

# Q307



For the Period Ended Sept. 30, 2007

TSX: **BEI.UN**

## Letter to Unitholders

We are pleased to report on another successful quarter for the Trust. Economic expansion continued in our Western Canadian markets this quarter, delivering continued positive revenue growth. Funds from Operations (FFO) and FFO per Unit increased approximately 26.7% and 27.1% respectively over last year's third quarter.

Across the portfolio, average market rent grew \$32, or 3.0%, from approximately \$1064 at the end of Q2 to approximately \$1096 at the end of Q3 due to strong market fundamentals in our Alberta and Saskatchewan markets. Though our primary gains this quarter were achieved by our Western Canadian markets, our geographic diversity across both Eastern and Western markets remains a key asset. As markets go through cyclical changes, our geographic diversity is integral to our success over the long term.

Our Saskatchewan markets, which make up approximately 13% of our portfolio, had a particularly positive quarter. Positive job creation, wage growth and migration resulted in an increase in demand for rental units pushing occupancy and market rents higher. Average market rents were up approximately \$178 in Saskatoon and \$156 in Regina at the end of Q3 over Q2 2007.

Our Alberta portfolio, which makes up approximately 53% of our total portfolio, continued to produce significant revenue growth this quarter. In Edmonton, average market rents were up approximately \$60 at the end of Q3 over Q2 2007. Market rents continued their upward trend in Calgary, posting a slight increase of \$4 at the end of Q3 over Q2. Calgary rental market fundamentals are moving towards a balance between supply and demand as vacancy rose from 3.14% in Q2 to 3.34% in Q3. Although Calgary market rents increased slightly at the end of September, this market is now experiencing a more typical seasonality in market rents. The tempering in Calgary market rents exemplifies the effectiveness of the free market. Free market pricing allows for levels of supply and demand to change accordingly, increasing apartment choices for consumers as vacancy rises. Our Calgary market fundamentals reflect how well the free market works and we stand firm in our stance against legislated rent controls.

Our mark-to-market lease differential- the difference between the in-place rental revenue (based on actual rental rates obtained) and potential rental revenue (based on market rental rates) – continued to grow this quarter. Across our portfolio, our mark-to-market was \$189 per suite per month at the end of Q3, up from \$147 per suite per month at the end of Q2. The annualized total mark-to-market gap grew from \$60.8 million at the end of Q2 2007 to \$78.5 million at the end of Q3 2007, adjusted for current vacancy. We continue to strive to close the mark-to-market gap while maintaining our Customer-focused policies. Our Customer-centric policies increase Customer loyalty and satisfaction, lower turnovers and expenses associated with turnovers, maximize revenues and increase the sustainability of our financial performance.

## SEQUENTIAL REVENUE ANALYSIS

### Stabilized Revenue Growth Q3 2007 Vs...

	# Units	Q1	Q2
Calgary	4,973	5.34%	1.05%
Edmonton	10,369	8.65%	4.01%
Other Alberta	1,680	0.50%	0.86%
British Columbia	633	4.41%	2.61%
Ontario	4,265	-1.06%	-1.44%
Quebec	6,434	2.86%	2.27%
Saskatchewan	4,660	7.92%	5.52%
	33,014	5.17%	2.48%

Stabilized revenues reported for the current quarter were up 5.17% comparing Q3 over Q1 2007, and 2.48% comparing Q3 over Q2 2007. Although stabilized revenue growth tempered slightly through the third quarter, we estimate that growth will again increase in the first half of 2008 when annual rental increases in Alberta are realized. Rental legislation enacted in May of this year (retroactive to the beginning of 2007) limits rental increases to once per year in Alberta, our largest market, resulting in larger rental increases given less often.

#### ALBERTA RENT CONTROLS

In Alberta, Provincial Government legislation enacted in May 2007 limits rental increases to once per year for existing Customers, which naturally results in larger rental increases given less often. Our ability to close our mark-to-market gap through rental increases was temporarily reduced in 2007 due to the retroactive nature of the legislation. As of January 2008, however, the majority of our Alberta Customers will be eligible for \$150 monthly rent increase notices, a significant stride towards realizing this mark-to-market gap.

We remain committed to our Customer-focused operating policies. These policies, which include a Rent Protection Program (in place since 1999) and Subsidy Program for Residents who can demonstrate financial hardship from any of our rental increases, are essential for forging strong relationships with our Customers and communities. Our Customer programs reflect our focus on our corporate value of Social Responsibility.

#### ALBERTA ROYALTY REVIEW

On October 25, 2007, the Alberta Government announced changes to the existing oil and gas royalty program. The new program is more heavily based on a sliding scale that is responsive to the market price of the underlying commodity. This new scale increases the top end of the royalty rates from approximately 35% to a maximum of 50%. It is the Government's belief that this new system strikes a balance between the needs of both the Province and the producers of these commodities. The new program will commence in January 2009. For more details on this new program, please visit the Government of Alberta website - [www.energy.gov.ab.ca](http://www.energy.gov.ab.ca)

It is too early to know what effect this new program will have on the Alberta oil and gas industry; however, this program will result in an increased tax on oil and gas producers and may result in some of these producers revisiting the assumptions they have used in the determination of investment in the province of Alberta. It is our current belief that the high price of oil will continue to encourage further investment, in particular in the Alberta Tar Sands. We are pleased that the market uncertainty that preceded the release of the details of this new program has been put to rest and that thorough analysis and better-educated decisions can now be made.

#### HIGHLIGHTS OF THE TRUST'S THIRD QUARTER 2007 FINANCIAL RESULTS INCLUDE:

- ▲ Rental revenues of \$95.7 million, an increase of 18.0%, compared to \$81.1 million for the three-month period ended September 30, 2006.
- ▲ Net operating income of \$64.1 million, representing a 24.3% increase from \$51.6 million in the same period last year.

- ▲ FFO of \$34.1 million, an increase of 26.7% compared to \$26.9 million for the three-month period ended September 30, 2006.
- ▲ FFO per Unit was \$0.61 on a diluted basis, up 27.1% compared to \$0.48 for the three-month period ended September 30, 2006.
- ▲ DI was \$0.61 per Unit, up 24.5% from \$0.49 for the three months ended September 30, 2006.

#### HIGHLIGHTS OF THE TRUST'S RESULTS FOR THE NINE MONTHS ENDED SEPT. 30, 2007 INCLUDE:

- ▲ Rental revenues of \$276.0 million, an increase of 17.0% compared to \$235.8 million for the nine-month period ended September 30, 2006.
- ▲ Net operating income of \$173.9 million, representing a 22.8% increase from \$141.6 million in the same period last year.
- ▲ FFO of \$86.6 million, an increase of 30.5% compared to \$66.3 million for the nine-month period ended September 30, 2006.
- ▲ FFO per Unit was \$1.55 on a diluted basis, up 29.2% compared to \$1.20 for the nine-month period ended September 30, 2006.
- ▲ DI was \$1.57 per Unit, up 28.7% from \$1.22 for the nine months ended September 30, 2006.

#### SOME PORTFOLIO HIGHLIGHTS FOR THE THIRD QUARTER INCLUDE:

- ▲ The average vacancy rate across the Trust's portfolio for the third quarter of 2007 was 3.93%, down from 4.16% in the second quarter of 2007, but up from 3.73% for the third quarter of 2006.
- ▲ The average monthly rent realized in the third quarter of 2007 was \$879 per rental unit, up \$78 from \$801 per rental unit for the same period last year.
- ▲ The average market rent for the Trust's properties at the end of September 2007 was an estimated \$1096 per rental unit per month, which compares to an average in-place monthly rent per occupied unit of \$907 at the end of September 30, 2007. This translates to an estimated 'loss-to-lease' of approximately \$78.5 million on an annualized basis, or \$1.39 per outstanding Trust Unit, given existing occupancy levels.
- ▲ For the third quarter, 'same-property' (or properties owned for a period of greater than 24 months) rental revenue grew by 11.4% compared to the same period last year. Though overall operating costs increased by 2.3%, total NOI increased by 16.2%. A total of 33,014 units, representing approximately 90% of Boardwalk REIT's total portfolio, were classified as stabilized as of September 30, 2007.

#### THE WESTERN CANADIAN ADVANTAGE

This quarter, the benefits of our geographically diverse portfolio were clear, as economic growth continued at a healthy pace in Alberta, Saskatchewan and British Columbia.

**Alberta:** Over the third quarter, the Alberta economy continued to perform well and the majority of rental fundamentals showed upward, though slightly tempering growth. Early indicators suggest a balancing in the Alberta market to more sustainable, though still strong, levels. The continuing strength of the Alberta market bodes well for our Trust, as our Alberta portfolio makes up approximately 53% of our total apartment portfolio overall.

Alberta noted the strongest employment and wage growth in the nation over the first three quarters of 2007 according to Statistics Canada. At 3.6%, unemployment in Alberta in Q3 increased slightly from rates seen in Q1 and Q2, but remained well below the 4.0% measure typically considered 'full employment'. According to the Government of Alberta, average weekly earnings increased approximately 6.0% year-over-year, significantly higher than gains noted in the rest of Canada. Inter-provincial migration in Alberta decreased slightly year-over-year, due primarily to the unprecedented statistics noted in 2006. However, net migration was still extremely strong when measured against a five-year average.

In both Calgary and Edmonton, average house prices flattened over the summer months and ended the quarter slightly down, due to increasing levels of supply in both markets. However, with year-over-year home prices up 41% and 21% in Edmonton and Calgary, respectively, affordability of home ownership continues to erode.

Despite tempering in the Calgary market this quarter, we believe that there is still room for growth at a sustainable and balanced pace. Our Calgary market, in which approximately 14% of our portfolio is situated, recorded slightly higher vacancy this quarter compared to the first two quarters of the year. It should be noted, however, that the vacancy rate noted at the end of 2006 was at an unprecedented low level. Even with the small increase in vacancy noted this quarter, Calgary's vacancy levels remain low on an average basis.

Our mark-to-market in this region still remains one of the largest in our portfolio at \$261, and market rents continue to increase across our Calgary region. We continue to actively strive to maximize revenues by balancing market rents and incentives with reported vacancy loss. Accordingly, our occupied rent was down slightly this quarter as a result of some suite specific incentives.

Our Edmonton market, in which approximately 34% of our portfolio is situated, recorded steady growth in both occupied and market rents. On a quarter-over-quarter basis, occupied rents increased \$10, and market rents grew by \$60. Our mark-to-market in this city is the highest in our portfolio at \$328 at the end of September 2007. With continued growth and increasing occupancy over the third quarter, Edmonton remains one of our hottest markets.

Occupied and market rents fell slightly over Q3 in our Grande Prairie portfolio, which accounts for less than 2% of our portfolio overall. Despite high vacancy in Grande Prairie, our revenue still increased year-over-year. The Grande Prairie economy continues to struggle mostly as a result of lower conventional gas exploration and development; however, we are pleased to see that, after two difficult quarters, we are experiencing renewed demand.

We know that being a responsible community member is essential to our long-term success. Therefore, we offer internally mandated rent protection and subsidy programs to our Customers. Our Rent Protection Program, which has been in place since 1999, limits the rental increases current Customers can receive in a given year. This policy allows Customers to adjust to rising rental rates more slowly. Though this policy limits the rate at which we can achieve our mark-to-market, we believe that it increases our attractiveness to existing and potential Customers, resulting in greater revenues over the long term. Our internal subsidy program provides rental increase forgiveness to anyone who can prove financial hardship. These policies and programs set us apart from our competition and represent the values that our Trust was built on. We continue to work with the provincial and municipal governments as well as the Housing Authorities in each city to develop effective, long-term solutions to the affordable housing concern in Alberta.

**Saskatchewan:** Fundamentals visibly strengthened in Saskatchewan this quarter, creating a positive ripple effect for rental demand and market rents in the province. Our Saskatchewan market makes up 13% of our portfolio overall, and includes buildings in both Saskatoon and Regina. Average market rents across Saskatchewan increased from \$759 in Q2 to \$934 at the end of Q3. In the third quarter, occupancy increased to 97.67% as compared to 96.67% in the third quarter of 2006.

Market fundamentals in Saskatchewan continued to break regional records over the first three quarters of 2007. In Saskatoon, the residential average home sales price increased 13% on a quarter-over-quarter basis, from \$235,762 in Q2 to \$246,827 in Q3. In Regina, the average residential home sales price increased 11.85% on a quarter-over-quarter basis, from \$160,998 in Q2 to \$178,969 in Q3 of 2007. Though still low in relation to other major CMAs, the cost delta between owning a home and renting a home is increasing at a very rapid pace in Saskatchewan.

The rental market gains noted in Saskatchewan over the past quarters are attributable to high inter-provincial migration numbers and strong job creation in Saskatchewan. Statistics Canada reported an increase of 7,000 jobs in Saskatchewan in September alone. This September's employment increase brought Saskatchewan's unemployment rate down 1.1 percentage points to 3.8%. After Alberta, this was the lowest unemployment rate in the country.

Net inter-provincial migration to Alberta declined slightly over Q3, as many Albertans priced out of the market sought less expensive housing elsewhere. Saskatchewan attracted the lion's share of the migrants leaving Alberta, resulting in positive migration numbers for Saskatchewan. The Government of Saskatchewan continues to strive to draw additional migrants. In

January of 2007, the Government launched a \$1.5 million initiative called the Saskatchewan Campaign, which promotes the low cost of living and high quality lifestyle that Saskatchewan residents enjoy. We expect that demand for our residential units, generated by a proactive government, high migration numbers, and positive employment options, will result in continued strong revenue growth.

We always remember that our Customers are the cornerstone of our business. With the needs of our Customers firmly in mind, we remain committed to our rent protection and subsidy program in even the tightest rental markets.

**British Columbia:** A growing economy and high house price garnered strong demand for our rental units in British Columbia. Home affordability in British Columbia continued to erode over the third quarter, as average house prices and interest rates both increased. British Columbia boasts high positive net inter-provincial migration, steady wage growth and an unemployment rate that, at 4.4%, is one of the lowest in Canada. Occupied rent was down slightly Q3 over Q2 in British Columbia; however, this decrease can be primarily attributed some difficulty finding staff for some of our newer buildings, as well as a single fire incident which resulted in a temporary decrease in available apartment units.

#### MARKET FUNDAMENTALS ACROSS CANADA

**Ontario:** Industry slowdowns continued to hamper the Ontario economy. This quarter, the slowdowns were exacerbated by the rising Canadian dollar, which had a negative impact on the highly export-dependent manufacturing industry. Despite these conditions, revenues were up slightly in London and occupancy was up by a small measure in Windsor in the third quarter. Operating costs were down 6.4% and NOI was up 4.8%. Our Associates in Ontario continue to work industriously to increase occupancy in this difficult market.

**Quebec:** In the highly competitive Quebec rental market, our dedicated team of Associates continues to use creativity and innovation to support positive results. In Quebec, revenues and NOI are up slightly due to gains in occupancy. Fundamentals in Quebec have also improved slightly over the third quarter with employment and average house prices in Quebec City making gains. Our dedicated Associates, competitive pricing and diligence differentiate us from our competitors in Quebec.

#### ACQUISITIONS

During the third quarter of 2007, the Trust closed on two acquisitions. The first acquisition, Whitehall Square, is located in Edmonton, Alberta and consists of 598 apartment units. This acquisition was completed on September 24, 2007. The second acquisition, Lakeview Apartments, is located in Calgary Alberta and consists of 120 units. This acquisition was completed on September 20, 2007. To date in 2007, the Trust's acquisitions and dispositions are as follows:

#### Acquisitions

Building Name	City	# of Units	Type	Price	Year 1 Cap Rate	Year 2 Cap Rate	\$/unit	\$/sq ft	Date Closed
Prairie Sunrise Portfolio	Grande Prairie	275	High Rise & Walk up	\$ 40,000,000	4.74%	6.30%	\$ 145,455	\$175	Mar. 14, 2007
West Edmonton Village	Edmonton	1176	High Rise, Walk up, Town	\$ 143,500,000	5.47%	6.61%	\$ 122,024	\$126	Feb. 28, 2007
Ridgemont Apartments	Coquitlam	41	Walk up	\$ 3,700,000	5.03%	5.66%	\$ 90,244	\$142	Jan. 25, 2007
St. Charles Place & Parkview Manor	Edmonton	51	Walk up	\$ 4,150,000	4.52%	5.52%	\$ 81,373	\$104	Jan. 26, 2007
Springwood Place Apartments	Spruce Grove	160	Low Rise	\$ 16,000,000	5.25%	5.76%	\$ 100,000	\$130	May 28, 2007
Lakeview Apartments	Calgary	120	Walk Up	\$ 21,850,000	4.80%	5.86%	\$ 182,083	\$203	Sept. 20, 2007
Whitehall Square	Edmonton	598	High Rise & Walk Up	\$ 111,250,000	5.12%	5.53%	\$ 186,037	\$204	Sept. 24, 2007
Total		2,421		\$ 340,450,000	5.20%	6.11%	\$ 147,673	\$162	

#### Dispositions

Building Name	City	# of Units	Type	Price	Year 1 Cap Rate	Year 2 Cap Rate	\$/unit	\$/sq ft	Date Closed
St. Charles Place & Parkview Manor	Edmonton	51	Walk Up	\$ 5,900,000	3.20%	3.67%	\$ 115,686	\$148	Apr. 30, 2007

The Trust also sold and closed 45 units of a 90-unit property located in Calgary, Alberta that is being developed into condominium units for sale.

#### POTENTIAL NEW DEVELOPMENT

Boardwalk continues to explore the possibility of developing new rental product in select markets in Western Canada. At this time, we are focusing on selected properties that feature excess density in Calgary and Edmonton. We continue to explore new accretive multi-family development and are currently in the process of density intensification and financial feasibility studies, as well as the design and permitting stages.

Over the third quarter, the Trust completed a preliminary densification study in Calgary. The planning consultants estimate that in Calgary, an additional density of 7,000 to 14,000 apartment units could be achieved with re-zoning, the vast majority on 11 sites. We are in the early stages of this process, with the earliest completion of any new development two and a half to four years away. As part of this investigation, we are considering a number of ways to surface this densification value, including direct development, joint venture and the sale of excess density. The Edmonton densification study is in progress and is focusing on two Edmonton properties - West Edmonton Village and Viking Arms.

Though we are excited by this potential, it is important to note that in order to obtain the estimated maximum density, it will be necessary to demolish existing rental units. It is our belief that the key to this development is to find the optimal trade-off between maximizing density and retaining as much of the existing rental stock as possible.

#### MAINTAINING FINANCIAL STRENGTH

The Trust built upon its solid financial position through the third quarter of 2007. Boardwalk REIT's total principal mortgage and debt outstanding was \$1.81 billion as at September 30, 2007, as compared to \$1.52 billion as at September 30, 2006. As at September 30, 2007, the Trust's total debt had an average maturity of 3 years with a weighted average interest rate of 5.22%. The Trust's total debt-to-total enterprise value ratio was 40.0%.

The Trust currently has a \$200 million, secured, undrawn acquisition and operating facility available for future investment opportunities. In addition, the Trust has been proactive in managing its debt portfolio and, as such, has already locked in over \$132 million in mortgages maturing in the last quarter of the 2007 fiscal year at rates well below both the maturing and existing market rates.

The Trust's interest coverage ratio, excluding gains, for the three-month period ended September 30, 2007 was 2.48 times, compared to 2.36 times in the same period last year.

#### THE CURRENT CREDIT CRUNCH

To date, we have had not had problems attracting bids on our maturing mortgages, despite the debt market liquidity crunch. Although credit spreads initially increased, the spreads tempered somewhat by the close of the quarter. While these spreads are higher than those seen last year, they are still at reasonable levels.

#### BILL C-52

On June 22, 2007, Bill C-52 received Royal Assent and as such became law. This "Income Trust Law" set forth a number of tests that, if not met, would strip the right of a trust to continue as a Specified Investment Flow-Through ("SIFT") tax-effective vehicle. In the legislation, there are specific exemptions for real estate investment trusts ("REITs"). Although we do believe the spirit of the Legislation was to exclude all REITs, the actual detail of the Bill is unclear on some issues that, if not corrected, may result in many REITs, including Boardwalk REIT, not qualifying to continue as a REIT effective January 1, 2011 in accordance with the definition stipulated in the Legislation. It is the Trust's belief that these issues will be rectified by Government, after which the Trust will qualify to continue operations as a REIT. We continue to work with the Federal Government and other Industry organizations to address these issues. Once these items are rectified, the Trust will reverse the one time non-cash charge recorded last quarter on our financial statements. Until then, this non-cash charge will be reviewed and adjusted, if necessary, on a quarterly basis. Unfortunately, we are not able to provide any guidance on the likelihood or the expected timing of this reversal.

## NORMAL COURSE ISSUER BID

In the second quarter, the Trust announced its intention to initiate a Normal Course Issuer Bid as a response to a drop in the trading price of our Units. In the third quarter, we obtained approval from the Board of Trustees and public securities bodies to purchase up to 10% of our existing outstanding float or approximately 4.1 million shares. To date, we have purchased a total of \$28.6 million in Trust Units in the public market, representing 627 thousand Trust Units with an average price of 45.69 per Trust Unit. We continue to believe that one of the best investments we can make is purchasing our Trust Units at current levels.

## REVISION OF GUIDANCE

After reporting three strong quarters, and after reviewing our key assumptions, we are once again revising our Guidance upward for fiscal 2007. For 2007, we are expecting a FFO range of between \$2.00 to \$2.05 as compared to the \$1.95 to \$2.04 previously announced and for DI the revised range is between \$2.02 to \$2.06 as compared to the previously announced \$1.97 to \$2.05. We are also revising upward our expectations of Stabilized Properties NOI (or NOI on properties we have held for at least 24 months) performance to an expected growth of 15% from the previous 10% while maintaining our target apartment acquisition range of 2,000 to 3,000 apartment units.

## 2008 FINANCIAL GUIDANCE

As is customary in the third quarter, we would like to introduce fiscal 2008 guidance for FFO and DI on a per trust unit basis of between \$2.35 to \$2.50 and \$2.37 to \$2.52, respectively. In computing these estimates, we have assumed the acquisition of between 1,000 and 2,000 apartments, as well as stabilized properties' reporting NOI growth of approximately 8% to 14%.

## DISTRIBUTION INCREASE

After a detailed review of our year-to-date results, and estimates of our year-end and 2008 results, the Board of Trustees has initiated an increase in the monthly distribution. Effective for Unitholders on Record at November 30, 2007, Boardwalk will increase its monthly trust unit distribution paid out to its Unitholders from \$.1333 (\$1.60 annualized) to \$.1500 (\$1.80 annualized). In times when many trusts are reviewing and considering decreases in distributions, we are very thankful to be in a financial position that warrants an increase in distributions of approximately 13%.

## SUMMARY AND OUTLOOK

The third quarter of 2007 was a successful quarter. As always, regional diversity was a great strength this quarter, as many of our Western Canadian markets enjoyed economic expansion. This quarter, we focused once again on long term sustainability by continuing to focus on our relationships with our Customers and stakeholders, promoting socially conscious policies, and by building and maintaining a balanced portfolio.

Building on an excellent third quarter, our Trust is well positioned for a positive finish to 2007. We look forward to a strong winter season and are confident that our quality assets, geographically diverse portfolio and strong operating platform will provide long-term value for our Unitholders.

## IN CONCLUSION

I would like to thank our Associates for their hard work over the last quarter. Without their ingenuity, dedication and enthusiasm, our continued success would not be possible. I am proud to be part of our dedicated team of over 1,100 Associates.

I would also like to thank our Board of Trustees for their indispensable guidance and continued focus on governance; and our Unitholders, key financial community and operational partners for their continued support of the Trust.

Finally, I would like to thank our Customers for choosing to make a Boardwalk building their home.

Sincerely,

(signed)

Sam Kolias,

Chairman and CEO

# Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2007

## FORWARD-LOOKING STATEMENTS

### Caution regarding forward-looking statements

The terms "Boardwalk", "Boardwalk REIT", "the Trust", "we", "us" and "our" in the following Management's Discussion and Analysis ("MD&A") refer to Boardwalk Real Estate Investment Trust and its consolidated financial position and results of operations for the three and nine months ended September 30, 2007 and 2006. Our MD&A should be read in conjunction with our interim financial statements along with MD&A and audited consolidated financial statements for the two years ended December 31, 2006 and 2005 and all other publicly posted information on the Trust including the most recently filed Annual Information Form. All these documents are located on SEDAR ([www.sedar.com](http://www.sedar.com)). Historical results and percentage relationships contained in our annual consolidated financial statements and MD&A, including trends which might appear, should not be taken as indicative of our future operations.

*Advisory: Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our objectives for 2007 and future periods, our strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.*

*These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties, including those described in the MD&A of Boardwalk REIT's 2006 Annual Report under the heading Risks and Risk Management, which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. Those risks and uncertainties include risks associated with real property ownership, competition for real estate investments, financing and interest rates, governmental regulations, environmental matters as well as unitholder liability. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include that the general economy remains stable, interest rates are relatively stable; acquisition capitalization rates are stable; competition for acquisitions of residential apartments remains intense; and equity and debt markets continue to provide access to capital. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.*

*All forward-looking statements in this report are qualified by these cautionary statements. Except as required by applicable law, Boardwalk REIT undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.*

## Business Overview

Boardwalk Real Estate Investment Trust is an unincorporated, open-ended real estate investment trust created pursuant to a declaration of trust, dated January 9, 2004, as amended and restated on May 3, 2004, May 10, 2006 and May 10, 2007 (the "Declaration of Trust" or "DOT"), under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue producing multi-family residential properties and interests within Canada, initially through the acquisition of the operations of Boardwalk Equities Inc. (the "Corporation").

On May 3, 2004, the Corporation sold all of its assets and undertakings to Boardwalk REIT. Boardwalk REIT units trade on the Toronto Stock Exchange under the symbol "BEI.UN". Boardwalk REIT's principal objectives are to provide its Unitholders ("Unitholders") with stable and growing monthly cash distributions, partially on a Canadian income tax-deferred basis, and to increase the value of its units through the effective management of its residential multi-family revenue producing properties and the acquisition of additional, accretive properties. As at the end of the third quarter of 2007, Boardwalk REIT currently owned and operated in excess of 260 properties, comprised of 36,487 units (excluding a 90-unit property converted to condominiums, of which 45 units have been sold and closed as of September 30, 2007), totalling over 30 million net rentable square

feet, and is Canada's largest owner/operator of multi-family rental communities. Boardwalk REIT's portfolio is concentrated in the provinces of Alberta, British Columbia, Saskatchewan, Ontario, and Quebec.

#### PERFORMANCE REVIEW

Boardwalk REIT generates revenues, cash flows and earnings from two separate sources - from rental operations and from the sale of real estate properties.

Boardwalk REIT's most consistent and largest source of income comes from its rental operations. Income from this source is derived from leasing individual apartment units to Customers who have varying lease terms ranging from month-to-month to twelve-month leases.

Boardwalk REIT also generates additional income from the strategic sale of selective real estate properties or the condominium conversion and sale of these suites. The sale of these properties is part of Boardwalk REIT's overall operating strategy whereby the equity generated through the sale is then utilized by Boardwalk REIT in higher value-added activities, including the acquisition of new rental properties, targeted property value enhancement or the purchase of Boardwalk REIT's Trust Units in the public securities market.

#### NON-GAAP FINANCIAL MEASURES

Boardwalk REIT assesses and measures segmented operating results based on performance measures referred to as "Funds From Operations" ("FFO") and "Distributable Income" ("DI"). Both DI and FFO are widely accepted supplemental measures on the performance of a Canadian real estate investment trust; however, they are not measures defined by generally accepted accounting principles ("GAAP"). The GAAP measurements most comparable to DI and FFO are total cash flow from operating activities and net earnings, respectively. DI and FFO, however, should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP as indicators of Boardwalk REIT's performance. In addition, Boardwalk REIT's calculation methodology for FFO and DI may differ from that of other real estate companies and trusts.

#### PERFORMANCE MEASURES

DI is computed as outlined in the Trust's Declaration of Trust ("DOT"). The DOT requires the Trust to pay out all taxable income to Unitholders in the form of monthly distributions. At the beginning of 2007, the Trust distributed \$1.48 per outstanding trust unit on an annualized basis (or \$0.1233 per trust unit on a monthly basis). The Trust increased its distributions to \$1.60 per outstanding trust unit on an annualized basis (or \$0.1333 per trust unit on a monthly basis), effective for Unitholders of Record on May 31, 2007. Trust unit distributions will now increase to \$1.80 per unit on an annualized basis (or \$.15 per trust unit on a monthly basis), effective for Unitholders of Record on November 30, 2007. The distribution will be payable on December 17, 2007.

For the third quarter of 2007, the Trust declared distributions of \$22.5 million, representing approximately 66% of the reported DI for the quarter. On a year-to-date basis, the Trust has declared approximately \$65.4 million, or approximately 74% of the reported DI. It is the Trust's current policy to be paying out approximately 80% of reported DI on an annualized basis. The Trust also has in place a Distribution Reinvestment Plan ("DRIP"). The essence of this plan is that the Unitholder has the option, in lieu of receiving monthly distributions, to receive Trust Units from treasury. The DRIP allows participants to accept all or part of their monthly distributions in additional Trust Units. To promote this plan, the Trust offers a 3% premium on the units distributed under the plan.

In the following tables, Boardwalk REIT provides a reconciliation of both FFO and DI, both non –GAAP measures, to their closely related GAAP measures for the current period.

<b>FFO Reconciliation</b> In \$000's, except per unit amounts	<b>3 Months</b> <b>Sep-07</b>	<b>3 Months</b> <b>Sep-06</b>	<b>Change</b>	<b>9 Months</b> <b>Sep-07</b>	<b>9 Months</b> <b>Sep-06</b>	<b>Change</b>
Net earnings (loss) from continuing operations	\$ 10,158	\$ 7,438		\$ (88,482)	\$ 11,092	
Adjustments						
Earnings from discontinued operations	\$ 2,900	\$ 64		\$ 7,670	\$ 7,768	
Deduct gain on dispositions	\$ (2,900)	\$ –		\$ (7,710)	\$ (7,527)	
Future income taxes (recovery)	\$ 2,055	\$ 446		\$ 113,453	\$ 222	
Amortization of capital assets	\$ 21,838	\$ 18,934		\$ 61,637	\$ 54,763	
Funds from operations	\$ 34,051	\$ 26,882	26.7%	\$ 86,568	\$ 66,318	30.5%
Funds from operations - per unit	\$ 0.61	\$ 0.48	27.1%	\$ 1.55	\$ 1.20	29.2%

<b>Distributable Income Reconciliation</b> In \$000's, except per unit amounts	<b>3 Months</b> <b>Sep-07</b>	<b>3 Months</b> <b>Sep-06</b>	<b>Change</b>	<b>9 Months</b> <b>Sep-07</b>	<b>9 Months</b> <b>Sep-06</b>	<b>Change</b>
Total Operating Cash Flows	\$ 29,749	\$ 29,198		\$ 90,667	\$ 66,929	
Net change in operating working capital	\$ 4,302	\$ (2,316)		\$ (4,097)	\$ (612)	
Add deferred financing costs amortization	\$ 1,081	\$ 768		\$ 3,460	\$ 2,237	
Deduct deferred financing costs amortization after May 3, 2004	\$ (642)	\$ (317)		\$ (1,591)	\$ (824)	
Add (deduct) net discounts (premiums) adjustment after May 3, 2004	\$ (208)	\$ (11)		\$ (551)	\$ (34)	
Distributable income	\$ 34,282	\$ 27,322	25.5%	\$ 87,888	\$ 67,696	29.8%
Distributable income - per unit	\$ 0.61	\$ 0.49	24.5%	\$ 1.57	\$ 1.22	28.7%

Overall, Boardwalk REIT earned \$34.1 million and \$86.6 in total FFO for the three and nine months ended September 30, 2007, compared to \$26.9 million and \$66.3 million, respectively, for the same periods last year, representing increases of approximately 27% and 31%. FFO on a per unit basis for the current quarter ended September 30, 2007 increased approximately 27%, from \$0.48 to \$0.61, compared to the same period in the prior year. Reported DI for the three months ended September 30, 2007 was \$0.61 per unit, compared to \$0.49 for the same period last year, representing an increase of approximately 25%.

#### DECLARATION OF TRUST

The investment guidelines of the Trust are outlined in the Trust's DOT, a copy of which is available on request to all Unitholders. Further information of the DOT can also be located on page 33 of the Annual Information Form dated February 20, 2007.

Certain amendments to the investment guidelines can be found on page 31 of the Management Information Circular dated March 30, 2007, which were adopted by Unitholders at the May 10, 2007 Annual General Meeting. Some of the main investment guidelines and operating policies as set out in the DOT are as follows:

#### Investment Guidelines

1. Acquire and operate multi-family residential property; and
2. Investments in joint ventures are allowed as long as the Trust's interest in the joint venture is at least 25%.

### Operating Policies

1. Maximum debt capacity not to exceed 70% of Gross Book Value;
2. No guaranteeing of third-party debt outside its existing structure and potential joint venture partner structures, except under certain specific conditions and meeting certain defined criteria;
3. Both structural and environmental third party surveys are required prior to the acquisition of a multi-family asset; and
4. Commitment to expending at least 8.5% of its gross consolidated annual rental revenues generated from properties that have been insured by Canada Mortgage and Housing ("CMHC") on site maintenance compensation to associates, repairs and maintenance, as well as capital upgrades.

### Compliance with DOT

At September 30, 2007, the Trust was in material compliance with all investment guidelines and operating policies stipulated in the DOT. More details will be provided later with respect to certain detailed calculations.

The following table outlines, on a per unit basis, where the composition of the growth in FFO in 2007 compared with the results posted for the third quarter and the first nine months of 2006.

<b>FFO Reconciliation</b>	<b>3 Months 30-Sep-07</b>	<b>9 Months 30-Sep-07</b>
FFO Opening	\$ 0.48	\$ 1.20
NOI from Stabilized	\$ 0.15	\$ 0.42
NOI from Unstabilized	\$ 0.07	\$ 0.15
Financing costs	\$ (0.07)	\$ (0.14)
W/O of Deferred Financing Costs	\$ -	\$ (0.01)
Administration and other	\$ (0.02)	\$ (0.06)
Dilution	\$ -	\$ (0.02)
Unit Buyback		\$ 0.01
FFO Closing	\$ 0.61	\$ 1.55

### ACCOUNTING POLICIES

Note 2 of page 70 of Boardwalk REIT's 2006 Annual Report summarizes Boardwalk REIT's significant accounting policies. Note 3 of Boardwalk REIT's unaudited interim consolidated financial statements for the quarter ended September 30, 2007 provides an update to Boardwalk REIT's accounting policies. Five new accounting standards have come into effect for us as of January 1, 2007. These five sections are CICA Handbook Section 1506-Accounting Changes, Section 1530-Comprehensive Income, Section 3855-Financial Instruments-Recognition and Measurement, Section 3861-Financial Instruments-Disclosure and Presentation and Section 3865-Hedges.

### IMPACT OF ADOPTION OF SECTIONS 1506, 1530, 3855, 3861 AND 3865 AND BILL C-52

Our consolidated financial statements now include consolidated statements of earnings and comprehensive income while the cumulative amount of other comprehensive income has been included as a separate section of unitholders' equity.

Boardwalk REIT has also adopted the effective interest rate method for calculating the amortized cost of its financial liabilities and of allocating the financing charges, including transaction costs, over the relevant reporting periods. Any adjustment to the Trust's financial statements, as a result of adopting Section 3855, is recognized by restating the balance of opening unitholders' equity. Comparative periods are not permitted to be restated. For the current and prior periods, all unamortized transaction costs (previously designated as deferred financing costs and mark-to-market adjustment of debt) are now netted against the respective financial liability. The table below outlines the transitional effect of adopting the new accounting standards on financial instruments:

	Sept. 30, 2007	Dec. 31, 2006
<b>Mortgages Payable</b>		
Principal outstanding	\$ 1,694,405	\$ 1,420,701
Unamortized deferred financing costs	(48,769)	(41,853)
Unamortized mark-to-market adjustment	1,208	1,730
	<b>\$ 1,646,844</b>	<b>\$ 1,380,578</b>
<b>Debentures</b>		
Principal outstanding	\$ 120,000	\$ 120,000
Unamortized deferred financing costs	(1,323)	(1,552)
	<b>\$ 118,677</b>	<b>\$ 118,448</b>

There were no material impacts to the consolidated financial statements on adoption of Section 3865 by the Trust.

#### BILL C-52

On June 22, 2007, Bill C-52 received Royal Assent in Canada (See Certain Income Tax Risks for more details on Bill C-52). Under Generally Accepted Accounting Principles in Canada, once a bill is enacted it is a requirement to record its income tax implications effective on that date. In accordance with Bill C-52, the assumption being made is that, effective January 1, 2011, Boardwalk REIT will no longer qualify as a Real Estate Investment Trust ("REIT") in accordance with the definition contained in that legislation, and will remain within certain "normal growth" limits such that it will be subject to income tax pursuant to this new legislation.

#### IMPACT OF BILL C-52

The impact of our interpretation of Bill C-52 on Boardwalk REIT was that, at this time it may be interpreted that the Trust does not qualify as a REIT, which would be exempt from the specified investment flow-through ("SIFT") rules and as such it has recorded an estimate of its future income tax liability at September 30, 2007 based on being subject to the tax prescribed by the SIFT rules on January 1, 2011. If Boardwalk REIT or any other trust, does not qualify under these new rules as of January 1, 2011, it no longer will be able to deduct its taxable distributions and as such will be required to pay tax on the this amount at an estimated current rate of approximately 31.5%. The portion of the distribution that will be determined to be return of capital would continue not be subject to tax.

It is the belief of Boardwalk REIT at this time that it will be able to adjust existing policies and or restructure to comply with these new rules, or that existing rules or interpretations of these rules will be altered to accommodate Boardwalk REIT's structure, thus making the trust compliant. Management continues to work with industry organizations as well as the Department of Finance on these and other outstanding issues. If we are successful in these endeavours, the amount of the future income tax liability will be reversed and added back to earnings.

Under Canadian accounting rules, we are required to make an adjustment assuming these new rules were in effect on the substantively enacted date of June 22, 2007. The result is that the Trust has recorded a future income tax liability at June 30, 2007 in the amount of \$111.1 million, which was updated at September 30, 2007 by \$1.7 million to \$112.8 million at September 30, 2007. At a future time, once it has been deemed that the Trust would be in compliance with the definition of a real estate investment trust as defined under the SIFT rules, the amount of the adjustment will be reversed. The reported adjustment of \$112.8 million has no impact on reported Funds From Operations or Distributable Income, although it does impact reported earnings and cumulative earnings. Although the adjustments to earnings and cumulative earnings at June 30, 2007 and September 30, 2007

are significant, they are not large enough to affect any existing debt covenants currently in place, including those related to Boardwalk REIT's unsecured debentures.

#### REVIEW OF RENTAL OPERATIONS

In 000's, except per unit amounts	3 Months Sep-07	3 Months Sep-06	Change	9 Months Sep-07	9 Months Sep-06	Change
Rental revenue	\$ 95,702	\$ 81,083	18.0%	\$ 275,983	\$ 235,805	17.0%
Expenses						
Operating expenses	\$ 14,768	\$ 14,003	5.5%	\$ 46,513	\$ 42,107	10.5%
Utilities	\$ 8,362	\$ 7,464	12.0%	\$ 31,303	\$ 29,346	6.7%
Utility rebate	\$ -	\$ (39)	-100.0%	\$ (933)	\$ (1,427)	-34.6%
Property taxes	\$ 8,427	\$ 8,041	4.8%	\$ 25,214	\$ 24,201	4.2%
	\$ 31,557	\$ 29,469	7.1%	\$ 102,097	\$ 94,227	8.4%
Net operating income	\$ 64,145	\$ 51,614	24.3%	\$ 173,886	\$ 141,578	22.8%
Average rent per unit per month	\$ 879	\$ 801	9.7%	\$ 861	\$ 778	10.7%
Operating costs per unit per month	\$ 287	\$ 296	-3.0%	\$ 319	\$ 311	2.6%
Operating margins	67%	63%		63%	60%	

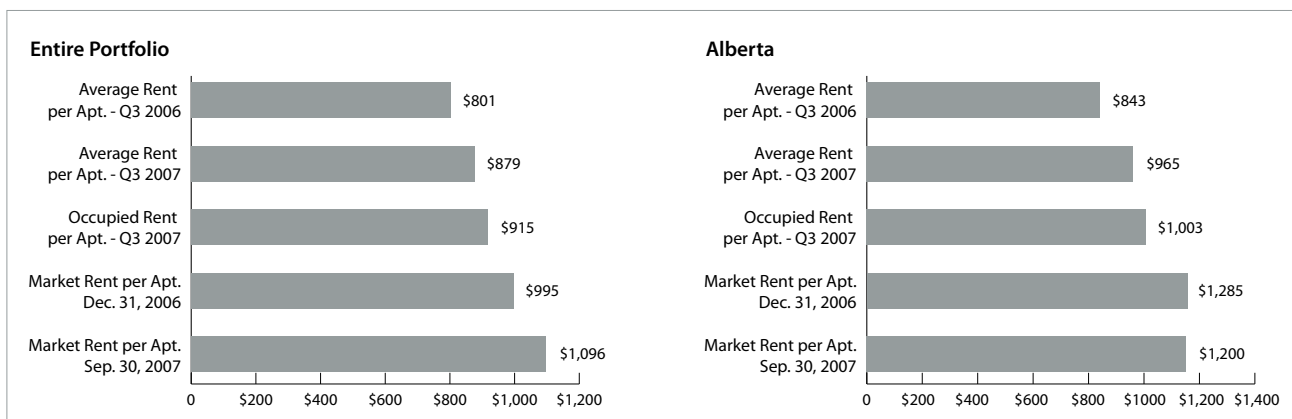
Overall, Boardwalk REIT's rental operations from continuing operations reported strong results. Of the reported increase in rental revenue of 18.0% and 17.0% for the three and nine months ended September 30, 2007, respectively, approximately 92% is mainly the effect of revenue generated from our same-store properties, or properties referred to as stabilized. More specifically, the increase in rental revenue is mainly attributable to the performance of our properties in the province of Alberta and Saskatchewan. Total rental expenses increased by 7.1% and 8.4% for the three and nine months ended September 30, 2007, respectively, the combined effect of an increase in the overall number of units owned by the Trust, reported increased operating costs in the province of Alberta, higher overall property taxes expenses and a decrease in the utility rebate received. Higher operating costs in Alberta are mainly due to salary increases for operations and maintenance personnel. Property taxes also increased 4.8% and 4.2% for the three and nine months ended September 30, 2007, respectively, compared to the same periods last year. The increase in property taxes are primarily due to increased property valuations largely in the province of Alberta. Overall operating margins for the current quarter increased to 67% from 63% for the comparative period, mainly due to revenues increasing at a faster rate than reported costs.

For the current and prior comparative periods, Boardwalk REIT has reclassified certain administration costs from corporate and non-operating to rental operating expenses. The amounts reclassified relate to specific administrative costs associated with primarily operation-specific staff and related support initiatives. The total of these adjustments were \$4.1 million and \$12.8 million for the three and nine months ended September 30, 2007 compared to \$3.4 million and \$10.4 million for the three and nine months ended September 30, 2006, respectively. The increase was due mainly to higher wages and salaries and to additional apartment units added in 2006 and the first nine months of 2007.

#### ESTIMATED LOSS-TO-LEASE CALCULATION

Boardwalk REIT's estimated loss-to-lease, representing the difference between estimated market rents and actual occupied rents on September 30, 2007, adjusted for current occupancy levels, totalled \$78.5 million on an annualized basis, representing \$1.39 per outstanding Trust Unit. The vast majority of this amount can be attributed to the Trust's more than nineteen thousand apartment units located in the province of Alberta, where the mark-to-market on existing rents is approximately \$288 per apartment unit per month or \$63.8 million. For the most part, Boardwalk REIT's rental lease agreements last no longer than twelve months. On physical turnover, the rental units are then re-leased directly at current market rent, which in many cases is well in excess of the average \$288 per month noted above. If a Boardwalk REIT Customer decides to remain in his/her apartment unit at the end of the lease agreement, it is the Trust's self-imposed internal policy that the rent will not increase more than \$150 in any twelve-month period. Until April 24, 2007, the Trust divided this increase into two parts and only increased existing rental levels by \$75 every six months for a total maximum of \$150 in any twelve-month period. This change in policy was a result of new legislation introduced by the Alberta Provincial Government. We will be discussing these new changes later in the MDA. The reader should note that estimated loss-to-lease is a non-GAAP measure and that reported market rents

can be very seasonal and, as such, will vary from quarter to quarter. The significance of this change could materially affect Boardwalk REIT's "estimated loss-to-lease" amount. The importance of this estimate, however, is that it can be an indicator of future rental performance assuming consistent economic conditions and trends. The reported increase in this amount as compared to amounts in prior periods was mainly attributable to Boardwalk REIT's estimate that its Alberta portfolio has seen significant upward pressure in market based rents. Although this is a very positive trend for the Trust, the reader should note that it would take a significant amount of time for these market rents to be recognized by the Trust due to internal and external limitations on its ability to charge these new market based rents in the short term.



	Sep 2007 Occupied Rent	Sep 2007 Market Rent	Mark to Market Per Month	Annualized Mark to Market Adjusted for Vacancies (\$000's)	Weighted Average Units	% of Portfolio
Calgary	\$ 1,099	\$ 1,360	\$ 261	\$ 15,631	5,187	14%
Edmonton	\$ 947	\$ 1,275	\$ 328	\$ 45,879	12,105	34%
Other Alberta	\$ 1,040	\$ 1,146	\$ 106	\$ 2,307	1,967	5%
Alberta Portfolio	\$ 996	\$ 1,285	\$ 288	\$ 63,817	19,259	53%
Saskatchewan	\$ 729	\$ 924	\$ 195	\$ 10,796	4,660	13%
Ontario	\$ 757	\$ 758	\$ 1	\$ 24	4,265	12%
Quebec	\$ 877	\$ 919	\$ 42	\$ 3,169	6,749	19%
British Columbia	\$ 869	\$ 927	\$ 58	\$ 684	1,087	3%
<b>Total Portfolio</b>	<b>\$ 907</b>	<b>\$ 1,096</b>	<b>\$ 189</b>	<b>\$ 78,490</b>	<b>36,020</b>	<b>100%</b>

## PORTFOLIO OCCUPANCY PERFORMANCE

City	Q3 2007	Q3 2006	Q2 2007	Q2 2006
Calgary	3.34%	2.31%	3.14%	2.33%
Edmonton	3.24%	2.76%	3.36%	2.93%
Gatineau	4.79%	12.19%	7.60%	15.83%
Kitchener	3.14%	3.65%	3.14%	2.33%
London	4.98%	4.44%	3.77%	4.33%
Montreal	4.96%	4.27%	4.26%	2.81%
Other Alberta	8.01%	2.21%	7.25%	2.08%
Quebec City	3.68%	5.31%	4.56%	5.63%
Regina	3.33%	4.59%	3.88%	6.75%
Saskatoon	0.97%	1.64%	2.58%	2.15%
Windsor	8.05%	8.44%	8.15%	7.28%
Vancouver	4.30%	6.48%	4.90%	4.18%
Verdun	3.60%	5.11%	5.04%	5.53%
Victoria	4.93%	2.69%	6.61%	3.52%
	3.93%	3.73%	4.16%	3.87%

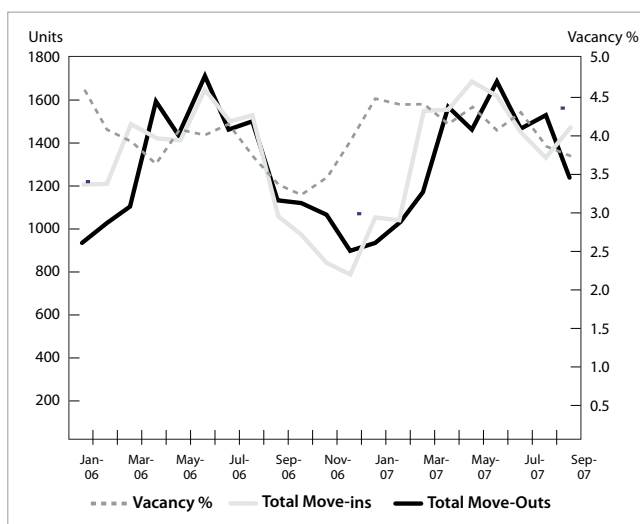
## BOARDWALK REIT'S PORTFOLIO VACANCY

The third quarter of fiscal 2007 saw the portfolio's overall vacancy rate increase to 3.93% from 3.73% for the same period in the prior year. The reported increase is mainly the result of an increase in the reported vacancy rates in Calgary, Edmonton, Grand Prairie, London, Montreal, Red Deer, and Victoria. The 8.01% vacancy rate for "Other Alberta" includes Grande Prairie, which is experiencing higher vacancies as a result of record low rig utilization and low natural gas prices.

Although overall vacancy rates increased in the current quarter, the Trust was still able to report a significant growth in overall reported rental revenue. Boardwalk's strategy of longer-term revenue maximization continues, with reported vacancy being only one variable in this process.

The issue of demand and supply, as with other industries, is an important performance indicator for multi-family real

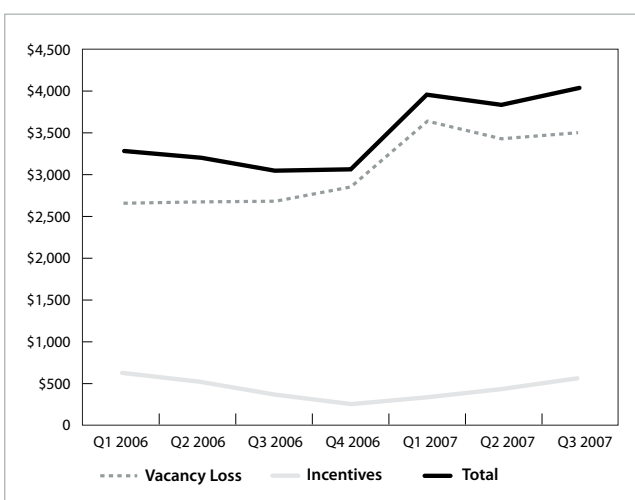
estate. The above chart attempts to show the total move-outs (supply) compared to total move-ins (demand) and the resulting impact on reported vacancy. The cumulative impact of demand being greater than supply, or vice versa, is the primary driver in the reported vacancy rate. Overall, Boardwalk REIT's turnover rate for the nine months ended September 30, 2007 averaged 3.75% per month compared to 3.89% for the same period in the prior year. The decrease was mainly the result of a reported decrease in turnover in our Alberta Portfolio, which reported an average monthly turnover of 4.18% as compared to 4.52% for the same period in 2006. The decline is mainly the result of Customers electing not to seek alternative sources of housing at the end of their leases.



## VACANCY LOSS AND INCENTIVES

Vacancy loss and rental incentives given are strong indicators of current and future revenue performance. Depending on specific market conditions, the correct balance is important to maintain to best manage overall economic rental revenue. The above chart details, on a quarterly basis, rental incentives given versus vacancy loss and the impact of the two on overall rental revenue. The reported increase in vacancy loss was mainly the result of a significant increase in overall market rental rates, particularly in Alberta, combined with the slight increase in vacancy rates from previous quarters.

Boardwalk REIT closely monitors and individually manages the performance of each of its rental properties. For the reader's convenience, we have provided a summary of our operating results on a province-by-province basis.



## BRITISH COLUMBIA RENTAL OPERATIONS

In \$000's	3 Months 2007 (Unaudited)	3 Months 2006 (Unaudited)	Change	9 Months 2007 (Unaudited)	9 Months 2006 (Unaudited)	Change
Rental revenue	\$ 2,902	\$ 2,151	35%	\$ 8,527	\$ 5,939	44%
Rental Expenses:						
Operating expenses	\$ 495	\$ 429	15%	\$ 1,777	\$ 1,178	51%
Utilities	\$ 219	\$ 235	-7%	\$ 1,058	\$ 684	55%
Property taxes	\$ 151	\$ 120	25%	\$ 451	\$ 342	32%
	\$ 865	\$ 784	10%	\$ 3,286	\$ 2,204	49%
Net operating income	\$ 2,037	\$ 1,367	49%	\$ 5,241	\$ 3,735	40%
Operating margins	70%	64%		61%	63%	

Boardwalk REIT entered British Columbia during the first quarter of 2005 and continued to increase its position in 2006 and 2007. The increase in rental revenue and related expenses are mainly due to this increase in the number of apartment units. Operating margins increased for the third quarter of 2007 but decreased for the nine months ended September 30, 2007 compared to the same periods in the prior year, due mainly to the timing of repair and maintenance being incurred.

## ALBERTA RENTAL OPERATIONS

In \$000's	3 Months 2007 (Unaudited)	3 Months 2006 (Unaudited)	Change	9 Months 2007 (Unaudited)	9 Months 2006 (Unaudited)	Change
Rental revenue	\$ 55,679	\$ 43,600	27.8%	\$ 158,687	\$ 124,712	27.2%
Rental Expenses:						
Operating expenses	\$ 7,745	\$ 6,823	13.5%	\$ 24,011	19,904	20.6%
Utilities	\$ 4,929	\$ 3,498	40.9%	16,693	14,224	17.4%
Utilities rebate	\$ -	\$ -	0.0%	(930)	(1,384)	-32.8%
Property taxes	\$ 3,379	\$ 2,967	13.9%	9,961	9,399	6.0%
	\$ 16,053	\$ 13,288	20.8%	\$ 49,735	\$ 42,143	18.0%
Net operating income	\$ 39,626	\$ 30,312	30.7%	\$ 108,952	\$ 82,569	32.0%
Operating margins	71.2%	69.5%		68.7%	66.2%	

Boardwalk REIT's Alberta operations for the three and nine months ended September 30, 2007 have posted strong growth when compared to the amounts reported for the same period during fiscal 2006. The reported increase in rental revenues is mainly due to the combined effect of a significant increase in the reported in place and market rents for this province and the increased market pressure on in-place rents.

Overall, operating costs increased by 20.8% for the three months ended September 30, 2007. The reported increase in costs for the three-month period compared to the prior year was mainly due to the addition of new apartment units in the current period, higher wages and salaries and higher utility costs.

#### SASKATCHEWAN RENTAL OPERATIONS

In \$000's	3 Months 2007 (Unaudited)	3 Months 2006 (Unaudited)	Change	9 Months 2007 (Unaudited)	9 Months 2006 (Unaudited)	Change
Rental revenue	\$ 9,941	\$ 8,933	11.3%	\$ 28,573	\$ 26,347	8.4%
Rental Expenses:						
Operating expenses	\$ 1,795	\$ 1,579	13.7%	\$ 5,264	\$ 4,758	10.6%
Utilities	\$ 898	\$ 886	1.3%	\$ 3,420	\$ 3,646	-6.2%
Property taxes	\$ 1,126	\$ 1,187	-5.1%	\$ 3,454	\$ 3,625	-4.7%
	\$ 3,819	\$ 3,652	4.6%	\$ 12,138	\$ 12,029	0.9%
Net operating income	\$ 6,122	\$ 5,281	15.9%	\$ 16,435	\$ 14,318	14.8%
Operating margins	61.6%	59.1%		57.5%	54.3%	

Boardwalk REIT's Saskatchewan operations reported strong results for the three and nine months ended September 30, 2007 compared to the same period in fiscal 2006. Overall, for the current quarter rental revenue increased by 11.3% and 8.4% on a year to date basis. The increases are mainly the result of a decrease in vacancy rates in both Regina and Saskatoon and strong rental market fundamentals. Operating costs increased by 4.6% and 0.9% for the three and nine months ended September 30, 2007, respectively, compared to the same period in the prior year, mainly as a result of higher salaries and wages.

#### ONTARIO RENTAL OPERATIONS

In \$000's	3 Months 2007 (Unaudited)	3 Months 2006 (Unaudited)	Change	9 Months 2007 (Unaudited)	9 Months 2006 (Unaudited)	Change
Rental revenue	\$ 9,276	\$ 9,363	-0.9%	\$ 28,064	\$ 28,130	-0.2%
Rental Expenses:						
Operating expenses	\$ 1,418	\$ 1,540	-7.9%	\$ 4,455	\$ 4,657	-4.3%
Utilities	\$ 1,364	\$ 1,460	-6.6%	\$ 4,742	\$ 4,739	0.1%
Property taxes	\$ 1,753	\$ 1,846	-5.0%	\$ 5,275	\$ 5,373	-1.8%
	\$ 4,535	\$ 4,846	-6.4%	\$ 14,472	\$ 14,769	-2.0%
Net operating income	\$ 4,741	\$ 4,517	5.0%	\$ 13,592	\$ 13,361	1.7%
Operating margins	51.1%	48.2%		48.4%	47.5%	

Boardwalk REIT's Ontario operations reported relatively stable rental revenue for the three and nine months ended September 30, 2007 compared to the same periods last year. Operating expenses decreased by 7.9% and 4.3% for the three and nine months ended September 30, 2007, respectively, compared to the same periods in the prior year. Utility costs were down 6.6% for the third quarter compared to the same period in fiscal 2006, the result of lower overall commodity pricing. Property taxes were lower by 5.0% for the three months ended September 30, 2007 due to lower property tax assessments on our properties.

## QUEBEC RENTAL OPERATIONS

In \$000's	3 Months 2007 (Unaudited)	3 Months 2006 (Unaudited)	Change	9 Months 2007 (Unaudited)	9 Months 2006 (Unaudited)	Change
Rental revenue	\$ 17,475	\$ 16,927	3.2%	\$ 51,588	\$ 50,225	2.7%
Rental Expenses:						
Operating expenses	\$ 3,141	\$ 3,196	-1.7%	\$ 9,978	\$ 10,116	-1.4%
Utilities	\$ 1,011	\$ 1,345	-24.8%	\$ 5,615	\$ 5,944	-5.5%
Property taxes	\$ 1,869	\$ 1,906	-2.0%	\$ 5,651	\$ 5,397	4.7%
	\$ 6,021	\$ 6,447	-6.6%	\$ 21,244	\$ 21,457	-1.0%
Net operating income	\$ 11,454	\$ 10,480	9.3%	\$ 30,344	\$ 28,768	5.5%
Operating margins	65.5%	61.9%		58.8%	57.3%	

Boardwalk REIT's Quebec operations reported small gains in rental revenue. Reported revenue increased by 3.2% and 2.7% for the three and nine months ended September 30, 2007, respectively, compared to the same periods in the prior year, due to the combined effects of marginally improving results on existing properties and the addition of new units in this market. Reported rental expenses are down from the same periods in the prior year, mainly due to reduced utility costs resulting from lower overall natural gas commodity pricing.

## STABILIZED PROPERTY RESULTS

Boardwalk REIT defines a stabilized property as one that the Trust, or any predecessor companies, has owned for a period of at least two years. The definition is simply one of term of ownership, and the Trust believes to be the most useful on a comparative basis to the prior year. It is not the intent for the definition to indicate market maturity. Boardwalk REIT's overall percentage of stabilized properties was 90% of its total rental unit portfolio as at September 30, 2007, or a total of 33,014 units. The following compares the "same-store" results for the three and nine months ended September 30, 2007 with the same periods in the prior year.

### Stabilized Same Store Numbers Quarterly Indicator

Nine months Ended September 30, 2007	# Units	% Revenue Growth	% Op Expense Growth	% NOI Growth
Calgary	4973	20.42%	3.88%	27.41%
Edmonton	10369	17.82%	10.51%	21.75%
Other Alberta	1680	14.44%	12.18%	15.45%
British Columbia	633	9.71%	-1.70%	15.46%
Ontario	4265	-0.23%	-1.89%	1.55%
Quebec	6434	2.67%	-3.26%	6.96%
Saskatchewan	4660	8.45%	0.55%	14.79%
	33014	11.47%	3.00%	16.75%

### Stabilized Same Store Numbers Quarterly Indicator

Three months Ended September 30, 2007	# Units	% Revenue Growth	% Op Expense Growth	% NOI Growth
Calgary	4973	16.31%	-2.88%	23.18%
Edmonton	10369	18.78%	14.64%	20.67%
Other Alberta	1680	10.23%	19.71%	6.56%
British Columbia	633	12.26%	-21.26%	27.34%
Ontario	4265	-0.91%	-6.41%	4.80%
Quebec	6434	3.61%	-6.97%	9.72%
Saskatchewan	4660	11.28%	5.35%	15.17%
	33014	11.42%	2.30%	16.25%

Stabilized Revenue Growth Q3 2007 Vs...	# Units	Q1	Q2
Calgary	4973	5.34%	1.05%
Edmonton	10369	8.65%	4.01%
Other Alberta	1680	0.50%	0.86%
British Columbia	633	4.41%	2.61%
Ontario	4265	-1.06%	-1.44%
Quebec	6434	2.86%	2.27%
Saskatchewan	4660	7.92%	5.52%
	33014	5.17%	2.48%

For the third quarter 2007, same-store revenue increased by 11.5% compared to the prior period and rental expenses increased by 2.3%, resulting in an overall improvement of 16.4%. The increase in reported stabilized revenue was driven mainly by the Trust's Alberta operations, which account for approximately 61% of the Trust's reported stabilized net operating income. The majority of the reported increase in rental operating expenses for the nine months ended September 30, 2007 was due to higher operating costs in Alberta and a decrease in the reported Alberta Provincial Natural Gas Rebate in the first quarter of 2007, as compared to the first quarter of 2006. For further information on the Alberta Provincial Natural Gas Rebate program, please visit the following website: [www.energy.gov.ab.ca](http://www.energy.gov.ab.ca). If we were to exclude this rebate from our analysis, stabilized property Net Operating Income for the nine months ended September 30, 2007 would have increased 17.3% as compared to the reported 16.8%.

On a sequential basis, stabilized revenues reported at September 30, 2007 were up 5.17% comparing Q3 over Q1 2007, and 2.48% comparing Q3 over Q2 2007. Although stabilized revenue growth tempered slightly through the third quarter (mainly as the result of the implications of the recent Alberta provincial rental increase restrictions which allow only one increase per year), we anticipate that much of this growth will be pushed into Q1 and Q2 of 2008.

#### FINANCING COSTS

Financing costs for the third quarter and the first nine months of 2007 have increased slightly from the same periods in the prior year, due primarily to the increased leverage incurred to finance Boardwalk REIT's recent acquisitions. The increased interest expense on the additional financing was partially offset by the lower overall interest rate on its mortgage portfolio. As at September 30, 2007, the reported weighted average interest rate on its mortgage and debt portfolio was 5.22%, down from 5.25% reported at June 30, 2007, 5.31% reported at December 31, 2006 and 5.35% reported at September 30, 2006. Boardwalk REIT continues to take advantage of the current low interest environment to refinance and renew certain mortgages, resulting in a lower overall weighted average mortgage rate. The average maturity of the mortgage and debt portfolio is approximately 3 years.

Boardwalk REIT's acquisition strategy involves locating and acquiring accretive properties at prices that are below replacement value. Once acquired, these properties undergo various value enhancing upgrades as part of Boardwalk REIT's stabilization program.

Boardwalk REIT concentrates on multi-family residential real estate; thus, it is eligible to obtain government-backed insurance through the National Housing Act ("NHA"), which is administered by the Canadian Mortgage and Housing Corporation ("CMHC"). The benefits of purchasing this insurance are twofold.

The first benefit of using CMHC insurance is that Boardwalk REIT can normally obtain lower interest rate spreads on its property financing. Although the amount of the interest rate spreads will vary, they are currently estimated to be between 30 and 50 basis points above the respective Government of Canada Bonds. This compares favourably to the spreads on conventional financing, which currently range from 120 to 150 basis points above such bonds.

The second benefit of the CMHC insurance relates to the lowering of Boardwalk REIT's overall renewal risk. Once insurance is obtained on the related mortgage, the insurance is transferable and follows the mortgage for the complete amortization period, typically between 25 and 40 years depending on the type of asset being insured. With the insurance being transferable between approved lenders, it lowers the overall risk of Boardwalk REIT not being able to refinance the asset on maturity.

At September 30, 2007, approximately 90% of Boardwalk REIT's mortgage secured debt was backed by this NHA insurance with a weighted average amortization period of approximately 25 years.

#### ADMINISTRATION

Administration reported was \$5.3 million and \$15.9 million for the three and nine months ended September 30, 2007 compared to \$3.9 million and \$12.7 million for the same periods in the prior year. This represents an increase of 35.9% and 25.2%, respectively, and is mainly due to higher wages and salaries, and higher professional fees incurred.

#### DEFERRED FINANCING COSTS AMORTIZATION

The amounts reported here relate primarily to the amortization and / or write-off of CMHC premiums, which are paid as part of its mortgage financing. Under current reporting requirements, if Boardwalk REIT replaces an existing mortgage with a new mortgage, all costs associated with the original mortgage, including the unamortized balance of the CMHC premium, are required to be charged to income in the period that this occurs. For the nine months ended September 30, 2007, deferred financing costs of approximately \$600,000 were written off due to mortgage refinancings, compared to \$0 for the same period in the prior year. The funds from these refinancings were used to finance its 2007 acquisitions to date, most notably the West Edmonton Village portfolio consisting of 1,176 apartment units which was purchased for approximately \$143.5 million. As a result of this, and due to the variable timing and strategy of each mortgage at maturity, the amounts reported will vary. In the current quarter, Boardwalk REIT continued to take advantage of CMHC's new product to increase its leverage rather than refinance the entire mortgage.

#### AMORTIZATION

The amounts reported as amortization of capital assets from continuing operations for the three and nine months ended September 30, 2007 of \$21.8 million and \$61.6 million, respectively, has increased from the \$18.9 and \$54.6 million reported in the comparable period in 2006. The reported increases for the current three-month and nine-month periods compared to the same periods in the prior year were due to new property units acquired.

#### REAL ESTATE ASSETS

##### Acquisitions

During the first nine months of 2007, Boardwalk REIT acquired a total of 2,421 rental units for a total acquisition cost, including a fair value adjustment to debt, of \$340.9 million, or \$140 thousand per residential apartment unit. A portion (approximately \$9.9 million) of the purchase price has been allocated to the value of the in-place operating leases as is now required under EIC-140.

	3 months ended Sept. 30, 2007	3 months ended Sept. 30, 2006	9 months ended Sept. 30, 2007	9 months ended Sept. 30, 2006
Cash paid	\$ 133,100	\$ -	\$ 309,313	\$ 60,795
Debt assumed	-	-	31,209	-
Total purchase price	133,100	-	340,522	60,795
Fair value adjustments to debt	-	-	376	-
Book value	\$ 133,100	\$ -	\$ 340,898	\$ 60,795
Allocation of book value to revenue producing properties	\$ 129,635	\$ -	\$ 331,035	\$ 58,562
Allocation of book value to other assets	3,465	-	9,863	2,233
	\$ 133,100	\$ -	\$ 340,898	\$ 60,795
Multi-family units acquired	718	-	2,421	840

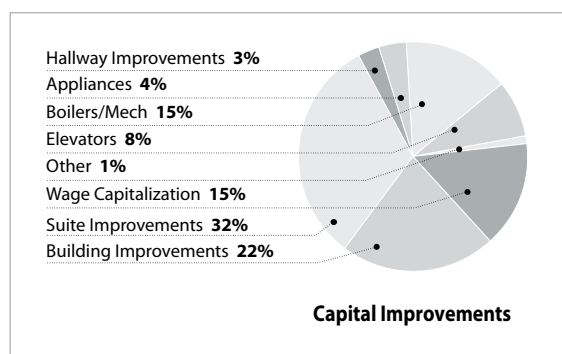
## Dispositions

	3 months ended Sept. 30, 2007	3 months ended Sept. 30, 2006	9 months ended Sept. 30, 2007	9 months ended Sept. 30, 2006
Cash received	\$ 8,031	\$ -	\$ 20,306	\$ 20,274
Cost of dispositions	-	-	125	426
Total proceeds	8,031	-	20,431	20,700
Net book value	5,131	-	12,721	13,173
Gain on dispositions	\$ 2,900	\$ -	\$ 7,710	\$ 7,527
Multi-family units sold	24	-	96	194

In addition to the sale of a 51-unit property located in Edmonton, Alberta, dispositions include the sales and closings of 45 units in a 90-unit property located in Calgary, Alberta that is being developed into condominium units for sale. Under the Percentage of Completion method, sales of \$8.0 million for the three months (\$14.5 million for the current fiscal year to date) ended September 30, 2007 were recorded against cost of sales of \$5.1 million (\$8.5 million for the current fiscal year to date) resulting in reported income of \$2.9 million for the current quarter (\$6 million for the current fiscal year).

## CAPITAL IMPROVEMENTS

For the first nine months of fiscal 2007, Boardwalk REIT invested approximately \$48.7 million in its properties in the form of project enhancements, an increase of \$19.1 million from the \$29.6 million invest in the same period in 2006. The increase in the current period compared to the same period in the prior year is due primarily to the timing of capital improvements being initiated, the Trust's strategy to increase the rental appeal of its Quebec properties, and its recent acquisitions in 2006 and the first nine months of 2007. The following chart details in which areas these funds were expended for the nine months ended September 30, 2007.



Included in these amounts is approximately \$5.4 million of capitalized on-site wages and salaries, representing approximately 15% of total capital expenditures for the current three-month period. This amount is an estimate of site personnel cost associated with the completion of these capital projects, and is consistent with internal expectations since a significant portion of the improvements are now performed "in-house".

## MAINTENANCE OF PRODUCTIVE CAPACITY

The Trust has two separate areas in which capital is invested back into its residential buildings. These are referred to as 'maintenance capital expenditures' and 'stabilizing and value enhancing capital expenditures'.

Maintenance capital expenditures are funded from operating cash flows. These expenditures are deducted from FFO in order to estimate a sustainable amount (AFFO) that can be distributed to Unitholders. Maintenance capital includes those expenditures of a capital nature that are not considered productive and relate more to maintaining the existing earnings capacity of our property portfolio. In contrast, stabilizing and value enhancing capital expenditures are more discretionary in nature and more focused on increasing the productivity of the property, with the goal of increasing the FFO generated at that location.

The following chart provides Management's estimate of the separate capital expenditure categories.

in 000's of \$ except for per suite amounts	9 Months Sep-07	Per Suite	3 Months Sep-07	Per Suite
Maintenance Capital Expenditures	\$ 11,308	\$ 425	\$ 3,848	\$ 425
Stabilizing and Value Enhancing Capital Expenditures	\$ 37,424	\$ 1,407	\$ 11,390	\$ 1,258
	\$ 48,732	\$ 1,832	\$ 15,238	\$ 1,683

If we compare the funds generated by the Trust after adjusting for the required maintenance capital, we note that the Trust is currently paying out an estimated 75% of reported FFO and 86% of AFFO for the nine-month period ended September 30, 2007. These amounts further demonstrate the conservative distribution policy of the Trust.

	9 Months Sep-07	3 Months Sep-07
Funds From Operations	\$ 86,570	\$ 34,052
Maintenance capital	\$ 11,308	\$ 3,848
Adjusted funds from operations	\$ 75,262	\$ 30,204
Unitholder distributions	\$ 64,869	\$ 22,010
Distr as a % of AFFO	86%	73%
Distr as a % of FFO	75%	65%

Maintenance capital expenditures for our income-producing properties are dependent upon many factors, including but not limited to: the number of suites, age and location of our properties.

#### UNITHOLDERS' EQUITY

The following chart discloses the changes in reported Unitholders' Capital.

Summary of Unitholders' Capital Contributions	Units	Amount
December 31, 2005	53,224,194	\$ 295,696
Units issued under equity financing, net of issue costs	2,915,000	63,583
Units issued under distribution reinvestment plan	212,589	5,784
Restructuring costs	-	(140)
Deferred unit plan	-	821
December 31, 2006	56,351,783	\$ 365,744
Units issued under distribution reinvestment plan	142,625	6,194
Issue costs	-	(151)
Deferred unit plan	-	1,275
Units issued for vested deferred units	8,413	400
Units purchased and cancelled	(573,892)	(26,361)
<b>September 30, 2007</b>	<b>55,928,929</b>	<b>\$ 347,101</b>

In the third quarter of fiscal 2007, Boardwalk REIT filed an application for a Normal Course Issuer Bid (the "Bid"), which received regulatory approval from the Toronto Stock Exchange on August 10, 2007. The Bid allows Boardwalk REIT to purchase and cancel up to 4,267,048 Trust Units, representing 10% of the public float of its Trust Units at the time of the TSX approval. The Bid will terminate on the earlier of one year from the date of commencement of the Bid on August 17, 2007, or at such time as purchases under the Bid are complete.

Under the Bid, the Trust purchased and cancelled 573,892 REIT Units in the third quarter of 2007, representing a total market value of approximately \$26.4 million.

As is reported on the face of the balance sheet, the Trust has Unitholders' equity of \$154,021 million. To better allow the reader to review the details of this account, the Trust now includes a separate Consolidated Statement of Unitholders' Equity. As reported on this schedule, there is a continued drawdown of reported cumulative income, which is the direct result of the Trust's distributions declared to its unitholders. As the reported schedule shows, the Trust's monthly distribution has two components. The first relates to the distribution of income and the second relates to a return of capital. On an annualized basis, it is estimated that about 70% of Boardwalk REIT's distribution will be in the form of a return of capital with the remainder 30% constituting regular income.

As these two components together determine the reported distributions, it was inevitable that the Trust would, over time, distribute amounts in excess of reported cumulative earnings. Boardwalk REIT, as was previously noted, calculates its distributions not on net earnings but rather on distributable income. As was previously noted, DI is a non-GAAP measure and we have provided a reconciliation from reported total operating cash flows (which is a GAAP measurement). The basis for this is that, like most other real estate entities, the key determination for these distributions is available cash.

As at September 30, 2007, Unitholders' equity was also affected by a non-cash charge for future income taxes in the amount of \$112.8 million, due to the possibility that the Trust may not qualify as a Mutual Fund Trust and, as such, will be subject to income tax beginning January 1, 2011.

Boardwalk REIT has one class of voting securities known as "REIT Units". As at September 30, 2007, there were 51,453,929 REIT units issued and outstanding. In addition, there are currently 4,475,000 Class "B" special voting units of Boardwalk REIT Limited Partnership ("LP B Units") each of which also has a special voting unit in the REIT. Each LP B Unit is exchangeable for REIT units on a one-for-one basis at the option of the holder. Each LP B Unit through the special voting unit entitles the holder to one vote at any meeting of Unitholders. Accordingly, if all of the LP B Units were exchanged for REIT units, the total issued and outstanding REIT units would be 55,928,929.

#### LIQUIDITY AND CAPITAL RESOURCES

Boardwalk REIT's financial position continues to be strong, with the overall debt level reported at 64% of Gross Book Value ("GBV"). GBV is a non-GAAP term that is defined in the Trust's DOT. In general, it is determined by taking total reported assets of the Trust, adding back accumulated amortization and making a one-time adjustment in the amount of approximately \$231 million. The following chart sets out the Trust's recomputed GBV:

<b>Gross Book Value Calculation</b>	<b>Sep-07</b>	<b>Dec-06</b>
Total reported assets	\$ 2,191,892	\$ 1,870,460
Reported amortization	\$ 493,852	\$ 438,269
	<b>\$ 2,685,744</b>	<b>\$ 2,308,729</b>
Conversion adjustment (May 2004)	\$ 231,460	\$ 231,460
	<b>\$ 2,917,204</b>	<b>\$ 2,540,189</b>
Mortgages payable	\$ 1,646,844	\$ 1,374,641
Debentures	\$ 118,677	\$ 118,448
Bank indebtedness	\$ 101,346	\$ 4,042
Market adjustment on mortgages (May 2004)	\$ 13,115	\$ 20,779
	<b>\$ 1,879,982</b>	<b>\$ 1,517,910</b>
Debt to GBV	<b>64%</b>	60%
DOT Limit	<b>70%</b>	70%

With a DOT stipulation not to exceed 70% on Debt-to-Gross Book Value, Boardwalk REIT has the ability to add additional leverage on its existing portfolio to facilitate with future investment in the acquisition and or development of apartment assets.

Currently, Boardwalk REIT has an operating facility with a major financial institution with the maximum available of approximately \$200 million. As at September 30, 2007, approximately \$101.8 million of the operating facility was being utilized. For the third quarter of 2007, Boardwalk REIT's overall interest coverage ratio of adjusted EBITDA (i.e. earnings before interest, taxes, depreciation and amortization) to interest expense after excluding gains was 2.48 as compared to 2.36 for the same period last year. Subsequent to the end of the quarter, the Trust has arranged additional NHA backed financing on selective properties. The proceeds from these financings will be used to repay all outstanding indebtedness on our acquisition and operating credit facility. At the time of writing, the entire \$200 million was available for the Trust's use.

## MORTGAGE AND DEBT SCHEDULE

Year	Principal Outstanding as at Sep. 30, 2007	Weighted Average Interest Rate By Maturity	% of Total
2007	311,043,703	5.33%	17.14%
2008	225,828,323	6.00%	12.45%
2009	272,632,021	5.37%	15.03%
2010	303,354,391	4.77%	16.72%
2011	127,330,876	5.68%	7.02%
2012	429,776,280	4.83%	23.69%
2013	62,786,230	5.06%	3.46%
2014	4,257,515	5.91%	0.23%
2015	30,266,163	4.68%	1.67%
2016	25,487,466	5.35%	1.40%
2018	6,832,345	6.18%	0.38%
2019	11,187,231	5.99%	0.62%
2020	3,621,898	7.24%	0.20%
Total Principal Outstanding	1,814,404,444	5.22%	100.00%

### SUBSEQUENT EVENTS

Subsequent to September 30, 2007, the Board of Trustees initiated an increase to the Unitholders distribution. For those Unitholders of Record on November 30, 2007, the Trust Unit distribution will be increased to \$.1500 per Trust Unit per month from \$.1333 per Trust Unit per month, representing an increase of approximately 13%. The Trust feels the increase is warranted given the continued financial strength reported to date, as well as forecasts for the remainder of 2007 and 2008.

### ADDITIONAL RISKS AND UNCERTAINTIES

#### Alberta Rental Legislation

On April 24, 2007, the Alberta Provincial Government announced its intention to alter the existing legislation with respect to rental accommodation in Alberta. Bill 34 was tabled to the Alberta Legislature on May 2, 2007. The most significant changes to the legislation focused on two key areas, the first being the number of rental increases that an owner could issue to a renter on an annual basis and the second being the notice period required if an owner is contemplating a significant renovation or condominium conversion.

**Rental increases limited to once per year** – the legislation stipulates that an owner may increase existing renters' rents not more than one time per year; previously, owners were able to increase rents once every six months, or twice per year. It should be noted that in this legislation, there is no limitation placed on how much rents can increase to these renters.

**Notice for extensive renovations or condominium conversion** - the legislation introduced limitations on an owner that wishes to convert an existing rental property to a condominium. Under the legislation, an owner is required to give the existing tenants a notice of one year and, during the one year, the owner will not be able to increase the said rents at any time during the notice period. Previous legislation required only a notice period of six months and there was no limitation as to rental increases other than existing rental increase laws.

It should be emphasized that there have been no changes or limitations as to the market rents charged in Alberta. Thus, this implies that there are no new limitations placed on the amounts charged to new renters renting from Boardwalk REIT.

These legislative changes came into effect on April 24, 2007.

**Impact on Boardwalk REIT** - Boardwalk REIT currently has over 50% of its rental portfolio in Alberta and, as such, any change to existing legislation needs to be reviewed and any impact considered. It is currently Boardwalk REIT's internal policy to increase the rents of existing Customers by no more than \$150 over a one-year period; again, the same limitation does not apply

to new Customers. The Trust's previous policy was to implement the \$150 maximum over two equal instalments of \$75 every six months. The legislation now limits Boardwalk REIT to one increase per year and, as such, the Trust would then increase the in-place rents a maximum of \$150 once per year. The Trust also now offers the renter a fixed twelve-month lease with this rent in place.

#### **New Alberta Royalty Framework**

On October 25, 2007, the Alberta Government released a new policy with respect to the Royalty Policy relating to the oil and gas production in the Province of Alberta. The new policy proposes to increase the royalties charged on oil and gas on a sliding scale basis based on the price of the related commodity. The new scale will now increase to approximately 50%, from 35%, on natural gas and conventional oil with additional royalties charged on the Alberta Oil Sands. For more details on this policy, we refer you to the following link [http://www.energy.gov.ab.ca/Org/Publications/royalty\\_Oct25.pdf](http://www.energy.gov.ab.ca/Org/Publications/royalty_Oct25.pdf).

**Impact on Boardwalk REIT** - Although Boardwalk is not a direct investor in the Oil and Gas market, it has been a delayed and indirect beneficiary of the continued investment in the Oil and Gas Industry in Alberta. Investment in this area has spearheaded continued economic growth for the province and is a major contributor to the increased net migration the province has experienced over the past few years. The increased migration has helped Boardwalk, as it has resulted in increased demand for rental apartments. Although it is still too early to predict the longer term impact of this new policy and potential decrease in the amount of direct investment in the province, the Trust will be monitoring the situation on an ongoing basis and alter existing policies to minimize the financial impact.

#### **CERTAIN TAX RISKS**

##### **Mutual Fund Trust Status**

Boardwalk REIT currently qualifies as a "real estate investment trust" and as a "mutual fund trust" for income tax purposes. Boardwalk REIT is required by its Declaration of Trust to annually distribute all of its taxable income to Unitholders and thus is generally not subject to tax on such amount. In order to maintain its current mutual fund trust status, Boardwalk REIT is required to comply with specific restrictions regarding its activities and the investments held by it. If Boardwalk REIT was to cease to qualify as a mutual fund trust, the consequences could be adverse.

On December 21, 2006, the Minister of Finance (Canada) released draft legislation (the "Proposals") relating to the Federal Income Taxation of Publicly Traded Trusts (such as income trusts and REITs), Partnerships and their Unitholders. This legislation, Bill C-52, received Royal Assent on June 22, 2007. The legislation applies to "specified investment flow-through" trusts and partnerships, or "SIFT" trusts and partnerships, and will result in such trusts being subject to tax at a rate of 31.5% (comparable to the projected combined federal and provincial corporate income tax rate in 2011) on certain income that is distributed to their unitholders, and in such distributions being treated as taxable dividends paid by a taxable Canadian corporation. If Boardwalk REIT, or any other trust, does not qualify under these new rules as a real estate investment trust as at January 1, 2011, it no longer will be able to deduct for tax purposes its taxable distributions and, as such, will be required to pay tax on this amount prior to distribution. It should be noted that any amount distributed that is determined to be return of capital would not be subject to this tax. For SIFT trusts with units that were already publicly traded on October 31, 2006, these proposed changes generally will not take effect until January 1, 2011.

The definition of a "SIFT trust" specifically excludes a trust that is a "real estate investment trust" for the taxation year, which is defined under the Proposals as a trust that is resident in Canada and that satisfies all of the following criteria:

- (a) the trust at no time in the taxation year holds any non-portfolio property other than real or immovable properties situated in Canada;

- (b) not less than 95% of the trust's revenues for the taxation year are derived from one or more of the following:
  - (i) rent from real or immovable properties,
  - (ii) interest,
  - (iii) capital gains from dispositions of real or immovable properties,
  - (iv) dividends, and
  - (v) royalties;
- (c) not less than 75% of the trust's revenues for the taxation year are derived from one or more of the following:
  - (i) rent from real or immovable properties, to the extent that it is derived from real or immovable properties situated in Canada,
  - (ii) interest from mortgages, or hypothecs, on real or immovable properties situated in Canada, and
  - (iii) capital gains from dispositions of real or immovable properties situated in Canada."
- (d) at no time in the taxation year is the total fair market value of all properties held by the trust, each of which is a real or immovable property situated in Canada, cash, or a property described in clause 212(1)(b)(ii)(C) of the Tax Act, less than 75% of the equity value of the trust at that time.

For this purpose, "real or immovable property" includes a security of any trust, corporation or partnership that itself satisfies the above criteria, but does not include any depreciable property of a prescribed class for which the rate of capital cost allowance exceeds 5%.

As with many other Canadian real estate investment trusts, upon creation, Boardwalk REIT adopted a "trust-on-trust" structure, whereby the mutual fund trust owns directly units and notes of another trust (often referred to as a "commercial trust" or a "holding trust") which in turn owns, in most cases, units of a limited partnership that owns the operating assets. Under such a structure, the mutual fund trust earns, directly, interest income and trust income, neither of which would constitute "rent from real or immovable properties", "interest from mortgages, or hypothecs, on real or immovable properties" or "capital gains from dispositions of real or immovable properties". As a result of the specific wording used in Parts (b) and (c) noted above, there is a question as to whether the current legislation would include in its interpretation a "look through" provision. Therefore, if the expression "derived from" in paragraphs (b) and (c) of the definition of "real estate investment trust" in proposed section 122.1 does not permit a look through approach to be taken, then a mutual fund trust such as Boardwalk REIT, that has adopted a trust-on-trust structure would not, for that reason alone, qualify as a "real estate investment trust". Under current tax legislation, there is no tax effective way to remedy the trust-on-trust issue.

Other than was just noted above, it is the Trust's belief that it either meets the criteria to be a real estate investment trust as set out above, or can alter its existing policies to qualify on or before January 1, 2011. However, if the exception for REITs noted above is not applicable to Boardwalk REIT, the Proposals could, commencing in 2011, impact the level of cash distributions which would otherwise be made by Boardwalk REIT. The Proposals do not fully accommodate the current business structures used by many Canadian REITs and contain a number of technical tests that many Canadian REITs, including Boardwalk REIT, may find difficult to satisfy. The Minister has stated his intention is to exempt REITs from taxation as SIFTs in recognition of "the unique history and role of collective real estate investment vehicles". Accordingly, it is possible that changes to these technical tests will be made prior to their enactment in order to accommodate some or all of the existing Canadian REITs. Alternatively, if the Proposals are not changed, existing Canadian REITs, including Boardwalk REIT, may need to restructure their affairs in order to limit the application of the Proposals. In light of the foregoing, it is not currently possible to predict whether the Proposals, as ultimately enacted, will have an adverse effect on Boardwalk REIT.

## CRITICAL ACCOUNTING POLICIES

Boardwalk REIT's accounting policies are described in Note 2 to the consolidated financial statements for the year ended December 31, 2006 and updated in Note 3 to the unaudited interim consolidated financial statements for the quarter ended September 30, 2007. These statements were prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and with the recommendations of the Real Property Association of Canada ("REALpac"). In applying these policies, in certain cases, it is necessary to use estimates. In determining estimates, Management uses the information available to the Trust at the time. Management reviews key estimates on a quarterly basis to determine their appropriateness. Any change to these estimates is applied prospectively in compliance with Canadian generally accepted accounting principles. A more detailed discussion of Boardwalk REIT's critical accounting policies can be found on page 59 of Boardwalk REIT's 2006 annual report.

As was previously noted, the Trust has reported a future tax liability adjustment of \$111.1 million related to Bill C-52 in the second quarter of 2007. This amount was increased by \$1.7 million to \$112.8 million as at September 30, 2007. The reported amount was based on an estimate on what this amount may be for fiscal 2011 under existing legislation as well as anticipated tax rates. The actual amount may be materially different if any significant changes or clarifications are made to this legislation or the effective reported tax rates.

## FINANCIAL OUTLOOK AND MARKET GUIDANCE

As is customary, the Trust has reviewed its key assumptions in providing financial guidance for the current fiscal year. Based on this review, our continued belief of the strengthened rental markets in Western Canada, as well as the fact that we have now reported on three of the four fiscal quarters of 2007, we continue to maintain the following adjustments to the reported 2007 guidance. We have also increased as well as adjusted the reported range for both FFO and DI Guidance. For fiscal 2007, we expect FFO to be between \$2.00 to \$2.05 as compared to previous guidance of between \$1.95 to \$2.04. For DI, we are altering our expected range to \$2.02 to \$2.07 compared to the previous guidance of between \$1.97 to \$2.05. To achieve these revisions, we are also increasing our expected stabilized property NOI growth to 15% from the previous 10%. We are maintaining our apartment acquisition target range of between 2,000 to 3,000 apartment units.

	2007 Objectives	Revised 2007 Objectives
FFO Rental Operations	1.95 to \$2.04	\$2.00 to \$2.05
Distributable Income	\$1.97 to \$2.05	\$2.02 to \$2.07
New Unit Acquisitions	2,000 to 3,000	2,000 to 3,000
Stabilized Buildings NOI growth	10.0%	15.0%

## 2008 FINANCIAL PERFORMANCE GUIDANCE

As is customary in its third quarter report, the Trust provides financial guidance for the upcoming fiscal year of 2008.

	2008 Objectives
FFO Rental Operations	\$2.35 to \$2.50
Distributable Income	\$2.37 to \$2.52
New Unit Acquisitions	1,000 to 2,000
Stabilized Buildings NOI growth	8.0% to 14.0%

This reported guidance is based on internal estimates and the reader is cautioned that if the assumptions for these estimates are materially incorrect, it may result in actual results being materially different from our 2008 objectives. The significant improvement anticipated as compared to estimated 2007 financial results mainly stems from the Trust's estimated ability to increase existing reported rents to levels closer to those representing current market rates. We have also incorporated into our guidance the extension of the Alberta Natural Gas Rebate Program to March 2009. This extension is estimated to benefit Boardwalk's 2008 financial results by approximately \$0.03 per outstanding Trust Unit.

In addition to the above financial guidance for 2008, the Trust has assumed the following capital will be invested back into its existing portfolio for the upcoming year.

Capital Budget	2008 Budget	Per Unit	2007	Per Unit
Total Approved	\$ 73,914,000	\$ 2,024	\$ 69,500,000	\$ 2,044
MTSE Capital	\$ 16,430,000	\$ 450	\$ 14,450,850	\$ 425
Stabilizing & Value Added Capital	\$ 57,484,000	\$ 1,574	\$ 55,049,150	\$ 1,619
	\$ 73,914,000	\$ 2,024	\$ 69,500,000	\$ 1,904

In total, we believe we will invest a total of \$73.9 million (\$2,024 per apartment unit) in 2008 as compared to \$69.5 million (\$1,904 per apartment unit) in 2007. The increase in the amount as compared to our 2007 capital forecast is mainly the result of increased inflation in capital costs.

#### ADDITIONAL INFORMATION

Additional information relating to Boardwalk REIT and Boardwalk, including the Annual Information of Boardwalk REIT, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Respectfully,

(signed)  
Roberto A. Geremia  
President

(signed)  
William Wong  
Chief Financial Officer

# Consolidated Balance Sheets

(Cdn\$ Thousands)

As at	September 30, 2007 (Unaudited)	December 31, 2006 (Audited)
<b>ASSETS</b>		
Revenue producing properties (NOTE 4)	\$ 2,149,318	\$ 1,836,429
Other assets (NOTE 5)	19,960	13,873
Future income taxes (NOTE 11)	-	316
Mortgages and accounts receivable	4,623	4,388
Segregated tenants' security deposits	13,402	9,998
Discontinued operations (NOTE 6)	4,589	5,456
	<b>\$ 2,191,892</b>	<b>\$ 1,870,460</b>
<b>LIABILITIES</b>		
Mortgages payable (NOTE 3)	\$ 1,646,844	\$ 1,380,578
Debentures (NOTES 3 and 7)	118,677	118,448
Accounts payable and accrued liabilities	41,606	35,423
Refundable tenants' security deposits and other	16,255	13,102
Bank indebtedness	101,346	4,042
	<b>1,924,728</b>	<b>1,551,593</b>
Future income taxes (NOTES 3 and 11)	113,143	-
	<b>\$ 2,037,871</b>	<b>\$ 1,551,593</b>
<b>UNITHOLDERS' EQUITY</b>		
Unitholders' equity	\$ 154,021	\$ 318,867
	<b>\$ 2,191,892</b>	<b>\$ 1,870,460</b>

Commitments and contingencies (NOTE 12)

See accompanying notes to the consolidated financial statements

# Consolidated Statements of Earnings and Comprehensive Income

(Cdn\$ Thousands, except per UNIT amounts)

	3 months ended Sept. 30		9 months ended Sept. 30	
	2007 (Unaudited)	2006 (Unaudited)	2007 (Unaudited)	2006 (Unaudited)
<b>REVENUE</b>				
Rental income	\$ 95,702	\$ 81,083	\$ 275,983	\$ 235,805
<b>EXPENSES</b>				
Revenue producing properties:				
Operating expenses	14,768	14,003	46,513	42,107
Utilities	8,472	7,464	31,629	29,346
Utility rebate (NOTE 12)	–	(39)	(933)	(1,427)
Property taxes	8,317	8,041	24,888	24,201
Administration	5,264	3,867	15,862	12,712
Financing costs	23,734	20,209	67,973	60,691
Deferred financing costs amortization (NOTE 3)	1,081	767	3,460	2,233
Amortization of capital assets	21,838	18,887	61,605	54,620
	83,474	73,199	250,997	224,483
<b>Earnings from continuing operations before income taxes</b>	12,228	7,884	24,986	11,322
Large corporations taxes	15	–	15	8
Future income taxes (NOTE 11)	2,055	446	113,453	222
<b>Earnings (loss) from continuing operations</b>	10,158	7,438	(88,482)	11,092
Earnings from discontinued operations, net of tax (NOTE 6)	2,900	64	7,670	7,768
<b>Net earnings (loss)</b>	13,058	7,502	(80,812)	18,860
Other comprehensive income	–	–	–	–
<b>Comprehensive income (loss)</b>	\$ 13,058	\$ 7,502	\$ (80,812)	\$ 18,860
<b>Basic earnings (loss) per unit (NOTE 10)</b>				
- from continuing operations	\$ 0.18	\$ 0.13	\$ (1.58)	\$ 0.20
- from discontinued operations	0.05	0.00	0.14	0.14
<b>Basic earnings (loss) per unit</b>	\$ 0.23	\$ 0.13	\$ (1.44)	\$ 0.34
<b>Diluted earnings (loss) per unit (NOTE 10)</b>				
- from continuing operations	\$ 0.18	\$ 0.13	\$ (1.58)	\$ 0.20
- from discontinued operations	0.05	–	0.14	0.14
<b>Diluted earnings (loss) per unit</b>	\$ 0.23	\$ 0.13	\$ (1.44)	\$ 0.34

See accompanying notes to the consolidated financial statements

# Consolidated Statements of Unitholders' Equity

(Cdn\$ Thousands, except number of units)

	9 months ended September 30, 2007	9 months ended September 30, 2006
	(Unaudited)	(Unaudited)
<b>Trust units (NOTE 9)</b>		
Balance, beginning of period	\$ 365,744	\$ 295,696
Units issued under equity financing, net of issue costs	(151)	63,594
Units issued under distribution reinvestment plan	6,194	4,008
Restructuring costs	-	(165)
Deferred unit plan (NOTE 8)	1,275	597
Units issued for vested deferred units (NOTE 8)	400	-
Unit purchased and cancelled (NOTE 9)	(26,361)	-
Balance, end of period	\$ 347,101	\$ 363,730
<b>Cumulative earnings</b>		
Balance, beginning of period	\$ 154,917	\$ 129,530
Net earnings (loss) for the period	(80,812)	18,860
Balance, end of period	\$ 74,105	\$ 148,390
<b>Accumulated other comprehensive income</b>		
Balance, beginning of period	\$ -	\$ -
Other comprehensive income for the period	-	-
Balance, end of period	\$ -	\$ -
<b>Cumulative distributions to Unitholders</b>		
Balance, beginning of period	\$ (201,794)	\$ (129,483)
Distributions declared to Unitholders (NOTE 10)	(65,391)	(52,522)
Balance, end of period	\$ (267,185)	\$ (182,005)
<b>Total Unitholders' equity</b>	<b>\$ 154,021</b>	<b>\$ 330,115</b>
<b>Units issued and outstanding</b>	<b>55,928,929</b>	<b>56,303,731</b>

See accompanying notes to the consolidated financial statements

# Consolidated Statements of Cash Flows

(Cdn\$ Thousands)

	3 months ended Sept. 30		9 months ended Sept. 30	
	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Operating activities</b>				
Net earnings (loss)	\$ 13,058	\$ 7,502	\$ (80,812)	\$ 18,860
Earnings from discontinued operations, net of tax	(2,900)	(64)	(7,670)	(7,768)
Future income taxes	2,055	446	113,453	222
Amortization of capital assets	21,838	18,887	61,605	54,620
	<b>34,051</b>	<b>26,771</b>	<b>86,576</b>	<b>65,934</b>
Cash from discontinued operations	–	111	(7)	383
Net change in operating working capital	(4,302)	2,316	4,098	612
Total operating cash flows	<b>29,749</b>	<b>29,198</b>	<b>90,667</b>	<b>66,929</b>
<b>Financing activities</b>				
Issue of Trust Units (net of issue costs) (NOTE 9)	1,948	1,499	6,043	67,437
Distributions paid	(22,010)	(17,725)	(64,869)	(52,199)
Unit repurchase program (NOTE 9)	(26,361)	–	(26,361)	–
Financing of revenue producing properties	68,933	7,293	387,618	20,039
Repayment of debt on revenue producing properties	(12,883)	(14,177)	(145,120)	(39,803)
Deferred financing costs incurred (net of amortization)	(1,444)	(180)	(6,687)	(379)
	<b>8,183</b>	<b>(23,290)</b>	<b>150,624</b>	<b>(4,905)</b>
<b>Investing activities</b>				
Purchases of revenue producing properties (NOTE 4)	(133,100)	–	(309,313)	(60,795)
Improvements to revenue producing properties	(15,238)	(11,051)	(48,732)	(29,623)
Net cash proceeds from sale of properties	8,031	–	20,306	20,274
Additions to corporate technology assets	(163)	(379)	(856)	(1,007)
	<b>(140,470)</b>	<b>(11,430)</b>	<b>(338,595)</b>	<b>(71,151)</b>
<b>Net decrease in cash and cash equivalents balance</b>	<b>(102,538)</b>	<b>(5,522)</b>	<b>(97,304)</b>	<b>(9,127)</b>
<b>Cash and cash equivalents (bank indebtedness), beginning of period</b>	<b>1,192</b>	<b>7,540</b>	<b>(4,042)</b>	<b>11,145</b>
<b>Cash and cash equivalents (bank indebtedness), end of period</b>	<b>\$ (101,346)</b>	<b>\$ 2,018</b>	<b>\$ (101,346)</b>	<b>\$ 2,018</b>
<b>Supplementary cash flow information:</b>				
Capital taxes received	\$ –	\$ (676)	\$ –	\$ (326)
Interest paid	\$ 24,615	\$ 21,876	\$ 55,906	\$ 62,534

See accompanying notes to the consolidated financial statements

# Notes to Consolidated Financial Statements

Three and nine months ended September 30, 2007

(Tabular amounts in Cdn\$ thousands, except number of units and per unit amounts UNLESS OTHERWISE STATED)

(UNAUDITED)

## 1. ORGANIZATION OF TRUST

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Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") is an unincorporated, open-ended real estate investment trust created pursuant to the Declaration of Trust, dated January 9, 2004 and as amended and restated on May 3, 2004, May 10, 2006 and May 10, 2007, under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue producing multi-family residential properties or interests within Canada, initially through the acquisition of operations of Boardwalk Equities Inc. (the "Corporation"), which was acquired on May 3, 2004.

## 2. BASIS OF PRESENTATION

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These unaudited interim consolidated financial statements have been prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and are consistent with those used in the audited consolidated financial statements as at and for the year ended December 31, 2006, except as disclosed in Note 3 below. These interim financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles ("Canadian GAAP") applicable to annual financial statements and, therefore, they should be read in conjunction with the audited consolidated financial statements.

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and to make disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Due to seasonality, the operating results for the three and nine months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2007 due to seasonal variations in utility costs and other factors. Historically, Boardwalk REIT has experienced higher utility expenses in the first quarter as a result of the winter months, which create variations in the quarterly results.

Certain comparative figures have been reclassified to conform to the presentation of the current period, or as a result of accounting changes.

## 3. ACCOUNTING CHANGES

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On January 1, 2007, the Trust adopted five new accounting standards issued by the CICA. These standards are to be applied on a retroactive basis without restatement to prior periods. Any adjustments as a result of adopting these new standards were recognized by restating the balance of opening unitholders' equity. Comparative periods are not permitted to be restated. These five standards are outlined below:

- a) Section 1506 - Accounting Changes
- b) Section 1530 - Comprehensive Income
- c) Section 3855 - Financial Instruments-Recognition and Measurement
- d) Section 3861 - Financial Instruments-Disclosure and Presentation
- e) Section 3865 - Hedges

Section 1506 - Accounting Changes prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors in order to enhance the relevance, reliability and comparability of financial statements.

Section 1530 - Comprehensive Income is comprised of net earnings and other comprehensive income ("OCI"), which represents changes in unitholders' equity during a period arising from transactions and other events with non-owner sources. OCI generally would include unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation adjustments arising from self-sustaining foreign operations and changes in the fair value of the effective portion of cash flow hedging instruments.

Section 3855 - Financial Instruments - Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial instruments are required to be measured at fair value on initial recognition, except for certain related-party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities. Financial assets and financial liabilities classified as held-for-trading are required to be measured at fair value with gains and losses recognized in net earnings. Financial assets classified as held-to-maturity, loans and receivables and financial liabilities (other than those held-for-trading) are required to be measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are required to be measured at fair value with unrealized gains and losses recognized in OCI. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market should be measured at cost. Derivative instruments must be recorded on the balance sheet at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are required to be recognized in net earnings, except for derivatives that are designated as a cash flow hedge, in which case the fair value change for the effective portion of such hedge relationship is required to be recognized in OCI. The standard permits us to designate any financial instrument whose fair value can be reliably measured as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855. The standard specifically excludes Section 3065 - Leases, from the definition of financial instruments, except for derivatives that are embedded in a lease contract. Other significant accounting implications arising on adoption of the standard include the initial recognition of certain financial guarantees at fair value on the balance sheet and the use of the effective interest method of amortization for any transaction costs or fees, premiums or discounts earned or incurred for financial instruments measured at amortized cost.

Section 3861 - Financial Instruments - Disclosure and Presentation establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. The presentation paragraphs deal with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The disclosure paragraphs deal with information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments. This Section also deals with disclosure of information about the nature and extent of an entity's use of financial instruments, the business purposes they serve, the risks associated with them and management's policies for controlling those risks.

Section 3865 - Hedges specifies the criteria under which hedge accounting can be applied and how hedge accounting should be executed for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation. In a fair value hedging relationship, the carrying value of the hedged item will be adjusted by gains or losses attributable to the hedged risk and recognized in net earnings. The changes in the fair value of the hedged item, to the extent that the hedging relationship is effective as defined by the standard ("effective"), will be offset by changes in the fair value of the hedging derivative. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative will be recognized in OCI. The ineffective portion as defined by the standard ("ineffective") will be recognized in net earnings. The amounts recognized in OCI will be reclassified to net earnings in those periods in which net earnings is affected by the variability in the cash flows of the hedged item. In hedging a foreign currency exposure of a net investment in a self-sustaining foreign operation, the effective portion of foreign exchange gains and losses on the hedging instruments will be recognized in OCI and the ineffective portion is recognized in net earnings. Deferred gains or losses on the hedging instrument with respect to hedging relationships that were discontinued prior to the transition date but qualify for hedge accounting under the new standards will be recognized in the carrying amount of the hedged item and amortized to net earnings

over the remaining term of the hedged item for fair value hedges, and for cash flow hedges will be recognized in OCI and reclassified to net earnings in the same period during which the hedged item affects net earnings. However, for discontinued hedging relationships that do not qualify for hedge accounting under the new standards, the deferred gains and losses will be recognized in the opening balance of retained earnings on transition.

#### Impact of Adoption of Sections 1506, 1530, 3855, 3861 and 3865

Our consolidated financial statements now include consolidated statements of earnings and comprehensive income while the cumulative amount of other comprehensive income has been included as a separate section of unitholders' equity.

Boardwalk REIT has also adopted the effective interest rate method for calculating the amortized cost of its financial liabilities and of allocating the financing charges, including transaction costs, over the relevant reporting periods. Any adjustment as a result of the adoption of Section 3855 is recognized by restating the balance of opening unitholders' equity. Comparative periods are not permitted to be restated. For the current and prior periods, all unamortized transaction costs (previously designated as deferred financing costs and mark-to-market adjustment of debt) are now netted against the respective financial liability. The table below outlines the transitional effect of adopting the new accounting standards on financial instruments:

	Sept. 30, 2007	Dec. 31, 2006
<b>Mortgages Payable</b>		
Principal outstanding	\$ 1,694,405	\$ 1,420,701
Unamortized deferred financing costs	(48,769)	(41,853)
Unamortized mark-to-market adjustment	1,208	1,730
	<b>\$ 1,646,844</b>	<b>\$ 1,380,578</b>
<b>Debentures</b>		
Principal outstanding	\$ 120,000	\$ 120,000
Unamortized deferred financing costs	(1,323)	(1,552)
	<b>\$ 118,677</b>	<b>\$ 118,448</b>

There were no material impacts to the consolidated financial statements on adoption of Section 3865 by the Trust.

#### Bill C-52

On June 22, 2007, Bill C-52 received Royal Assent in Canada. As a result of this, under Generally Accepted Accounting Principles in Canada, once a bill is enacted, it is a requirement to record the income tax implications effective on that date. In accordance with Bill C-52, the assumption being made is that, effective January 1, 2011, Boardwalk REIT will no longer qualify as a Real Estate Investment Trust ("REIT") in accordance with the definition contained in that legislation, and will remain within certain "normal growth" limits such that it will be subject to income tax pursuant to this new legislation.

#### Impact of Bill C-52

The impact of our interpretation of Bill C-52 on Boardwalk REIT was that, based on a detailed review of the legislation, at this time it may be interpreted that the Trust does not qualify as a REIT, which would be exempt from the specified investment flow-through ("SIFT") rules, and as such has recorded an estimate of its the future income tax liability at June 30, 2007 and subsequently updated at September 30, 2007 based on it being subject to the tax prescribed by the SIFT rules on January 1, 2011. The result is that the Trust recorded a future income tax liability at June 30, 2007 of \$111.1 million, which was revised upward by \$1.7 million to \$112.8 million at September 30, 2007. At a future time, once it has been deemed that the Trust would be in compliance with the SIFT rules, the amount of the adjustment will be reversed. Although the adjustment to earnings and cumulative earnings at September 30, 2007 is significant, it is not large enough to affect any existing debt covenants currently in place, including those stipulated for Boardwalk REIT's unsecured debentures. At this time, it is the belief of the Trust that it will be in compliance with the existing and or amended legislation prior to the effective date of January 1, 2011.

### Future Changes in Significant Accounting Policies

Boardwalk REIT monitored the recently issued CICA accounting pronouncements to assess the applicability and impact, if any, of these new pronouncements on our consolidated financial statements and note disclosures. The CICA issued three new accounting standards that are effective for the Trust's fiscal year commencing January 1, 2008:

- a) Section 1535 - Capital Disclosures
- b) Section 3862 - Financial Instruments - Disclosure
- c) Section 3863 - Financial Instruments - Presentation

Section 1535 - Capital Disclosures requires the disclosure of both qualitative and quantitative information, which allows the users of financial statements to evaluate the entity's objective, policies and processes for managing capital.

Section 3862 - Financial Instruments-Disclosure and Section 3863 - Financial Instruments-Presentation, which will replace Section 3861 - Financial Instruments Presentation and Disclosure, revise and enhance the disclosure requirements for financial instruments and carry forward unchanged the presentation requirements for financial instruments.

The new accounting pronouncements are not expected to have any material impact to the consolidated financial statements on adoption.

#### 4. REVENUE PRODUCING PROPERTIES

	3 months ended Sept. 30		9 months ended Sept. 30	
	2007	2006	2007	2006
<b>Acquisitions</b>				
Cash paid	\$ 133,100	\$ -	\$ 309,313	\$ 60,795
Debt assumed	-	-	31,209	-
Total purchase price	133,100	-	340,522	60,795
Fair value adjustments to debt	-	-	376	-
Book value	\$ 133,100	\$ -	\$ 340,898	\$ 60,795
Allocation of book value to revenue producing properties	\$ 129,635	\$ -	\$ 331,035	\$ 58,562
Allocation of book value to other assets	3,465	-	9,863	2,233
	\$ 133,100	\$ -	\$ 340,898	\$ 60,795
Multi-family units acquired	718	-	2,421	840

	3 months ended Sept. 30		9 months ended Sept. 30	
	2007	2006	2007	2006
<b>Dispositions</b>				
Cash received	\$ 8,031	\$ -	\$ 20,306	\$ 20,274
Cost of dispositions	-	-	125	426
Total proceeds	8,031	-	20,431	20,700
Net book value	5,131	-	12,721	13,173
Gain on dispositions	\$ 2,900	\$ -	\$ 7,710	\$ 7,527
Multi-family units sold	24	-	96	194

Included in dispositions are the sales and closings of 45 units in a 90-unit property located in Calgary, Alberta that is being developed into condominium units for sale (see NOTE 6). Under the percentage of completion method, sales of \$8.0 million for the three months (\$14.5 million for the current fiscal year to date) ended September 30, 2007 were recorded against cost of sales of \$5.1 million (\$8.5 million for the current fiscal year to date).

5. **OTHER ASSETS**

As at	Sept. 30, 2007	Dec. 31, 2006
Corporate technology assets (net of accumulated amortization)	\$ 3,278	\$ 3,436
Head office building (net of accumulated amortization)	2,330	2,329
Deposits on potential property acquisitions	–	814
Prepaid parts and supplies	2,790	2,097
Lease goodwill and customer relationship intangibles (net of accumulated amortization)	6,233	1,271
Prepaid property taxes	2,823	1,193
Prepaid and other	2,506	2,733
	<b>\$ 19,960</b>	<b>\$ 13,873</b>

Accumulated amortization for corporate technology assets and head office building at September 30, 2007 were \$13.1 million and \$1.1 million, respectively (December 31, 2006 - \$12.1 million and \$1.0 million, respectively). Accumulated amortization for lease goodwill and customer relationship intangibles at September 30, 2007 was \$12.7 million (December 31, 2006 - \$7.9 million)

6. **DISCONTINUED OPERATIONS**

During the third quarter of 2007, it was determined that the plan to sell a 108-unit property in Edmonton, Alberta would not proceed. As a result, this building was reclassified as part of continuing operations. This Edmonton property is part of our Alberta segment in our segmented information disclosure.

During the first quarter of 2007, the Trust acquired a property in Edmonton, Alberta consisting of two buildings totaling 51 apartment units. Prior to the closing of the acquisition, the Trust received an unsolicited offer to sell this property to an unrelated third party. After a detailed review of the offer, the Trust agreed to the sale of this property (See NOTE 4). The property was, therefore, classified as discontinued operations upon acquisition.

During the end of the third quarter of 2006, a revenue producing property consisting of 90 units in Calgary was classified as discontinued operations as a result of the Trust initiating an active program to dispose of this property. This property is being developed into condominium units for sale at a price that is reasonable in relation to its current fair value. This Calgary property formed part of our Alberta segment in our segmented information disclosure.

The following tables set forth the results of operations as well as the assets and liabilities associated with the discontinued operations.

	3 months ended Sept. 30		9 months ended Sept. 30	
	2007	2006	2007	2006
<b>Revenue</b>				
Rental income	\$ -	\$ 273	\$ 219	\$ 1,011
<b>Expenses</b>				
Revenue producing properties:				
Operating expenses	-	30	99	168
Utilities	-	25	41	130
Utility rebate	-	-	(5)	(12)
Property taxes	-	19	25	82
Administration	-	6	54	28
Financing costs	-	81	13	228
Deferred financing cost amortization	-	1	-	4
Amortization of capital assets	-	47	32	142
	-	209	259	770
	-	64	(40)	241
Gain on dispositions	2,900	-	7,710	7,527
Earnings from discontinued operations	\$ 2,900	\$ 64	\$ 7,670	\$ 7,768

	Sept. 30, 2007	Dec. 31, 2006
<b>Discontinued Assets</b>		
Properties held for redevelopment	\$ 4,589	\$ 5,456

## 7. DEBENTURES

On January 21, 2005, Boardwalk REIT completed the issuance of unsecured debentures in a public offering in the aggregate amount of \$120 million. The debentures are rated "BBB" with a stable trend by Dominion Bond Rating Services, carry a coupon rate of 5.31% and will mature on January 23, 2012. Net proceeds of approximately \$119 million were used to fund acquisitions, repay operating lines of credit and for general trust purposes. In conjunction with the debenture issue, the Trust also entered into a bond forward contract to hedge the risk of interest rate fluctuations prior to the final pricing of the debenture. The bond forward contract was settled when the debentures were issued for the settlement amount of \$0.7 million. The settlement amount will be amortized over the term of the unsecured debentures. At September 30, 2007, the Trust was in compliance with all the covenants reported in the debenture.

8. DEFERRED UNIT PLAN

During 2006, the Trust implemented a deferred unit plan. The plan entitles trustees and officers, at the participant's option, to receive deferred units in consideration for trustee fees or executive bonuses, respectively, with the Trust matching the number of units received. The deferred units vest 50% on the third anniversary and 25% on each of the fourth and fifth anniversaries, subject to provisions for earlier vesting in certain events. The deferred units earn additional deferred units for the distributions that would otherwise have been paid on the deferred units (i.e., had they instead been issued as Trust Units on the date of grant). Once vested, participants are entitled, at their option, to receive an equivalent number of Trust Units or the equivalent value in cash of the vested deferred units and the corresponding additional deferred units. The deferred unit plan was approved by unitholders on May 10, 2006. At the end of September 30, 2007, total compensation costs of \$2.1 million were recognized in income related to employee awards under the deferred unit plan.

The status of the outstanding deferred units is as follows:

Summary of Deferred Unit Plan	Outstanding	Vested
Deferred units granted	72,746	-
Additional deferred units earned on unvested units	1,000	-
<b>December 31, 2006</b>	<b>73,746</b>	<b>-</b>
Deferred units granted	39,860	-
Additional deferred units earned on unvested units	2,454	-
Deferred units cancelled	(10,478)	-
<b>September 30, 2007</b>	<b>105,582</b>	<b>-</b>

In the third quarter of 2007, a total of 8,413 deferred units vested as a result of the retirement of one trustee and the resignation of one executive. These deferred units were exchanged for an equivalent number of Trust Units and cancelled.

9. UNITHOLDERS' CAPITAL

The Plan of Arrangement (the "Arrangement") to convert Boardwalk Equities Inc. from a share corporation to a real estate investment trust was completed on May 3, 2004. On conversion of Boardwalk Equities Inc. to a trust, Boardwalk Equities Inc. incurred \$10.3 million in restructuring costs. Under the Arrangement, the former shareholders of Boardwalk Equities Inc. received Boardwalk REIT units or Class B Limited Partnership ("LP Class B") units of a controlled limited partnership of the Trust, Boardwalk REIT Limited Partnership.

The LP Class B units are non-transferable, except under certain circumstances, but are exchangeable, on a one-for-one basis, into Boardwalk REIT units at any time at the option of the holder. Prior to such exchange, distributions will be made on the exchangeable units in an amount equivalent to the distributions which would have been made had the units of Boardwalk REIT been issued. Each LP Class B unit was accompanied by a Special Voting unit, which will entitle the holder to receive notice of, attend and vote at all meetings of unitholders. There is no value assigned to the Special Voting units. The LP Class B units issued are included in the unitholders' capital contributions on the balance sheet. The changes in unitholders' capital contribution are as follows:

<b>Summary of Unitholders' Capital Contributions</b>	Units	Amount
December 31, 2005	53,224,194	\$ 295,696
Units issued under equity financing, net of issue costs	2,915,000	63,583
Units issued under distribution reinvestment plan	212,589	5,784
Restructuring costs	–	(140)
Deferred unit plan	–	821
December 31, 2006	56,351,783	\$ 365,744
Units issued under distribution reinvestment plan	142,625	6,194
Issue costs	–	(151)
Deferred unit plan	–	1,275
Units issued for vested deferred units	8,413	400
Units purchased and cancelled	(573,892)	(26,361)
<b>September 30, 2007</b>	<b>55,928,929</b>	<b>\$ 347,101</b>

Subsequent to June 30, 2007, Boardwalk REIT filed an application for a normal course issuer bid (the "Bid"), which received regulatory approval from the Toronto Stock Exchange on August 10, 2007. The Bid allows Boardwalk REIT to purchase and cancel up to 4,267,048 Trust Units, representing 10% of the public float of its Trust Units at the time of the TSX approval. The Bid will terminate on the earlier of one year from the date of commencement of the Bid on August 17, 2007 or at such time as purchases under the Bid are complete.

Under the Bid, the Trust has purchased and cancelled 573,892 REIT units in the third quarter of 2007 representing a total market value of approximately \$26.4 million.

The Declaration of Trust authorizes Boardwalk REIT to issue an unlimited number of units for the consideration and on terms and conditions established by the Trustees without the approval of any unitholders. The interests in Boardwalk REIT are represented by two classes of units: a class described and designated as "REIT Units" and a class described and designated as "Special Voting Units". The beneficial interest of the two classes of units is as follows:

**(a) REIT Units**

REIT Units represent an undivided beneficial interest in Boardwalk REIT and in distributions made by Boardwalk REIT. The REIT Units are freely transferable, subject to applicable securities regulatory requirements. Each REIT Unit entitles the holder to one vote at all meetings of unitholders. Except as set out under the redemption rights below, the REIT Units have no conversion, retraction, redemption or pre-emptive rights.

REIT Units are redeemable at any time, in whole or in part, on demand by the holders. Upon receipt by Boardwalk REIT of a written redemption notice and other documents that may be required, all rights to and under the REIT Units tendered for redemption shall be surrendered and the holder shall be entitled to receive a price per REIT Unit equal to the lesser of:

- i) 90% of the "market price" of the REIT Units on the principal market on which the REIT Units are quoted for trading during the twenty - day period ending on the trading day prior to the day on which the REIT Units were surrendered to Boardwalk REIT for redemption; and
- ii) 100% of the "closing market price" of the REIT Units on the principal market on which the REIT Units are quoted for trading on the redemption date.

**(b) Special Voting Units**

The Declaration of Trust provides for the issuance of an unlimited number of Special Voting Units that will be used to provide voting rights to holders of LP Class B units or other securities that are, directly or indirectly, exchangeable for REIT Units.

Each Special Voting Unit entitles the holder to the number of votes at any meeting of unitholders, which is equal to the number of REIT Units that may be obtained upon surrender of the LP Class B unit to which the Special Voting Unit relates. The Special Voting Units do not entitle or give any rights to the holders to receive distributions or any amount upon liquidation, dissolution or winding-up of Boardwalk REIT.

The breakdown of Trust Units of Boardwalk REIT by class is as follows:

	Units	Amount
Boardwalk REIT Units	51,453,929	
Special Voting Units issued to holders of LP Class B units	4,475,000	
Total Trust Units	55,928,929	\$ 347,101

10.

#### DISTRIBUTABLE INCOME AND PER UNIT INFORMATION

##### Distributable income per unit

Boardwalk REIT makes distributions to unitholders on a monthly basis on or about the 15th day of the following month. The reported distributable income is defined under the Trust's Declaration of Trust ("DOT"). Under the DOT, as amended and restated, the Trust is required to distribute, at a minimum, its reported taxable income. The reconciliation of distributable income and per unit information begins with total operating cash flows calculated in accordance with Canadian generally accepted accounting principles and as defined in the Declaration of Trust for Boardwalk REIT. However, distributable income and the per unit information are non-GAAP measures that do not have any standardized meaning prescribed by Canadian GAAP and, therefore, unlikely to be comparable to similar measures presented by other real estate companies and trusts.

	3 months ended Sept. 30		9 months ended Sept. 30	
	2007	2006	2007	2006
Total operating cash flows	\$ 29,749	\$ 29,198	\$ 90,667	\$ 66,929
Net change in operating working capital	4,302	(2,316)	(4,098)	(612)
Add:				
Deferred financing costs amortization	1,081	768	3,460	2,237
Deduct:				
Deferred financing costs amortization post May 2, 2004	(642)	(317)	(1,591)	(824)
Amortization of net premium on long-term debt assumed after May 2, 2004	(208)	(11)	(551)	(34)
Distributable income	\$ 34,282	\$ 27,322	\$ 87,887	\$ 67,696
Distribution declared to unitholders	\$ 22,525	\$ 17,730	\$ 65,391	\$ 52,522
Weighted average units outstanding – basic and diluted	55,900,390	56,277,684	55,856,690	55,279,021
Distributable income earned per unit	\$ 0.61	\$ 0.485	\$ 1.57	\$ 1.225
Actual distributions declared per unit	\$ 0.40	\$ 0.315	\$ 1.17	\$ 0.950

### Earnings per unit

	3 months ended Sept. 30		9 months ended Sept. 30	
	2007	2006	2007	2006
<b>Numerator</b>				
Earnings (loss) from continuing operations	\$ 10,158	\$ 7,438	\$ (88,482)	\$ 11,092
Earnings from discontinued operations	\$ 2,900	\$ 64	\$ 7,670	\$ 7,768
<b>Denominator</b>				
Denominator for basic earnings per unit - weighted average units	55,900,390	56,277,684	55,856,690	55,279,021
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion	55,900,390	56,277,684	55,856,690	55,279,021
<b>Earnings (loss) per unit from continuing operations</b>				
Basic	\$ 0.18	\$ 0.13	\$ (1.58)	\$ 0.20
Diluted	\$ 0.18	\$ 0.13	\$ (1.58)	\$ 0.20
<b>Earnings per unit from discontinued operations</b>				
Basic	\$ 0.05	\$ 0.00	\$ 0.14	\$ 0.14
Diluted	\$ 0.05	\$ 0.00	\$ 0.14	\$ 0.14

## 11.

### INCOME TAXES

Although Boardwalk REIT is a "mutual fund trust" as defined under the Income Tax Act (Canada) and accordingly is not taxable on its income to the extent that its income is distributed to its unitholders. This exemption does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax. The adjustment for change in effective tax rate reflects the reduction of the current combined federal and provincial substantively enacted rate in the province of Alberta. On June 22, 2007, Bill C-52 received Royal Assent (see NOTE 3 for further details). As such, the Trust, to be in compliance with Canadian GAAP, is required to estimate what the impact of the reported tax amount would be on January 1, 2011.

	3 months ended Sept. 30		9 months ended Sept. 30	
	2007	2006	2007	2006
Continuing operations	\$ 2,055	\$ 446	\$ 113,453	\$ 222
Discontinued operations	-	-	-	-
Total future income taxes	\$ 2,055	\$ 446	\$ 113,453	\$ 222

Future income taxes consist of the following:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2007	2006	2007	2006
Tax expense based on expected rate	\$ 345	\$ 280	\$ 494	\$ 50
Adjustment to future income tax liabilities	1,710	166	112,959	172
Future income taxes	\$ 2,055	\$ 446	\$ 113,453	\$ 222

The future income tax asset (liability) is calculated as follows:

As at	Sept. 30, 2007	Dec. 31, 2006
Tax asset related to operating losses	\$ 6	\$ 294
Tax liability related to differences in tax and book basis	\$ (113,149)	22
Future income tax asset (liability)	\$ (113,143)	\$ 316

At September 30, 2007, the Trust had a long-term supply arrangement with one electrical utility company to supply the Trust with its electrical power needs for southern Alberta for the next fifteen months at a blended rate of approximately \$0.068/kwh. The agreement provides that the Trust purchase its power for all southern Alberta properties under contract for the upcoming months.

Beginning in November 2003, the Alberta government implemented a natural gas rebate program covering the winter usage months of November through March. In October 2005, the natural gas rebate program was extended to cover the month of October. In January of 2006, the Alberta government announced a three-year extension to the program covering the winter months of October through March. The extension of the natural gas rebate program will end March 31, 2009. The rebate program becomes active when the natural gas consumer price charged by two of the three major gas companies in Alberta exceeds \$5.50/GJ for any individual winter usage month. For January through September 2006, Boardwalk REIT was eligible for estimated rebates totalling approximately \$1.4 million. For January to September 2007, Boardwalk REIT was eligible for rebates totalling approximately \$0.9 million.

The Trust also entered into three natural gas supply contracts, which provide a degree of price certainty for natural gas usage in the provinces of Saskatchewan, Ontario and Quebec. The contracts cover between 75 - 100% of the Trust's natural gas requirements for each of the provinces. The physical supply agreement for Saskatchewan runs from November 1, 2006 to October 31, 2007 and provides the commodity at a price of \$8.48/GJ. The physical supply agreements for Eastern Canada covered the period from June 1, 2006 to June 1, 2007 and provided the commodity near \$8.00/GJ.

Boardwalk REIT, in the normal course of operations, will become subject to a variety of legal and other claims against the Trust. Management and the Trust's legal counsel evaluate all claims on their apparent merits, and accrue management's best estimate of the estimated costs to satisfy such claims. Management believes that the outcome of legal and other claims filed against the Trust or its predecessor will not be material to Boardwalk REIT.

In the normal course of business, various agreements may be entered that may contain features that meet the AcG-14 definition of a guarantee. AcG-14 defines a guarantee to be a contract (including an indemnity) that contingently requires an entity to make payments to the guaranteed party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty, (ii) failure of another party to perform under an obligating agreement or (iii) failure of a third party to pay its indebtedness when due.

In connection with the sales of properties, a mortgage assumed by the purchaser will have an indirect guarantee provided to the lender until the mortgage is refinanced by the purchaser. In the event of default by the purchaser, the seller would be liable for the outstanding mortgage balance. Boardwalk REIT's maximum exposure at September 30, 2007 is approximately \$5.3 million (September 30, 2006 - \$5.5 million). In the event of default, Boardwalk REIT's recourse for recovery includes the sale of the respective building asset. Boardwalk REIT expects that the proceeds from the sale of the building asset will cover, and in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at September 30, 2007, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

Boardwalk REIT specializes in multi-family residential housing and operates primarily within one business segment in five provinces located in Canada. The following summary presents segmented financial information for Boardwalk REIT's business by geographic location.

	3 months ended Sept. 30		9 months ended Sept. 30	
	2007	2006	2007	2006
<b>Alberta</b>				
Revenue	\$ 55,679	\$ 43,600	\$ 158,687	\$ 124,712
Expenses				
Operating	7,745	6,823	24,011	19,904
Utilities	4,929	3,498	16,693	14,224
Utility rebates	–	–	(930)	(1,384)
Property taxes	3,379	2,967	9,961	9,399
	16,053	13,288	49,735	42,143
Net operating income	\$ 39,626	\$ 30,312	\$ 108,952	\$ 82,569
<b>Saskatchewan</b>				
Revenue	\$ 9,941	\$ 8,933	\$ 28,573	\$ 26,347
Expenses				
Operating	1,795	1,579	5,264	4,758
Utilities	898	886	3,420	3,646
Property taxes	1,126	1,187	3,454	3,625
	3,819	3,652	12,138	12,029
Net operating income	\$ 6,122	\$ 5,281	\$ 16,435	\$ 14,318
<b>Ontario</b>				
Revenue	\$ 9,276	\$ 9,363	\$ 28,064	\$ 28,130
Expenses				
Operating	1,418	1,540	4,455	4,657
Utilities	1,364	1,460	4,742	4,739
Property taxes	1,753	1,846	5,275	5,373
	4,535	4,846	14,472	14,769
Net operating income	\$ 4,741	\$ 4,517	\$ 13,592	\$ 13,361
<b>British Columbia</b>				
Revenue	\$ 2,902	\$ 2,151	\$ 8,527	\$ 5,939
Expenses				
Operating	495	429	1,777	1,178
Utilities	219	235	1,058	684
Property taxes	151	120	451	342
	865	784	3,286	2,204
Net operating income	\$ 2,037	\$ 1,367	\$ 5,241	\$ 3,735
<b>Quebec</b>				
Revenue	\$ 17,475	\$ 16,927	\$ 51,588	\$ 50,225
Expenses				
Operating	3,141	3,196	9,978	10,116
Utilities	1,011	1,345	5,615	5,944
Property taxes	1,869	1,906	5,651	5,397
	6,021	6,447	21,244	21,457
Net operating income	\$ 11,454	\$ 10,480	\$ 30,344	\$ 28,768
<b>Total</b>				
Net operating income	\$ 63,980	\$ 51,957	\$ 174,564	\$ 142,751
Unallocated revenue*	430	382	544	22,163
Unallocated expenses**	(51,352)	(44,837)	(255,920)	(146,054)
Net earnings (loss) for the period	\$ 13,058	\$ 7,502	\$ (80,812)	\$ 18,860

As at	Sept. 30, 2007	Dec. 31, 2006
<b>Alberta</b>		
Identifiable assets		
Revenue producing properties	\$ 1,245,671	\$ 933,212
Mortgages and accounts receivable	710	1,249
Tenants' security deposit	10,581	7,988
	\$ 1,256,962	\$ 942,449
<b>Saskatchewan</b>		
Identifiable assets		
Revenue producing properties	\$ 169,794	\$ 172,269
Mortgages and accounts receivable	194	216
Tenants' security deposits	1,975	1,491
	\$ 171,963	\$ 173,976
<b>Ontario</b>		
Identifiable assets		
Revenue producing properties	\$ 206,546	\$ 208,927
Mortgages and accounts receivable	95	124
	\$ 206,641	\$ 209,051
<b>British Columbia</b>		
Identifiable assets		
Revenue producing properties	\$ 103,440	\$ 98,111
Mortgages and accounts receivable	1,296	37
Tenants' security deposits	441	408
	\$ 105,177	\$ 98,556
<b>Quebec</b>		
Identifiable assets		
Revenue producing properties	\$ 419,750	\$ 419,962
Mortgages and accounts receivable	1,075	859
	\$ 420,825	\$ 420,821
<b>Total assets</b>		
Identifiable assets	\$ 2,161,568	\$ 1,844,853
Unallocated assets***	30,324	25,607
	\$ 2,191,892	\$ 1,870,460

\* Unallocated revenue includes property sales, interest income, revenue from discontinued operations and other non-rental income.

\*\* Unallocated expenses include cost of property sales, operating expenses from discontinued operations, non-rental operating expenses, corporate administration, financing costs, amortization, income taxes and other provisions.

\*\*\* Unallocated assets include discontinued assets, cash, short-term investments and other assets.

## 15. SUBSEQUENT EVENTS

Subsequent to September 30, 2007, effective for unitholders on record at and subsequent to November 30, 2007, Boardwalk REIT increased its monthly trust unit distribution paid out to its unitholders from \$0.1333 (or \$1.60 on an annualized basis) to \$0.1500 (or \$1.80 on an annualized basis).

# Corporate Information

## EXECUTIVE OFFICES

### Calgary

First West Professional Building  
Suite 200, 1501 – 1 Street SW  
Calgary, Alberta T2R 0W1  
Phone: 403.531.9255  
Fax: 403.531.9565  
Web: www.boardwalkREIT.com

### Toronto

BCE Place  
27<sup>th</sup> Floor, Canada Trust Tower  
161 Bay Street  
Toronto, Ontario M5J 2S1  
Phone: 416.572.2752  
Fax: 416.572.4051

## BOARD OF TRUSTEES

### James Dewald<sup>(2)</sup>

Lead Trustee  
Calgary, Alberta

### Art Havener, Jr.<sup>(1)</sup>

St. Louis, Missouri

### Ernest Kapitza<sup>(2)</sup>

Calgary, Alberta

### Sam Kalias

Chairman of the Board  
Calgary, Alberta

### Al W. Mawani<sup>(1)(2)</sup>

Thornhill, Ontario

### David V. Richards<sup>(1)</sup>

Calgary, Alberta

<sup>(1)</sup> Member of the Audit and Risk Management Committee

<sup>(2)</sup> Member of the Compensation, Governance and Nominations Committee

## SENIOR MANAGEMENT

### Jonathan Brimmell

Vice President, Operations,  
Ontario and Quebec

### Dean Burns

Vice President, Legal Affairs

### William Chidley

Senior Vice President,  
Corporate Development

### Jean Denis

Vice President, Acquisitions,  
Quebec and Atlantic Canada

### Ian Dingle

Vice President, Purchasing  
and Contracts

### Roberto A. Geremia

President

### Michael Guyette

Vice President, Technology

### Sam Kalias

Chief Executive Officer

### Van Kalias

Senior Vice President,  
Quality Control

### Helen Mix

Vice President, Human Resources

### Lisa Russell

Vice President, Acquisitions,  
Western Canada

### Kelly Mahajan

Vice President,  
Customer Service and  
Process Design

### Kevin P. Screpnechuk

Senior Vice President, Rental  
Operations

### Lizaine Wheeler

Vice President, Operations,  
Southern Alberta, British  
Columbia and Saskatchewan

### William Wong

Chief Financial Officer



**BOARDWALK REAL ESTATE INVESTMENT TRUST**

**BOARDWALK REIT**

First West Professional Building  
Suite 200, 1501 – 1 Street SW  
Calgary, Alberta T2R 0W1  
Phone: 403.531.9255 Fax: 403.531.9565  
Web: [www.boardwalkREIT.com](http://www.boardwalkREIT.com)