized meanings prescribed by GAAP. These metrics may not be comparable to similar metrics used by other issuers. Please refer to the “Liquidity and Capital Resources – Financial Covenants” section of this MD&A for details.

All dollar references, unless otherwise stated, are in Canadian dollars.

This document contains forward-looking information based on management’s expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry as of the date of this MD&A. Refer to the “Forward-Looking Information and Risks and Uncertainties” section on page 45 of this MD&A for more information.

Business Overview

Chartwell is an open-ended trust governed by the laws of the Province of Ontario. We indirectly own and manage a portfolio of seniors housing communities across the complete continuum of care, all of which are located in Canada.

Our Continuum of Care

- Independent living (“IL”) - Age-qualified suites/ townhouses/ bungalows with availability of providing meals and dining, housekeeping and laundry services without personal care services/personal assistance available.
- Independent supportive living (“ISL”) - Age-qualified suites/ townhouses/ bungalows with dining, housekeeping and laundry services with personal assistance services available.
- Assisted living (“AL”) - Age-qualified suites with a base level of personal assistance services included in the service fee, in a separate wing, floor or building. Additional care services may be added on top of base fee.
- Memory care (“MC”) - Age-qualified suites with personal care services included in base fee for persons with Alzheimer’s disease or some other form of dementia, in a separate/secure wing, floor or building.
- Long term care (“LTC”) - Access to 24-hour nursing care or supervision in a secure setting, assistance with daily living activities and high levels of personal care. Admission and funding is overseen by local government agencies in each province.

Our Vision is… Making People’s Lives Better

Our Mission is…

- to provide a happier, healthier and more fulfilled life experience for seniors;
- to provide peace of mind for our residents’ loved ones;
- to attract and retain employees who care about making a difference in our residents’ lives; and
- to provide an investment opportunity that benefits society with reasonable and growing returns to the 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

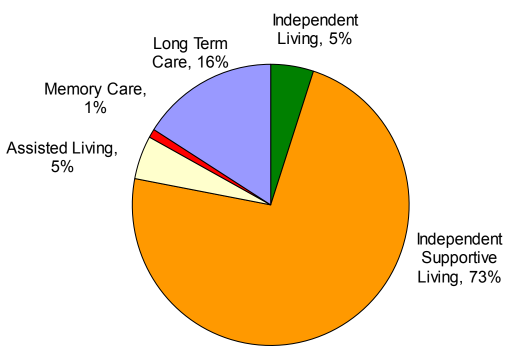
The following is the composition of our owned and managed portfolio of communities in our two operating segments at September 30, 2018:

	Retirement Operations		Long Term Care Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Communities: (1)						
100% Owned – operating	118	14,743	24	3,084	142	17,827
Partially Owned – operating (2)	44	8,179	-	-	44	8,179
Total Owned	162	22,922	24	3,084	186	26,006
Managed Communities	6	1,434	4	608	10	2,042
Total	168	24,356	28	3,692	196	28,048

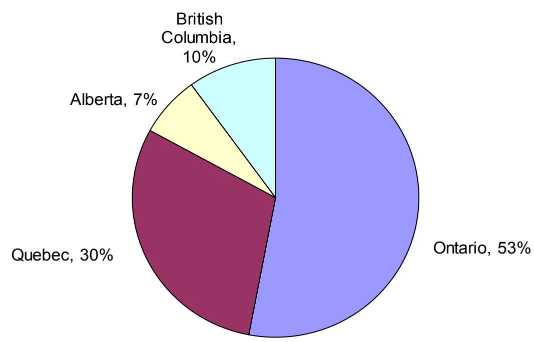
(1) *Where a community provides more than one level of care, it has been designated according to the predominant level of care provided, type of licensing and funding received and internal management responsibility.*
(2) *We have a 50% ownership interest in these communities (7,577 suites) with the exception of three retirement communities (602 suites) and one medical office building in which we have an 85% ownership interest.*

Composition of Portfolio of Owned Suites/Beds at Chartwell's Share of Ownership Interest, at September 30, 2018 by:

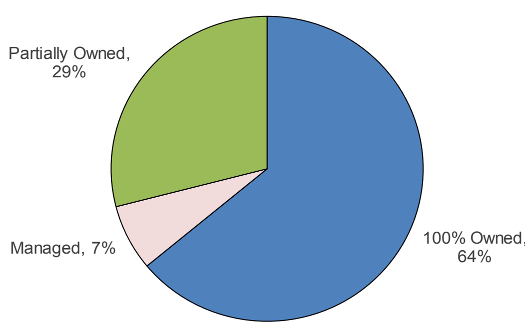
Level of Care



Geographic Location



Composition of Portfolio by Ownership, at September 30, 2018:



Business Strategy

Our business strategy is focused on providing exceptional services and quality care to our residents, which we believe will help us to achieve sustainable long-term value creation for our unitholders. The following summarizes our key strategic objectives:

Grow core property portfolio contribution by:

- Providing high-quality and expanding service offerings to our residents to maintain and improve resident satisfaction.
- Enhancing our brand recognition.
- Investing in innovative marketing and sales programs to increase prospect traffic, sales closing ratios and occupancy.
- Managing rental rates to ensure our properties are competitively positioned in the marketplace.
- Mitigating inflationary pressures on our operating costs through specific vendor management and cost-control initiatives.

Maintain a strong financial position by:

- Maintaining sufficient liquidity to execute on our strategic priorities.
- Staggering debt maturities over time to reduce financing and interest rate risks.
- Financing our properties with long-term debt where applicable, while managing interest costs.

Improve quality and efficiency of our corporate support services by:

- Implementing information technology solutions to better understand our customers, communicate with our employees, and reduce administrative time commitment in the field.
- Continuously reviewing our administrative and operating processes in order to increase efficiencies and improve support services provided to our operating teams.

Build value of our real estate portfolio by:

- Managing our real estate portfolio and individual assets to maximize long-term value through market analysis and research, prudent capital planning, strategic repositioning and divestiture.
- Developing innovative, modern, market-specific and operationally-efficient seniors communities that remain competitive over the long term.
- Accretively growing our real estate portfolio with newer properties by consolidating the fragmented industry.

Q3 2018 Update on Business Strategy

The following summarizes the progress we made in executing our strategy to date:

Grow core property portfolio contribution	• Retirement Adjusted NOI increased $4.7 million or 6.9% in Q3 2018 and $17.3 million or 9.2% in 2018 YTD. • Long term care Adjusted NOI increased $0.4 million or 4.9% in Q3 2018 and $1.8 million or 8.5% in 2018 YTD. • Same property Adjusted NOI (1) increased $1.1 million or 1.6% in Q3 2018 and $7.4 million or 3.7% in 2018 YTD. • Same property occupancy was 91.5% in Q3 2018, compared to 92.5% in Q3 2017.
Maintain a strong financial position	• At September 30, 2018, we had liquidity of $372.9 million (2) and $8.5 million in our Equity-Accounted JVs, at our share. • Interest Coverage Ratio for the Debentures (3) remained strong at 3.2 in Q3 2018. • Net Debt to Adjusted EBITDA Ratio (4) was 7.8 at September 30, 2018.
Improve quality and efficiency of our corporate support services	• The second phase of implementation of our Human Capital Management system is in progress. • Three newly-developed residences successfully commenced operations. • Construction of our new head office (the “Chartwell Hub”) is in progress for completion in Q3 2019.
Build value of our real estate portfolio	• Completed acquisitions of five residences for a total aggregate contractual purchase price of $317.4 million. • Sold interests in four non-core properties for $45.5 million. • Work continues on our development pipeline of 1,742 suites with six projects (1,103 suites) in construction and six projects (639 suites) in pre-development. • Options to acquire interests in development projects by Batimo Inc. (“Batimo”) are expected to add another 2,784 suites to our portfolio over time.

(1) Non-GAAP; refer to the “Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI” section on page 16 of this MD&A for details.
(2) Includes cash, cash equivalents and amounts available under Credit Facilities. Refer to the “Liquidity and Capital Resources” section on page 24 of this MD&A for details.
(3) Non-GAAP; refer to the “Liquidity and Capital Resources – Financial Covenants – Debentures” section on page 31 of this MD&A for details.
(4) Non-GAAP; refer to the “Additional Information on Non-GAAP Financial Measures – Net Debt to Adjusted EBITDA” section on page 44 of this MD&A for details.

2018 Outlook

Our 2017 MD&A contains a detailed discussion of our 2018 Outlook. There were no significant changes in Q3 2018 to our 2018 Outlook.

Significant Events

Significant events that have affected or may be expected to affect our results in the future are described in our 2017 MD&A. There were no significant changes to date, except as follows:

Development

In accordance with our strategy to innovatively develop modern, market-specific and operationally efficient seniors communities that remain competitive over the long term, we maintain a robust internal development program. We also partner with reputable developers in order to gain access to attractive sites in strong markets.

Unlevered Yield, Development Lease-up-Losses and Imputed Cost of Debt

In addition to monitoring development costs measured on a GAAP basis which include land costs, hard and soft development costs, costs of furniture, fixtures and equipment, we assess our return on investment in development activities using the non-GAAP financial measure 'Unlevered Yield'. Unlevered Yield should not be construed as an alternative to other GAAP metrics and may not be comparable to measures used by other entities.

Unlevered Yield is defined as the ratio of:

- the estimated NOI of a development property in the first year it achieves an expected stabilized occupancy level ("Estimated Stabilized NOI") which varies from project to project,
- divided by the estimated adjusted development costs (the "Adjusted Development Costs") which is the sum of:
    - development costs on a GAAP basis, plus
    - negative or positive NOI generated by the development property prior to achieving the expected stabilized occupancy (the "Lease-up-Losses"), plus
    - an imputed cost of debt calculated by applying our estimated weighted average cost of debt to our GAAP development costs plus Lease-up-Losses, compounded during the development of the property and up to achieving the expected stabilized occupancy (the "Imputed Cost of Debt").

We believe this is a useful measure as we believe it reflects our financial returns on the total economic cost of developing a new property.

2018 Completed Projects

In Q2 2018, we completed the development of Chartwell Bankside Retirement Apartments in Kitchener, Ontario. The development is comprised of 58 IL apartments and is currently 49% leased. Adjusted development costs were $18.6 million and we expect to achieve an Unlevered Yield of 7.3% on this project.

Projects in Construction

The following table summarizes projects that are currently in construction:

Project	Location	Suites / Beds	Suite Type	Estimated Development Cost (1) ($ millions)	Estimated Imputed Cost of Debt and Lease-up-Losses (1)(2) ($millions)	Estimated Adjusted Development Costs (1)(3) ($millions)	Adjusted Development Costs incurred as at September 30, 2018 (1)(2) ($millions)	Expected Completion Date	Expected Stabilized Occupancy Date	Reservations	Expected Stabilized Occupancy (%)	Estimated Stabilized NOI (1)(2) ($millions)	Expected Unlevered Yield (2)
Chartwell Carlton Retirement Residence	Burnaby, BC	105	IL	40.2	2.6	42.8	37.6	Q4 2018	Q4 2019	53%	96%	2.9	6.8%
The Sumach by Chartwell (4)	Toronto, ON	332	IL	44.9	3.0	47.9	33.4	Q1 2019	Q3 2020	52%	95%	3.5	7.5%
Chartwell Wescott Retirement Residence	Edmonton, AB	137	ISL/ MC	42.4	5.7	48.1	31.0	Q1 2019	Q4 2021	21%	94%	3.4	7.0%
Chartwell Guildwood Retirement Residence (5)	Scarborough, ON	172	IL/ISL/ MC	33.5	3.1	36.6	4.7	Q1 2020	Q3 2022	-	92%	2.5	7.0%
Chartwell Ballycliffe LTC (6)	Ajax, ON	192	LTC	41.9	2.7	44.6	2.2	Q4 2021	Q4 2021	-	100%	3.5	7.8%
		938		202.9	17.1	220.0	108.9					15.8	7.3%
Project by Signature Retirement Living ("Signature Living")													
Kingsbridge Retirement Community (7)	Kingston, ON	165	ISL/ AL	28.9	2.9	31.8	18.5	Q2 2019	Q3 2021	25%	95%	2.7	7.0%
		1,103		**231.8**	**20.0**	**251.8**	**127.4**					**18.5**	**7.4%**

(1) Calculated at Chartwell's ownership interest in the project.
(2) Non-GAAP. The definition of this metric and the discussion of its significance can be found at the beginning of this section on page 7 of this MD&A.
(3) Non-GAAP; represents the total of Estimated Development Costs and Estimated Imputed Cost of Debt and Lease-up-Losses.
(4) Chartwell owns a 45% interest in this project and manages pre-opening and lease-up.
(5) Redevelopment of the existing 83-suite residence to a 172-suite residence. Chartwell owns a 50% interest in this project.
(6) We filed an application with the Ontario Ministry of Health and Long Term Care (the "MOH") to redevelop the existing 100-bed Class C LTC and 40-suite retirement residence into a 192-bed LTC residence. The MOH agreed to provide the additional 92 licensed LTC beds. The retirement operations have been discontinued at this location, however, the existing LTC operations will continue during this phased redevelopment.
(7) The site includes excess land for potential development of 84 additional suites. Chartwell owns a 60% interest in this project and Signature Living and its affiliates own the remaining 40% interest and provide development and operations management services. Chartwell expects to acquire the remaining 40% interest upon the property achieving the expected stabilized occupancy. Signature Living is entitled to a promote payment if the project's return on equity exceeds certain targets. The expected unlevered yield calculation includes estimates of such promote payment.

Projects in Pre-Development

The following table summarizes projects that are currently in pre-development:

Project	Location	Suites / Beds	Suite Type	Estimated Development Cost [1] ($ millions)	Estimated Imputed Cost of Debt and Lease-up-Losses [1][2] ($millions)	Estimated Adjusted Development Costs [1][3] ($millions)	Adjusted Development Costs incurred as at September 30, 2018 [1][2] ($millions)	Expected Construction Commencement Date	Expected Completion Date	Expected Stabilized Occupancy Date	Expected Stabilized Occupancy (%)	Estimated Stabilized NOI [1][2] ($millions)	Expected Unlevered Yield [2]
Chartwell Thunder Bay Senior Townhomes	Thunder Bay, ON	9	IL	3.8	0.1	3.9	0.2	Q4 2018	Q4 2019	Q4 2019	100%	0.3	7.5%
Chartwell Meadowbrook Village	Lively, ON	55	IL/ISL	21.9	1.4	23.3	1.7	Q4 2018	Q1 2020	Q1 2021	95%	1.6	6.9%
Chartwell Ridgepointe Retirement Residence	Kamloops, BC	89	IL	23.7	1.4	25.1	1.6	Q1 2019	Q2 2020	Q1 2022	97%	1.9	7.7%
Chartwell Montgomery Village	Orangeville, ON	122	IL	41.8	3.6	45.4	1.8	Q1 2019	Q3 2020	Q2 2022	93%	3.1	6.9%
Chartwell Royalcliffe Retirement Community [4]	London, ON	163	IL/MC	32.5	3.2	35.7	1.3	Q3 2019	Q4 2020	Q1 2023	94%	2.4	6.8%
Chartwell Wynfield Retirement Community	Oshawa, ON	201	IL/MC	75.5	7.3	82.8	6.5	Q3 2019	Q3 2021	Q4 2023	97%	5.7	6.9%
		639		**199.2**	**17.0**	**216.2**	**13.1**					**15.0**	**6.9%**

(1) Calculated at Chartwell's ownership interest in the project.
(2) Non-GAAP. The definition of this metric and the discussion of its significance can be found at the beginning of this section on page 7 of this MD&A.
(3) Non-GAAP; represents the total of Estimated Development Costs and Estimated Imputed Cost of Debt and Lease-up-Losses.
(4) Chartwell owns a 50% interest in this project.

In September 2018, we acquired a 90% interest in 1.33 acres of vacant land in Pickering, Ontario for the development of 415-suite retirement residence as well as a 100% interest in 1.39 acres of vacant land in Calgary, Alberta for the development of a 384-suite retirement residence. Detailed design and entitlement activities for these projects are currently in progress.

Projects by Batimo

In addition to our own development activities, we have built an important pipeline of future acquisition opportunities by participating in certain development projects conducted by Batimo in the province of Quebec. Batimo carries out development activities and we provide leasing, marketing and management services to these projects and in some cases, provide mezzanine financing. Pursuant to our agreements with Batimo, we have certain call rights to acquire, and Batimo has certain put rights which may require us to acquire, an 85% ownership interest in these properties upon achievement of expected stabilized occupancy levels, subject to certain conditions, at purchase prices based on the appraisal mechanism described in such agreements.

The following table summarizes the status of projects by Batimo as of the date of this MD&A:

Project	Location	Suites / Beds	Suite Type	Current Project Status (1)	Actual / Expected Completion Date	Expected Stabilized Occupancy Date
Chartwell L'Unique III	St. Eustache, QC	163	ISL	O	March 2017	Q1 2019
Chartwell Le Prescott	Vaudreuil, QC	324	ISL	O	June 2017	Q4 2019
Chartwell Le Montcalm	Candiac, QC	283	ISL	O	September 2017	Q1 2020
Chartwell St. Gabriel	St. Hubert, QC	345	ISL / AL	O	May 2018	Q1 2019
Chartwell Le Teasdale II	Terrebonne, QC	221	IL	O	October 2018	Q4 2019
Chartwell Greenfield Park	Longueuil, QC	368	ISL / AL	C	Q2 2019	Q3 2020
Chartwell L'Envol	Cap Rouge, QC	360	ISL / AL	C	Q3 2019	Q4 2020
Charlesbourg Project	Quebec City, QC	381	ISL / AL	P	Q4 2019	Q2 2021
Chartwell Atwater	Montreal, QC	339	ISL / AL / MC	P	Q2 2021	Q3 2023
		2,784				

(1) Current project status is defined where 'O' means 'Operating', 'C' means 'Construction' and 'P' means 'Pre-Development'.

Potential Developments on Owned Lands

The following table summarizes additional development opportunities on our owned lands. While a number of these development projects are in advanced stages of feasibility assessments, others have a longer term development time horizon and, in some cases, may be subject to extensive municipal approval requirements.

Residence	Location	Ownership %	Vacant Land Size (acres)	Estimated Potential Number of Suites [(1)]	Book Value of Land ($millions)
Chartwell Cité-Jardin résidence pour retraités	Gatineau, QC	100	3.4	600	8.6
Chartwell Crescent Gardens Retirement Community	Surrey, BC	100	2.6	184	4.9
Chartwell Hartford Retirement Residence	Morrisburg, ON	100	1.8	94	-
Chartwell Muskoka Traditions Retirement Residence	Hunstville, ON	100	0.4	36	0.9
Chartwell Ste-Marthe résidence pour retraités	Saint-Hyacinthe, QC	100	0.8	70	0.7
Chartwell Wedgewood Retirement Residence	Brockville,ON	100	0.5	54	0.6
Chartwell Woodhaven Long Term Care Residence [(2)]	Markham, ON	100	1.4	108	-
Chartwell Stillwater Creek Retirement Residence	Nepean, ON	100	0.5	32	0.6
Chartwell Belcourt résidence pour retraités	Ottawa, ON	50	0.2	31	0.3
Chartwell Domaine des Trembles résidence pour retraités	Gatineau, QC	50	1.5	182	1.2
Chartwell Héritage résidence pour retraités	Ottawa, ON	50	0.6	160	0.5
Chartwell Kingsville Retirement Residence	Kingsville, ON	50	1.6	55	0.3
Chartwell Manoir Pointe-aux-Trembles résidence pour retraités [(3)]	Montreal, QC	50	4.7	72	-
Chartwell Manoir Saint-Jérôme résidence pour retraités	Saint-Jérôme, QC	50	6.0	668	0.4
Chartwell Notre-Dame Victoriaville résidence pour retraités	Victoriaville, QC	50	1.1	66	0.1
Chartwell Royal Marquis Retirement Residence	Windsor, ON	50	0.6	45	0.3
Total [(4)]			27.7	2,457	19.4

(1) Numbers of potential suites to be developed are estimates and subject to change based on market conditions and municipal approval processes.
(2) Leased lands.
(3) Potential redevelopment of the existing 247-suite residence to a 319-suite residence; acreage is for the entire site.
(4) Excludes $0.6 million of land acquired to facilitate redevelopment of two LTC properties in Ontario.

Acquisitions

On April 23, 2018, we completed the acquisition of four retirement communities in Edmonton, Alberta comprising 775 suites, for a contractual purchase price of $297.4 million (the “Alberta Initial Portfolio”) and entered into a forward purchase agreement, conditional on certain terms, to acquire an additional 256-suite residence upon completion of its development expected in Q4 2019 for a contractual purchase price of $120.0 million. The vendor will provide $7.5 million of income support to Chartwell for two years after opening.

On June 1, 2018, we completed the acquisition of a 104-suite ISL residence in Edmonton, Alberta for a contractual purchase price of $20.0 million.

Dispositions

On February 6, 2018, we sold two 100%-owned and one 50%-owned non-core retirement residences in Quebec with an aggregate of 509 suites. The sale price, at Chartwell's share, was $32.0 million before closing costs and other adjustments and was settled in cash.

On May 11, 2018, we completed the previously-announced sale of Chartwell Les Monarques résidence pour rétraités in St. Eustache, Quebec. The sale price, at Chartwell's share, was $13.5 million before closing costs and other adjustments and was settled in cash.

Financings

On April 13, 2018, we entered into amending agreements with our banking syndicate to extend the maturity of our Credit Facilities by one year to May 29, 2021, reduce interest rates and amend certain covenants related to our unsecured credit facility. Please refer to the "Liquidity and Capital Resources" section on page 24 of this MD&A for more details.

On April 27, 2018 we issued $150 million of 4.211% Series B unsecured debentures (the "Series B Debentures") due on April 28, 2025. DBRS Limited ("DBRS") assigned a "BBB (low)" credit rating with a "stable" trend to the Series B Debentures. The net proceeds were used to partially repay amounts outstanding on our Credit Facilities.

Joint Arrangements

'IFRS 11 – Joint Arrangements' classifies joint arrangements either as a joint operation or as a joint venture. Joint operations are joint arrangements in which the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for using proportionate consolidation. Joint ventures are joint arrangements in which the parties have rights to the net assets relating to the arrangement. Generally, where the party holds its interest in the joint arrangement through a separate legal entity, the joint arrangement will be classified as a joint venture. Joint ventures are accounted for using the equity method of consolidation. Chartwell does not independently control its joint arrangements which are accounted for using the equity method, and Chartwell's proportionate share of the financial position and results of operations of its investment in such joint arrangements, where presented and discussed in this MD&A using the proportionate consolidation method, does not necessarily represent Chartwell's legal claim to such items.

The following table summarizes the classification of properties which are owned through our joint arrangements or which are partially owned:

Joint Arrangements	# of Properties	Suites/Beds	Chartwell Ownership	Classification under IFRS 11
Held directly:				
Chartwell-Welltower Landlord (“CWL”)	37	7,245	50%	Joint operation
The Sumach by Chartwell (1)	1	332	45%	Joint operation
Batimo	4	602	85%	Joint operation
Chartwell Riverside Retirement Residence	1	138	50%	Joint operation
Chartwell Churchill House Retirement Residence	1	98	50%	Joint operation
Pickering Project	1	415	90%	Joint operation
Held through separate legal entities:				
Chartwell-Welltower Operator	Same as CWL	Same as CWL	50%	Joint venture
Chartwell Oakville Retirement Residence	1	147	50%	Joint venture
Chartwell Constantia Retirement Residence	1	121	50%	Joint venture
Clair Hills Retirement Residence (2)	1	120	Refer to note (1)	Joint venture
Oak Ridges Retirement Residence (2)	1	129	Refer to note (1)	Joint venture
Kingsbridge Retirement Community (1)	1	165	60%	Joint venture

(1) In development.

(2) These properties were acquired in a limited partnership structure in which Chartwell owns all outstanding Class C units of these partnerships and the affiliates of the vendors own all outstanding Class R units. Under the applicable partnership agreements, Class C units were entitled to quarterly distributions totalling $4.8 million for 2016 and increase by 3% per annum thereafter until December 31, 2018. Class R units are entitled to residual distributions up to a certain maximum. Once such maximum is reached, the remaining distributions will be made in the ratio of 65% to Class C units and 35% to Class R units. The vendors of these properties and their affiliates provided the limited partnerships with net operating income guarantees sufficient to effect the required Class C distributions. Signature Living, an affiliate of one of the vendors, will continue to manage these two properties until December 31, 2018. In January 2019, Chartwell will be required to acquire all outstanding Class R units. The purchase price will be equal to the excess of the actual combined net operating income achieved for the year ended December 31, 2018, over the guaranteed income for that year, divided by 6.25%. Chartwell’s interest in these two properties is accounted for using the equity method of accounting.

On May 1, 2012, Chartwell and Welltower Inc. (“Welltower”) acquired undivided interests in a portfolio of 39 properties (of which two were subsequently sold) where each of Chartwell’s and Welltower’s interests in the real estate are held directly and where each of our interests in the operations are held through separate legal entities. Chartwell is the property manager for this portfolio. As the real estate is held directly by each of Chartwell and Welltower, it is classified as a joint operation and accounted for on a proportionate consolidation basis. The operations of the related properties, for which Chartwell is the manager, are held through a separate legal entity and as a result are classified as a joint venture and are accounted for using the equity method of consolidation.

In Q1 2017, we entered into a joint arrangement with Signature Living to develop Kingsbridge Retirement Community, a 165-suite retirement residence in Kingston, Ontario. Chartwell owns a 60% interest and Signature Living owns the remaining 40% interest in this project. This joint arrangement is accounted for using the equity method of consolidation.

In Q3 2018, we acquired a 90% interest in vacant land in Pickering, Ontario for the development of a 415-suite retirement residence (the “Pickering Project”).

Consolidated Results of Operations

Highlights

The following table summarizes selected financial and operating performance measures:

($000s)	**Q3 2018**	Q3 2017	Change	**2018 YTD**	2017 YTD	Change
Resident revenue	206,446	193,029	13,417	601,726	555,013	46,713
Direct property operating expense	138,877	130,774	8,103	410,125	383,410	26,715
Net income	9,135	10,226	(1,091)	31,617	12,368	19,249

Resident revenue increased $13.4 million or 7.0% in Q3 2018 due to acquisitions and developments and revenue growth in our existing property portfolio.

Direct property operating expenses increased $8.1 million or 6.2% in Q3 2018 due to acquisitions and developments and increased expenses in our existing property portfolio.

In Q3 2018, net income was $9.1 million compared to $10.2 million in Q3 2017. The decrease in net income was primarily due to higher direct property operating, general administrative and Trust ("G&A"), depreciation and finance costs, partially offset by higher resident revenues and lower transaction costs.

For 2018 YTD, resident revenue increased $46.7 million or 8.4% due to acquisitions and developments and revenue growth in our existing property portfolio.

For 2018 YTD, direct property operating expenses increased $26.7 million or 7.0% due to acquisitions and developments and increased expenses in our existing property portfolio.

In 2018 YTD, net income was $31.6 million compared to $12.4 million in 2017 YTD. The increase in net income was primarily due to the gain on sale of properties, higher resident revenues and positive changes in fair values of financial instruments, partially offset by higher direct property operating, G&A, depreciation and finance costs.

FFO

FFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by GAAP. FFO as presented may not be comparable to similar measures used by other issuers. We present FFO substantially consistent with the definition adopted by REALPAC. This definition is included in this MD&A in the section "Non-GAAP Financial Measures".

We believe that the use of FFO, combined with the required primary GAAP presentations, is beneficial to the users of the financial information, improving their understanding of our operating results. We generally consider FFO to be a meaningful 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), transaction costs arising on business acquisitions and dispositions, impairment of property, plant and equipment ("PP&E"), distributions on Class B Units of Chartwell Master Care LP ("Class B Units") recorded as interest expense, convertible debenture issue costs, changes in fair value of financial instruments, unrealized foreign exchange gains/losses, and adjustments for equity-accounted entities, FFO can assist the user of the financial information in comparing the financial and operating performance of our real estate portfolio between financial reporting periods.

Refer to the "Additional Information on Non-GAAP Financial Measures – Funds from Operations" section on page 42 of this MD&A for the reconciliation of Net Income/(Loss), the most closely comparable GAAP measure, to FFO and per unit amounts.

The following table presents FFO and FFO per unit:

($000s, except per unit amounts)	**Q3 2018**	Q3 2017	Change	**2018 YTD**	2017 YTD	Change
FFO [(1)]	53,329	50,517	2,812	145,068	134,480	10,588
FFO per unit [(1)]	0.25	0.26	(0.01)	0.68	0.69	(0.01)

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures" section on page 42 of this MD&A for a discussion of the calculation of the per unit amounts.

For Q3 2018, FFO was $53.3 million or $0.25 per unit, compared to $50.5 million or $0.26 per unit in Q3 2017. The following items impacted the change in FFO:

- higher adjusted NOI of $5.0 million consisting of a $1.1 million increase in same property adjusted NOI and a $3.9 million increase in contribution from acquisitions and developments;
- higher management fee revenue of $0.6 million; and
- other items combined of $0.3 million;

partially offset by:

- higher G&A expenses of $1.7 million; and
- higher finance costs of $1.4 million.

For 2018 YTD, FFO was $145.1 million or $0.68 per unit, compared to $134.5 million or $0.69 per unit in 2017 YTD. The following items impacted the change in FFO:

- higher adjusted NOI of $19.1 million consisting of a $7.4 million increase in same property adjusted NOI and a $11.7 million increase in contribution from acquisitions and developments; and
- higher management fee revenue of $1.6 million;

partially offset by:

- higher G&A expenses of $5.7 million;
- higher finance costs of $4.3 million; and
- lower interest income of $0.1 million.

For 2018 YTD, FFO per unit amounts were impacted by the issuance of 17.7 million Trust Units in Q4 2017 to finance the acquisition of the Alberta Initial Portfolio which did not close until April 23, 2018.

For 2018 YTD, FFO was reduced by $3.1 million of Lease-up-Losses and Imputed Cost of Debt related to our development projects (2017 YTD – $2.6 million).

Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI

The tables on the following pages of this section summarize our adjusted resident revenue, adjusted direct property operating expense and adjusted NOI and also include supplemental disclosure of our same property portfolio and our acquisitions, development and other portfolio. The supplemental disclosure of our same property portfolio and our acquisitions, development and other portfolio is non-GAAP and should not be construed as an alternative to GAAP measures. We use these groupings of properties to evaluate and monitor our financial and operating performance and we believe that this additional disclosure enhances the ability to understand and assess our results of operations and particularly to compare such results from period to period. The following provides definitions for each of these portfolio groupings as well as the composition of the portfolio included in the respective grouping for the current reporting period.

Same Property Portfolio

Generally, our same property portfolio excludes properties that have not been owned continuously since the beginning of the previous fiscal year or that are expected to be sold in the current fiscal year. In addition, to improve comparability, properties that are undergoing a significant redevelopment or where we have added or expect to add significant capacity in the current year are excluded from the same property portfolio.

The following table summarizes the composition of our same property portfolio as at September 30, 2018:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	142	20,161	16,414
Long Term Care Operations	23	2,984	2,984
Total same property portfolio	165	23,145	19,398

Acquisitions, Development and Other Portfolio

Our acquisitions, development and other portfolio includes properties that were acquired after January 1, 2017, newly developed properties, properties that are undergoing a significant redevelopment and properties where we have added or expect to add significant capacity in the current year. Generally, such properties are operating at occupancy levels below their expected stabilized occupancies.

The following table summarizes the composition of the acquisitions, development and other portfolio as at September 30, 2018:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	20	2,761	2,630
Long Term Care Operations	1	100	100
Total acquisitions, development and other portfolio	21	2,861	2,730

The following table reconciles resident revenue and direct property operating expense from our financial statements to adjusted resident revenue and adjusted direct property operating expense and identifies contributions from our same property and acquisition, development and other portfolios:

($000s, except occupancy rates)	**Q3 2018**	Q3 2017	Change	**2018 YTD**	2017 YTD	Change
Resident revenue	**206,446**	**193,029**	**13,417**	**601,726**	**555,013**	**46,713**
Add: Share of resident revenue from joint ventures (1)	31,380	31,293	87	93,136	92,957	179
Adjusted resident revenue (2)	237,826	224,322	13,504	694,862	647,970	46,892
Comprised of:						
Same property (2)	*209,993*	*204,898*	*5,095*	*623,383*	*604,415*	*18,968*
Acquisitions, development and other (2)	*27,833*	*19,424*	*8,409*	*71,479*	*43,555*	*27,924*
Adjusted resident revenue (2)	*237,826*	*224,322*	*13,504*	*694,862*	*647,970*	*46,892*
Direct property operating expense	**138,877**	**130,774**	**8,103**	**410,125**	**383,410**	**26,715**
Add: Share of direct property operating expenses from joint ventures (3)	18,608	18,249	359	57,137	56,027	1,110
Adjusted direct property operating expense (2)	157,485	149,023	8,462	467,262	439,437	27,825
Comprised of:						
Same property (2)	*138,969*	*135,005*	*3,964*	*416,580*	*404,987*	*11,593*
Acquisitions, development and other (2)	*18,516*	*14,018*	*4,498*	*50,682*	*34,450*	*16,232*
Adjusted direct property operating expense (2)	*157,485*	*149,023*	*8,462*	*467,262*	*439,437*	*27,825*
Adjusted NOI (2)	**80,341**	**75,299**	**5,042**	**227,600**	**208,533**	**19,067**
Comprised of:						
Same property (2)	*71,024*	*69,893*	*1,131*	*206,803*	*199,428*	*7,375*
Acquisitions, development and other (2)	*9,317*	*5,406*	*3,911*	*20,797*	*9,105*	*11,692*
Adjusted NOI (2)	*80,341*	*75,299*	*5,042*	*227,600*	*208,533*	*19,067*
Weighted average occupancy rate - same property portfolio	91.5%	92.5%	(1.0pp)	91.6%	92.4%	(0.8pp)
Weighted average occupancy rate - total portfolio	90.5%	91.8%	(1.3pp)	90.5%	90.7%	(0.2pp)

(1) *Share of resident revenue from joint ventures represents Chartwell's pro rata share of the resident revenue of our Equity-Accounted JVs as referenced in the notes to our Financial Statements and as described in the "Joint Arrangements" section on page 12 of this MD&A.*

(2) *Non-GAAP; refer to the preamble to this table and the "Results of Operations by Reportable Segment" section on page 18 of this MD&A for explanations and discussion of the significance of these metrics.*

(3) *Share of direct property operating expenses from joint ventures represents Chartwell's pro rata share of the direct property operating expenses of our Equity-Accounted JVs as referenced in the notes to our Financial Statements and as described in the "Joint Arrangements" section on page 12 of this MD&A.*

Adjusted resident revenue increased 6.0% in Q3 2018, due to a 2.5% increase in same property adjusted resident revenue and a growing contribution from acquisitions and developments. Same property adjusted resident revenue increased primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies.

Adjusted direct property operating expense increased 5.7% in Q3 2018, due to a 2.9% increase in same property adjusted direct operating expense and growth in acquisitions and developments. The increase in same property adjusted direct operating expense was primarily due to higher staffing costs, communication, marketing and food expenses.

Adjusted NOI increased $5.0 million or 6.7% in Q3 2018, due to a $1.1 million or 1.6% growth in same property adjusted NOI and growing contributions from acquisitions and developments. In Q3 2018, same property occupancy was 91.5% compared to 92.5% in Q3 2017.

For 2018 YTD, adjusted resident revenue increased 7.2% due to a 3.1% increase in same property adjusted resident revenue and a growing contribution from acquisitions and developments. Same property adjusted resident revenue increased primarily due to rental rate increases in line with competitive market conditions and higher ancillary revenues, partially offset by lower occupancies.

For 2018 YTD, adjusted direct property operating expense increased 6.3% due to a 2.9% increase in same property adjusted direct operating expense and growth in acquisitions and developments. The increase in same property adjusted direct operating expense was primarily due to higher staffing costs, communication and food expenses, partially offset by lower utilities expenses.

For 2018 YTD, adjusted NOI increased $19.1 million or 9.1% due to a $7.4 million or 3.7% growth in same property adjusted NOI and growing contributions from acquisitions and developments. In 2018 YTD, same property occupancy was 91.6% compared to 92.4% in 2017 YTD.

Results of Operations by Reportable Segment

We monitor and operate our retirement and long term care properties separately. The Retirement Operations segment includes 162 communities that we own and operate in Canada. The retirement communities provide services to age-qualified residents at rates, in most cases, set by Chartwell based on the services provided and market conditions. The Long Term Care Operations segment includes 24 communities in Ontario. Admission and funding for the long term care communities is overseen by local government agencies in each province. Where a community provides more than one level of care, it has been designated to a segment according to the predominant level of care provided, type of licensing and funding provided and internal management responsibility.

The accounting policies of each of the segments are the same as those for Chartwell except that these segments include Chartwell's proportionate share of its joint ventures. Certain G&A expenses are managed centrally by Chartwell and are not allocable to reportable operating segments. Chartwell has no material inter-segment revenue, transfers or expenses.

The measure of segment profit or loss is adjusted NOI (which is resident revenue less direct property operating expense, including Chartwell's proportionate share of its joint ventures' resident revenue and direct property operating expense, respectively).

Retirement Operations

The following table summarizes the composition of our Retirement Operations:

		Composition of Suites					
	Properties	**IL**	**ISL**	**AL**	**MC**	**LTC**	**Total**
Same Property							
100% owned	103	771	10,600	676	135	484	12,666
50% owned	39	572	6,502	358	63	-	7,495
Total same property owned	142	1,343	17,102	1,034	198	484	20,161
Acquisitions, Development & Other							
100% owned – operating	15	98	1,701	245	33	-	2,077
Partially owned – operating (1)	5	-	652	32	-	-	684
Total acquisitions, development & other	20	98	2,353	277	33	-	2,761
Total	162	1,441	19,455	1,311	231	484	22,922

(1) We own an 85% interest in four of these properties (includes one medical office building) and a 50% interest in one property.

During 2018 YTD, we sold four non-core retirement residences in Quebec with an aggregate 609 suites.

The following table presents the results of our Retirement Operations:

($000s, except occupancy rates)	**Q3 2018**	Q3 2017	Change	**2018 YTD**	2017 YTD	Change
Adjusted resident revenue	**179,790**	**166,872**	**12,918**	**522,765**	**480,241**	**42,524**
Comprised of:						
Same property (1)	*153,798*	*149,431*	*4,367*	*456,842*	*442,523*	*14,319*
Acquisitions, development and other (1)	*25,992*	*17,441*	*8,551*	*65,923*	*37,718*	*28,205*
Adjusted direct property operating expense	**107,444**	**99,193**	**8,251**	**317,752**	**292,530**	**25,222**
Comprised of:						
Same property (1)	*90,656*	*87,035*	*3,621*	*272,363*	*263,690*	*8,673*
Acquisitions, development and other (1)	*16,788*	*12,158*	*4,630*	*45,389*	*28,840*	*16,549*
Adjusted NOI	**72,346**	**67,679**	**4,667**	**205,013**	**187,711**	**17,302**
Comprised of:						
Same property (1)	*63,142*	*62,396*	*746*	*184,479*	*178,833*	*5,646*
Acquisitions, development and other (1)	*9,204*	*5,283*	*3,921*	*20,534*	*8,878*	*11,656*
Weighted average occupancy rate - same property	90.3%	91.4%	(1.1pp)	90.4%	91.3%	(0.9pp)
Weighted average occupancy rate - total portfolio	89.3%	90.7%	(1.4pp)	89.2%	89.5%	(0.3pp)

(1) Non-GAAP; refer to the preamble to this table and to the introduction in the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 16 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Adjusted resident revenue increased 7.7% in Q3 2018, due to a 2.9% increase in same property adjusted resident revenue and a growing contribution from our acquisitions and developments.

The increase in same property adjusted resident revenue was primarily due to rental rate increases in line with competitive market conditions and higher ancillary revenues, partially offset by lower occupancies.

Adjusted direct property operating expense increased 8.3% in Q3 2018, due to a 4.2% increase in same property adjusted direct operating expense and growth in our acquisitions, development and other portfolio.

The increase in same property adjusted direct operating expense was primarily due to higher staffing costs, communication, repairs and maintenance and marketing expenses.

Same property adjusted NOI increased $0.7 million or 1.2% in Q3 2018 as follows:

- Our Ontario platform same property adjusted NOI increased $0.2 million or 0.7%, as rental rate increases in line with competitive market conditions, and higher ancillary revenues were partially offset by lower occupancies and higher staffing costs, communication, marketing and repairs and maintenance expenses.
- Our Western Canada platform same property adjusted NOI increased $0.1 million or 0.8%, primarily due to rental rate increases in line with competitive market conditions, and higher ancillary revenues, partially offset by lower occupancies and higher staffing costs.
- Our Quebec platform same property adjusted NOI increased $0.4 million or 2.5%, primarily due to rental rate increases in line with competitive market conditions partially offset by lower occupancies and higher staffing costs.

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

	Q3 2018	Q3 2017	Change	Q2 2018	Change
Ontario	86.5%	88.3%	(1.8pp)	86.2%	0.3pp
Western Canada	96.2%	96.9%	(0.7pp)	95.9%	0.3pp
Quebec	92.4%	92.9%	(0.5pp)	92.0%	0.4pp
Total	90.3%	91.4%	(1.1pp)	89.9%	0.4pp

Long Term Care Operations

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

		Composition of Suites					
	Properties	**IL**	**ISL**	**AL**	**MC**	**LTC**	**Total**
Same property	23	-	84	-	-	2,900	2,984
Acquisitions, development and other (1)	1	-	-	-	-	100	100
Total	24	-	84	-	-	3,000	3,084

(1) Includes one Class C residence subject to redevelopment where certain pre-development activities have begun.

In Q1 2018, we ceased operations of 49 retirement suites attached to the existing LTC residence which is undergoing phased redevelopment.

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

($000s, except occupancy rates)	**Q3 2018**	Q3 2017	Change	**2018 YTD**	2017 YTD	Change
Adjusted resident revenue	**58,036**	**57,450**	**586**	**172,097**	**167,729**	**4,368**
Comprised of:						
Same property (1)	*56,195*	*55,467*	*728*	*166,541*	*161,892*	*4,649*
Acquisitions, development and other (1)	*1,841*	*1,983*	*(142)*	*5,556*	*5,837*	*(281)*
Adjusted direct property operating expenses	**50,041**	**49,830**	**211**	**149,510**	**146,907**	**2,603**
Comprised of:						
Same property (1)	*48,313*	*47,970*	*343*	*144,217*	*141,297*	*2,920*
Acquisitions, development and other (1)	*1,728*	*1,860*	*(132)*	*5,293*	*5,610*	*(317)*
Adjusted NOI	**7,995**	**7,620**	**375**	**22,587**	**20,822**	**1,765**
Comprised of:						
Same property (1)	*7,882*	*7,497*	*385*	*22,324*	*20,595*	*1,729*
Acquisitions, development and other (1)	*113*	*123*	*(10)*	*263*	*227*	*36*
Weighted average occupancy rate - same property	98.3%	98.7%	(0.4pp)	98.1%	98.4%	(0.3pp)
Weighted average occupancy rate - total portfolio	98.3%	97.9%	0.4pp	98.1%	97.6%	0.5pp

(1) Non-GAAP; refer to the preamble to this table and to the introduction in "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 16 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Adjusted NOI increased $0.4 million or 4.9% in Q3 2018, primarily due to a 5.1% increase in adjusted NOI in the same property portfolio.

The increase in same property adjusted NOI was primarily due to higher preferred accommodation revenues partially offset by the timing of certain other expenses.

Weighted average occupancy in the same property portfolio was 98.3% in Q3 2018 compared to 98.7% in Q3 2017.

Management Fee Revenue

($000s)	**Q3 2018**	Q3 2017	Change	**2018 YTD**	2017 YTD	Change
Welltower	1,634	1,255	379	5,923	4,725	1,198
Other	793	574	219	2,326	1,834	492
Total management fee revenue	2,427	1,829	598	8,249	6,559	1,690

In Q3 2018, management fee revenue increased primarily due to higher development management fees from Welltower and higher number of properties managed for Batimo.

Interest Income

($000s)	**Q3 2018**	Q3 2017	Change	**2018 YTD**	2017 YTD	Change
Interest income on loans receivable	261	186	75	674	671	3
Interest income on capital funding	633	714	(81)	1,961	2,198	(237)
Other interest income	70	44	26	244	165	79
Total interest income	964	944	20	2,879	3,034	(155)

General, Administrative and Trust Expenses

($000s)	**Q3 2018**	Q3 2017	Change	**2018 YTD**	2017 YTD	Change
G&A expenses	9,960	8,260	1,700	34,542	28,786	5,756

In Q3 2018 and 2018 YTD, G&A expenses increased $1.7 million and $5.8 million, respectively, primarily due to higher staffing costs incurred to support the growing property portfolio and development activities, including management of Batimo projects which we expect to acquire upon stabilization.

Finance Costs

($000s)	**Q3 2018**	Q3 2017	Change	**2018 YTD**	2017 YTD	Change
Contractual interest expense on mortgages	16,447	15,790	657	48,281	47,299	982
Comprised of:						
Same property (1)	*14,736*	*14,941*	*(205)*	*43,927*	*45,361*	*(1,434)*
Acquisitions, development and other (1)	*1,711*	*849*	*862*	*4,354*	*1,938*	*2,416*
Unsecured Debentures	3,500	1,909	1,591	8,380	2,365	6,015
Credit facility and other interest expense	957	1,155	(198)	2,407	3,802	(1,395)
	20,904	18,854	2,050	59,068	53,466	5,602
Amortization of finance costs and debt mark-to-market adjustments	202	126	76	658	496	162
	21,106	18,980	2,126	59,726	53,962	5,764
Interest capitalized to properties under development	(1,424)	(701)	(723)	(3,420)	(1,966)	(1,454)
Distributions on Class B Units recorded as interest expense	242	238	4	723	719	4
Total finance costs	19,924	18,517	1,407	57,029	52,715	4,314

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 16 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Interest expense on the same property portfolio decreased $0.2 million in Q3 2018 and $1.4 million in 2018 YTD, primarily due to lower interest rates achieved on mortgage renewals.

Interest on Unsecured Debentures is higher due to the issuance of two series of Unsecured Debentures. Series A Debentures in the amount of $200 million were issued on June 9, 2017 and bear interest at an annual rate of 3.786%. Series B Debentures in the amount of $150 million were issued on April 27, 2018 and bear interest at an annual rate of 4.211%.

Credit facility and other interest expense decreased $0.2 million in Q3 2018 and $1.4 million in 2018 YTD, primarily due to lower average balances outstanding on our Credit Facilities in 2018 YTD.

Interest capitalized to properties under development increased $0.7 million in Q3 2018 and $1.5 million in 2018 YTD, primarily due to higher levels of development activity.

The following table provides supplemental information related to finance costs for our Equity-Accounted JVs:

($000s)	**Q3 2018**	Q3 2017	Change	**2018 YTD**	2017 YTD	Change
Mortgage and loans payable	552	601	(49)	1,521	1,679	(158)
Comprised of:						
Same property (1)	*206*	*212*	*(6)*	*615*	*627*	*(12)*
Acquisitions, development and other (1)	*346*	*389*	*(43)*	*906*	*1,052*	*(146)*
Amortization of finance costs and debt mark-to-market adjustments	26	18	8	104	47	57
Interest capitalized to properties under development	(124)	(33)	(91)	(294)	(33)	(261)
Total finance costs	454	586	(132)	1,331	1,693	(362)

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 16 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Other Income/(Expense)

($000s)	**Q3 2018**	Q3 2017	Change	**2018 YTD**	2017 YTD	Change
Transaction costs arising on business acquisitions and dispositions	(83)	(3,513)	3,430	(3,522)	(5,929)	2,407
Gain/(loss) on sale of assets	263	(67)	330	16,863	69	16,794
Other income	152	254	(102)	420	807	(387)
Property lease expense	(100)	(100)	-	(297)	(297)	-
Total other income/(expense)	232	(3,426)	3,658	13,464	(5,350)	18,814

Transaction costs arising on business acquisitions and dispositions are expensed as incurred and fluctuate from period to period based on the timing and volume of transactions.

Gain on sale of assets in 2018 YTD includes $15.2 million related to the sale of four non-core properties in Quebec and land in British Columbia.

Other Items

($000s)	**Q3 2018**	Q3 2017	Change	**2018 YTD**	2017 YTD	Change
Depreciation of PP&E	(45,044)	(38,649)	(6,395)	(126,190)	(111,129)	(15,061)
Amortization of intangible assets	(218)	(440)	222	(1,041)	(1,376)	335
Changes in fair value of financial instruments and foreign exchange	2,338	3,690	(1,352)	4,682	954	3,728
Current income tax expense	(18)	(8)	(10)	(44)	(8)	(36)
Deferred income tax benefit	27	26	1	81	132	(51)

Depreciation of PP&E increased $6.4 million in Q3 2018 primarily due to depreciation of properties acquired in 2017 and 2018 YTD.

Changes in fair value of financial instruments and foreign exchange result from changes in the market value of the underlying financial instruments and estimated values of amounts receivable under income guarantees. These amounts are expected to fluctuate from period to period due to changes in financial markets and operating performance of properties subject to income guarantees.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between Q3 2018 and Q3 2017 using our consolidated statements of cash flows:

Cash Provided by (Used in):	**Increase / (Decrease)** ($millions)	**Explanation**
Operating activities	5.2	Change in cash flows from operating activities is primarily due to higher adjusted NOI and lower transaction costs offset by higher finance costs and G&A expenses.
Financing activities	4.5	Change in cash flows from financing activities is primarily due to increased proceeds from mortgage financing, partially offset by higher mortgage repayments and decreased use of our Credit Facilities.
Investing activities	24.8	Change in cash flows from investing activities is primarily due to lower investments in acquisitions and higher distributions from joint ventures, partially offset by higher additions to PPE.

Liquidity and Capital Resources

Liquidity

Our liquidity and capital resources are used to fund capital investments in our properties, development and acquisition activities, servicing of our debt obligations, and distributions to our unitholders.

Our principal source of liquidity is net operating income generated from our property operations. We also finance our operations through the use of property-specific mortgages, secured and unsecured credit facilities, senior unsecured debentures, and equity financing.

At September 30, 2018 our liquidity was $372.9 million as presented in the following table:

($000s)	**September 30, 2018**	December 31, 2017
Cash and cash equivalents	16,407	44,751
Available under Credit Facilities	356,454	331,221
Total	372,861	375,972

In addition, at September 30, 2018, our share of cash and cash equivalents held in our Equity-Accounted JVs was $8.5 million.

As at September 30, 2018, our current liabilities totalled $342.7 million, exceeding current assets of $59.3 million, resulting in a working capital deficiency of $283.4 million. Current liabilities includes an amount of $167.7 million of current mortgages payable, comprised of $92.9 million related to maturing balances, and $74.8 million related to principal amortization and unamortized mark-to-market adjustments net of unamortized finance costs. We expect to refinance these mortgages in normal course at, or in some cases prior to, their maturities. These, and other contractual obligations and contingencies, including those resulting from the agreements with Batimo are discussed in the “Commitments and Contingencies” section in our 2017 MD&A. We expect to be able to meet all of our obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash flow generated from our operations, (ii) property-specific mortgages, and (iii) secured and unsecured credit facilities. In addition, subject to market conditions, Chartwell may seek to raise funding through new senior unsecured debentures or equity financing.

Debt

Our debt portfolio currently consists of property-specific mortgages, credit facilities, and senior unsecured debentures. Our debt management objective is to maximize financial flexibility and to maintain a strong balance sheet by:

- accessing low-cost, long-term, fixed-rate debt and short-term, variable-rate construction financing;
- managing interest rate risk by spreading debt maturities over time with the target of having no more than approximately 10% of our total debt maturing in any year;
- proactively managing our short-term maturities and where appropriate, refinancing maturing mortgages with long-term debt; and
- growing our unencumbered asset pool.

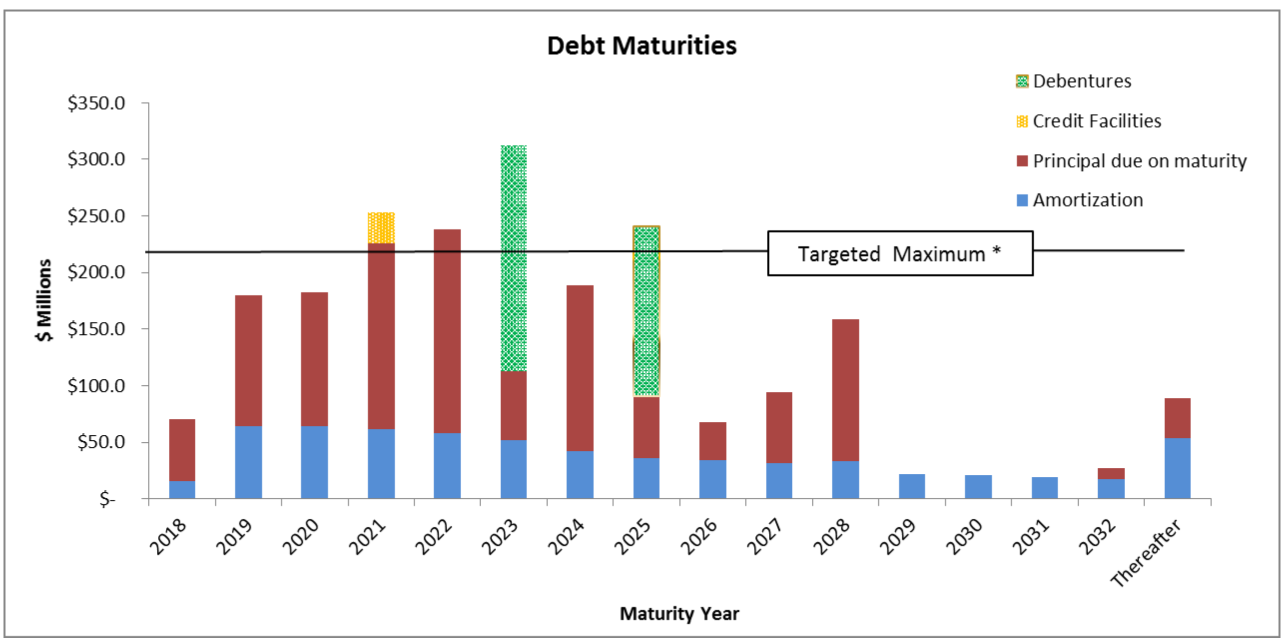
The following table summarizes the components of the principal balance of our debt at September 30, 2018 and December 31, 2017:

($000s)	**September 30, 2018**	December 31, 2017
Principal balance of mortgages payable	1,788,241	1,629,935
Credit Facilities	27,055	-
Principal balance of Series A Debentures	200,000	200,000
Principal balance of Series B Debentures	150,000	-
Principal balance of total debt	2,165,296	1,829,935

The following table summarizes the scheduled principal maturity and weighted average interest rates for our debt portfolio:

($000s)	Amortizing Principal Payments	Principal Due at Maturity	Total Mortgages	Weighted Average Interest Rate	Senior Unsecured Debentures	Weighted Average Interest Rate	Credit Facilities	Weighted Average Interest Rate	**Total**	Consolidated Weighted Average Interest Rate
Remainder of 2018	16,132	54,032	70,164	4.21%	-	-	-	-	70,164	4.21%
2019	64,140	115,565	179,705	3.39%	-	-	-	-	179,705	3.39%
2020	64,012	118,173	182,185	3.95%	-	-	-	-	182,185	3.95%
2021	62,037	164,205	226,242	4.15%	-	-	27,055	4.35%	253,297	4.17%
2022	57,928	180,282	238,210	3.70%	-	-	-	-	238,210	3.70%
2023	52,117	60,419	112,536	4.12%	200,000	3.79%	-	-	312,536	3.91%
2024	42,332	146,289	188,621	4.00%	-	-	-	-	188,621	4.00%
2025	35,713	54,705	90,418	3.31%	150,000	4.21%	-	-	240,418	3.87%
2026	34,041	33,830	67,871	3.22%	-	-	-	-	67,871	3.22%
2027	31,166	63,176	94,342	3.21%	-	-	-	-	94,342	3.21%
2028	33,678	125,353	159,031	3.48%	-	-	-	-	159,031	3.48%
2029	22,261	-	22,261	4.75%	-	-	-	-	22,261	4.75%
2030	20,884	-	20,884	4.88%	-	-	-	-	20,884	4.88%
2031	19,434	-	19,434	4.94%	-	-	-	-	19,434	4.94%
2032	17,885	9,654	27,539	4.92%					27,539	4.92%
Thereafter	53,548	35,250	88,798	3.98%	-	-	-	-	88,798	3.98%
Total	627,308	1,160,933	1,788,241	3.82%	350,000	3.97%	27,055	4.35%	2,165,296	3.85%

The following chart provides a breakdown of our debt maturities:



** 10% of total debt = $216.5 million*

Mortgage Debt

We generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation ("CMHC"). As of September 30, 2018, approximately 69% of our total mortgage debt was CMHC insured. We intend to continue financing our properties through this program, including converting conventional mortgages to CMHC-insured debt upon renewal.

The following table summarizes the changes in the principal balance of our mortgage portfolio in 2018 YTD:

	Balance ($000s)	Weighted Average Term to Maturity (Years)	Weighted Average Interest Rate of Maturing Debt	% CMHC Insured
Principal balance at December 31, 2017	1,629,935	7.8	3.86%	72%
Matured in the period	(95,881)	N/A	3.33%	30%
Assumed on acquisitions of properties	100,676	2.8	3.95%	-
New mortgage financing	200,480	7.1	3.46%	65%
Amortizing principal repayments	(46,969)	N/A	N/A	N/A
Loan related to asset held for sale	-	-	-	-
Principal balance at September 30, 2018	1,788,241	7.1	3.82%	69%
Mark-to-market adjustments arising on acquisitions	13,343			
Finance costs	(35,888)			
Mortgages payable at September 30, 2018	1,765,696			

New mortgage financing includes new CMHC-insured mortgages of $130.1 million with a weighted average interest rate of 3.08% and a weighted average term of 10 years; construction funding for one property under development of $11.3 million with interest at the Bankers' Acceptance rate ("BA") plus 155 basis points ("bps") and a 1.5-year term; and, one bridge loan of $59.1 million with a Prime rate ("Prime") plus 65 bps and a 2.3-year term.

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

	At September 30, 2018			At December 31, 2017
	Fixed Rate	Variable Rate	Total	Total
Principal amount ($000s)	1,692,076	96,165	1,788,241	1,629,935
Weighted average interest rate	3.80%	4.13%	3.82%	3.86%
Average term to maturity (years)	7.4	2.6	7.1	7.8

Subsequent to September 30, 2018, we fixed the interest rate on one variable-rate mortgage of $59.1 million with an interest rate swap. The fixed rate on this mortgage is 4.42%.

The following tables are supplemental information and summarize the components of our debt at September 30, 2018 and December 31, 2017 for our Equity-Accounted JVs:

($000s)	**September 30, 2018**	December 31, 2017
Principal balance of mortgages payable	93,092	83,954
Finance costs	(1,046)	(117)
Mortgages payable at September 30, 2018	92,046	83,837

($000s)	Amortizing Principal Payments	Principal Due at Maturity	Total Mortgages	Weighted Average Interest Rate
Remainder of 2018	123	12,178	12,301	2.78%
2019	747	-	747	3.13%
2020	770	30,000	30,770	2.37%
2021	795	12,120	12,915	4.23%
2022	820	11,150	11,970	4.21%
2023 and thereafter	5,323	19,066	24,389	3.13%
Total	8,578	84,514	93,092	3.12%

Credit Facilities

At September 30, 2018, we had two Credit Facilities with the total maximum borrowing capacity of $400.0 million. The following table summarizes the available borrowing capacity on these Credit Facilities:

($ millions)	Maximum Capacity	Available Capacity	Utilized for Letters of Credit	Borrowed	Available
Unsecured Credit Facility (1)	100.0	100.0	-	-	100.0
Secured Credit Facility	300.0	289.5	6.0	27.0	256.5
Total Credit Facilities	400.0	389.5	6.0	27.0	356.5

(1) An option to increase borrowing capacity by an additional $50.0 million is available, subject to certain conditions.

On April 3, 2018, we entered into amending agreements with our banking syndicate with the following key terms:

- Maturity date of the Credit Facilities was extended by one year to May 29, 2021.
- Pricing of Credit Facilities was amended to tie to Chartwell's credit rating. At the current BBB(low) rating, amounts borrowed under the Secured Credit Facility will bear interest at Prime plus 65 bps or BA plus 165 bps and amounts borrowed under the Unsecured Credit Facility will bear interest at Prime plus 70 bps or BA plus 170 bps.
- Unencumbered asset coverage covenant under the Unsecured Credit Facility was amended to allow certain non-stabilized and jointly-owned assets to be included in the unencumbered asset pool and the coverage requirement was reduced from 1.5 to 1.3.

The Credit Facilities include covenants generally applicable to such facilities, such as limitations on certain investments and hedging arrangements, overall leverage ratio, debt service coverage ratio, distributions payout ratio and, in the case of the Unsecured Credit Facility, secured indebtedness ratio and unencumbered asset value ratio. Please refer to the "Financial Covenants" section of this MD&A for calculations of these covenants.

Senior Unsecured Debentures

On June 9, 2017, we issued $200.0 million of 3.786% Series A Senior Unsecured Debentures (the "Series A Debentures") due on December 11, 2023, with semi-annual interest payments due on June 11 and December 11 of each year commencing December 11, 2017. Debt finance costs of $1.5 million were incurred and recorded against the principal owing.

On April 27, 2018, we issued $150 million of 4.211% Series B Senior Unsecured Debentures (the "Series B Debentures") due on April 28, 2025, with semi-annual interest payments due on April 28 and October 28 of each year commencing October 28, 2018. Debt finance costs of $1.1 million were incurred and recorded against the principal owing.

The following table summarizes the balance of our Series A Debentures and Series B Debentures:

($000s)	**As at September 30, 2018**	As at December 31, 2017
Series A Debentures outstanding	200,000	200,000
Series B Debentures outstanding	150,000	-
Unamortized finance costs	(2,249)	(1,407)
Carrying value	347,751	198,593

Credit Rating

Chartwell's credit rating for our Series A Debentures and Series B Debentures (collectively, the "Debentures") is summarized below:

Debt	Rating Agency	Long-term Credit Rating	Trend
Debentures	DBRS	BBB (low)	Stable

Long-term ratings assigned by DBRS provide an opinion of DBRS on the risk of default; that is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. DBRS' long-term credit ratings scale ranges from "AAA" (typically assigned to obligations of the highest credit quality) to "D" (typically assigned to obligations when the issuer has filed under any applicable bankruptcy, insolvency or winding up statute or there is a failure to pay or satisfy an obligation after the exhaustion of grace periods where DBRS believes the default will subsequently be general in nature and include all obligations). A long-term obligation rated "BBB" by DBRS is the fourth highest-rated obligation after those rated "AAA", "AA" and "A" and is, in DBRS' view, of adequate credit quality. The capacity for payment of financial obligations is considered acceptable. DBRS indicates that "BBB" rated obligations may be vulnerable to future events. All DBRS rating categories other than "AAA" and "D" also contain subcategories "(high)" and "(low)". The addition of either a "(high)" or "(low)" designation indicates the relative standing within a rating category.

DBRS uses "rating trends" for its ratings in, among other areas, the real estate investment trust sector. DBRS' rating trends provide guidance in respect of DBRS' opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories: "Positive", "Stable" or "Negative". The rating trend indicates the direction in which DBRS considers the rating is headed should present circumstances continue, or in some cases, unless challenges are addressed. In general, DBRS assigns rating trends based primarily on an evaluation of the issuing entity or guarantor itself, but may also include consideration of the outlook for the industry or industries in which the issuing entity operates. A "Positive" or "Negative" trend assigned by DBRS is not an indication that a rating change is imminent, but represents an indication that there is a greater likelihood that the rating could change in the future than would be the case if a "Stable" trend was assigned.

The above-mentioned rating assigned to our Senior Unsecured Debentures is not a recommendation to buy, sell or hold any securities of Chartwell and may be subject to revision or withdrawal at any time by DBRS. Chartwell has paid customary rating fees to DBRS in connection with the above-mentioned rating. There can be no assurance that a rating will remain in effect for any given period of time or that a rating will not be lowered, withdrawn or revised by the rating agency if in its judgment circumstances so warrant.

Financial Covenants

Our Credit Facilities and Debentures contain numerous financial covenants. Failure to comply with the covenants could result in a default, which, if not waived or cured, could result in adverse financial consequences. The following discussions provide the status of our various financial covenants related to our Credit Facilities and Debentures.

All covenant calculations in this section are based on the definitions of various financial metrics as negotiated with the lenders and agents and as reflected in our Amended and Restated Credit Agreements for Secured and Unsecured Facilities dated May 29, 2017 (together, the "Credit Agreements"), and in the trust indentures for the Debentures. These covenants are calculated in accordance with the respective agreement and may not be comparable to similar metrics used by other entities or to any GAAP measure.

Credit Facilities

1. Debt Service Coverage Ratio for Credit Facilities

We are required to maintain a minimum debt service coverage ratio of 1.40 on a rolling 12-month basis.

($000s, except debt service coverage ratio)	**Rolling 12 months September 30, 2018**	Rolling 12 months December 31, 2017
Consolidated EBITDA for Credit Facilities (1)	277,796	262,928
Consolidated interest expense for Credit Facilities (2)	79,945	74,501
Consolidated regularly-scheduled debt principal payments for Credit Facilities (3)	62,322	58,238
Consolidated debt service payments for Credit Facilities	142,267	132,739
Debt service coverage ratio for Credit Facilities	1.95	1.98

(1) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Debentures" section on page 32 of this MD&A for the calculation of consolidated EBITDA for Credit Facilities.
(2) Refer to the "Supporting Covenant Calculations – 2. Consolidated Interest Expense for Credit Facilities and Debentures" section on page 33 of this MD&A for the calculation of consolidated interest expense for Credit Facilities.
(3) Refer to the "Supporting Covenant Calculations – 3. Regularly-Scheduled Debt Principal Payments for Credit Facilities" section on page 33 of this MD&A for the calculation of consolidated regularly-scheduled debt principal payments for Credit Facilities.

2. Total Leverage Ratio for Credit Facilities

We are required to maintain a total leverage ratio below 65%.

($000s, except total leverage ratio)	**As at September 30, 2018**	As at December 31, 2017
Consolidated indebtedness for Credit Facilities (1)	2,271,589	1,940,719
Adjusted consolidated gross book value of assets for Credit Facilities (2)	4,545,602	4,157,365
Total leverage ratio for Credit Facilities	50.0%	46.7%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 34 of this MD&A for the calculation of consolidated indebtedness for Credit Facilities.
(2) Refer to the "Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Debentures" section on page 35 of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities.

3. Adjusted Consolidated Unitholders' Equity Ratio for Credit Facilities

We are required to maintain an adjusted consolidated unitholders' equity of at least $1.0 billion, plus 75% of the net proceeds raised by further issuance of units after June 30, 2016.

At September 30, 2018, the minimum adjusted consolidated unitholders' equity requirement was $1,194 million.

($000s)	**As at September 30, 2018**	As at December 31, 2017
Unitholders' equity per Financial Statements	966,281	1,010,167
Adjustment for accumulated depreciation and amortization for Credit Facilities (1)	884,505	785,563
Class B Units	24,094	26,808
Deferred Trust Units ("DTUs")	13,865	14,186
Adjusted consolidated unitholders' equity for Credit Facilities	1,888,745	1,836,724

(1) Includes accumulated depreciation and amortization of equity-accounted investments of $30.8 million at September 30, 2018 ($26.1 million at December 31, 2017) and fully amortized assets of $197.1 million at September 30, 2018 ($182.9 million at December 31, 2017).

4. Payment of Cash Distributions for Credit Facilities

We are required to not make cash distributions exceeding 100% of our AFFO for Credit Facilities.

($000s, except percentage of AFFO)	**2018 YTD**	2017 YTD
Distributions declared on Trust Units	92,814	82,548
Distributions on Class B Units	723	719
Distributions on DTUs	394	365
Total distributions for Credit Facilities	93,931	83,632
Less:		
Non-cash distributions settled by DRIP	16,119	15,026
Non-cash distributions applied to Executive Unit Purchase Plan (“EUPP”)	665	650
Non-cash distributions applied to DTUs	394	365
Cash distributions for Credit Facilities	76,753	67,591
AFFO for Credit Facilities (1)	137,307	124,877
Cash distributions as a percentage of AFFO for Credit Facilities	55.9%	54.1%

(1) Refer to the “Supporting Covenant Calculations – 6. Adjusted Funds from Operations for Credit Facilities” section on page 35 of this MD&A for the calculation of AFFO for Credit Facilities.

5. Investment Restrictions for Credit Facilities

Our Credit Agreements include certain restrictions on investments in certain joint ventures, mortgage receivables and properties held for development as follows:

($000s)	Threshold as of September 30, 2018	**As at September 30, 2018**	As at December 31, 2017
Non-qualifying joint ventures and investments (1)	227,280	-	-
Mortgage receivables (2)	681,840	10,722	6,753
Investments in property held for development/construction as defined in the Credit Facilities (2)	681,840	213,606	114,175
Combined (3)	1,136,401	224,328	120,928

(1) Limit of 5% of adjusted consolidated gross book value of assets for Credit Facilities.
(2) Limit of 15% of adjusted consolidated gross book value of assets for Credit Facilities.
(3) Limit of 25% of adjusted consolidated gross book value of assets for Credit Facilities.

The following financial covenants are only applicable to the Unsecured Credit Facility:

6. Secured Indebtedness Ratio for the Unsecured Credit Facility

We are required to maintain a secured indebtedness to adjusted consolidated gross book value of assets ratio of below 55%.

($000s, except secured indebtedness ratio)	**As at September 30, 2018**	As at December 31, 2017
Secured indebtedness for the Unsecured Credit Facility (1)	1,908,388	1,713,889
Adjusted consolidated gross book value of assets for Credit Facilities (2)	4,545,602	4,157,365
Secured indebtedness ratio for the Unsecured Credit Facility	42.0%	41.2%

(1) Refer to the “Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures” section on page 34 of this MD&A for the calculation of secured indebtedness for Credit Facilities.
(2) Refer to the “Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Debentures” section on page 35 of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities.

7. Unencumbered Property Asset Ratio for the Unsecured Credit Facility

We are required to maintain the unencumbered property asset value at more than 1.3 times (1.5 times at December 31, 2017) our consolidated unsecured indebtedness.

($000s, except unencumbered property asset ratio)	**September 30, 2018**	December 31, 2017
Unencumbered property asset value for the Unsecured Credit Facility (1)	659,800	405,200
Unsecured indebtedness for the Unsecured Credit Facility (2)	363,201	226,830
Unencumbered property asset ratio for the Unsecured Credit Facility	1.8	1.8

(1) Includes 32 properties valued at $659.8 million as of September 30, 2018 (17 properties valued at $405.2 million as of December 31, 2017) with valuations completed through third-party appraisals.
(2) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 34 of this MD&A for the calculation of unsecured indebtedness for Credit Facilities.

Debentures

1. Consolidated EBITDA to Consolidated Interest Expense Ratio for Debentures ("Interest Coverage Ratio for Debentures")

We are required at all times to maintain an Interest Coverage Ratio for Debentures of not less than 1.65 on a proforma basis and calculated based on the definitions for the Debentures.

($000s, except Interest Coverage Ratio)	**Rolling 12 months September 30, 2018**	Rolling 12 months December 31, 2017
Consolidated EBITDA for Debentures (1)	286,206	266,831
Consolidated interest expense for Debentures (2)	88,351	76,546
Interest Coverage Ratio for Debentures	3.2	3.5

(1) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Debentures" section on page 32 of this MD&A for the calculation of consolidated EBITDA for the Debentures.
(2) Refer to the "Supporting Covenant Calculations – 2. Consolidated Interest Expense for Credit Facilities and Debentures" section on page 33 of this MD&A for the calculation of consolidated interest expense for the Debentures.

2. Indebtedness Percentage for Debentures

We are required to maintain a ratio of consolidated indebtedness to aggregate adjusted assets of less than or equal to 65%.

($000s, except indebtedness percentage)	**September 30, 2018**	December 31, 2017
Consolidated indebtedness for Debentures (1)	2,234,718	1,832,269
Aggregate adjusted assets for Debentures (2)	4,520,684	4,074,842
Indebtedness percentage for Debentures	49.4%	45.0%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 34 of this MD&A for the calculation of consolidated indebtedness for the Debentures.
(2) Refer to the "Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Debentures" section on page 35 of this MD&A for the calculation of aggregate adjusted assets for the Debentures.

3. Coverage Ratio for Debentures

We are required to maintain a ratio of unencumbered aggregate adjusted assets to the aggregate principal amount of outstanding consolidated unsecured indebtedness of not less than 1.3 on a proforma basis giving effect to the transactions completed from June 30, 2017 to the date of this MD&A and calculated based on the definition in the Supplemental Trust Indentures.

($000s, except ratio)	**September 30, 2018**	December 31, 2017
Unencumbered aggregate adjusted assets for Debentures (1)	659,800	455,000
Unsecured indebtedness for Debentures (2)	351,248	202,739
Coverage ratio for Debentures	1.9	2.2

(1) Includes 32 properties valued at $659.8 million as of September 30, 2018 (22 properties valued at $455.0 million as of December 31, 2017) with valuations completed through third-party appraisals.
(2) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 34 of this MD&A for the calculation of unsecured indebtedness for the Debentures.

Supporting Covenant Calculations

1. Consolidated EBITDA for Credit Facilities and Debentures

The following table provides the calculation of consolidated EBITDA for the Credit Facilities and Debentures.

($000s)	Rolling 12 months December 31, 2017	*Subtract:* 2017 YTD	*Add:* 2018 YTD	**Rolling 12 months September 30, 2018**
Net income/(loss) – continuing operations	13,082	12,368	31,617	32,331
Loss/(gain) on sale of assets (1)	(704)	(76)	(16,833)	(17,461)
Transaction costs	7,540	5,929	3,522	5,133
Non-cash changes in fair value of financial instruments and foreign exchange (gains)/losses (1)	3,124	(835)	(4,491)	(532)
Consolidated net income for Credit Facilities	23,042	17,386	13,815	19,471
Consolidated finance costs (1)	73,378	54,408	58,360	77,330
Consolidated depreciation and amortization (1)	160,935	118,259	132,423	175,099
Consolidated income tax expense/(benefit)	(89)	(124)	(37)	(2)
Principal portion of capital funding	5,662	4,218	4,454	5,898
Consolidated EBITDA for Credit Facilities	262,928	194,147	209,015	277,796
Proforma adjustments (2)	3,903			8,410
Consolidated EBITDA for Debentures	266,831			286,206

(1) Non-GAAP; includes Chartwell's proportionate share of Equity-Accounted JVs.
(2) Adjusted to reflect a full-year impact of acquisitions and dispositions completed during the reporting period and up to the date of this MD&A, on a proforma basis, and excludes assets held for sale and announced acquisitions which have not closed as of the date of this MD&A.

2. Consolidated Interest Expense for Credit Facilities and Debentures

The following table provides the calculation of consolidated interest expense for Credit Facilities and Debentures.

($000s)	Rolling 12 months December 31, 2017	*Subtract:* 2017 YTD	*Add:* 2018 YTD	**Rolling 12 months September 30, 2018**
Interest on mortgages (1)	65,484	48,978	49,802	66,308
Interest on Debentures	4,274	2,365	8,380	10,289
Interest on Credit Facilities	4,743	3,802	2,407	3,348
Consolidated interest expense for Credit Facilities	74,501	55,145	60,589	79,945
Proforma adjustments (2)	2,045			8,406
Consolidated interest expense for Debentures	76,546			88,351

(1) Non-GAAP; includes Chartwell's proportionate share of Equity-Accounted JVs.
(2) Adjusted to reflect a full-year impact of acquisitions, dispositions and financings completed during the reporting period up to the date of this MD&A, on a proforma basis, and excludes assets held for sale and announced acquisitions which have not closed as of the date of this MD&A.

3. Regularly-Scheduled Debt Principal Payments for Credit Facilities

The following table summarizes regularly-scheduled principal debt payments for the Credit Facilities.

($000s)	Rolling 12 months December 31, 2017	*Subtract:* 2017 YTD	*Add:* 2018 YTD	**Rolling 12 months September 30, 2018**
Regularly-scheduled debt principal payments per Financial Statements	57,856	43,020	46,969	61,805
Regularly-scheduled debt principal payments for equity-accounted entities	382	241	376	517
Regularly-scheduled debt principal payments for Credit Facilities	58,238	43,261	47,345	62,322

4. Consolidated Indebtedness for Credit Facilities and Debentures

The following table provides the calculation of consolidated indebtedness for Credit Facilities and Debentures.

($000s)	**September 30, 2018**	December 31, 2017
Principal balance of mortgages payable	1,788,241	1,629,935
Principal balance of mortgages payable related to Equity-Accounted JVs	93,092	83,954
Outstanding amount on the Secured Credit Facility	27,055	-
Secured indebtedness for the Unsecured Credit Facility	1,908,388	1,713,889
Principal balance of Debentures	350,000	200,000
Deferred purchase consideration	-	1,506
Capital lease obligations	1,248	1,233
Unsecured indebtedness for Debentures	351,248	202,739
Outstanding letters of credit	6,023	4,655
Third-party guarantees	5,930	19,436
Unsecured indebtedness for Credit Facilities	363,201	226,830
Consolidated indebtedness for Credit Facilities	2,271,589	1,940,719
Add (Subtract):		
Outstanding letters of credit	(6,023)	(4,655)
Third-party guarantees	(5,930)	(19,436)
Cash and cash equivalents	(16,407)	(44,751)
Cash and cash equivalents of Equity-Accounted JVs	(8,511)	(7,608)
Proforma adjustments (1)	-	(32,000)
Consolidated indebtedness for Debentures	2,234,718	1,832,269

(1) Adjusted to reflect a full-year impact of acquisitions, dispositions and financings completed during the reporting period up to the date of this MD&A, on a proforma basis, and excludes assets held for sale and announced acquisitions which have not closed as of the date of this MD&A.

5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Debentures

The following table provides the calculations of both the adjusted consolidated gross book value of assets for Credit Facilities and the aggregate adjusted assets for Debentures.

($000s)	**September 30, 2018**	December 31, 2017
Book value of assets [(1)]	3,390,133	3,095,359
Gross book value adjustment on IFRS transition [(2)]	270,964	276,443
Accumulated depreciation and amortization for Credit Facilities	884,505	785,563
Adjusted consolidated gross book value of assets for Credit Facilities	4,545,602	4,157,365
Add (Subtract):		
Cash and cash equivalents	(16,407)	(44,751)
Cash and cash equivalents of Equity-Accounted JVs	(8,511)	(7,608)
Proforma adjustments [(3)]	-	(30,164)
Aggregate adjusted assets for Debentures	4,520,684	4,074,842

(1) Non-GAAP; includes Chartwell's proportionate share of Equity-Accounted JVs.
(2) The change from December 31, 2017 is due to the sale of three properties in Quebec in Q1 2018.
(3) Adjusted to reflect a full-year impact of acquisitions, dispositions and financings completed during the reporting period and up to the date of this MD&A on a proforma basis, and excludes assets held for sale and announced acquisitions which have not closed as of the date of this MD&A.

6. Adjusted Funds from Operations for Credit Facilities

AFFO for Credit Facilities is calculated based on the definition used in our Credit Agreements and is likely not comparable to similar measures used by other entities. In accordance with the Credit Agreements, AFFO is calculated by adding or subtracting certain items measured to or from FFO as follows where, as required by the agreement, all such items are adjusted to account for our Equity-Accounted JVs using the proportionate consolidation method:

Principal portion of capital funding receivable: This item represents the principal portion of the long-term cash flow stream provided in the respective period by the Ontario Ministry of Health and Long Term Care ("MOHLTC") to communities which meet certain design criteria.

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 finance costs and fair value adjustments on mortgages payable: Adjustments for non-cash interest expense items and to account for interest expense based on the contractual terms of the underlying debt.

Finance cost reserve: This reserve represents normalized costs of refinancing our mortgages, estimated at 60 basis points, applied to the debt balances outstanding at the end of the reporting period and 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 following table provides the calculation of AFFO for Credit Facilities for the purposes of the covenant calculations in the Credit Agreements:

($000s)	**2018 YTD**	2017 YTD
FFO (1)	145,068	134,480
Add (Subtract) amounts as defined in the Credit Agreements:		
Principal portion of capital funding receivable	4,454	4,218
Amounts receivable under income guarantees	2,919	992
Amortization of finance costs and fair value adjustments on mortgages payable (2)	(153)	(698)
Finance cost reserve	(1,084)	(1,156)
AFFO for Credit Facilities before capital maintenance reserve	151,204	137,836
Capital maintenance reserve - 2% of property revenue	(13,897)	(12,959)
AFFO for Credit Facilities	137,307	124,877

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures – Funds from Operations" section on page 42 of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.
(2) Non-GAAP; excludes $0.9 million of amortization of finance costs incurred in respect of renewal of our Credit Facilities and Debentures (2017 YTD - $1.2 million).

Unitholders' Equity

The following table summarizes changes in the number of outstanding units during 2018 YTD:

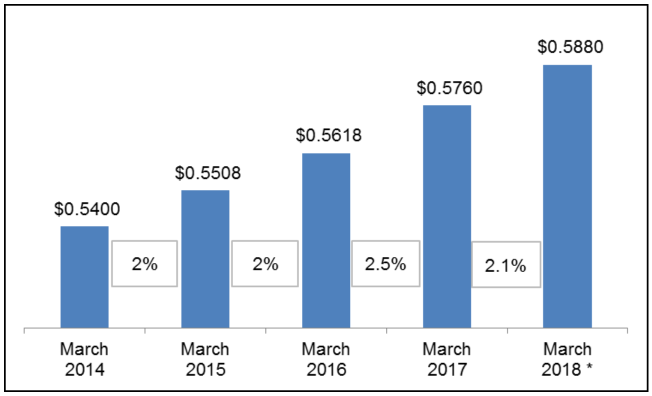
	Trust Units	**Trust Units under EUPP**	**Class B Units**	**DTUs**	**Total**
Balance December 31, 2017	209,481,633	1,452,089	1,648,738	872,599	213,455,059
Trust Units issued pursuant to DRIP	1,093,092	-	-	-	1,093,092
Trust Units issued under EUPP	-	115,348	-	-	115,348
Trust Units surrendered for cancellation under EUPP	-	(1,161)	-	-	(1,161)
Trust Units released on settlement of EUPP receivable	32,670	(32,670)	-	-	-
Exchange of Class B Units into Trust Units	3,000	-	(3,000)	-	-
DTUs issued	-	-	-	48,735	48,735
Distributions on DTUs	-	-	-	25,927	25,927
Balance September 30, 2018	210,610,395	1,533,606	1,645,738	947,261	214,737,000

Distributions

The declaration and payment of future distributions is at the discretion of the board of trustees of Chartwell (the "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 considered relevant by them in setting the distribution rate.

On February 22, 2018, the Trustees approved a 2.1% increase in our monthly distributions from annualized $0.5760 per unit to $0.5880 per unit effective for the March 31, 2018 distribution paid on April 16, 2018.

The following chart summarizes increases in our annualized per unit distributions since 2014:



** Effective for the March 31, 2018 distribution paid on April 16, 2018.*

Unitholders who are Canadian residents are eligible to participate in our DRIP, which allows unitholders to use their monthly cash distributions to steadily increase ownership without incurring any commission or other transaction costs. Participating investors registered in our DRIP receive additional bonus units in an amount equal to 3% of the distributions which they have elected to reinvest. In 2018 YTD, our average DRIP participation was 17.5% compared to 18.4% participation in 2017 YTD.

The following table summarizes distributions declared on Trust Units in Q3 2018, 2018 YTD, 2017 and 2016 in relation to net income/(loss) from continuing operations and cash flows from operating activities:

($000s)	**Q3 2018**	**2018 YTD**	2017	2016
Distributions declared on Trust Units	31,136	92,814	112,025	104,701
Cash flows from operating activities	66,871	151,168	181,958	158,373
Net income/(loss) from continuing operations	9,135	31,617	13,082	(710)
Excess/(deficit) cash flows from operating activities over distributions declared on Trust Units	35,735	58,354	69,933	53,672
Deficit of net income/(loss) from continuing operations over distributions declared on Trust Units	(22,001)	(61,197)	(98,943)	(105,411)

Historically, we distributed cash to our unitholders in excess of net income from continuing operations. We do not use net income/(loss) as determined in accordance with GAAP as the basis for establishing the level of distributions to unitholders, as net income/(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 and fluctuations in fair values of certain liabilities in establishing our distribution levels. We believe that, with the appropriate level of capital reinvestment in our properties, their income-generating potential does not generally diminish over time.

We believe our current distributions are sustainable.

Balance Sheet Analysis

The following table summarizes the significant changes in assets, liabilities and equity for September 30, 2018 compared to December 31, 2017.

	Increase / (Decrease) ($millions)	Explanation
Total assets	293.3	Total assets increased primarily due to acquisitions and additions to PP&E, partially offset by depreciation and amortization.
Total liabilities	337.2	Total liabilities increased primarily due to debt used to finance acquisitions and developments.
Equity	(43.9)	The decrease in equity is primarily due to distributions, partially offset by net income for the period.

Capital Investments

We regularly reinvest capital in our owned property portfolio. These investments are made with the goal of growing our property NOI. The strategic allocation of our resources to such capital investments is driven by three key objectives:

1. Improve competitive positioning of our properties in their markets to support growth in occupancies and resident revenue.
2. Improve operating efficiencies through provision of enhanced services to our residents and cost containment strategies, including investments in energy conservation projects.
3. Maintain the quality of our portfolio in compliance with applicable laws and regulations to maintain and grow the value of our real estate.

As part of our acquisition underwriting, we assess the long-term capital needs of the acquired properties and consider these capital requirements in our determination of the purchase price. We normally prepare a five-year capital plan for such properties, which often includes investments in property repositioning, such as suite and common area upgrades.

The following table summarizes our capital investments in 2018 YTD and 2017 YTD:

($000s)	2018 YTD Properties Owned prior to January 1, 2014 [(1)]	2018 YTD Properties Acquired since January 1, 2014 [(2)]	2018 YTD Total	2017 YTD Properties Owned prior to January 1, 2014 [(3)]	2017 YTD Properties Acquired since January 1, 2014 [(4)]	2017 YTD Total
Building improvements	14,147	3,057	17,204	14,524	1,213	15,737
Mechanical and electrical ("M&E")	8,424	2,128	10,552	6,146	1,158	7,304
Suite improvements and upgrades	12,017	3,231	15,248	13,675	2,064	15,739
Interior improvements and upgrades	3,421	911	4,332	4,037	582	4,619
Furniture, fixtures and equipment	7,199	1,795	8,994	6,253	1,708	7,961
Communications and information systems	1,178	193	1,371	1,117	515	1,632
	46,386	11,315	57,701	45,752	7,240	52,992
Properties under development [(5)]			99,754			65,306
Land held for development			6,125			30
Total capital investments			163,580			118,328

(1) Includes 151 properties (17,220 suites at Chartwell's share of ownership).
(2) Includes 35 properties (4,850 suites at Chartwell's share of ownership).
(3) Includes 155 properties (17,538 suites at Chartwell's share of ownership).
(4) Includes 29 properties (3,750 suites at Chartwell's share of ownership).
(5) 2018 YTD amount includes $14.9 million related to the development of Chartwell Hub (2017 YTD - $8.1 million).

The following table is supplemental information and summarizes capital investments in our Equity-Accounted JVs in 2018 YTD and 2017 YTD not included in the table above:

($000s)	2018 YTD Properties Owned prior to January 1, 2014	2018 YTD Properties Acquired since January 1, 2014	2018 YTD Total [(1)]	2017 YTD Properties Owned prior to January 1, 2014	2017 YTD Properties Acquired since January 1, 2014	2017 YTD Total
Capital investments in Equity-Accounted JVs	2,036	5,815	7,851	1,501	10,773	12,274

(1) Includes $5.5 million related to one property under development.

Building Improvements

This category primarily includes investments in facades, balconies, garages, elevators and parking lots. In addition to preserving the existing revenue generating capacity and value of the properties, these investments support occupancy growth due to improved physical appearance of the property, growth in ancillary property revenues (i.e. parking rates) and operating cost savings (i.e. energy efficient windows and doors, improved building insulation).

In 2018 YTD, we completed 66 major building improvement projects valued over $50,000 each, totalling $8.8 million. In 2017 YTD, we completed 51 projects for a total of $6.6 million.

In addition, this category includes the acquisitions of four condominium suites at two of our properties in British Columbia totalling $1.3 million. In 2017 YTD, we acquired nine condominium suites for a total of $2.4 million.

Mechanical and Electrical

This category primarily includes investments in heating, air conditioning and ventilation systems, fire safety systems, including sprinklers and lighting systems. These investments are generally expected to result in energy cost savings and lower equipment maintenance costs over time.

In 2018 YTD, we completed 40 major M&E projects valued over $50,000, totalling $5.6 million. In 2017 YTD, we completed 30 project for a total of $3.1 million.

Suite Improvements and Upgrades

This category includes capital investments in resident suites. Over the past four years we have developed a program of strategic capital allocation to resident suite upgrades. These discretionary investments are made to improve the competitive position of our properties in the market and to allow for higher rental rate increases on suite turnover. In most cases, in addition to regular painting, resident suite upgrades include flooring upgrades and often full renovations of bathroom and kitchen facilities.

In 2018 YTD, 75 properties were subject to strategic suite upgrade programs (2017 YTD – 68 properties).

Interior Improvements and Upgrades

This category includes investments in common areas of our properties that are made primarily to improve their marketability. This investment includes upgrades to property resident amenity areas, such as hallways, dining rooms, lounges, theatres, etc.

In 2018 YTD, 59 properties were subject to strategic common area upgrade programs (2017 YTD – 71 properties).

Furniture, Fixtures and Equipment

This category primarily includes investments in resident area and model suite furnishings and equipment, including upgrades to commercial kitchens and investments in resident transportation programs. These investments are primarily made to improve competitiveness of our properties and to provide enhanced services to our residents.

Communication and Information Services

This category includes investments in telecommunication systems, including emergency call systems, computer hardware and software and the implementation costs of major new information systems.

Commitments and Contingencies

Contractual Obligations and Guarantees

Details of our contractual obligations and guarantees are outlined in our 2017 MD&A. There were no significant changes in our contractual obligations and guarantees in Q3 2018 which are outside the ordinary course of business.

Summary of Select Financial Information

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

($000s, except per unit amounts)	**2018**			2017				2016
	Q3	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4
Revenues	219,698	214,578	206,550	209,724	204,538	193,856	192,176	194,802
Direct property operating expenses	(138,877)	(135,901)	(135,347)	(136,966)	(130,774)	(126,693)	(125,943)	(128,177)
Depreciation and amortization	(45,262)	(41,194)	(40,775)	(40,844)	(39,089)	(35,341)	(38,075)	(38,534)
Share of net income from joint ventures	881	353	301	1,230	2,046	904	536	1,829
G&A expenses	(9,960)	(12,052)	(12,530)	(9,221)	(8,260)	(10,121)	(10,405)	(8,227)
Other income/(expense)	232	312	12,920	(826)	(3,426)	(553)	(1,371)	1,049
Finance costs	(19,924)	(19,572)	(17,533)	(18,407)	(18,517)	(17,614)	(16,584)	(16,582)
Changes in fair value of financial instruments and foreign exchange gains/(losses)	2,338	436	1,908	(3,941)	3,690	1,765	(4,501)	6,693
Current income tax (expense)/benefit	(18)	(18)	(8)	(7)	(8)	-	-	(27)
Deferred income tax (expense)/benefit	27	26	28	(28)	26	106	-	-
Net income/(loss) for the period – continuing operations	9,135	6,968	15,514	714	10,226	6,309	(4,167)	12,826
Net income/(loss) for the period	9,135	6,968	15,514	714	10,226	6,309	(4,167)	15,053
FFO [(1)]	53,329	48,919	42,820	48,022	50,517	41,856	42,106	43,767
FFO per unit [(1)]	0.25	0.23	0.20	0.24	0.26	0.21	0.22	0.23

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures" section on page 42 of this MD&A.

Our results for the past eight quarters have primarily been affected by developments, acquisitions and dispositions as described in the "Significant Events" section on page 7 of this MD&A and in our 2017 MD&A, and changes in fair value of financial instruments and foreign exchange gains and losses.

Seasonal factors have a limited effect on our quarterly results as there is not a predictable pattern as to the effect of such factors. Seasonal factors include outbreaks and weather patterns.

Additional Information on Non-GAAP Financial Measures

As described in the relevant sections of this MD&A, where a Non-GAAP Financial Measure is discussed for the first time, we have described why we believe it is useful to investors and how management uses the Non-GAAP Financial Measure. Non-GAAP Financial Measures do not have any standardized meaning prescribed by GAAP and therefore, are unlikely to be comparable to similar measures used by other issuers. The following provides detailed definitions and reconciliations to the most closely comparable GAAP measure for any Non-GAAP Financial Measure that has not been provided elsewhere in this MD&A.

Funds from Operations

According to the REALPAC Guidance, FFO is defined as follows:

Profit or loss per GAAP 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 puttable instruments classified as financial liabilities.
P. Results of discontinued operations.
Q. Adjustments for equity-accounted entities.
R. Incremental leasing costs.
S. Property taxes accounted for under IFRIC 21.
T. Non-controlling interests in respect of the above.

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

	($000s, except per unit amounts)	**Q3 2018**	Q3 2017	Change	**2018 YTD**	2017 YTD	Change
	Net income	9,135	10,226	(1,091)	31,617	12,368	19,249
	Add (Subtract):						
B	Depreciation of PP&E	45,044	38,649	6,395	126,190	111,129	15,061
D	Amortization of limited life intangible assets	218	440	(222)	1,041	1,376	(335)
B	Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above	(451)	(604)	153	(1,812)	(1,752)	(60)
E	Gain on sale of assets	(263)	67	(330)	(16,863)	(69)	(16,794)
J	Transaction costs arising on business acquisitions and dispositions	83	3,513	(3,430)	3,522	5,929	(2,407)
G	Deferred income tax	(27)	(26)	(1)	(81)	(132)	51
O	Distributions on Class B Units recorded as interest expense	242	238	4	723	719	4
M	Changes in fair value of financial instruments and foreign exchange	(2,338)	(3,690)	1,352	(4,682)	(954)	(3,728)
R	FFO adjustments for Equity-Accounted JVs (1)	1,686	1,704	(18)	5,413	5,866	(453)
	FFO (2)	53,329	50,517	2,812	145,068	134,480	10,588
	FFO per unit (3)	0.25	0.26	(0.01)	0.68	0.69	(0.01)

(1) Non-GAAP; see reconciliation table following for the calculation of these amounts.
(2) Non-GAAP; refer to the preamble to this table and to the "Consolidated Results of Operations – FFO" section on page 14 of this MD&A for a discussion of the significance of this metric.
(3) Non-GAAP; refer to the "Per Unit Amounts" section on page 44 of this MD&A for a discussion of the calculation of the per unit amounts.

The following table provides supplemental information in respect of the adjustment to FFO for Equity-Accounted JVs which would have previously been included on each individual line of our FFO reconciliation and are now included in the 'Adjustment to FFO for Equity-Accounted JVs' line:

	($000s)	**Q3 2018**	Q3 2017	Change	**2018 YTD**	2017 YTD	Change
B	Depreciation of PP&E	1,751	1,807	(56)	5,192	5,747	(555)
D	Amortization of limited life intangible assets	-	2	(2)	-	7	(7)
E	Gain on sale of assets	3	(3)	6	30	(7)	37
M	Changes in fair value of financial instruments and foreign exchange	(68)	(102)	34	191	119	72
R	FFO adjustments for Equity-Accounted JVs (1)	1,686	1,704	(18)	5,413	5,866	(453)

(1) Non-GAAP; refer to the preamble to this section of this MD&A.

Per Unit Amounts

In our calculations of FFO 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 Trust Units issued under EUPP and DTUs.

Weighted Average Number of Units

The following table provides details of the weighted average number of units outstanding:

(000s)	**Q3 2018**	Q3 2017	Change	**2018 YTD**	2017 YTD	Change
Weighted average number of units (1)	214,531	195,162	19,369	214,116	194,789	19,327

(1) Includes Trust Units, Class B Units, Trust Units issued under EUPP and DTUs.

Net Debt to Adjusted EBITDA

In addition to the financial covenants related to our Credit Facilities and Debentures, we internally monitor the Net Debt to Adjusted EBITDA ratio as calculated based on the definitions of Consolidated Indebtedness and Consolidated EBITDA contained in the trust indentures for our Debentures.

The following table summarizes our Net Debt to Adjusted EBITDA ratio at September 30, 2018 and December 31, 2017:

($000s, except Net Debt to Adjusted EBITDA ratio)	**September 30, 2018**	December 31, 2017
Consolidated Indebtedness for Debentures (1)	2,234,718	1,832,269
Consolidated EBITDA for Debentures (2)	286,206	266,831
Net Debt to Adjusted EBITDA ratio	7.8	6.9

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 34 of this MD&A for the calculation of this amount.
(2) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Debentures" section on page 32 of this MD&A for the calculation of this amount.

Critical Accounting Policies and Estimates

Critical Accounting Judgements, Estimates and Assumptions in Applying Accounting Policies

In our 2017 MD&A as well as in our 2017 Financial Statements, we identified the accounting policies and estimates that are critical to the understanding of our business operations and our results of operations. There were no significant changes in Q3 2018.

Changes in Accounting Policies

The current accounting policy changes and future accounting policy changes are described in Note 1 of our Financial Statements.

Controls and Procedures

We are committed to maintaining effective disclosure controls and procedures and internal control over financial reporting. We continue to make 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 Controls over Financial Reporting

The President & Chief Executive Officer and the Chief Financial Officer have evaluated, or caused an evaluation under their direct supervision of, the design of disclosure controls and procedures and internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at September 30, 2018. 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 & 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 material changes that occurred during the quarter ended September 30, 2018 that have significantly affected or are reasonably likely to significantly affect our 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", "scheduled", "estimates", "intends", "anticipates", "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 and other 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:

- our assumptions concerning economic and regulatory conditions or state of the housing market and pace of new supply growth in seniors housing;

- our expectations regarding the strength of the labour market;
- our expectations related to future operating performance of our properties;
- our expectations regarding achievement of certain occupancy levels and rental rate increases at our LTC and retirement communities;
- our expectations of growth in the seniors population in our markets;
- information related to the stabilization of seniors housing communities in development and 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;
- our assessment that occupancy pressures due to new developments will be temporary;
- our estimates of the number of suites that could potentially be built on our owned lands which are subject to market demand and municipal and regulatory approval;
- 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;
- our ability to realize expected unlevered yields on our development projects, which are based on our estimates of stabilized occupancy, rental rates and NOI and expected total development costs;
- our expectations regarding timing of closing of announced acquisitions and dispositions;
- 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 renew maturing debt and to obtain new financings at favourable rates, in due course;
- our assumptions regarding the direction of interest rate changes;
- our ability to access low-cost mortgage financing insured by CMHC; and
- our ability to realize benefits on technology investments.

While we anticipate that subsequent events and developments may cause our views to change, we do not intend to update this 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. 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 AIF.

Risks and Uncertainties

Our AIF, dated February 22, 2018, and our 2017 MD&A contain a detailed discussion of risk factors and uncertainties facing Chartwell.

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