

NEWS RELEASE FOR IMMEDIATE DISTRIBUTION

Boardwalk REIT Announces Solid First Quarter 2007 Financial Results with Funds From Operations per Unit Up 25.0% and Distributable Income per Unit up 27.3% YOY for the First Quarter; Upward Revision in Guidance; and an Increase in Annual Distributions by 8.1% to \$1.60 Per Trust Unit Per Year.

CALGARY, May 11, 2007 - Boardwalk Real Estate Investment Trust ("BEL.UN" - TSX)

Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") today announced solid financial results for the first quarter of 2007 with FFO per unit up 25.0% YOY and DI per Unit up 27.3% YOY; upward revision in guidance; and an increase in annual distributions by 8.1% to \$1.60 per Trust Unit per year.

For the first quarter ended March 31, 2007, the Trust reported Funds From Operations¹ ("FFO") of \$22.8 million and FFO per unit of \$0.40 on a diluted basis, compared to FFO of \$17.2 million and FFO per unit of \$0.32 for the same period last year. Distributable Income ("DI") for the quarter was \$23.6 million and DI per Unit was \$0.42 on a diluted basis, compared to \$17.7 million and \$0.33 per unit, respectively, for the same period last year.

Highlights of the Trust's First Quarter 2007 financial results include:

- Rental Revenues of \$87.6 million, an increase of 15.0% compared to \$76.2 million for the three-month period ended March 31, 2006.
- Net Operating Income (NOI) of \$51.0 million, representing a 19.4% increase from \$42.7 million in the same period last year.
- Funds From Operations (FFO) of \$22.8 million, an increase of 32.6% compared to \$17.2 million for the three-month period ended March 31, 2006.
- FFO per Unit of \$0.40 on a diluted basis, up 25.0% compared to \$0.32 in the same period last year.
- Distributable Income (DI) of \$0.42 per unit, up 27.3% from \$0.33 for the three months ended March 31, 2006.

Commenting on the Trust's Q1 2007 results, Sam Koliass, C.E.O., said: "We are pleased to report on another strong quarter for the Trust. Our Alberta portfolio, which makes up in excess of 53% of our total portfolio, continued to lead the charge. We are particularly pleased to report that growth in operating results is also being generated by our British Columbia, Saskatchewan and Quebec assets as well. Occupancy remains high, despite rental rates being significantly higher than they were one year ago, contributing to positive revenue growth for the Trust. However, operating expenses continued to rise across the entire portfolio, particularly due to labour inflation in Alberta, which tempered the growth of NOI."

"Positive market fundamentals continue to produce strong results across our entire Alberta portfolio. It remains too soon to predict how the Calgary market will fare through 2007, but the minimal winter-spring seasonal pull-back noted over the last few months generally precedes a strong summer and fall rental season. Current rental characteristics in Edmonton are now similar to those seen in Calgary in January 2006. Edmonton, which makes up in excess of 32% of our overall portfolio, appears poised to generate significant gains over the coming months."

"While we are certainly pleased by the positive gains noted in Alberta, our priority remains balanced and sustainable growth. Today's most exciting investment story surrounds our Alberta portfolio. However, we believe our geographic diversification into 18 markets in five provinces is our most important investment advantage. Over

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the long term, diversification greatly increases our sustainability as a proven, growing investment option. We are committed to delivering sustainable, long-term value into the future to our Unitholders.”

Commenting on the political landscape of Alberta, Roberto Geremia, President, said: “Due to Alberta’s economic boom and consequent accommodation price inflation, affordable housing has become an important topic for Government, media, and the public at large. We are extremely pleased that, though confronted with intense pressure from the media and opposition parties, the Provincial Government has remained steadfast in its stand against legislated rent controls. At the end of April, 2007, the Government of Alberta announced that it would not implement rent controls, but would instead commit significant Provincial monies to affordable housing alternatives. Most importantly, the Government illustrated its support for public-private affordable housing partnerships by almost doubling the Government’s financial commitment in this area.”

“As well as the injection of Provincial money towards affordable housing, the Government has tabled one legislative change, limiting landlords to one rental increase per year from the previously allowable two increases per year. Prior to the Government’s proposed legislative changes, we limited our Customers’ rental increases to \$150 per year, distributed in equal increases of \$75 every six months. We stand by our self-imposed, Customer-focused internal rental rate limit. Looking forward, we will continue to limit rental increases to \$150 per year for existing Customers, now implemented one time per year. In order to offer more stability, we will offer Customers a twelve-month lease, which will effectively lock rents at a consistent level for the entire year. Our Customers’ occupied rent continues to be below existing posted market rents in each respective market.”

According to the proposed legislative changes announced by the Government, effective April 24, 2007, landlords will only be entitled to raise rents once per year from the later of the commencement date of a tenant’s lease or the anniversary date of his/her last rent increase.

“Because the rental market is cyclical, our self-imposed, Customer-focused policies, including our internal ‘rent protection’ policy and rental subsidy program, make good business sense for all landlords. It is in our best interests to proactively ensure the rental market remains healthy and viable over the long term. 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. We hope that, as the Canadian multi-family residential industry’s leader, Boardwalk will act as a benchmark of appropriate and long-sighted action that other landlords choose to follow.”

Operational Highlights

- The average vacancy rate across the Trust’s portfolio for the First Quarter of 2007 was 4.39%, seasonally up from 3.51% in the Fourth Quarter of 2006, and up from 4.17% in the First Quarter of last year.
- The average monthly rent on our entire portfolio realized in the first quarter of 2007 was \$842 per rental unit, up \$75 from \$767 per rental unit for the same period last year.
- The average market rent for the Trust’s properties at the end of March 2007 was an estimated \$1,015 per rental unit per month, which compares to an average in-place monthly rent per occupied unit of \$881 for the quarter ended March 31, 2007.

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- At the end of March 2007, the potential between occupied rents and market rents (mark-to-market) totaled \$50.5 million, or \$0.90 per unit, down from \$53.8 million, or \$0.97 per unit, at the end of December 2006.

More detail on our operations will be found in our conference call presentation to be posted on our web site today at www.boardwalkreit.com/FinancialReports/. The conference call audio for this presentation can also be found on our web site at www.boardwalkreit.com/FinancialReports/ following the call.

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, 2007 showed rental revenue growth of 10.6% on a year-over-year basis. Operating expenses increased 5.7%, resulting in an increase in NOI of 14.2% compared to the same period last year. A total of 33,014 units, representing approximately 93% of Boardwalk's total portfolio, were classified as stabilized as at March 31, 2007.

Same-Property Results - Stabilized Portfolio

| Mar 31 2007 - 3 M | # of Units | Revenue Growth | Operating Expense Growth | Net Operating Income Growth | % of Stabilized NOI |
|-------------------|------------|-------------------|-----------------------------|--------------------------------|---------------------------|
| Calgary | 4,973 | 21.3% | 11.9% | 25.6% | 22% |
| Edmonton | 10,369 | 15.8% | 8.3% | 20.5% | 34% |
| Other Alberta | 1,680 | 18.1% | 9.1% | 22.9% | 7% |
| British Columbia | 633 | 6.3% | 2.7% | 8.1% | 2% |
| Saskatchewan | 4,660 | 6.0% | 7.5% | 4.6% | 9% |
| Quebec | 6,434 | 2.0% | 0.5% | 3.4% | 17% |
| Ontario | 4,265 | 0.0% | 2.4% | -3.0% | 8% |
| | 33,014 | 10.6% | 5.7% | 14.2% | 100% |

Commenting on Boardwalk's same-property results, CEO, Sam Koliass, said, "In the first quarter, we were pleased to see revenue growth accelerating more quickly than expense increases on a stabilized property basis for the sixth straight quarter. Overall, our portfolio operating expenses continued to rise. However, increasing expenses were somewhat tempered by savings in natural gas expenditures, and property taxes were flat after the massive increases of the past couple years."

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Real Estate Acquisition/Disposition Activity

Closed Acquisitions

| Building Name | City | # of Units | Type | Price | Year 1 Cap Rate | Year 2 Cap Rate | \$/unit | \$/sq ft | Closing |
|--------------------------------|---------------|--------------|--------------------------------|-----------------------|-----------------|-----------------|-------------------|--------------|-------------------|
| Ridgmont Apartments | Coquitlam | 41 | Walk Up | \$ 3,700,000 | 5.03% | 5.66% | \$ 90,244 | \$142 | January 25, 2007 |
| St. Charles Place & Parkview I | Edmonton | 51 | Walk Up | \$ 4,150,000 | 4.52% | 5.52% | \$ 81,373 | \$104 | January 26, 2007 |
| West Edmonton Village | Edmonton | 1,176 | High-Rise, Mid-Rise, Townhomes | \$ 143,500,000 | 5.47% | 6.61% | \$ 122,024 | \$126 | February 28, 2007 |
| Prarie Sunrise Portfolio | Grand Prairie | 275 | High-Rise & Walk Up | \$ 40,000,000 | 4.74% | 6.30% | \$ 145,455 | \$175 | March 14, 2007 |
| Total | | 1,543 | | \$ 191,350,000 | 5.29% | 6.50% | \$ 124,012 | \$133 | |

Unconditional Acquisitions

| Building Name | City | # of Units | Type | Price | Year 1 Cap Rate | Year 2 Cap Rate | \$/unit | \$/sq ft | Closing |
|---------------|----------------------------|------------|----------|----------------------|-----------------|-----------------|-------------------|--------------|--------------|
| Springwood | Edmonton (Spurce Grove) | 160 | Low-Rise | \$ 16,000,000 | 5.63% | 6.44% | \$ 100,000 | \$130 | May 28, 2007 |
| Total | | 160 | | \$ 16,000,000 | 5.63% | 6.44% | \$ 100,000 | \$130 | |

| | | | | | | | | | |
|---------------------------|--|--------------|--|-----------------------|--------------|--------------|-------------------|--------------|--|
| TOTAL ACQUISITIONS | | 1,703 | | \$ 207,350,000 | 5.33% | 6.50% | \$ 121,756 | \$133 | |
|---------------------------|--|--------------|--|-----------------------|--------------|--------------|-------------------|--------------|--|

Dispositions

| Building Name | City | # of Units | Type | Price | Year 1 Cap Rate | \$/unit | \$/sq ft | Closing |
|--------------------------------|----------|------------|---------|---------------------|-----------------|-------------------|--------------|----------------|
| St. Charles Place & Parkview I | Edmonton | 51 | Walk Up | \$ 5,900,000 | 3.20% | \$ 115,686 | \$148 | April 30, 2007 |
| Total | | 51 | | \$ 5,900,000 | 3.20% | \$ 115,686 | \$148 | |

Commenting on the Trust's property acquisitions and dispositions, Bill Chidley, Senior Vice President, Corporate Development, said: "The acquisitions completed during the first quarter of 2007 added quality assets in strong Western Canadian rental markets. We remain comfortable with meeting the high end of our acquisition target of 1000 to 2000 residential units in 2007."

"Our highly skilled Acquisitions department continues to work proactively to find, underwrite and negotiate superior acquisition opportunities across the country. Currently, our primary focus is in the strong Western Canadian market, most particularly the Lower Mainland and Victoria areas in British Columbia, the entire Province of Alberta, and the major centers in Saskatchewan. Despite this predominantly Western focus, we also remain, as always, poised to act quickly on any particularly attractive one-time deals in the East. As we have mentioned in the past, we believe it is still too early in the market cycle to consider the Greater Toronto Area in a meaningful way. Boardwalk looks for meaningful rental growth rates in addition to initial accretion in its acquisitions."

"Since the early days, our mandate has been to acquire undervalued assets, invest in upgrades and quality maintenance, maximize operating efficiency, integrate it into the Boardwalk platform and accretively manage it. Boardwalk will sell only assets that we determine have reached their maximum value. As the acquisitions market for multi-family residential properties continues to tighten across the country, it is more essential than ever to operate according to a long-sighted focus. Though the discipline to hold rather than sell is at times difficult, the appreciation of our assets is the most significant source of value creation over the long term."

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."

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Growth and New Directions

At the end of the third quarter of 2006, one property, consisting of 90 units located in Calgary, Alberta, was reclassified as property held for redevelopment as a result of Boardwalk's plan to convert these suites to condominium units for sale. This condominium conversion is now 50% sold at average sale prices of \$320,000, which is significantly higher than our originally targeted sale price of \$260,000. However, construction costs to convert this property were also significantly over our original budget, rising from an initial estimate of \$50,000 per unit to a final total of approximately \$100,000 per unit. A significant part of this increase in renovation cost was a result of increased renovation quality and specification than originally planned. The net proceeds from the sale of our condominiums will go towards buying back our trust units, which represents better value than purchasing or building new apartment units.

Boardwalk has amended its Declaration of Trust to allow construction of new rental units if the risk – reward ratio is appropriate. Boardwalk approved further amendments to its Declaration of Trust at our 2006 Annual General Meeting to allow for even greater flexibility in this regard. As Sam Koliass, CEO, said: "We continue to look for ways to maximize value, and believe that the rental market in Alberta justifies new construction, especially on some of our currently low-density assets. At this point, we are in the early stages of determining new construction feasibility. The construction market is extremely busy in Alberta, and we continue to experience delays in the design, development and permitting stages. We believe the entire planning, construction and completion timeline will be approximately three years. We believe that new construction will ultimately prove valuable both to our Unitholders, and to our communities which currently have relatively low numbers of rental units per capita."

Continued Financial Strength

The Trust maintained its solid financial position in the First Quarter of 2007. Boardwalk's total mortgage and debt was \$1.7 billion as at March 31, 2007, up from \$1.5 billion at December 31, 2006, and up from \$1.5 billion at March 31, 2006. As at March 31, 2007, the Trust's total debt had an average maturity of approximately three years with a weighted average interest rate of 5.28%. The Trust's total debt-to-total-market-capitalization ratio was 39.9%. The Trust's interest coverage ratio, excluding gains, for the three-month period ended March 31, 2007, was 2.11 times, compared to 1.88 times in the same period last year.

Outlook and 2007 Financial Guidance

Commenting on the outlook for the Trust, Roberto Geremia, President, said, "Given the continued improvement in our Alberta Portfolio, we again feel it reasonable to increase guidance from the amounts originally estimated. Our fiscal 2007 guidance for FFO on a per unit basis has been revised from the initial guidance of \$1.85 - \$2.00 to \$1.90 - \$2.02. Our fiscal 2007 guidance for Distributable Income on a per unit basis has been similarly increased from the initial guidance of \$1.87 - \$2.02 to \$1.92 to \$2.04. These assumptions are based on the expectation of an increase in stabilized NOI growth from the original guidance of 8.0% to a revised guidance of 8.5%, and new property acquisitions of between 1000 to 2000 new residential units for the year. The 2007 guidance assumes that the existing Alberta Natural Gas Rebate program will be extended in its current form and rent increases in Alberta are not curtailed by regulations. As is Boardwalk's current policy, we will update the market on our Annual 2007 Guidance on a quarterly basis."

Increasing Distributions

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Boardwalk's Trustees have approved an increase in the Trust's Distributions to \$1.60 per trust unit on an annualized basis, an increase of 8.1% from the \$1.48 currently distributed. On a monthly basis, the Trust will distribute \$0.1333 per outstanding trust unit as compared to the current monthly distribution of \$0.1233. The monthly distribution change will be effective to Unitholders of Record on May 31, 2007, and payable on June 15, 2007. To encourage participation and reward unitholders, investors registered in the Distribution Reinvestment Plan ("DRIP") will continue to receive a "bonus" distribution of additional Trust Units representing 3% of the amount of their cash distributions reinvested pursuant to the Plan. A full copy of the DRIP can be found on the Trust's website at: www.boardwalkreit.com.

Supplementary Information

Boardwalk produces Quarterly Supplemental Information that provides detailed information regarding the Trust's activities during the quarter. The first quarter 2007 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 first 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=1800920>

Replay: An audio recording of the teleconference will be available from 2:00 pm ET on Friday, May 11, 2007 until 11:59 pm ET on Friday, May 18, 2007. You can access it by dialing 416-640-1917 and using the passcode 21226681 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 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 approximately 35,800 units totalling approximately 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.

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¹ 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.

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.

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CONSOLIDATED BALANCE SHEETS (CDN\$ THOUSANDS)

| As at | March 31, 2007 (Unaudited) | December 31, 006 (Audited) |
|---|----------------------------------|----------------------------------|
| Assets | | |
| Revenue producing properties (NOTE 4) | \$2,012,748 | \$1,836,429 |
| Other assets (NOTE 5) | 19,661 | 13,873 |
| Future income taxes (NOTE 11) | 550 | 316 |
| Mortgages and accounts receivable | 5,054 | 4,388 |
| Segregated tenants' security deposits | 11,155 | 9,998 |
| Discontinued operations (NOTE 6) | 11,684 | 5,456 |
| | <u>\$2,060,852</u> | <u>\$1,870,460</u> |
| Liabilities | | |
| Mortgages payable (NOTE 3) | \$1,544,391 | \$1,380,578 |
| Debentures (NOTES 3 and 7) | 118,524 | 118,448 |
| Accounts payable and accrued liabilities | 36,574 | 35,423 |
| Refundable tenants' security deposits and other | 14,448 | 13,102 |
| Bank indebtedness | 42,334 | 4,042 |
| | <u>\$1,756,271</u> | <u>\$1,551,593</u> |
| Unitholders' Equity | | |
| Unitholders' equity | \$304,581 | \$318,867 |
| | <u>\$2,060,852</u> | <u>\$1,870,460</u> |

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BOARDWALK REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME (CDN\$ THOUSANDS, EXCEPT PER UNIT AMOUNTS)

| | 3 months ended March 31, 2007 | 3 months ended March 31, 2006 |
|---|--|--|
| | (Unaudited) | (Unaudited) |
| Revenue | | |
| Rental income | \$87,570 | \$76,249 |
| Expenses | | |
| Revenue producing properties: | | |
| Operating expenses | 15,541 | 13,845 |
| Utilities | 13,646 | 12,792 |
| Utility rebate (NOTE 12) | (925) | (1,382) |
| Property taxes | 8,284 | 8,316 |
| Administration | 5,291 | 4,400 |
| Financing costs | 21,669 | 20,343 |
| Deferred financing costs amortization (NOTE 3) | 1,279 | 774 |
| Amortization of capital assets | 19,334 | 17,487 |
| | 84,119 | 76,575 |
| Earnings (loss) from continuing operations before income taxes | 3,451 | (326) |
| Large corporations taxes | - | 149 |
| Future income taxes (recovery) (NOTE 11) | (232) | (102) |
| Earnings (loss) from continuing operations | 3,683 | (373) |
| Earnings (loss) discontinued operations, net of tax (NOTE 6) | (52) | 7,670 |
| Net earnings | 3,631 | 7,297 |
| Other comprehensive income | - | - |
| Comprehensive income | \$3,631 | \$7,297 |
| Basic earnings per unit (NOTE 10) | | |
| - from continuing operations | \$0.06 | \$0.00 |
| - from discontinued operations | 0.00 | 0.14 |
| Basic earnings per unit | \$0.06 | \$0.14 |
| Diluted earnings per unit (NOTE 10) | | |
| - from continuing operations | \$0.06 | \$0.00 |
| - from discontinued operations | 0.00 | 0.14 |
| Diluted earnings per unit | \$0.06 | \$0.14 |

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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, 2007 | 3 months ended March 31, 2006 |
|---|--|--|
| | (Unaudited) | (Unaudited) |
| Trust units (NOTE 9) | | |
| Balance, beginning of period | \$365,744 | \$295,696 |
| Units issued under equity financing, net of issue costs | (136) | 63,568 |
| Units issued under distribution reinvestment plan | 2,450 | 1,002 |
| Restructuring costs | - | (112) |
| Deferred unit plan (NOTE 8) | 630 | - |
| Balance, end of period | <u>\$368,688</u> | <u>\$360,154</u> |
| Cumulative earnings | | |
| Balance, beginning of period | \$154,917 | \$129,530 |
| Net earnings for the period | 3,631 | 7,297 |
| Balance, end of period | <u>\$158,548</u> | <u>\$136,827</u> |
| Cumulative comprehensive income | | |
| Balance, beginning of period | \$- | \$- |
| Other comprehensive income for the period | - | - |
| Balance, end of period | <u>\$-</u> | <u>\$-</u> |
| Cumulative distributions to unitholders | | |
| Balance, beginning of period | \$(201,794) | \$(129,483) |
| Distributions declared to unitholders (NOTE 10) | (20,861) | (17,080) |
| Balance, end of period | <u>\$(222,655)</u> | <u>\$(146,563)</u> |
| Total unitholders' equity | <u>\$304,581</u> | <u>\$350,418</u> |
| Units issued and outstanding | <u>56,411,163</u> | <u>56,185,618</u> |

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, 2007 | 3 months ended March 31, 2006 |
|---|--|--|
| | (Unaudited) | (Unaudited) |
| Operating activities | | |
| Net earnings | \$3,631 | \$7,297 |
| Earnings from discontinued operations, net of tax | 52 | (7,670) |
| Future income taxes (recovery) | (232) | (102) |
| Amortization of capital assets | 19,334 | 17,487 |
| Funds from continuing operations | 22,785 | 17,012 |
| Funds from discontinued operations | (28) | 190 |
| Net change in operating working capital | (155) | (848) |
| Total operating cash flows | 22,602 | 16,354 |
| Financing activities | | |
| Issue of trust units (net of issue costs) (NOTE 9) | 2,313 | 64,570 |
| Restructuring costs | - | (112) |
| Distributions paid | (20,854) | (16,769) |
| Financing of revenue producing properties | 246,140 | 3,288 |
| Repayment of debt on revenue producing properties | (109,701) | (17,776) |
| Deferred financing costs incurred (net of amortization) | (3,896) | 214 |
| | 114,002 | 33,415 |
| Investing activities | | |
| Purchases of revenue producing properties (NOTE 4) | (160,191) | (42,295) |
| Improvements to revenue producing properties | (14,370) | (6,979) |
| Net cash proceeds from sale of properties | - | 20,274 |
| Additions to corporate technology assets | (335) | (307) |
| | (174,896) | (29,307) |
| Net increase (decrease) in cash and cash equivalents balance | (38,292) | 20,462 |
| Cash and cash equivalents (bank indebtedness), beginning of period | (4,042) | 11,145 |
| Cash and cash equivalents (bank indebtedness), end of period | \$(42,334) | \$31,607 |
| Supplementary cash flow information: | | |
| Capital taxes paid | \$- | \$210 |
| Interest paid | \$21,064 | \$21,990 |

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BOARDWALK REAL ESTATE INVESTMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2007

(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, 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 months ended March 31, 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 POLICY CHANGES

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.

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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 other comprehensive income while the cumulative amount of 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:

| March 31, 2007 | December 31, 2006 |
|-------------------|----------------------|
|-------------------|----------------------|

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Mortgages Payable

| | | |
|---------------------------------------|--------------------|--------------------|
| Principal outstanding | \$1,588,349 | \$1,420,701 |
| Unamortized deferred financing costs | (45,825) | (41,853) |
| Unamortized mark-to-market adjustment | 1,867 | 1,730 |
| | <u>\$1,544,391</u> | <u>\$1,380,578</u> |

Debentures

| | | |
|--------------------------------------|------------------|------------------|
| Principal outstanding | \$120,000 | \$120,000 |
| Unamortized deferred financing costs | (1,476) | (1,552) |
| | <u>\$118,524</u> | <u>\$118,448</u> |

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

4. REVENUE PRODUCING PROPERTIES

Acquisitions

| | 3 months ended March 31, 2007 | 3 months ended March 31, 2006 |
|--|--|--|
| Cash paid | \$160,191 | \$42,295 |
| Debt assumed | 31,209 | - |
| | <u>191,400</u> | <u>42,295</u> |
| Total purchase price | 191,400 | 42,295 |
| Fair value adjustments to debt | 376 | - |
| | <u>\$191,776</u> | <u>\$42,295</u> |
| Book value | \$191,776 | \$42,295 |
| Allocation of book value to revenue producing properties | \$185,949 | \$40,764 |
| Allocation of book value to other assets | 5,827 | 1,531 |
| | <u>\$191,776</u> | <u>\$42,295</u> |
| Multi-family units acquired | <u>1,543</u> | <u>560</u> |

Dispositions

| | 3 months ended March 31, 2007 | 3 months ended March 31, 2006 |
|-------------------------|--|--|
| Cash received | \$- | \$20,274 |
| Cost of dispositions | - | 426 |
| | <u>-</u> | <u>20,700</u> |
| Total proceeds | - | 20,700 |
| Net book value | - | 13,173 |
| | <u>\$-</u> | <u>\$7,527</u> |
| Gain on dispositions | \$- | \$7,527 |
| Multi-family units sold | <u>-</u> | <u>194</u> |

BOARDWALK REAL ESTATE INVESTMENT TRUST

5. OTHER ASSETS

| As at | March 31, 2007 | December 31, 2006 |
|---|-------------------|----------------------|
| Corporate technology assets (net of amortization) | \$3,456 | \$3,436 |
| Head office building (net of amortization) | 2,364 | 2,329 |
| Deposits on potential property acquisitions | 200 | 814 |
| Prepaid parts and supplies | 2,433 | 2,097 |
| Lease goodwill and customer relationship intangibles, net of accumulated amortization | 5,999 | 1,271 |
| Prepaid property taxes | 2,723 | 1,193 |
| Prepaid and other | 2,486 | 2,733 |
| | <u>\$19,661</u> | <u>\$13,873</u> |

Accumulated amortization for corporate technology assets and head office building at March 31, 2007 were \$12.4 million and \$1.0 million, respectively (December 31, 2006 - \$12.1 million and \$1.0 million, respectively). Accumulated amortization for lease goodwill and customer relationship intangibles at March 31, 2007 was \$9.1 million (December 31, 2006-\$7.9 million)

6. DISCONTINUED OPERATIONS

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. The property was, therefore, classified as discontinued operations upon acquisition. During the end of the third quarter of 2006, a revenue producing property 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 March 31, 2007 | 3 months ended March 31, 2006 |
|---|--|--|
| Revenue | | |
| Rental income | \$188 | \$473 |
| Expenses | | |
| Revenue producing properties: | | |
| Operating expenses | 87 | 89 |
| Utilities | 45 | 58 |
| Utilities rebate | (5) | (12) |
| Property taxes | 23 | 45 |
| Administration | 53 | 14 |
| Financing costs | 13 | 87 |
| Deferred financing cost amortization | - | 2 |
| Amortization of capital assets | 24 | 47 |
| | <u>240</u> | <u>330</u> |
| | (52) | 143 |
| Gain on dispositions | - | 7,527 |
| | <u>\$(52)</u> | <u>\$7,670</u> |
| Earnings (loss) from discontinued operations | <u>\$(52)</u> | <u>\$7,670</u> |
| | <u>March 31, 2007</u> | <u>December 31, 2006</u> |
| Discontinued Assets | | |

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| | | |
|--|----------|---------|
| Revenue producing properties held for sale | \$4,067 | \$- |
| Properties held for redevelopment | 7,617 | 5,456 |
| Total | \$11,684 | \$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 was 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 is being amortized over the term of the unsecured debentures.

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 March 31, 2007, total compensation costs of \$1.5million 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 | - |
| December 31, 2006 | 73,746 | - |
| Deferred units granted | 20,668 | - |
| Additional deferred units earned on unvested units | 672 | - |
| March 31, 2007 | 95,086 | - |

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:

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| 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 | 59,380 | 2,450 |
| Issue costs | - | (136) |
| Deferred unit plan (NOTE 8) | - | 630 |
| March 31, 2007 | <u>56,411,163</u> | <u>\$368,688</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.

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 | 51,936,163 | |
| Special Voting Units issued to holders of LP Class B units | 4,475,000 | |
| Total trust units | <u>56,411,163</u> | <u>\$368,688</u> |

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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 is 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, 2007 | 3 months ended March 31, 2006 |
|---|--|--|
| Total operating cash flows | \$22,602 | \$16,354 |
| Net change in operating working capital | 155 | 848 |
| Add: | | |
| Deferred financing costs amortization | 1,279 | 776 |
| Deduct: | | |
| Deferred financing costs amortization post May 2, 2004 | (326) | (265) |
| Amortization of net premium on long-term debt assumed after May 2, 2004 | (89) | (11) |
| | | |
| Distributable income | \$23,621 | \$17,702 |
| Distributions declared to unitholders | \$20,861 | \$17,080 |
| | | |
| Weighted average units outstanding – basic and diluted | 56,387,144 | 53,309,392 |
| Distributable income earned per unit | \$0.419 | \$0.332 |
| Actual distributions declared per unit | \$0.370 | \$0.320 |

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Earnings per unit

| | 3 months ended March 31, 2007 | 3 months ended March 31, 2006 |
|--|--|--|
| Numerator | | |
| Earnings (loss) from continuing operations | \$3,683 | \$(373) |
| Earnings (loss) from discontinued operations | \$(52) | \$7,670 |
| Denominator | | |
| Denominator for basic earnings per unit – weighted average units (THOUSANDS) | 56,387 | 53,309 |
| Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion (THOUSANDS) | 56,387 | 53,309 |
| Earnings per unit from continuing operations | | |
| Basic | \$0.06 | \$0.00 |
| Diluted | \$0.06 | \$0.00 |
| Earnings per unit from discontinued operations | | |
| Basic | \$0.00 | \$0.14 |
| Diluted | \$0.00 | \$0.14 |

11. 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. The adjustment for change in effective tax rate reflects the reduction of the current combined federal and provincial substantially enacted rate in the province of Alberta.

| | 3 months ended March 31, 2007 | 3 months ended March 31, 2006 |
|--------------------------------------|--|--|
| Continuing operations | \$(232) | \$(102) |
| Discontinued operations | - | - |
| Total future income taxes (recovery) | <u>\$(232)</u> | <u>\$(102)</u> |

Future income taxes (recovery) consist of the following:

| | 3 months ended March 31, 2007 | 3 months ended March 31, 2006 |
|---|--|--|
| Tax (recovery) expense based on expected rate | \$109 | \$(155) |
| Adjustment to future income tax liabilities | (341) | 53 |
| Future income taxes (recovery) | <u>\$(232)</u> | <u>\$(102)</u> |

The future income tax asset is calculated as follows:

| As at | March 31, 2007 | December 31, 2006 |
|--|---------------------------|------------------------------|
| Tax asset related to operating losses | \$765 | \$294 |
| Tax asset related to differences in tax and book basis | (215) | 22 |
| Future income tax asset | <u>\$550</u> | <u>\$316</u> |

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12. COMMITMENTS AND CONTINGENCIES

At March 31, 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 twenty-one 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 March 2006, Boardwalk REIT was eligible for estimated rebates totalling approximately \$1.4 million. For January to March 2007, Boardwalk REIT was eligible for rebates totalling approximately \$0.9 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.

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.

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.

13. 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 may 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, 2007 is approximately \$5.4 million (March 31, 2006 - \$5.6 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, 2007, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

14. SEGMENTED INFORMATION

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 March 31, 2007 | 3 months ended March 31, 2006 |
|----------------|--|--|
| Alberta | | |
| Revenue | \$49,166 | \$40,024 |
| Expenses | | |

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| | | |
|-----------------------------------|--------------------|---------------------|
| Operating | 7,536 | 5,954 |
| Utilities | 6,648 | 6,508 |
| Utility rebates | (922) | (1,378) |
| Property taxes | 3,196 | 3,223 |
| | <u>16,458</u> | <u>14,307</u> |
| Net operating income | <u>\$32,708</u> | <u>\$25,717</u> |
| Saskatchewan | | |
| Revenue | <u>\$9,212</u> | <u>\$8,693</u> |
| Expenses | | |
| Operating | 1,594 | 1,457 |
| Utilities | 1,725 | 1,469 |
| Property taxes | 1,171 | 1,251 |
| | <u>4,490</u> | <u>4,177</u> |
| Net operating income | <u>\$4,722</u> | <u>\$4,516</u> |
| Ontario | | |
| Revenue | <u>\$9,376</u> | <u>\$9,378</u> |
| Expenses | | |
| Operating | 1,515 | 1,428 |
| Utilities | 2,028 | 1,883 |
| Property taxes | 1,756 | 1,859 |
| | <u>5,299</u> | <u>5,170</u> |
| Net operating income | <u>\$4,077</u> | <u>\$4,208</u> |
| British Columbia | | |
| Revenue | <u>\$2,771</u> | <u>\$1,651</u> |
| Expenses | | |
| Operating | 621 | 357 |
| Utilities | 295 | 139 |
| Property taxes | 254 | 189 |
| | <u>1,170</u> | <u>685</u> |
| Net operating income | <u>\$1,601</u> | <u>\$966</u> |
| Quebec | | |
| Revenue | <u>\$17,014</u> | <u>\$16,397</u> |
| Expenses | | |
| Operating | 2,965 | 3,115 |
| Utilities | 2,994 | 2,811 |
| Property taxes | 1,889 | 1,760 |
| | <u>7,848</u> | <u>7,686</u> |
| Net operating income | <u>\$9,166</u> | <u>\$8,711</u> |
| Total | | |
| Net operating income | \$52,274 | \$44,118 |
| Unallocated revenue* | 31 | 106 |
| Unallocated expenses** | (48,674) | (36,927) |
| Net earnings for the period | <u>\$3,631</u> | <u>\$7,297</u> |
| As at | March 31, | December 31, |
| | 2007 | 2006 |
| Alberta | | |
| Identifiable assets | | |
| Revenue producing properties | \$1,107,543 | \$933,628 |
| Mortgages and accounts receivable | 54 | 863 |
| Tenants' security deposit | 9173 | 7,988 |
| | <u>\$1,116,770</u> | <u>\$942,479</u> |
| Saskatchewan | | |
| Identifiable assets | | |

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| | | |
|-----------------------------------|-------------|-------------|
| Revenue producing properties | \$171,031 | \$172,269 |
| Mortgages and accounts receivable | 151 | 195 |
| Tenants' security deposits | 1,556 | 1,491 |
| | \$172,738 | \$173,955 |
| Ontario | | |
| Identifiable assets | | |
| Revenue producing properties | \$207,847 | \$208,927 |
| Mortgages and accounts receivable | 52 | 126 |
| | \$207,899 | \$209,053 |
| British Columbia | | |
| Identifiable assets | | |
| Revenue producing properties | \$102,907 | \$107,321 |
| Mortgages and accounts receivable | 26 | 46 |
| Tenants security deposits | 426 | 408 |
| | \$103,359 | \$107,775 |
| Quebec | | |
| Identifiable assets | | |
| Revenue producing properties | \$419,204 | \$419,962 |
| Mortgages and accounts receivable | 746 | 819 |
| | 419,950 | 420,781 |
| Total assets | | |
| Identifiable assets | \$2,020,716 | \$1,854,043 |
| Unallocated assets*** | \$40,136 | \$16,417 |
| | \$2,060,852 | \$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, 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 March 31, 2007, Boardwalk REIT amended and restated on May 10, 2007 its Declaration of Trust. The amended and restated DOT amended certain investment guidelines and operating policies of the Trust, all of which are substantially described on page 31 in the Management Information Circular dated March 30, 2007.

Subsequent to March 31, 2007, Boardwalk REIT sold a property consisting of two buildings totaling 51 apartment units located in Edmonton, Alberta to an unrelated third-party. The unsolicited sales offer was received prior to the Trust closing on the acquisition of the property. The property had a selling price of \$5.9 million and a purchase price of \$4.2 million, and the sales transaction closed on May 1, 2007.

Subsequent to March 31, 2007, Boardwalk REIT acquired a property in Spruce Grove, Alberta, totalling 160 apartment units from an unrelated third party for an aggregate purchase price of \$16 million. The transaction is scheduled to close May 28, 2007 and will be funded initially using Boardwalk REIT's credit facility.

Subsequent to March 31, 2007, Boardwalk REIT has increased its trust unit distributions from \$1.48 per trust unit on an annualized basis (or \$0.1233 per trust unit on a monthly basis) to \$1.60 per trust unit on an annualized basis (or \$0.1333 per trust unit on a monthly basis). The monthly trust unit distribution change will be effective to Unitholders of record on May 31, 2007, and payable June 15, 2007.