

## **NEWS RELEASE FOR IMMEDIATE DISTRIBUTION**

### **Boardwalk REIT Announces Solid First Quarter 2006 Financial Results and Upward Revision in Guidance.**

**CALGARY, May 11, 2006 - Boardwalk Real Estate Investment Trust ("BEI.UN" - TSX)**

Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") today announced solid financial results for the first quarter of 2006.

For the first quarter ended March 31, 2006, the Trust reported Funds From Operations ("FFO") of \$17.2 million and FFO per unit of \$0.32 on a diluted basis, compared to FFO of \$16.5 million and FFO per unit of \$0.31 for the same period last year. Distributable income ("DI") for the quarter was \$17.7 million and DI per unit was \$0.33 on a diluted basis, compared to \$17.3 million and \$0.33 per unit for the same period last year.

Funds From Operations ("FFO") is a generally accepted measure of operating performance of real estate investment trusts and companies; however, it is a non-GAAP measure. The Trust calculates FFO by taking net earnings after discontinued operations, adjusting for gains or losses on disposal of discontinued operation assets and extraordinary items, and adding non-cash expenses including future income taxes and amortization. The determination of this amount may differ from that of other real estate investment trusts and companies.

Distributable Income ("DI") is calculated based on the definition as set out in the Trust's declaration of trust and is computed by taking FFO and adding back amortization on any deferred financing charges incurred prior to May 3, 2004 as well as adjusting for any discounts or premiums relating to the amortization of mark-to-market debt adjustment incurred subsequent to the real estate investment trust conversion date of May 3, 2004.

#### **Highlights of the Trust's first quarter 2006 financial results include:**

- Rental revenues of \$76.5 million, an increase of 5.1% compared to \$72.8 million for the three-month period ended March 31, 2005.
- Net operating income of \$46.4 million, representing a 4.9% increase from \$44.2 million in the same period last year.
- FFO of \$17.2 million, an increase of 4.5% compared to \$16.5 million for the three-month period ended March 31, 2005.
- FFO per unit was \$0.32 on a diluted basis, up 3.2% compared to \$0.31 last year for the three-month period ended March 31, 2005.
- DI was \$0.33 per unit, unchanged from \$0.33 for the three months ended March 31, 2005.

Commenting on the Trust's Q1 2006 results, Sam Koliass, President and C.E.O., said

“We are pleased to report a solid first quarter. Though expenses continued to rise, stronger revenues provided a better bottom-line overall. Both our operating and financial results are beginning to reflect improving rental market fundamentals. Lead by the robust Alberta economy, our portfolio delivered revenue growth from increased occupancy and decreased incentives as measured on a year-over-year basis. This quarter’s positive

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results can be attributed to our superior operating platform; our on-going focus on developing a nationally diversified, sustainable portfolio; and the continued strength and improvement in many of our major rental markets across the country.”

“We are especially pleased to be gaining traction in our Alberta market, which make up approximately 51% of our portfolio. As the Alberta economy continues to boom, dramatic increases in home prices, record low unemployment, and substantial inter-provincial in-migration have resulted in significant improvements to rental market fundamentals across the province. We expect the revenue upside from the strengthening rental market, which is just beginning to positively impact our financial performance, will grow well into the next year.”

“At all times, we remember that our customers are the cornerstone of our business. We are committed to pursuing a balance between profitability and customer relationship. Developing long-term, positive associations with our customers ensures corporate sustainability into the future. While we are certainly pleased to benefit from the Alberta market’s increased rental rate capacity, we stand by our internal, customer-focused rental rate policies.”

### **Operational Highlights**

The average vacancy rate across the Trust's portfolio for the first quarter of 2006 was 4.17%, up slightly from 3.73% in the fourth quarter of 2005 as per anticipated market seasonality, but down from 5.19% in the first quarter of 2005.

The average monthly rent realized in the first quarter of 2006 was \$760 per unit, an increase of \$14, or 1.9%, from \$746 per unit for the three months ended March 31, 2005. Management estimates that market rents for its properties at the end of March, 2006 averaged \$884 per unit per month, which compares to an average in-place monthly rent per occupied unit of \$801 for the three months ended March 31, 2006. This translates into an estimated "loss-to-lease" of approximately \$31 million, maintaining existing occupancy rates.

More detail on our operations can be found in our conference call presentation and is posted on our web site: [www.boardwalkreit.com/FinancialReports/r2006/](http://www.boardwalkreit.com/FinancialReports/r2006/)). The conference call audio for this presentation is found on our web site at <http://investor.bwalk.com/PressReleases/p2006/pr060511.asp>

### **Same-Property Results**

Boardwalk continued to show solid performance in its stabilized properties (defined as properties owned for over 24 months). The "same-property" results for the Trust's stabilized portfolio for the three-month period ended March 31, 2006 had rental revenue growth of 2.4% and NOI increase of 4.5% compared to the period prior. A total of 31,203 units, representing approximately 93% of Boardwalk's total portfolio, were classified as stabilized as of March 31, 2006.

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## Same-Property Results - Stabilized

	Rental revenue	Operating costs	NOI	% of NOI
Calgary	3.2%	-9.0%	8.6%	20%
Edmonton	3.2%	-1.4%	5.8%	34%
Other Albe	8.5%	-7.9%	18.0%	6%
Saskatche <sup>1</sup>	2.0%	-3.1%	6.4%	11%
Ontario	1.5%	-1.0%	4.4%	10%
Quebec	0.1%	9.8%	-6.4%	18%
<b>Portfolio</b>	<b>2.5%</b>	<b>-0.6%</b>	<b>4.5%</b>	<b>100%</b>

Commenting on Boardwalk's same-property results, President and CEO, Sam Koliass, said,

"In the first quarter, we were pleased to see revenue growth accelerating more quickly than expense increases on a same store basis for the second straight quarter."

## Acquisition/Disposition Activity

In Q1 2006, Boardwalk REIT announced acquisitions of an additional 840 rental units in the provinces of Quebec, Alberta and British Columbia for a total combined purchase price of \$60.05 million. These acquisitions had, in aggregate, a going-in cap rate of 6.86%. The acquisition of 560 of the announced units was completed in Q1, while the remaining 280 units will be finalized in Q2. Disposition activity in Q1 2006 involved two multi-family residential properties consisting of 194 units sold for \$20.7 million in total. Further details on the Trust's acquisition and disposition activities can be found in the supplemental information package available on Boardwalk REIT's website, located at [www.boardwalkreit.com](http://www.boardwalkreit.com).

Commenting on the Trust's property acquisitions and dispositions, Bill Chidley, Senior Vice President, Corporate Development, said:

"The acquisitions announced in the first quarter of 2006 add positively to our portfolio in three traditionally strong rental markets. We are especially pleased to increase market capture in the Lower Mainland region of British Columbia, an area characterized by low vacancy and low incentives which we first entered only one year ago."

"The acquisition market for multi-family rentals in Canada continues to be a highly competitive "seller's market". We are in discussion on a number of possible acquisitions; however, we cannot be certain of closing on any of these transactions. While market forces are making acquisitions more difficult, Cap Rate compression continues to positively impact our portfolio's overall value. This compression is expected to continue, further increasing our portfolio's value as we look forward."

## Continued Financial Strength

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The Trust maintained its solid financial position in the first quarter of 2006. Boardwalk's total mortgage debt was \$1.41 billion as of March 31, 2006, down from \$1.42 billion at December 31, 2005 and down from \$1.44 billion at March 31, 2005. As of March 31, 2006, the Trust's debt had an average term maturity of 3.6 years with a weighted average interest rate of 5.36%, and the Trust's debt-to-total-market capitalization ratio was 54.5%.

The Trust's interest coverage ratio, excluding gains, for the three-month period ended March 31, 2006 decreased to 1.88 times compared to 1.86 times in the same period last year. During the first quarter of 2006, Boardwalk successfully completed approximately \$23.7 million in mortgage refinancings and renewals.

### **Outlook and 2006 Earnings Guidance**

Commenting on the outlook for the Trust, Rob Geremia, Senior Vice President, Finance and CFO, said "Our fiscal 2006 guidance for FFO has been revised from \$1.37 - \$1.46 to \$1.41 - \$1.51. Our fiscal 2006 guidance for Distributable Income has been similarly increased from \$1.41 - \$1.51 to \$1.45 - \$1.55. The changes in these forecasts are based on an increased expectation of the performance on our stabilized portfolio, particularly on those stabilized properties located in Alberta. We have increased our estimated stabilized NOI growth to 2.0%, up from the previously forecasted expectation of 0.00%. These forecasts are further based on the expectation of new property acquisitions of between 1,000 to 2,000 new residential units for the year and have been adjusted for the recent issuance of Trust Units."

### **New Property Acquisitions and Dispositions**

During March of 2006, the Trust closed on two property portfolios. The acquisitions were previously announced in a press release distributed on March 30, 2006.

- Complexe Deguire, a 322-unit portfolio in St. Laurent (Montreal), Quebec, was purchased for an aggregate of \$24 million, which represents \$74,534 per residential unit, or approximately \$87 per sq. ft. The transaction has a first year cap rate of 7.10% and closed on March 13, 2006. The portfolio consists of three concrete construction buildings ranging from six to 10 storeys in height built between 1986 and 1988.
- The Jones Portfolio, a 238-unit portfolio in Surrey and Coquitlam (Greater Vancouver), British Columbia, was purchased for a total of \$17,550,000, which represents \$73,739 per residential unit, or \$72 per sq. ft. The transaction has a first year cap rate of 6.39% and closed on March 30, 2006. The portfolio, built in the late 1960's, consists of 105 residential units contained in three, 3-storey walkup buildings in Coquitlam, and 133 residential units in three, 3-storey walkups in Surrey. Total rentable space is 243,275 sq. ft.

Additionally, the Trust announced the intended acquisition of 280 suites in St. Albert (Edmonton), Alberta, with an anticipated closing date of May 17, 2006. Sturgeon Point Villas consists of 280 suites in one four-storey, wood-frame walkup building situated along the Sturgeon River in St. Albert (Edmonton), Alberta built in 1978.

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Total purchase consideration of the transaction was \$18,500,000, which represents \$66,071 per residential unit, or \$65 per sq. ft. The transaction has a first year cap rate of 7.0%. The project has a total rentable square footage of 284,953 sq. ft, which equates to a sizeable, 1,018 sq. ft. average per residential unit.

The Trust sold two Calgary projects during the first quarter of 2006. Leighton House, a 38-suite, mid-rise building, sold for \$4,000,000, which equates to \$100,000 per suite and \$146 per square foot and represents a 5.4% capitalization rate. Glamis Green, a 156-unit townhouse project, sold for \$107,000 per suite and \$96 per square foot and represents a 5.5% capitalization rate.

### **Supplementary Information**

Boardwalk produces Quarterly Supplemental Information that provides detailed information regarding the Trust's activities during the quarter. The First Quarter 2006 Supplemental Information is available on our investor website at [www.boardwalkreit.com](http://www.boardwalkreit.com).

### **Teleconference on First Quarter Financial Results**

We invite you to participate in the teleconference that will be held to discuss these results this same morning at 11:00 am EST. Senior management will speak to the first quarter financial results and provide a corporate update. Presentation materials will be made available on our investor website at [www.boardwalkreit.com](http://www.boardwalkreit.com) prior to the call.

Participation & Registration: Please RSVP to Investor Relations at 403-531-9255 or by email to [investor@bwalk.com](mailto:investor@bwalk.com).

Teleconference: The telephone numbers for the conference are: 416-644-3424 (within Toronto) or toll-free 1-800-814-4859 (outside Toronto).

Webcast: Investors will be able to listen to the call and view our slide presentation over the Internet by visiting <http://www.boardwalkreit.com> 15 min. prior to the start of the call. An information page will be provided for any software needed and system requirements. The live audiocast will also be available at <http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=1449580>

Replay: An audio recording of the teleconference will be available from 3:00 pm ET on Thursday, May 11, 2006 until 11:59 pm ET on Friday, May 19, 2006. You can access it by dialing 416-640-1917 and using the passcode 21185750 followed by the pound sign. An audio archive will also be available on our website (<http://www.boardwalkreit.com/>) approximately two hours after the conference call.

### **Corporate Profile**

Boardwalk REIT is an open-ended real estate investment trust formed to acquire all of the assets and undertakings of Boardwalk Equities Inc. Boardwalk REIT's principal objectives are to provide its unitholders

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with 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 properties. Boardwalk REIT currently owns and operates in excess of 260 properties with over 33,600 units totalling approximately 28 million net rentable square feet, and is Canada's largest owner/operator of multifamily rental communities. Boardwalk REIT's portfolio is concentrated in the provinces of Alberta, British Columbia, Saskatchewan, Ontario and Quebec.

### ***CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS***

*This news release contains forward-looking statements relating to our operations and the environment in which we operate, which are based on our expectations, estimates, forecast and projections, which we believe are reasonable as of the current date . These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. For more exhaustive information on these risks and uncertainties you should refer to our most recently filed annual information form which is available at [www.sedar.com](http://www.sedar.com). Actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made and should not be relied upon as of any other date. While we may elect to, we undertake no obligation to publicly update any such statement to reflect new information or the occurrence of future events or circumstances at any particular time.*

## BOARDWALK REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets  
(CDN\$ THOUSANDS)

As at	March 31, 2006	December 31, 2005
	(Unaudited)	(Audited)
<b>Assets</b>		
Revenue producing properties (NOTE 3)	\$1,818,660	\$1,787,878
Deferred financing costs	42,815	43,029
Other assets (NOTE 4)	12,345	11,328
Future income taxes (NOTE 9)	1,031	929
Mortgages and accounts receivable	4,909	9,039
Segregated tenants' security deposits	7,715	7,280
Cash and cash equivalents	31,607	11,145
Discontinued operations (NOTE 5)	-	12,758
	\$1,919,082	\$1,883,386
<b>Liabilities</b>		
Mortgages payable	\$1,410,273	\$1,415,400
Debentures (NOTE 6)	120,000	120,000
Accounts payable and accrued liabilities	27,375	32,196
Refundable tenants' security deposits and other	11,016	10,486
Discontinued operations (NOTE 5)	-	9,562
	\$1,568,664	\$1,587,644
<b>Unitholders' Equity</b>		
Unitholders' equity	\$350,418	\$295,742
	\$1,919,082	\$1,883,386

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## BOARDWALK REAL ESTATE INVESTMENT TRUST

### CONSOLIDATED STATEMENTS OF EARNINGS (CDN\$ THOUSANDS, EXCEPT PER UNIT AMOUNTS)

	3 months ended March 31, 2006 <u>(Unaudited)</u>	3 months ended March 31, 2005 <u>(Unaudited)</u>
Revenue		
Rental income	<u>\$76,503</u>	<u>\$72,816</u>
Expenses		
Revenue producing properties:		
Operating expenses	10,346	9,245
Utilities	12,825	12,106
Utility rebate (NOTE 10)	(1,391)	(636)
Property taxes	8,333	7,885
Administration	7,933	6,895
Financing costs	20,403	20,111
Deferred financing costs amortization	776	924
Amortization of capital assets	17,534	18,424
	<u>76,759</u>	<u>74,954</u>
Earnings (loss) from continuing operations before income taxes	(256)	(2,138)
Large corporations taxes	149	245
Future income taxes (recovery) (NOTE 9)	(102)	(88)
	<u>(303)</u>	<u>(2,295)</u>
Earnings (loss) from continuing operations	(303)	(2,295)
Earnings from discontinued operations, net of tax (NOTE 5)	7,600	264
	<u>7,600</u>	<u>264</u>
Net earnings (loss)	<u>\$7,297</u>	<u>\$(2,031)</u>

## BOARDWALK REAL ESTATE INVESTMENT TRUST

Basic earnings (loss) per unit (NOTE 8)		
- from continuing operations	\$0.00	\$(0.04)
- from discontinued operations	0.14	-
Basic earnings (loss) per unit	\$0.14	\$(0.04)
Diluted earnings (loss) per unit (NOTE 8)		
- from continuing operations	\$0.00	\$(0.04)
- from discontinued operations	0.14	-
Diluted earnings (loss) per unit	\$0.14	\$(0.04)

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## BOARDWALK REAL ESTATE INVESTMENT TRUST

### CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY (CDN\$ THOUSANDS, EXCEPT NUMBER OF UNITS)

	3 months ended March 31, 2006	3 months ended March 31, 2005
	(Unaudit ed)	(Unaudite d)
Trust units (Note 7)		
Balance, beginning of period	\$295,696	\$293,503
Unit issue proceeds under equity financing, net	63,568	-
Unit issue proceeds under distribution reinvestment plan	1,002	357
Restructuring costs	(112)	81
Balance, end of period	\$360,154	\$293,941
Cumulative earnings		
Balance, beginning of period	\$129,530	\$124,498
Net earnings (loss)	7,297	(2,031)
Balance, end of period	\$136,827	\$122,467
Cumulative distributions to unitholders		
Balance, beginning of period	\$(129,483)	\$(62,485)
Distributions declared to unitholders (Note 8)	(17,080)	(16,733)
Balance, end of period	\$(146,563)	\$(79,218)
Total unitholders' equity	\$350,418	\$337,190
Units issued and outstanding	56,185,618	53,126,948
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SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## BOARDWALK REAL ESTATE INVESTMENT TRUST

### CONSOLIDATED STATEMENTS OF CASH FLOWS (CDN\$ THOUSANDS)

	3 months ended March 31, 2006	3 months ended March 31, 2005
	(Unaudited)	(Unaudited)
<b>Operating activities</b>		
Net earnings (loss)	\$7,297	\$(2,031)
Earnings from discontinued operations, net of tax	(7,600)	(264)
Future income taxes (recovery)	(102)	(88)
Amortization of capital assets	17,534	18,424
Funds from continuing operations	17,129	16,041
Funds from discontinued operations	73	416
Net change in operating working capital	(848)	4,530
Total operating cash flows	16,354	20,987
<b>Financing activities</b>		
Issue of trust units (net of issue costs) (NOTE 7)	64,570	357
Restructuring costs	(112)	81
Distributions paid	(16,769)	(16,737)
Issue of debentures (NOTE 6)	-	120,000
Financing of revenue producing properties	3,288	46,468
Repayment of debt on revenue producing properties	(17,776)	(29,814)
Capital lease obligations	-	(63)
Deferred financing costs incurred (net of amortization)	214	(2,825)
	33,415	117,467
<b>Investing activities</b>		
Purchases of revenue producing properties (NOTE 3)	(42,295)	(103,289)
Improvements to revenue producing properties	(6,979)	(5,961)
Net cash proceeds from sale of properties	20,274	-
Additions to corporate technology assets	(307)	(395)
	(29,307)	(109,645)
Net increase in cash and cash equivalents balance	20,462	28,809

## BOARDWALK REAL ESTATE INVESTMENT TRUST

Cash and cash equivalents (bank indebtedness), beginning of period	11,145	(2,723)
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Cash and cash equivalents, end of period	<u>\$31,607</u>	<u>\$26,086</u>
Supplementary cash flow information:		
Capital taxes paid (received)	\$210	\$(10)
Interest paid	<u>\$21,990</u>	<u>\$19,001</u>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# BOARDWALK REAL ESTATE INVESTMENT TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2006

(TABULAR AMOUNTS IN CDN\$ THOUSANDS, EXCEPT NUMBER OF UNITS AND PER UNIT AMOUNTS UNLESS OTHERWISE STATED)

(UNAUDITED)

### 1. ORGANIZATION OF TRUST

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, 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

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, 2005. 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 months ended March 31, 2006 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2006 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. REVENUE PRODUCING PROPERTIES

Acquisitions

## BOARDWALK REAL ESTATE INVESTMENT TRUST

	3 months ended March 31, 2006	3 months ended March 31, 2005
Cash paid	\$42,295	\$103,289
Debt assumed	-	13,144
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Total purchase price	42,295	116,433
Fair value adjustments to debt	-	(207)
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Book value	<u>\$42,295</u>	<u>\$116,226</u>
Allocation of book value to revenue producing properties	\$40,764 1,531	\$112,569 3,657
Allocation of book value to other assets	<hr/>	
	<u>\$42,295</u>	<u>\$116,226</u>
Multi-family units acquired	<u>560</u>	<u>1,325</u>

## BOARDWALK REAL ESTATE INVESTMENT TRUST

### Dispositions

	3 months ended March 31, 2006	3 months ended March 31, 2005
Cash received	\$20,274	\$-
Cost of dispositions	426	-
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Total proceeds	20,700	-
Net book value	13,173	-
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Gain on dispositions	\$7,527	\$-
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Multi-family units sold	194	-
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Included in revenue producing properties is capitalized wages of \$1.1 million for the three months ended March 31, 2006 (March 31, 2005 - \$1.0 million) relating to capital upgrades.

#### 4. OTHER ASSETS

As at	March 31, 2006	December 31, 2005
Corporate technology assets (net of amortization)	\$3,488	\$3,502
Head office building (net of amortization)	2,323	2,350
Deposits on potential property acquisitions	500	200
Prepaid parts and supplies	1,749	2,037
Lease goodwill and customer relationship intangibles, net of accumulated amortization	1,455	125
Prepaid and other	2,830	3,114
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	\$12,345	\$11,328
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Accumulated amortization for corporate technology assets and head office building at March 31, 2006 were \$11.1 million and \$0.9 million, respectively (December 31, 2005 - \$10.8 million and \$0.8 million, respectively).

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### 5. DISCONTINUED OPERATIONS

During the first quarter of 2006, the Trust completed the sale of a 156-unit and a 38-unit rental property, both located in Calgary, Alberta. These two properties 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 March 31, 2006	3 months ended March 31, 2005
Revenue		
Rental income	\$219	\$983
Expenses		
Revenue producing properties:		
Operating expenses	61	114
Utilities	25	149
Utilities rebate	(3)	-
Property taxes	28	61
Administration	8	26
Financing costs	27	211
Deferred financing cost amortization	-	6
Amortization of capital assets	-	113
	146	680
	73	303
Gain on dispositions	7,527	-
Operating earnings from discontinued operations before income taxes	7,600	303
Future income taxes	-	39
Earnings from discontinued operations	\$7,600	\$264
	March 31, 2006	December 31, 2005
Discontinued Assets		

## BOARDWALK REAL ESTATE INVESTMENT TRUST

Revenue producing properties	\$-	\$12,490
Other assets	-	268
Total	\$-	<u><u>\$12,758</u></u>

Discontinued Liabilities		
Mortgages payable	\$-	\$9,562
Total	\$-	<u><u>\$9,562</u></u>

### 6. 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 was be 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.

### 7. 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, \$10.3 million were incurred for 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 follow:

Summary of Unitholders’ Capital Contributions	Units	Amount
December 31, 2004	53,107,567	\$293,503

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Units issued under distribution reinvestment plan	116,627	2,202
Restructuring costs	-	(9)
December 31, 2005	53,224,194	\$295,696
Units issued under equity financing	2,915,000	63,568
Units issued under distribution reinvestment plan	46,424	1,002
Restructuring costs	-	(112)
March 31, 2006	56,185,618	\$360,154

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.

## BOARDWALK REAL ESTATE INVESTMENT TRUST

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	51,710,618	
Special Voting Units issued to holders of LP Class B units	4,475,000	
Total trust units	56,185,618	\$360,154

### 8. DISTRIBUTABLE INCOME AND PER UNIT INFORMATION

Distributable income per unit

Boardwalk REIT makes distributions to unitholders on a monthly basis on or about the 15<sup>th</sup> day of the following month. The reported distributable income is defined under the Trust's Declaration of Trust ("DOT"). Under this current DOT, the Trust is required to distribute, at a minimum, its reported taxable income. The reconciliation of distributable income and per unit information begins with net earnings 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 March 31, 2006	3 months ended March 31, 2005
Net earnings (loss)	7,297	\$(2,031)
Add:		
Amortization of capital assets	17,534	18,537
Amortization of deferred financing costs incurred prior to May 3, 2004	510	863
Deduct:		
Gain on disposition	(7,527)	-
Future income taxes (recovery)	(102)	(49)

## BOARDWALK REAL ESTATE INVESTMENT TRUST

Amortization of net premium on long-term debt assumed after May 2, 2004	(11)	(4)
<hr/>		
Distributable income	\$17,701	\$17,316
Distribution declared to unitholders	\$17,080	\$16,733
<hr/>		
Weighted average units outstanding – basic and diluted	53,309,392	53,116,533
Distributable income earned per unit	\$0.332	\$0.326
Actual distributions declared per unit	\$0.320	\$0.315
<hr/>		
Earnings per unit		
	3 months ended March 31, 2006	3 months ended March 31, 2005
<hr/>		
Numerator		
Earnings (loss) from continuing operations	\$(303)	\$(2,295)
Earnings from discontinued operations	\$7,600	\$264
<hr/>		
Denominator		
Denominator for basic earnings per unit – weighted average units (THOUSANDS)	53,309	53,117
<hr/>		
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion (THOUSANDS)	53,309	53,117
<hr/>		
Earnings (loss) per unit from continuing operations		
Basic	\$0.00	\$(0.04)
Diluted	\$0.00	\$(0.04)
<hr/>		
Earnings per unit from discontinued operations		
Basic	\$0.14	\$0.00
Diluted	\$0.14	\$0.00
<hr/>		

### 9. INCOME TAXES

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.

## BOARDWALK REAL ESTATE INVESTMENT TRUST

	3 months ended March 31, 2006	3 months ended March 31, 2005
Continuing operations	\$(102)	\$(88)
Discontinued operations	-	39
	\$(102)	\$(49)
	\$(102)	\$(49)

Future income taxes (recovery) consist of the following:

	3 months ended March 31, 2006	3 months ended March 31, 2005
Tax (recovery) expense based on expected rate	\$(155)	\$(49)
Adjustment to future income tax liabilities	53	-
Future income taxes (recovery)	\$(102)	\$(49)
	\$(102)	\$(49)

The future income tax asset is calculated as follows:

	March 31, 2006	December 31, 2005
As at	2006	2005
Tax asset related to operating losses	\$536	\$403
Tax asset related to differences in tax and book basis	495	526
Future income tax asset	\$1,031	\$929
	\$1,031	\$929

### 10. COMMITMENTS AND CONTINGENCIES

At March 31, 2006, the Trust had long-term supply arrangements with two electrical utility companies to supply the Trust with its electrical power needs for Alberta for the next nine to thirty-three months at a blended rate of approximately \$0.0561/kwh. These agreements provide that the Trust purchase its power for all Alberta properties under contract for the upcoming months.

While the above utility contracts for electrical power reduce the risk of exposure to adverse changes in commodity prices, they also reduce the potential benefits of favourable changes in commodity

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prices. For accounting purposes, all settlements are recorded as utility expense in the period the settlement occurs.

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 March 2006, Boardwalk REIT was eligible for estimated rebates totalling \$1.4 million. For January to March 2005, Boardwalk REIT was eligible for rebates totalling approximately \$0.6 million.

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.

### **11. GUARANTEES**

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 March 31, 2006 is approximately \$5.6 million (March 31, 2005 - \$5.8 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 March 31, 2006, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

### **12. SEGMENTED INFORMATION**

## BOARDWALK REAL ESTATE INVESTMENT TRUST

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

	3 months ended March 31, 2006	3 months ended March 31, 2005
<b>Alberta</b>		
Revenue	\$40,277	\$38,228
Expenses		
Operating	4,684	4,552
Utilities	6,541	5,606
Utility rebates	(1,387)	(636)
Property taxes	3,241	3,216
	13,079	12,738
Net operating income	\$27,198	\$25,490
<b>Saskatchewan</b>		
Revenue	\$8,693	\$8,551
Expenses		
Operating	1,141	1,154
Utilities	1,469	1,606
Property taxes	1,251	1,226
	3,861	3,986
Net operating income	\$4,832	\$4,565
<b>Ontario</b>		
Revenue	\$9,378	\$9,249
Expenses		
Operating	1,187	1,328
Utilities	1,883	2,026
Property taxes	1,859	1,677
	4,929	5,031
Net operating income	\$4,449	\$4,218
<b>British Columbia</b>		
Revenue	\$1,651	\$932
Expenses		
Operating	261	16
Utilities	139	107

## BOARDWALK REAL ESTATE INVESTMENT TRUST

Property taxes	189	22
	589	145
Net operating income	\$1,062	\$787
Quebec		
Revenue	\$16,398	\$15,668
Expenses		
Operating	2,348	1,766
Utilities	2,811	2,606
Property taxes	1,760	1,733
	6,919	6,105
Net operating income	\$9,479	\$9,563
Total		
Net operating income	\$47,020	\$44,623
Unallocated revenue*	21,026	401
Unallocated expenses**	(60,749)	(47,055)
Net earnings for the period	\$7,297	\$(2,031)
As at	March 31, 2006	December 31, 2005
Alberta		
Identifiable assets		
Revenue producing properties	\$928,187	\$934,503
Mortgages and accounts receivable	693	5,277
Deferred financing costs	26,154	26,083
Tenants' security deposit	5,991	5,688
	\$961,025	\$971,551
Saskatchewan		
Identifiable assets		
Revenue producing properties	\$174,859	\$176,116
Mortgages and accounts receivable	201	185
Deferred financing costs	4,284	4,320
Tenants' security deposits	1,385	1,341
	\$180,729	\$181,962
Ontario		
Identifiable assets		
Revenue producing properties	\$212,136	\$213,490
Mortgages and accounts receivable	166	236

## BOARDWALK REAL ESTATE INVESTMENT TRUST

Deferred financing costs	3,458	3,508
	\$215,760	\$217,234
<b>British Columbia</b>		
Identifiable assets		
Revenue producing properties	\$78,902	\$62,014
Mortgages and accounts receivable	8	285
Tenants security deposits	339	250
	\$79,249	\$62,549
<b>Quebec</b>		
Identifiable assets		
Revenue producing properties	\$420,852	\$398,109
Mortgages and accounts receivable	479	5,032
Deferred financing costs	5,844	5,927
	\$427,175	\$409,068
<b>Total assets</b>		
Identifiable assets	\$1,863,938	\$1,842,364
Unallocated assets***	55,144	41,022
	\$1,919,082	\$1,883,386

\* 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, administration, financing costs, amortization, income taxes and other provisions.

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

### 13. SUBSEQUENT EVENTS

Subsequent to March 31, 2006, Boardwalk REIT contracted to acquire 280 residential units in the province of Alberta from unrelated third parties for an aggregate purchase price of approximately \$18.5 million. Cash from Boardwalk REIT's recently completed equity financing will finance the acquisition.