

NEWS RELEASE FOR IMMEDIATE DISTRIBUTION

Boardwalk REIT Announces Solid Second Quarter 2006 Financial Results, FFO Per Unit Up 14.3% Over Same Period Last Year, and Further Upward Revision in Guidance.

CALGARY, August 10, 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 second quarter of 2006, FFO per unit up 14.3% over the same period last year, and a further upward revision in guidance.

For the second quarter ended June 30, 2006, the Trust reported Funds From Operations ("FFO") of \$22.2 million and FFO per unit of \$0.40 on a diluted basis, compared to FFO of \$18.7 million and FFO per unit of \$0.35 for the same period last year. Distributable income ("DI") for the quarter was \$22.7 million and DI per unit was \$0.40 on a diluted basis, compared to \$19.4 million and \$0.37 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 Second Quarter 2006 Financial Results include:

- Rental revenues of \$78.7 million, an increase of 6.2% compared to \$74.1 million for the three-month period ended June 30, 2005.
- Net operating income (NOI) of \$47.5 million, representing a 8.2% increase from \$43.9 million in the same period last year.
- Funds from operations (FFO) of \$22.2 million, an increase of 18.8% compared to \$18.7 million for the three-month period ended June 30, 2005.
- FFO per unit was \$0.40 on a diluted basis, up 14.3% compared to \$0.35 in the same period last year.
- Distributable Income (DI) was \$0.40 per unit, up 8.1% from \$0.37 for the three months ended June 30, 2005

Commenting on the Trust's Q2 2006 results, Sam Koliass, President and C.E.O., said

“We are pleased to report another strong second quarter for our Trust. Though expenses are up approximately 3% over last year, operating margins grew as revenues increased on an accelerated basis. As anticipated, rental market fundamentals continued to improve, particularly in the Alberta markets. Vacancy decreased,

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incentives have been virtually eliminated, and the market is bearing increased capacity for rental increases, all of which are significantly contributing to improvement in our overall revenue.”

“Alberta’s significant net in-migration continues to place upward pressure on the rental market, resulting in a year over year drop in vacancy in each of our markets in the province. Across our Alberta market, which makes up in excess of 50% of our entire portfolio, average market rents increased by more than \$200 during the first half of 2006. Today’s strong rental market allows the Trust to make up ground lost to a weak rental market between 2001 and 2005. Though rental rate increases have been substantial of late, we are only now catching up in terms of operating expenses that have continued to increase over the last several years.”

“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. However, given that approximately 50% of our suites turn over each year and new leases are signed at market rents, revenues are on a solid foundation for continued growth.”

“This quarter’s positive 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. Our diversification into 17 markets in five provinces underlines our long-sighted and sustainability focused strategic plan. Currently, our Alberta markets are providing the bulk of our strong performance due to the exceptionally positive rental fundamentals in Alberta. However, the remaining 49% of our units, which continue to perform as per our expectations, are equally important to the long term viability of the Trust, as they provide necessary diversification and market resiliency.”

Operational Highlights

The average vacancy rate across the Trust's portfolio for the second quarter of 2006 was 3.87%, down from 4.17% in the first quarter of 2006, and down from 5.04% for the second quarter of 2005.

The average monthly rent realized in the second quarter of 2006 was \$776 per rental unit, up \$27 from \$749 per rental unit for the same period last year. The average market rent for the Trust’s properties at the end of June 2006, was an estimated \$926 per rental unit per month, which compares to an average in-place monthly rent per occupied unit of \$810 for the three-month period ended June 30, 2006. This translates to an estimated ‘loss-to-lease’ as at June 30, 2006 of approximately \$43.1 million on an annualized basis, given existing occupancy levels.

More detail on our operations can be found in our conference call presentation posted on our web site at 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

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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 June 30, 2006 had rental revenue growth of 3.8%. Operating expenses increased 2.9% over the year prior, resulting in a NOI increase of 4.3% compared to the period prior. For the six-month period ending June 30, 2006, same property rental revenues increased 3.2%, while same property NOI increased 5.1%. A total of 31,921 units, representing approximately 94% of Boardwalk's total portfolio, were classified as stabilized as of June 30, 2006.

Same-Property Results - Stabilized Portfolio

		Rental revenue	Rental expenses	NOI	% of NOI
3 Months					
Calgary		7.3%	0.5%	11.0%	19%
Edmonton		5.0%	-2.2%	9.6%	34%
Other Alberta		9.2%	-4.9%	17.1%	6%
Saskatchewan		2.1%	10.7%	-4.5%	10%
Ontario		2.0%	1.5%	2.4%	11%
Quebec		-0.1%	9.9%	-6.1%	20%
		3.8%	2.9%	4.3%	100%
6 Months					
Calgary		6.3%	-5.3%	12.6%	19%
Edmonton		4.1%	-2.6%	8.6%	34%
Other Alberta		8.9%	-7.0%	19.0%	6%
Saskatchewan		1.9%	2.3%	1.6%	11%
Ontario		1.7%	-1.1%	5.0%	10%
Quebec		0.0%	11.0%	-7.6%	20%
		3.2%	0.7%	5.1%	100%

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

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

Acquisition/Disposition Activity

No new acquisitions or dispositions were announced in the second quarter of 2006. Previously announced acquisitions in the first quarter of 2006 consisted of 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 the first quarter of the year, while the purchase of the remaining 280 units closed midway through the second quarter, with details as follows:

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- Sturgeon Point Villas, a 280 suite portfolio in St. Albert (Edmonton), Alberta, was purchased for an aggregate of \$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 portfolio consists of one four-storey, wood-frame walkup building constructed in 1978. The property is situated along the Sturgeon River

Previously announced disposition activity in the first half of 2006 occurred in the first quarter of the year. The sale 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.

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

“Though no new acquisitions were announced during the second quarter of 2006, the acquisitions completed during the first and second quarters added quality assets in traditionally strong rental markets to our overall portfolio. We remain on track with our guidance of acquiring 1,000 – 2,000 new units during 2006.”

“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

The Trust built upon its solid financial position in the second quarter of 2006. Boardwalk's total mortgage debt was \$1.41 billion as of June 30, 2006, equal to the amount owing March 31, 2006, but down from \$1.42 billion at December 31, 2005. As of June 30, 2006, the Trust's debt had an average term maturity of 3.5 years with a weighted average interest rate of 5.35%, and the Trust's debt-to-total-market capitalization ratio was 51.5%.

For the second quarter of 2006, 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 2.13 as compared to 1.92 for the same period last year. During the second quarter of 2006, Boardwalk successfully completed approximately \$9.5 million in mortgage refinancings and renewals.

Outlook and 2006 Earnings Guidance

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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 the initial guidance of \$1.37 - \$1.46 to \$1.45 - \$1.52. Our fiscal 2006 guidance for Distributable Income has been similarly increased from the initial guidance of \$1.41 - \$1.51 to \$1.48 - \$1.55. In the first quarter of 2006, the Trust felt that given the reported strength of the Alberta market, it would be reasonable to increase guidance from the amount originally estimated. A similar analysis was performed in the second quarter and the Trust has again increased guidance due to a stronger than expected Alberta market. We have increased our estimated stabilized NOI growth to 3.0%, up from the previously forecasted expectation of 0.00% as at December 31, 2005, and 2.00% as at March 31, 2006. 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. The Trust reviews guidance every quarter and provides the following year’s guidance in the third quarter.”

Supplementary Information

Boardwalk produces Quarterly Supplemental Information that provides detailed information regarding the Trust's activities during the quarter. The Second Quarter 2006 Supplemental Information is available on our investor website at 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 second quarter financial results and provide a corporate update. Presentation materials will be made available on our investor website at 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.

Teleconference: The telephone numbers for the conference are: 416-644-3418 (within Toronto) or toll-free 1-800-814-4861 (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=1527240>

Replay: An audio recording of the teleconference will be available from 1:00 pm ET on Thursday, August 10, 2006 until 11:59 pm ET on Thursday, August 17, 2006. You can access it by dialing 416-640-1917 and using the passcode 21195786 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 REAL ESTATE INVESTMENT TRUST

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 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 33,900 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. 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	June 30, 2006	December 31, 2005
	(Unaudited)	(Audited)
Assets		
Revenue producing properties (NOTE 3)	\$1,830,726	\$1,787,878
Deferred financing costs	43,228	43,029
Other assets (NOTE 4)	13,935	11,328
Future income taxes (NOTE 9)	1,154	929
Mortgages and accounts receivable	6,591	9,039
Segregated tenants' security deposits	8,661	7,280
Cash and cash equivalents	7,540	11,145
Discontinued operations (NOTE 5)	-	12,758
	\$1,911,835	\$1,883,386
Liabilities		
Mortgages payable	\$1,411,637	\$1,415,400
Debentures (NOTE 6)	120,000	120,000
Accounts payable and accrued liabilities	29,894	32,196
Refundable tenants' security deposits and other	12,057	10,486
Discontinued operations (NOTE 5)	-	9,562
	\$1,573,588	\$1,587,644
Unitholders' Equity		
Unitholders' equity	\$338,247	\$295,742
	\$1,911,835	\$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 June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Rental income	\$78,738	\$74,140	\$155,241	\$146,956
Expenses				
Revenue producing properties:				
Operating expenses	14,289	13,268	28,162	26,182
Utilities	9,128	8,941	21,953	21,047
Utility rebate (NOTE 10)	(6)	20	(1,397)	(617)
Property taxes	7,861	8,034	16,195	15,919
Administration	4,453	3,818	8,859	7,045
Financing costs	20,199	20,788	40,602	40,899
Deferred financing costs amortization	693	931	1,469	1,855
Amortization of capital assets	18,295	18,689	35,829	37,113
	74,912	74,489	151,671	149,443
	3,826	(349)	3,570	(2,487)
Recovery of write-down on technology business unit	-	(739)	-	(739)
Earnings (loss) from continuing operations before income taxes	3,826	390	3,570	(1,748)
Large corporations taxes	(141)	(126)	8	119
Future income taxes (recovery) (NOTE 9)	(122)	(744)	(224)	(832)
Earnings (loss) from continuing operations	4,089	1,260	3,786	(1,035)
Earnings (loss) from discontinued operations, net of tax (NOTE 5)	(28)	1,669	7,572	1,933
Net earnings	\$4,061	\$2,929	\$11,358	\$898
Basic earnings (loss) per unit (NOTE 8)				
- from continuing operations	\$0.07	\$0.02	\$0.07	\$(0.02)
- from discontinued operations	0.00	0.04	0.14	0.04
Basic earnings per unit	\$0.07	\$0.06	\$0.21	\$0.02
Diluted earnings (loss) per unit (NOTE 8)				
- from continuing operations	\$0.07	\$0.02	\$0.07	\$(0.02)

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- from discontinued operations	0.00	0.04	0.14	0.04
Diluted earnings per unit	\$0.07	\$0.06	\$0.21	\$0.02

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(CDN\$ THOUSANDS, EXCEPT NUMBER OF UNITS)

	6 months ended June 30, 2006	6 months ended June 30, 2005
	(Unaudited)	(Unaudited)
Trust units (NOTE 7)		
Balance, beginning of period	\$295,696	\$293,503
Unit issue proceeds under equity financing, net	63,594	-
Unit issue proceeds under distribution reinvestment plan	2,485	1,197
Restructuring costs	(141)	35
Balance, end of period	\$361,634	\$294,735
Cumulative earnings		
Balance, beginning of period	\$129,530	\$124,498
Net earnings	11,358	898
Balance, end of period	\$140,888	\$125,396
Cumulative distributions to unitholders		
Balance, beginning of period	\$(129,483)	\$(62,485)
Distributions declared to unitholders (NOTE 8)	(34,792)	(33,477)
Balance, end of period	\$(164,275)	\$(95,962)
Total unitholders' equity	\$338,247	\$324,169
Units issued and outstanding (NOTE 7)	56,248,349	53,172,429

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BOARDWALK REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

(CDN\$ THOUSANDS)

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating activities				
Net earnings	\$4,061	\$2,929	\$11,358	\$898
Loss (earnings) from discontinued operations, net of tax	28	(1,669)	(7,572)	(1,933)
Future income taxes (recovery)	(122)	(744)	(224)	(832)
Amortization of capital assets	18,295	18,689	35,829	37,113
Recovery of write-down on technology business unit	-	(739)	-	(739)
Funds from continuing operations	22,262	18,466	39,391	34,507
Funds from discontinued operations	(28)	248	45	664
Net change in operating working capital	(857)	(1,500)	(1,705)	3,149
Total operating cash flows	21,377	17,214	37,731	38,320
Financing activities				
Issue of trust units (net of issue costs) (NOTE 7)	1,509	840	66,079	1,197
Restructuring costs	(29)	(46)	(141)	35
Distributions paid	(17,705)	(16,744)	(34,474)	(33,481)
Issue of debentures (NOTE 6)	-	-	-	120,000
Financing of revenue producing properties	9,458	66,494	12,746	112,962
Repayment of debt on revenue producing properties	(7,850)	(76,430)	(25,626)	(106,244)
Capital lease obligations	-	(21)	-	(84)
Deferred financing costs incurred (net of amortization)	(413)	(1,736)	(199)	(4,561)
	(15,030)	(27,643)	18,385	89,824
Investing activities				
Purchases of revenue producing properties (NOTE 3)	(18,500)	-	(60,795)	(103,289)
Improvements to revenue producing properties	(11,593)	(6,233)	(18,572)	(12,313)
Net cash proceeds from sale of properties	-	9,405	20,274	9,405
Additions to corporate technology assets	(321)	(537)	(628)	(932)
	(30,414)	2,635	(59,721)	(107,129)
Net increase (decrease) in cash and cash equivalents balance	(24,067)	(7,794)	(3,605)	21,015
Cash and cash equivalents (bank indebtedness), beginning of period	31,607	26,086	11,145	(2,723)
Cash and cash equivalents, end of period	\$7,540	\$18,292	\$7,540	\$18,292
Supplementary cash flow information:				
Capital taxes paid	\$140	\$668	\$350	\$658
Interest paid	\$18,668	\$19,341	\$40,658	\$38,343

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BOARDWALK REAL ESTATE INVESTMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended June 30, 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 and May 10, 2006, 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 and six months ended June 30, 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

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Cash paid	\$18,500	\$-	\$60,795	\$103,289
Debt assumed	-	-	-	13,144
Total purchase price	18,500	-	60,795	116,433
Fair value adjustments to debt	-	-	-	(207)
Book value	<u>\$18,500</u>	<u>\$-</u>	<u>\$60,795</u>	<u>\$116,226</u>
Allocation of book value to revenue producing properties	\$17,797	\$-	\$58,562	\$112,569
Allocation of book value to other assets	703	-	2,233	3,657
	<u>\$18,500</u>	<u>\$-</u>	<u>\$60,795</u>	<u>\$116,226</u>
Multi-family units acquired	<u>280</u>	<u>-</u>	<u>840</u>	<u>1,325</u>

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Dispositions

	3 months ended June, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Cash received	\$-	\$9,405	\$20,274	\$9,405
Cost of dispositions	-	127	426	127
Total proceeds	-	9,532	20,700	9,532
Net book value	-	8,025	13,173	8,025
Gain on dispositions	\$-	\$1,507	\$7,527	\$1,507
Multi-family units sold	-	186	194	186

4. OTHER ASSETS

As at	June 30, 2006	December 31, 2005
Corporate technology assets (net of amortization)	\$3,460	\$3,502
Head office building (net of amortization)	2,304	2,350
Deposits on potential property acquisitions	100	200
Prepaid parts and supplies	1,763	2,037
Lease goodwill and customer relationship intangibles, net of accumulated amortization	1,716	125
Prepaid and other	4,592	3,114
	<u>\$13,935</u>	<u>\$11,328</u>

Accumulated amortization for corporate technology assets and head office building at June 30, 2006 were \$11.4 million and \$0.9 million respectively. (December 31, 2005 - \$10.8 million and \$0.8 million, respectively).

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.

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	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Revenue				
Rental income	\$-	\$981	\$219	\$1,964
Expenses				
Revenue producing properties:				
Operating expenses	19	121	80	236
Utilities	9	113	34	262
Utility rebate	-	(13)	(3)	(13)
Property taxes	-	77	28	138
Administration	-	28	8	53
Financing costs	-	403	27	614
Deferred financing cost amortization	-	4	-	10
Amortization of capital assets	-	113	-	226
	28	846	174	1,526
	(28)	135	45	438
Gain on dispositions (NOTE 3)	-	1,507	7,527	1,507
Operating earnings (loss) from discontinued operations before income taxes	(28)	1,642	7,572	1,945
Future income taxes (recovery)	-	(27)	-	12
Earnings (loss) from discontinued operations	\$(28)	\$1,669	\$7,572	\$1,933
Discontinued Assets				
Revenue producing properties			\$-	\$12,490
Other assets			-	268
Total			\$-	\$12,758
Discontinued Liabilities				
Mortgages payable			\$-	\$9,562
Total			\$-	\$9,562

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.

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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 was 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
Units issued under distribution reinvestment plan	116,627	2,202
Restructuring costs	-	(9)
	<hr/>	<hr/>
December 31, 2005	53,224,194	\$295,696
Units issued under equity financing	2,915,000	63,594
Units issued under distribution reinvestment plan	109,155	2,485
Restructuring costs	-	(141)
	<hr/>	<hr/>
June 30, 2006	<u>56,248,349</u>	<u>\$361,634</u>

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	51,773,349	
Special Voting Units issued to holders of LP Class B units	4,475,000	
Total trust units	56,248,349	\$361,634

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 15th 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 June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Net earnings	\$4,061	\$2,929	\$11,358	\$898
Add:				
Amortization of capital assets	18,295	18,802	35,829	37,339
Amortization of deferred financing costs incurred prior to May 3, 2004	452	686	963	1,549
Amortization of net discount on long-term debt assumed after May 2, 2004	(11)	4	(23)	1
Deduct:				
Gain on disposition (NOTE 3)	-	(1,507)	(7,527)	(1,507)
Future income taxes (recovery) (NOTE 9)	(122)	(771)	(224)	(820)
Amortization of net premium on long-term debt assumed after May 2, 2004				
Recovery of write-down on technology business unit	-	(739)	-	(739)
Distributable income	\$22,675	\$19,404	\$40,376	\$36,721
Distribution declared to unitholders	\$17,712	\$16,744	\$34,792	\$33,477
Weighted average units outstanding – basic and diluted	56,217,368	53,149,528	54,771,413	53,133,122
Distributable income earned per unit	\$0.403	\$0.365	\$0.737	\$0.691
Actual distributions declared per unit	\$0.315	\$0.315	\$0.630	\$0.630

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Earnings per unit

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Numerator				
Earnings (loss) from continuing operations	\$4,089	\$1,260	\$3,786	\$(1,035)
Earnings (loss) from discontinued operations	\$(28)	\$1,669	\$7,572	\$1,933
Denominator				
Denominator for basic earnings per unit - weighted average units (THOUSANDS)	56,217	53,150	54,771	53,133
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion (THOUSANDS)	56,217	53,150	54,771	53,133
Earnings (loss) per unit from continuing operations				
Basic	\$0.07	\$0.02	\$0.07	\$(0.02)
Diluted	\$0.07	\$0.02	\$0.07	\$(0.02)
Earnings per unit from discontinued operations				
Basic	\$0.00	\$0.04	\$0.14	\$0.04
Diluted	\$0.00	\$0.04	\$0.14	\$0.04

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.

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Continuing operations	\$(122)	\$(744)	\$(224)	\$(832)
Discontinued operations	-	(27)	-	12
Total future income taxes (recovery)	\$(122)	\$(771)	\$(224)	\$(820)

Future income taxes (recovery) consist of the following:

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Tax (recovery) expense based on expected rate	\$(166)	\$(90)	\$(321)	\$(139)
Adjustment to future income tax liabilities	(47)	(601)	6	(601)
Adjustment for change in effective tax rate	91	(80)	91	(80)
Future income taxes (recovery)	\$(122)	\$(771)	\$(224)	\$(820)

The future income tax asset is calculated as follows:

As at	June 30, 2006	December 31, 2005
Tax asset related to operating losses	\$710	\$403
Tax asset related to differences in tax and book basis	444	526
Future income tax asset	\$1,154	\$929

BOARDWALK REAL ESTATE INVESTMENT TRUST

10. COMMITMENTS AND CONTINGENCIES

At June 30, 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 six to thirty 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 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.

The Trust has 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 run from June 1, 2006 to June 1, 2007 and provide 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.

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 June 30, 2006 is approximately \$5.5 million (June 30, 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 June 30, 2006, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

12. SEGMENTED INFORMATION

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.

BOARDWALK REAL ESTATE INVESTMENT TRUST

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Alberta				
Revenue	\$41,355	\$38,649	\$81,632	\$76,877
Expenses				
Operating	6,807	6,807	13,138	13,330
Utilities	4,255	4,865	10,796	10,471
Utility rebates	(6)	11	(1,393)	(625)
Property taxes	3,226	3,266	6,467	6,482
Net operating income	\$27,073	\$23,700	\$52,624	\$47,219
Saskatchewan				
Revenue	\$8,721	\$8,531	\$17,414	\$17,082
Expenses				
Operating	1,614	1,692	3,179	3,264
Utilities	1,291	826	2,760	2,432
Property taxes	1,187	1,276	2,438	2,502
Net operating income	\$4,629	\$4,737	\$9,037	\$8,884
Ontario				
Revenue	\$9,389	\$9,206	\$18,767	\$18,455
Expenses				
Operating	1,609	1,515	3,117	3,243
Utilities	1,396	1,431	3,279	3,457
Property taxes	1,668	1,649	3,527	3,326
Net operating income	\$4,716	\$4,611	\$8,844	\$8,429
British Columbia				
Revenue	\$2,137	\$1,483	\$3,788	\$2,415
Expenses				
Operating	359	416	749	500
Utilities	310	106	449	213
Property taxes	33	66	222	88
Net operating income	\$1,435	\$895	\$2,368	\$1,614
Quebec				
Revenue	\$16,900	\$16,063	\$33,298	\$31,731
Expenses				
Operating	3,566	2,738	6,920	5,316
Utilities	1,788	1,673	4,599	4,279
Property taxes	1,731	1,764	3,491	3,497
Net operating income	\$9,815	\$9,888	\$18,288	\$18,639
Total				
Net operating income	\$47,668	\$43,831	\$91,161	\$84,785
Unallocated revenue*	236	10,722	21,261	11,892
Unallocated expenses**	(43,843)	(51,624)	(101,064)	(95,779)
Net earnings for the period	\$4,061	\$2,929	\$11,358	\$898

BOARDWALK REAL ESTATE INVESTMENT TRUST

As at	June 30, 2006	December 31, 2005
Alberta		
Identifiable assets		
Revenue producing properties	\$941,548	\$934,503
Mortgages and accounts receivable	623	5,277
Deferred financing costs	26,576	26,083
Tenants' security deposit	6,854	5,688
	\$975,601	\$971,551
Saskatchewan		
Identifiable assets		
Revenue producing properties	\$173,946	\$176,116
Mortgages and accounts receivable	128	185
Deferred financing costs	4,361	4,320
Tenants' security deposits	1,459	1,341
	\$179,894	\$181,962
Ontario		
Identifiable assets		
Revenue producing properties	\$211,212	\$213,490
Mortgages and accounts receivable	206	236
Deferred financing costs	3,548	3,508
	\$214,966	\$217,234
British Columbia		
Identifiable assets		
Revenue producing properties	\$78,884	\$62,014
Mortgages and accounts receivable	40	285
Tenants' security deposits	348	250
	\$79,272	\$62,549
Quebec		
Identifiable assets		
Revenue producing properties	\$421,378	\$398,109
Mortgages and accounts receivable	497	5,032
Deferred financing costs	5,754	5,927
	\$427,629	\$409,068
Total assets		
Identifiable assets	\$1,877,362	\$1,842,364
Unallocated assets***	34,473	41,022
	\$1,911,835	\$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, corporate administration, financing costs, amortization, income taxes and other provisions.

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