

Letter To Unitholders

We are pleased to report on Boardwalk's solid third quarter results. The Trust's strong operating results are driven in large part by Boardwalk's nationally diversified property portfolio, superior operating platform, and the continued strength and improvement in many of our major rental markets across the country. Boardwalk's latest results reflect a strong summer period in terms of new rentals, lower turnovers, higher occupancy levels and revenue growth through reduced customer incentives.

Revenues are rising as we continue to benefit from our three-pronged internal rental revenue strategy. The combination of an experienced team and elaborate information technology system allows us to track daily rental prices, incentives and vacancy. The combination of these three variables is then applied to affect a balance on the supply and demand for our rental units. Adjustments are made quickly, ensuring our gross rental revenues are maximized.

Highlights of the Trust's third quarter 2005 financial results include:

- Rental revenues of \$75.2 million, an increase of 6.8% compared to \$70.4 million for the three-month period ended September 30, 2004.
- Net operating income of \$50.7 million, representing a 4.8% increase from \$48.4 million in the same period last year.
- FFO of \$21.8 million, a decrease of 4.0% compared to \$22.7 million for the three-month period ended September 30, 2004.
- FFO per unit was \$0.41 on a diluted basis, down 4.7% compared to \$0.43 for the three-month period ended September 30, 2004.
- DI was \$0.42 per unit, down 4.5% from \$0.44 for the three months ended September 30, 2004.

Boardwalk Real Estate Investment Trust ("Boardwalk REIT", "Boardwalk" or the "Trust") is Canada's largest owner/operator of multi-family rental communities. Boardwalk REIT currently owns and operates in excess of 260 properties with over 33,000 rental units totalling approximately 28 million net rentable square feet (as of September 30, 2005). The Trust's portfolio is concentrated in the provinces of Alberta, British Columbia, Saskatchewan, Ontario and Quebec.

Boardwalk REIT's Trust units are listed on the Toronto Stock Exchange, trading under the symbol BEI.UN. The Trust's total market capitalization at September 30, 2005 was \$2.7 billion.

Building on a Solid Foundation





Nuns' Island
Montreal, QC

Highlights of the Trust's results for the nine months ended Sept. 30, 2005 include:

- Rental revenues of \$223.1 million, an increase of 6.6% compared to \$209.3 million for the nine-month period ended September 30, 2004.
- Net operating income of \$142.8 million, representing a 4.8% increase from \$136.2 million in the same period last year.
- FFO of \$57.0 million, a decrease of 1.4% compared to \$57.8 million for the nine-month period ended September 30, 2004.
- FFO per unit was \$1.07 on a diluted basis, down 2.7% compared to \$1.10 for the nine-month period ended September 30, 2004.
- DI was \$1.11 per unit, down 2.6% from \$1.14 for the nine months ended September 30, 2004.

Some portfolio highlights for the third quarter include:

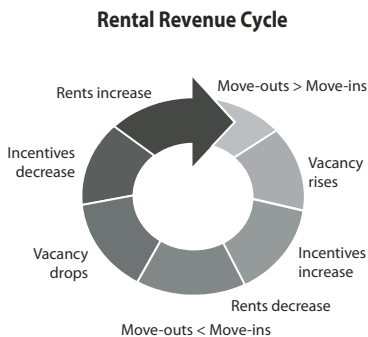
- The average vacancy rate across the Trust's portfolio for the third quarter of 2005 was 4.54%, down from 5.04% in the second quarter of 2005, and down from 5.48% compared to the same period last year.
- The average monthly rent realized in the first nine months of 2005 was \$749 per rental unit, up \$12 from \$737 per rental unit for the same period last year.
- The average market rent for the Trust's properties at the end of September 2005 was an estimated \$805 per rental unit per month which compares to an average in-place monthly rent per occupied unit of \$795 for the nine-month period ended September 30, 2005. This translates into an estimated "loss-to-lease" of approximately \$3.6 million, or \$0.07 per unit, maintaining existing occupancy rate levels.
- The "same-property" results for the Trust's stabilized portfolio (defined as properties owned for over 24 months) for the three-month period ended September 30, 2005 had rental revenue growth of 1.6%, an increase in total operating expenses by 6.8%, resulting in a decrease in NOI by 0.7% compared to the same period last year. The "same-property" results for the nine-month period ended September 30, 2005 showed rental revenue growth of 1.1%, an increase in total operating expenses by 5.0%, resulting in a decrease in NOI of 0.9% compared to the same period last year. A total of 31,058 units, representing approximately 93% of Boardwalk's total portfolio, were classified as stabilized as at September 30, 2005.



Les Jardins de Merici
Quebec, QC

Rental Revenue Cycle

As the graphic shows, our rental revenues are cyclical in nature. Overall in the third quarter, move-outs due to homeownership and corresponding vacancy rates continued to drop. Our increased rental revenues reflect we are in the recovering part of the rental revenue cycle. Vacancy in the current quarter is down substantially by 94 basis points at 4.54% compared to 5.48% last year, showing a strong July and August, seasonally our strongest rental months. In addition, the combined amount of customer incentives and vacancy loss is dropping on a quarterly and year over year basis. Vacancy in the first month of Q4 is even lower by 81 basis points at 3.73% compared to the current quarter. Historically, this leading indicator gives us good insight as to what to expect regarding vacancy in the fourth quarter. On average, a 200 basis point improvement in vacancy rates with no further incentives provides an internal rental revenue growth opportunity of approximately \$11 million or \$0.21 per unit annualized.





*Domain d'Iberville
Longueuil, QC*



*Place Samuel de Champlain
Quebec, QC*



*Boardwalk Towers
Calgary, AB*

The final phase of the rental revenue cycle involves a recovery in rental rates which we hope to achieve in the upcoming quarters. A small \$25 monthly increase in rents across our portfolio adds approximately \$0.19 per unit bottom line growth. We are pleased to note that our two largest markets of Edmonton and Calgary, representing over 46% of our total portfolio, have seen their stabilized rental revenue numbers improve by 2.2% and 1.3%, respectively, in the latest quarter.

In aggregate, our three-pronged internal rental revenue strategy has potential upside of approximately \$21 million or \$0.40 per unit annualized. Our operational teams continue to perform exceptionally and we are very thankful for their continued support and perseverance.

Rental Market Fundamentals

During a recent presentation, Canada Mortgage and Housing Corporation (CMHC) provided some statistics on increasing real monthly carrying costs for an average home in Canada, as well as an outlook for 3 and 5 year mortgage rates. The data illustrated current carrying costs, which simply represent principle and interest payments, reaching 1995 levels. This is the highest point in over 11 years. Considering posted 5 year rates were 10% plus in the mid-1990s, this gives us further perspective on housing inflation over the past 10 years given where rates are today.

Affordability for home-ownership in many Alberta markets continue to erode due to increases in mortgage rates and double digit growth in average home prices, thus benefiting multi-family landlords. Furthermore, CMHC's data shows Calgary's net-migration numbers up over 5 times from the previous year, confirming what we were seeing in terms of new rentals during the spring and summer months.

Increasing energy prices have fueled significant increases of in-migration and job growth in our largest market, the province of Alberta, which represents over 50% of our rental units. Higher energy prices have also fueled increased wages and salaries, utility costs, property taxes and repair and maintenance expenses. Our lease terms are a maximum of one year. Higher wage and salaries, along with continued price inflation for homes and condominiums make our rents more affordable. This in turn is increasing the demand for our rental units, increasing our occupancy levels and driving revenues higher, helping us to offset growing expenses.

We are pleased to see key fundamentals continue to fuel and benefit our many dynamic markets across the country for the long-term.

Acquisition/Disposition Activity

There were no acquisitions announced in Q3 2005. To date in 2005, the Trust has closed on 1,325 rental units in a series acquisitions spanning the provinces of Alberta, British Columbia and Quebec. These previously announced acquisitions had a total purchase price of \$115.2 million, and in aggregate, a going-in cap rate of 6.68%.

The acquisition market for multi-family rentals in Canada continues to be highly competitive, with most markets experiencing aggressive vendor expectations and compression in cap rates. We have in recent months seen more properties come to market and we are in various stages of discussion regarding a number of potential acquisitions. We cannot however be certain of closing any of these transactions.

Portfolio Market Valuation

Although market forces are making acquisitions more difficult, declining cap rates have had a positive effect on our portfolio's overall market valuation. The attractiveness, stability and low



Royal Heights
Edmonton, AB



Carlton Tower
Saskatoon, SK



Elk Valley Estates
Banff, AB.

interest rate environment has attracted local and international investors into Canadian multi-family real estate, pushing cap rates to even lower levels. In a recent CB Richard Ellis survey, cap rates in Calgary ranged from 5.75% to 6.50%, based on building classifications of High Rise A to Low Rise B, respectively. In Edmonton, this range was between 6.75% and 7.75% for High Rise A and Low Rise B, respectively. In Vancouver, this range was between 4.25% and 6.5% using the same building classifications. Cap rate compression continues in most markets across the country, including Alberta.

Maintaining Financial Strength

The Trust maintained its solid financial position in the third quarter of 2005. Boardwalk's total mortgage and long-term debt was \$1.55 billion as at September 30, 2005. This is up from \$1.41 billion at September 30, 2004 reflecting the additional debt on acquisitions completed during the year, and also includes the issuance of unsecured debentures which the Trust completed on January 21, 2005, 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.

As at September 30, 2005, the Trust's total debt had an average maturity of 3.6 years with a weighted average interest rate of 5.38%, and the Trust's total debt-to-total-market-capitalization ratio was 57.6%. The Trust's interest coverage ratio, excluding gains, for the three-month period ended September 30, 2005 was 2.10 times compared to 2.24 times in the same period last year.

Summary and Outlook

At this time I'd like to briefly touch on the uncertainty regarding the taxation of income trusts created by the Federal Government's recent White Paper. I will not repeat the many flaws of this paper already identified by many analysts and those in the financial industry, however I'd like to point out that REIT structures in particular not only have a global precedence, but the recent implementation of limited liability legislation by both the provincial and federal government confirms a strong support for this structure for Canadians. Public REITs in the U.S. have flourished since the early 60s versus the mid-90s in Canada, with market capitalizations 10 times that of ours. We are confident, upon further consultation with industry players and the many voters who represent REIT investors, the Department of Finance will make the correct decision and leave REITs alone.

We continue to see improvements in our overall rental revenues, and look forward to what should be a solid performing winter. We are seeing the benefits of having a truly diversified portfolio, and are confident we can continue to create further stakeholder value.

I would like to express my sincere gratitude to our over 1,100 dedicated Associates who continue to persevere and succeed in this very competitive marketplace. It is because of their efforts that Boardwalk continues to be Canada's premiere multi-family residential Trust. Thank you for allowing me to be a part of this dynamic team.

Sincerely,

Sam Kolas
President and C.E.O.

Management's Discussion and Analysis

For the Quarter Ended September 30, 2005

Certain statements in this report may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of Boardwalk Equities Inc. ("Boardwalk" or the "Corporation") and Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The following should also be read in conjunction with Management's Discussion and Analysis included in Boardwalk REIT's December 31, 2004 Financial Statements and the Notes thereto, along with all other publicly posted information on the Corporation and Boardwalk REIT.

Business Overview

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

On May 3, 2004, the Corporation sold all of its assets and undertakings to Boardwalk REIT. Boardwalk REIT units trade on the Toronto Stock Exchange under the symbol "BEI.UN". Boardwalk REIT's principal objectives are to provide its unitholders ("Unitholders") with monthly cash distributions, partially on a Canadian income tax-deferred basis, and to increase the value of its units through the effective management of its residential multi-family revenue producing properties and the acquisition of additional, accretive properties. As at the end of the third quarter of 2005, Boardwalk REIT currently owned and operated in excess of 260 properties, comprised of 33,298 units, totaling approximately 28 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 British Columbia, Alberta, Saskatchewan, Ontario and Quebec.

FINANCIAL REPORTING REVIEW

With the change in legal entity status from a corporation to a trust, we have reviewed the required financial reporting requirements. We have determined that Boardwalk REIT is a continuation of its predecessor, despite Boardwalk Equities Inc. and Boardwalk REIT having different legal forms, and should follow

the continuity of interest method of accounting in accordance with section 3.2 of Proposed National Policy 41-201, entitled "Income Trusts and Other Indirect Offerings". Under the continuity of interest method of accounting, Boardwalk REIT's acquisition of the operations of Boardwalk Equities Inc. is recorded at the net book value of the Corporation's assets and liabilities on May 3, 2004, and the unitholders' capital to Boardwalk REIT represents the shareholders' equity of the Corporation at that date.

The financial information, discussion and analysis for the nine months ended September 30, 2005 reflect the activities of Boardwalk REIT. The comparative figures represent the activities of Boardwalk Equities Inc. for the period from January 1, 2004 to May 2, 2004 and Boardwalk REIT for the period from May 3, 2004 to September 30, 2004.

PERFORMANCE REVIEW

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

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

Boardwalk REIT also generates additional income from the periodic sale of selective real estate properties. The sale of these properties is part of Boardwalk REIT's overall operating strategy whereby the equity generated through the sale is then utilized by Boardwalk REIT for the acquisition of new rental properties, to assist in its property value enhancement program or for the acquisition of Boardwalk REIT's trust units in the public market.

PERFORMANCE MEASURES

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

DI is computed as outlined in the Trust's Declaration of Trust. The DOT also indicates that the Trust is required to pay out all taxable income to Unitholders in the form of monthly distributions. It is the current policy of the Trust to distribute to its unitholders 85% of DI on an annualized basis. The Trust has indicated that, on an annualized basis, it will distribute \$1.26 per outstanding unit (or \$.105 per trust unit on a monthly basis) for 2005. For the third quarter of 2005, a total of \$22.3 million was declared in DI. The Trust has also implemented a Distribution Reinvestment Plan ("DRIP"). The essence of this plan is that the Unitholder has

the option, in lieu of receiving monthly distributions, to receive trust units from treasury. The DRIP allows participants to accept all or part of their monthly distributions in additional units. To promote this plan, the Trust offers a 3% premium on the units distributed under the plan. This plan is relatively new and, to date, not a significant number of Unitholders have elected to participate in this option.

In the table below, Boardwalk REIT provides a reconciliation of net earnings in accordance with GAAP to FFO and DI for the period.

Distributable Income / FFO In \$000's, except per unit amounts	3 Months Sep-05	3 Months Sep-04	%	3 Months Sep-05	3 Months Sep-04	%
Net earnings from continuing operations	\$ 2,891	\$ 4,608		\$ 2,041	\$ 5,924	
Adjustments						
Earnings (loss) from discontinued operations	\$ 38	\$ (126)		\$ 1,786	\$ (254)	
Deduct proceeds on disposition	\$ -	\$ -		\$ (1,508)	\$ -	
Future income taxes (recovery)	\$ 28	\$ (201)		\$ (804)	\$ (1,544)	
Recovery of technology write-down	\$ -	\$ -		\$ (739)	\$ -	
Future income taxes (recovery) on discontinued operations	\$ (0)	\$ (36)		\$ 12	\$ (69)	
Amortization	\$ 18,826	\$ 18,431		\$ 56,165	\$ 53,729	
Funds from operations	\$ 21,783	\$ 22,676	-4.0%	\$ 56,953	\$ 57,786	-1.4%
Add deferred financing costs	\$ 865	\$ 683		\$ 2,730	\$ 2,208	
Deduct deferred financing costs amortization after May 3, 2004	\$ (331)	\$ (11)		\$ (647)	\$ (26)	
Add (deduct) net discounts (premiums) adjustment after May 3, 2004	\$ 4	\$ (35)		\$ 5	\$ (52)	
Distributable income	\$ 22,321	\$ 23,313	-4.3%	\$ 59,041	\$ 59,916	-1.5%
Funds from operations - per unit	\$ 0.41	\$ 0.43	-4.7%	\$ 1.07	\$ 1.10	-2.7%
Distributable income - per unit	\$ 0.42	\$ 0.44	-4.5%	\$ 1.11	\$ 1.14	-2.6%

Overall, Boardwalk REIT earned \$21.8 million and \$57.0 million in FFO (which excludes any gain or loss on sale of properties) for the three and nine months ended September 30, 2005, respectively, marginally lower than the amounts reported for the same reporting periods in 2004. DI for the three and nine months ended September 30, 2005 were \$0.42 and \$1.11 per unit, respectively, compared to \$0.44 and \$1.14 for the same periods last year.

Declaration Of Trust

The investment policies of the Trust are outlined in the Trust's DOT and a copy of this is available on request to all Unitholders. Further information of the DOT can also be located beginning on page 28 of the Annual Information Form dated March 31, 2005. Some of the main financial and operating guidelines as set out in the DOT are as follow:

INVESTMENT GUIDELINES

1. Acquire and operate multi-family residential property;

2. No single asset shall be acquired if the cost of this asset, net of debt secured by such asset, will exceed 15% of the Trust's "Gross Book Value" (as such term is defined in the DOT); and
3. Investments in joint ventures must include a minimum investment of 25%.

OPERATING POLICIES

1. Maximum debt capacity is 70% of Gross Book Value;
2. Maximum leverage on any specific asset may not be greater than 75% of the market value of noted asset;
3. No guaranteeing of third party debt outside its existing structure and potential joint venture partner structures;
4. Both structural and environmental third party surveys are required prior to the acquisition of a multi-family asset; and
5. Commitment to expending at least 8.5% of its gross consolidated annual rental revenues generated from properties that have been insured by Canada Mortgage and Housing ("CMHC").

At September 30, 2005, the Trust was in material compliance with all investment and operating policies stipulated in the DOT. More details will be provided later in this document with respect to certain detailed calculations.

	30-Sep-05 9 Months	30-Sep-05 3 Months
DI per unit - September 30, 2004	\$ 1.14	\$ 0.44
Stabilized properties	\$ (0.03)	\$ (0.01)
New acquisitions (under 24 months)	\$ 0.15	\$ 0.04
Dilution effect on prior year's DI	\$ (0.01)	\$ -
General & Administration	\$ (0.06)	\$ (0.02)
Financing and LCT	\$ (0.08)	\$ (0.03)
DI per unit - September 30, 2005	\$ 1.11	\$ 0.42

ACCOUNTING POLICIES

Note 2 of page 45 of Boardwalk REIT's 2004 annual report summarizes Boardwalk REIT's significant accounting policies. Note 3 of the September 30, 2005 unaudited interim financial statements provide an update to any significant changes to these accounting policies. The first significant accounting change relates to the treatment of an interest cash flow hedge the Trust entered as part of the process of issuing an unsecured debenture in January of 2005. This hedge was accounted in accordance with the standards as set out in the new Canadian Accounting Standard section 3865 and the reported amount will be amortized through financing costs over the life of the debenture that being seven years from issuance.

The other significant accounting change relates to the presentation of certain capital assets. Prior to the commencement of the second quarter of 2005, certain excess land located in the province of Saskatchewan that was being developed and readied for sale was classified as "Properties Held for Resale". The Trust capitalized all direct costs, including financing and property tax costs, net of related revenue, associated with the land. Capitalization of costs continued to the end of the first quarter of 2005, when the development was substantially completed. Capitalized financing and property tax costs totaled \$0.1 million for the three months ended March 31, 2005 (\$0.4 million for the year ended December 31, 2004). Commencing in the second quarter of 2005, the excess land in the amount of \$8.0 million (December 31, 2004 - \$7.9 million) was reclassified as a component of revenue producing properties. As this change was driven by the existence of new information the Trust has treated this change as a change in estimate and as such accounted for this prospectively in the current quarter.

FOCUS ON RENTAL REVENUES

Boardwalk REIT's rental revenue strategy focuses on maximizing overall rental revenues. In the determination of these overall revenues, we continuously look at the optimal balance between market rents, incentives offered and vacancy revenue losses. The application of this strategy is an analysis on a market-by-market basis and adjustments made accordingly, again with the focus of obtaining the optimal balance of these variables given existing market conditions.

Review of Rental Operations

In 000's, except per unit amounts	3 Months Sep-05	3 Months Sep-04	Change	9 Months Sep-05	9 Months Sep-04	Change
Rental revenue	\$ 75,205	\$ 70,352	6.8%	\$ 223,089	\$ 209,308	6.6%
Expenses						
Operating expenses	\$ 9,247	\$ 8,143	13.6%	\$ 28,542	\$ 24,565	16.2%
Utilities	\$ 7,027	\$ 5,678	23.8%	\$ 28,157	\$ 27,741	1.5%
Utility rebate	\$ (7)	\$ 0		\$ (624)	\$ (812)	-23.2%
Property taxes	\$ 8,274	\$ 8,131	1.8%	\$ 24,263	\$ 21,607	12.3%
	\$ 24,541	\$ 21,952	11.8%	\$ 80,338	\$ 73,101	9.9%
Net operating income	\$ 50,664	\$ 48,400	4.8%	\$ 142,751	\$ 136,207	4.8%
Average rent per unit per month	\$ 754	\$ 740	1.9%	\$ 749	\$ 737	1.6%
Operating costs per unit per month	\$ 246	\$ 231	6.5%	\$ 269	\$ 257	4.7%
Operating margins	67%	69%		64%	65%	

Overall, Boardwalk REIT's rental operations reported strong results. The reported increases of 6.8% and 6.6% for the three and nine months ended September 30, 2005, respectively, in rental revenue is mainly the effect of new revenue generated through the acquisition of apartment units during the current periods. This was offset by total operating expense increases of 11.8% and 9.9%, respectively, resulting in net operating income increases of 4.8% and 4.8%, respectively, for the three and nine months ended September 30, 2005. If we were to look at this analysis on a per unit basis, a matrix that attempts to provide the user with a more meaningful analysis as it adjusts for revenue generated by new acquisitions, we note that rental revenue increased by 1.9% and 1.6%, respectively, and total rental expenses increased by 6.5% and 4.7%, respectively, for the three and nine months ended September 30, 2005. The ending result is that

overall operating margins decreased by 2% and 1%, respectively, for the three and nine months ended September 30, 2005, the result of increased operating costs that could not be fully passed on to our customers during these reportable periods.

Utility costs increased by 23.8% for the three months ended September 30, 2005 compared to the same period last year as a result of higher natural gas prices, combined with the fact that for the current quarter the Trust implemented an updated period-end utility estimation accrual procedure. The same system was not in place in the prior year. This change will normalize itself over the fiscal year and, as noted, the variance on a nine-month year-to-date basis varies only from the prior year by 1.5%.

Property taxes were also up significantly for the nine months ended September 30, 2005 from the prior year, mainly the result of increased property tax assessments in Alberta and Saskatchewan. It is the Trust's policy to review all property tax assessments in detail and, where warranted, appeal the reported assessment. At this time, the Trust is in the process of appealing a number of these assessments and is optimistic that it will be successful in this process. However, due to the uncertainty of the amount and timing of any refund, we have not adjusted the reported numbers for these potential refunds.

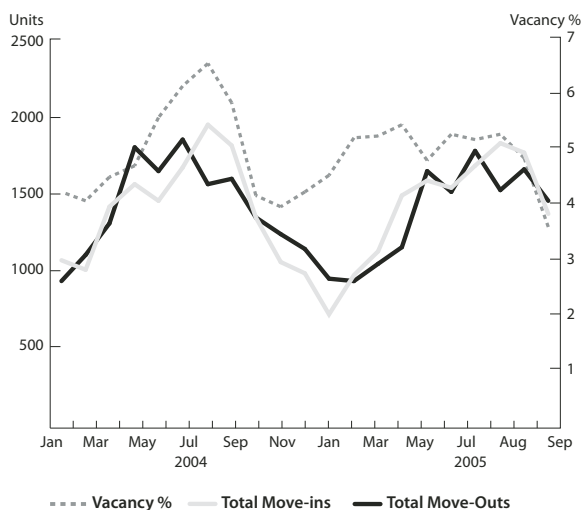
Boardwalk REIT's estimated loss-to-lease, representing the difference between estimated market rents and actual occupied rents on September 30, 2005, adjusted for current occupancy levels, totalled \$3.6 million, or \$0.07 per unit on an annualized basis. The reader should note that estimated loss-to-lease is a non-GAAP measure and that reported market rents can be very seasonal and, as such, will vary from quarter to quarter. The significance of this change could materially affect Boardwalk REIT's "estimated loss-to-lease" amount. The importance of this estimate, however, is that it can be an indicator of future rental performance assuming consistent economic conditions and trends.

PORTFOLIO OCCUPANCY PERFORMANCE

City	Q3 2005	Q3 2004	Q2 2005	Q1 2005
Calgary	4.75%	5.56%	5.99%	5.19%
Edmonton	4.39%	6.57%	5.40%	5.71%
Gatineau	12.40%	11.67%	12.71%	13.29%
Kitchener	3.44%	6.08%	1.62%	4.76%
London	4.11%	3.48%	4.33%	3.95%
Montreal	3.32%	2.77%	2.56%	3.71%
Other Alberta	3.00%	7.66%	3.43%	2.41%
Quebec City	5.46%	4.38%	4.60%	5.05%
Regina	5.57%	5.10%	4.47%	4.60%
Saskatoon	3.07%	6.25%	4.49%	6.15%
Windsor	7.83%	7.81%	9.49%	9.03%
Vancouver	5.44%	0.00%	6.92%	5.08%
Victoria	7.04%	0.00%	6.63%	2.48%
Grand Total	4.54%	5.48%	5.04%	5.19%

BOARDWALK REIT'S PORTFOLIO VACANCY

The third quarter of fiscal 2005 saw the portfolio's overall vacancy rate decrease to 4.54% compared to 5.04% for the second quarter of the current year, and decrease compared to 5.48% for the third quarter of the prior year. The decrease compared to the second quarter of 2005 is mainly the result of declining vacancy in the majority of our markets, with the exception of Kitchener, Montreal, Quebec City, Regina and Victoria. Management attributes the overall vacancy rate decrease of 0.50% compared to the second quarter of 2005 primarily to our efforts on attracting and retaining tenants during the period and the higher cost of home ownership in the province of Alberta.



The issue of demand and supply, as with other industries, is an important performance indicator for multi-family real estate. The above chart attempts to show the total move-outs (supply) compared to total move-ins (demand) and the resulting impact on reported vacancy. The cumulative impact of supply compared to demand is the primary driver in the reported vacancy rate.

SAME-PROPERTY RESULTS

Boardwalk defines a same-property (or stabilized property) as one that has been owned by the Trust for a period of 24 months from the reporting date. It should be noted that all properties acquired as part of the REIT conversion, in May of 2004, for the purpose of this metric were grandfathered to their original acquisition date. Boardwalk REIT's overall percentage of stabilized properties was 93% of its total rental unit portfolio as at September 30 2005, or a total of 31,058 units. The following compares the "same-store" results for the three and nine months ended September 30, 2005 with the same periods in the prior year.

9 Months	Units	Revenue	Operating Expenses	NOI	% of NOI
Calgary	4,887	1.5%	6.3%	-0.4%	18.8%
Edmonton	10,369	0.9%	2.1%	0.3%	33.2%
Other Alberta	1,604	4.8%	14.2%	1.0%	5.8%
Saskatchewan	4,660	0.4%	3.5%	-1.7%	11.6%
Ontario	4,136	0.2%	5.9%	-4.6%	10.3%
Quebec	5,402	1.1%	7.1%	-1.7%	20.3%
	31,058	1.1%	5.0%	-0.9%	100.0%

3 Months	Units	Revenue	Operating Expenses	NOI	% of NOI
Calgary	4,887	1.3%	8.9%	-1.1%	18.5%
Edmonton	10,369	2.2%	-1.1%	3.7%	32.9%
Other Alberta	1,604	5.4%	22.7%	-0.1%	5.8%
Saskatchewan	4,660	1.4%	8.3%	-1.7%	12.1%
Ontario	4,136	0.0%	7.3%	-5.2%	10.3%
Quebec	5,402	1.0%	15.6%	-4.2%	20.3%
	31,058	1.6%	6.8%	-0.7%	100.0%

For the third quarter 2005, same-store revenue increased slightly as compared to the prior period. Overall, rental expenses have also increased, primarily in Alberta. The increased operating expenses in Alberta related to increased property taxes as well as increased turnover costs and bad debts. For the nine months ended September 30, 2005, same-store revenue increased marginally by 1.1% while rental expenses increased by 5.0%, resulting in a decline in net operating income of 0.9% compared to the same period in the prior year.

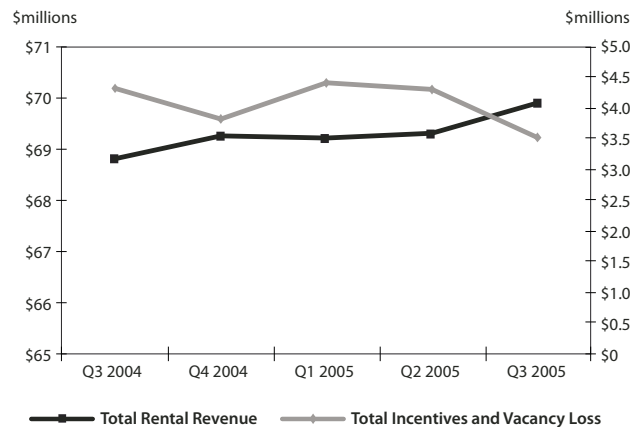
The Trust continues to be in the process of appealing recent increases to property values in various cities across the portfolio; however, at this time we are not able to reasonably estimate potential future savings, if any.

As with the prior year, the Trust was the recipient of a provincial natural gas rebate based on usage and price in its Alberta portfo-

lio in the first quarter of 2005. The amount of the rebate for 2005 was \$624 thousand as compared to \$812 thousand for the same period last year. The decrease is the result of lower overall usage and lower market resource prices. If we were to exclude these rebates from our analysis, net operating income for the nine-month comparison would only have decreased by 0.8%.

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

VACANCY LOSS AND INCENTIVES ON STABILIZED PROPERTIES



Vacancy loss and rental incentives offered are strong indicators of current and future revenue performance. Depending on specific market conditions, the correct balance is important to maintain to best manage overall economic rental revenue. The above chart details, on a quarterly basis, total rental revenues versus combined incentive and vacancy loss. Overall, there has been an increase in reported rental revenue while incentives and vacancy loss levels have remained consistent. This is a strong sign of a strengthening rental market.

Alberta Rental Operations

	3 Months Sep-05	3 Months Sep-04		9 Months Sep-05	9 Months Sep-04	
In \$000's	(Unaudited)	(Unaudited)	Change	(Unaudited)	(Unaudited)	Change
Rental revenue	\$ 39,524	\$ 38,025	3.9%	\$ 117,330	\$ 112,967	3.9%
Rental Expenses:						
Operating expenses	\$ 4,471	\$ 4,084	9.5%	\$ 14,441	\$ 13,278	8.8%
Utilities	\$ 3,709	\$ 3,092	20.0%	\$ 14,266	\$ 13,674	4.3%
Utilities rebate	\$ -	\$ -		\$ (629)	\$ (812)	-22.5%
Property taxes	\$ 3,438	\$ 3,860	-10.9%	\$ 9,991	\$ 9,227	8.3%
	\$ 11,618	\$ 11,036	5.3%	\$ 38,069	\$ 35,367	7.6%
Net operating income	\$ 27,906	\$ 26,989	3.4%	\$ 79,261	\$ 77,600	2.1%
Operating margins	70.6%	71.0%		67.6%	68.7%	

Boardwalk REIT's Alberta operations for the three and nine months ended September 30, 2005 have improved slightly from those reported for the same period in fiscal 2004. Higher repair and maintenance as a result flooding events encountered in Calgary and Edmonton, higher bad debt expense, particularly in the Calgary market, as well as higher property taxes were offset by higher revenue due primarily to lower vacancies and new units acquired in 2005. As was previously discussed, we are in the process of appealing selective property tax assessments in both Calgary and Edmonton. However, at this time we are not able to make reasonable estimates on the property tax rebate, if any, we may receive and, as such, no provision for this rebate has been made. Utility costs, as noted above, reported a significant increase in the current quarter and was the result of increased natural gas prices, combined with the fact that for during the current year the Trust implemented an updated period-end utility estimation accrual procedure. The same system was not in place in the prior year. This change will normalize itself over the fiscal year and, as noted, the variance on a nine-month year-to-date basis varies only from prior year by 4.3%.

Saskatchewan Rental Operations

	3 Months Sep-05	3 Months Sep-04		9 Months Sep-05	9 Months Sep-04	
In \$000's	(Unaudited)	(Unaudited)	Change	(Unaudited)	(Unaudited)	Change
Rental revenue	\$ 8,674	\$ 8,553	1.4%	\$ 25,756	\$ 25,663	0.4%
Rental Expenses:						
Operating expenses	\$ 1,002	\$ 998	0.4%	\$ 3,478	\$ 3,246	7.1%
Utilities	\$ 670	\$ 568	18.0%	\$ 3,101	\$ 3,355	-7.6%
Property taxes	\$ 1,210	\$ 1,103	9.7%	\$ 3,712	\$ 3,338	11.2%
	\$ 2,882	\$ 2,669	8.0%	\$ 10,291	\$ 9,939	3.5%
Net operating income	\$ 5,792	\$ 5,884	-1.6%	\$ 15,465	\$ 15,724	-1.6%
Operating margins	66.8%	68.8%		60.0%	61.3%	

Boardwalk REIT's Saskatchewan operations for the three months ended September 30, 2005 reported results lower than those reported in the same period during fiscal 2004, due mainly to higher utility costs and property taxes. The reported increase in utilities during the current quarter was the result of increased natural gas prices, combined with the fact that during the current year the Trust implemented an updated period-end utility estimation accrual procedure. The same system was not in place in the prior year. This change will normalize itself over the fiscal year and, as noted, the variance on a nine-month year-to-date basis actually was a decrease of 7.6%

Property taxes increased due to higher property assessments. For the nine months ended September 30, 2005, results were slightly lower than the same period in the prior year, due to lower operating margins earned this year compared to the same period of last year, primarily as a result of higher repair and maintenance and property tax expenses.

Ontario Rental Operations

	3 Months Sep-05	3 Months Sep-04		9 Months Sep-05	9 Months Sep-04	
In \$000's	(Unaudited)	(Unaudited)	Change	(Unaudited)	(Unaudited)	Change
Rental revenue	\$ 9,198	\$ 8,959	2.7%	\$ 27,653	\$ 26,824	3.1%
Rental Expenses:						
Operating expenses	\$ 1,112	\$ 985	12.9%	\$ 3,661	\$ 3,159	15.9%
Utilities	\$ 1,264	\$ 1,242	1.8%	\$ 4,721	\$ 4,650	1.5%
Property taxes	\$ 1,687	\$ 1,518	11.1%	\$ 5,013	\$ 4,465	12.3%
	\$ 4,063	\$ 3,745	8.5%	\$ 13,395	\$ 12,274	9.1%
Net operating income	\$ 5,135	\$ 5,214	-1.5%	\$ 14,258	\$ 14,550	-2.0%
Operating margins	55.8%	58.2%		51.6%	54.2%	

Boardwalk REIT's Ontario operations reported rental revenue increases for the three and nine months ended September 30, 2005 of approximately 2.7% and 3.1%, respectively, compared to the same periods last year, which was mainly the result of increasing market rents despite the fact that there was an increase in vacancies in both London and Windsor. The increase in vacancy had a material impact on the increase in reported operating expenses. The higher vacancy resulted in higher advertising and bad debt expense for the current quarter. Utility costs and property taxes increased for the current quarter compared to the same period last year as a result of higher natural gas pricing and increased property tax assessments. Net operating income for the current quarter decreased 1.5% compared to the same period in fiscal 2004. Net operating income for the nine months comparison declined by 2.0% as a result of higher bad debt

expense and higher repairs and maintenance incurred following fire damage to a number of units in this portfolio, where restoration costs were below our insurance deductible of \$100 thousand dollars per claim. Utility costs were higher due to higher natural gas pricing and consumption and property taxes were higher due to higher property tax assessments.

Quebec Rental Operations

	3 Months Sep-05	3 Months Sep-04		9 Months Sep-05	9 Months Sep-04	
In \$000's	(Unaudited)	(Unaudited)	Change	(Unaudited)	(Unaudited)	Change
Rental revenue	\$ 16,159	\$ 15,065	7.3%	\$ 47,890	\$ 43,524	10.0%
Rental Expenses:						
Operating expenses	\$ 1,947	\$ 1,638	18.9%	\$ 5,417	\$ 4,500	20.4%
Utilities	\$ 1,185	\$ 865	37.0%	\$ 5,464	\$ 5,076	7.6%
Property taxes	\$ 1,756	\$ 1,668	5.3%	\$ 5,253	\$ 4,561	15.2%
	\$ 4,888	\$ 4,171	17.2%	\$ 16,134	\$ 14,137	14.1%
Net operating income	\$ 11,271	\$ 10,894	3.5%	\$ 31,756	\$ 29,387	8.1%
Operating margins	69.8%	72.3%		66.3%	67.5%	

The majority of Boardwalk REIT's external growth over the last few fiscal years has come from the province of Quebec. Boardwalk REIT's Quebec operations reported strong gains in both revenue and net operating income. Reported revenue has increased by 7.3% and 10.0% for the three and nine months ended September 30, 2005, respectively, compared to the same periods in the prior year on the combined effect of improving results on existing properties and the addition of new units in this market. Rental expenses, accordingly, have increased resulting in increases in net operating income for the three and nine months ended September 30, 2005 of 3.5% and 8.1%, respectively, compared to the prior year. Utility costs, in particular, have increased significantly, due primarily to new units in the market and higher natural gas pricing.

ADMINISTRATIVE EXPENSES

Overall, the Trust's administrative expenses increased by \$3.0 million to \$21.2 million, from \$18.2 million reported for the nine months ended September 30 2004. The increase is the combined result of the additional rental units added in 2005 along with a significant increase in wage inflation. In addition, reported professional costs including legal and accounting were up from those reported in the prior year.

FINANCING COSTS

Financing costs for the current quarter and year-to-date have increased slightly from prior years. This increase is the combined effect of an increase in overall leverage, partially offset by lower overall reported weighted average interest rates, and the issuance of unsecured debentures in the aggregate amount of \$120 million. A more detailed discussion on the issuance of this debenture will be provided later in this document.

Boardwalk REIT continues to take advantage of the current low interest environment to refinance and renew certain mortgages, resulting in a lower overall weighted average mortgage rate. The average maturity of the mortgage portfolio is approximately four years.

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

program. Boardwalk REIT utilizes external financing to leverage these properties up to, in accordance with the DOT, a maximum of 75% of the purchase price and, where appropriate, Boardwalk REIT adds additional financing for all upgrades performed.

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

The first benefit of using CMHC insurance is that Boardwalk REIT can normally obtain lower interest rate spreads on its property financing. Although the amount of the interest rate spreads will vary, they are currently between 40 and 60 basis points above the respective Government of Canada Bonds. This compares favourably to the spreads on conventional financing, which currently range from 120 to 175 basis points above such bonds.

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

At September 30, 2005, approximately 98% of Boardwalk REIT's mortgage debt was backed by this NHA insurance with a weighted average amortization period of approximately 23 years.

DEFERRED FINANCING COSTS AMORTIZATION

The amounts reported here relate primarily to the amortization of CMHC premiums, which are paid as part of first mortgage financing. Under current reporting requirements, if Boardwalk REIT replaces an existing mortgage with a new mortgage, all costs associated with the original mortgage, including the unamortized balance of the CMHC premium, are required to be charged to income in the period that this occurs. As a result of this, and due to the variable timing and strategy of each mortgage at maturity, the amounts reported will vary. In the current quarter, Boardwalk REIT continued to take advantage of CMHC's new product to increase its leverage rather than refinance the entire mortgage.

AMORTIZATION

The amounts reported as amortization of capital assets for the three and nine months ended September 30, 2005 of \$18.8 million and \$56.2 million, respectively, have increased from the \$18.3 million and \$53.3 million reported in the comparable periods last year. The increase is the result of the increase in the depreciable asset base, particularly the acquisition of new rental apartment complexes.

RECOVERY OF WRITE-DOWN ON TECHNOLOGY BUSINESS UNIT

In fiscal 2001, the Trust's predecessor company, Boardwalk Equities Inc., took a charge against earnings of approximately \$29 million related to the discontinuation of an endeavour referred to as "Suite Systems". At the time of making the provision, internal estimate determined that, given the telecommunications market at that time, there was really no estimated salvage value of any of the related assets. Subsequent to this period, the Trust has been able to sell a portion of these items to arm's-length third parties. The recovery amount reported of \$739 thousand on the financial statements in the second quarter relate to the net funds received to date on the sale of these items. The amount recovered in this section has no impact on reported FFO and DI.

EARNINGS FROM DISCONTINUED OPERATIONS

During the second quarter, the Trust sold one property located in Edmonton, Alberta to an arm's-length third party. Although, as was previously noted, the selective selling of rental properties is part of its business strategy, under existing generally accepted accounting principles, the selling of this asset is treated as a disposal of a discontinued operations asset and, as such, is accounted for separately and is reported, net of any applicable tax. The gain of \$1.5 million is not included when the Trust computes either FFO or DI and, therefore, has no impact on reported FFO and DI.

Real Estate Assets

ACQUISITIONS

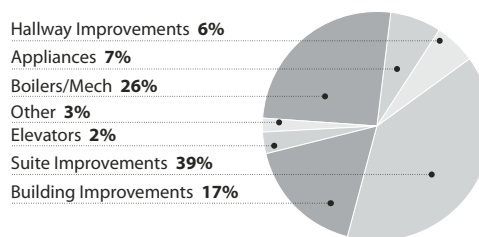
During the nine months of 2005, Boardwalk REIT acquired a total of 1,325 rental units for a total acquisition cost of \$116.4 million, or \$87.8 thousand per residential unit, excluding a fair value adjustment to assumed debt of approximately \$(0.2) million. A portion (approximately \$3.7 million) of the purchase price has been allocated to the value of the in-place operating leases as is now required under EIC-140. All of these acquisitions occurred in the first quarter of 2005.

DISPOSITIONS

During the second quarter of 2005, Boardwalk REIT disposed of a 186-unit property located in Edmonton, Alberta for a sales price of \$9.5 million. Cost of sales was approximately \$8.0 million, resulting in a gain on disposition of \$1.5 million.

CAPITAL IMPROVEMENTS

For the first nine months fiscal 2005, Boardwalk REIT invested approximately \$18.5 million in its properties in the form of project enhancements. The following chart details which areas these funds were expended.



Capital Improvements

The amount expended is down from the \$22.9 million invested in the first three quarters of fiscal 2004. The decrease was expected as Boardwalk REIT begins to leverage off the approximately \$300 million its predecessor spent on upgrading its assets over the past five fiscal years.

Included in these amounts is approximately \$3.0 million of capitalized on-site wages and salaries, representing approximately 16.2% of total capital expenditures for the current nine-month period. This amount is an estimate of site personnel cost associated with the completion of these capital projects, and is consistent with internal expectations since a significant portion of the improvements are now performed "in-house".

LIQUIDITY AND CAPITAL RESOURCES

Boardwalk REIT's financial position continues to be strong, with the overall debt level reported at 64% of Gross Book Value ("GBV"). GBV is a non-GAAP term that is defined in the Trust's DOT. In general, it is determined by taking total reported assets of the Trust, adding back accumulated amortization and making

a one-time adjustment in the amount of approximately \$231 million. The following chart sets out the Trust's recomputed GBV:

	Sep-05	Dec-04
Total reported assets	\$ 1,898,792	\$ 1,809,139
Reported amortization	\$ 354,090	\$ 304,489
	\$ 2,252,882	\$ 2,113,628
Conversion adjustment (May 2004)	\$ 231,460	\$ 231,460
	\$ 2,484,342	\$ 2,345,088
Mortgages payable	\$ 1,431,570	\$ 1,414,122
Debentures	\$ 120,000	\$ -
Market adjustment on mortgages (May 2004)	\$ 33,554	\$ 39,750
	\$ 1,585,124	\$ 1,453,872
Debt to GBV	64%	62%
DOT Limit	70%	70%

With a DOT limit of 70% on Debt-to-Gross Book Value, Boardwalk REIT has the ability to add additional leverage on its existing portfolio to assist with future investment in new assets.

Currently, Boardwalk REIT has an operating facility with a major financial institution with excess available of approximately \$95 million. In addition, at the date of writing, Boardwalk REIT has approximately \$10 million of cash available for investment. For the third quarter of 2005, 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 2.10 as compared to 2.24 for the same period last year.

MORTGAGE AND DEBT SCHEDULE

Fiscal Year	Mortgage Balance as at Sep 30, 2005	Average by Year
2005	75,553	4.08%
2006	168,315	4.99%
2007	243,234	5.26%
2008	245,202	6.08%
2009	207,402	5.73%
2010	249,013	4.89%
2011	107,667	5.94%
2012	183,065	5.26%
2013	35,855	5.46%
2014	4,542	5.91%
Subsequent	31,722	6.21%
Grand Total	1,551,570	5.38%

UNSECURED DEBENTURES

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

OUTSTANDING UNIT DATA

Boardwalk REIT has one class of voting securities known as "REIT Units". As at September 30, 2005, there were 48,726,879 REIT units issued and outstanding. In addition, there were 4,475,000 Class "B" special voting units of Boardwalk REIT Limited Partnership ("LP B Units"). Each LP B Unit is exchangeable for REIT units on a one-for-one basis at the option of the holder. Each LP B Unit entitles the holder to one vote at any meeting of Unitholders. Accordingly, if all of the LP B Units were exchanged for REIT units, the total issued and outstanding REIT units would be 53,201,879.

Critical Accounting Policies

Boardwalk REIT's accounting policies are described in Note 2 to the consolidated financial statements for the year ended December 31, 2004. These statements were prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and with the recommendations of the Real Property Association of Canada ("RealPac"). In applying these policies, in certain cases, it is necessary to use estimates. In determining estimates, management uses the information available to the Trust at the time. Management reviews key estimates on a quarterly basis to determine their appropriateness. Any change to these estimates is applied prospectively in compliance with Canadian generally accepted accounting principles. A more detailed discussion of Boardwalk REIT's critical accounting policies can be found on page 36 of Boardwalk REIT's 2004 annual report. Any changes, or new additions, to these policies can be found in Note 3 to the unaudited consolidated financial statements for the quarter ended September 30, 2005.

Financial Outlook and Market Guidance

In its 2004 annual report, Boardwalk REIT outlined specific targets for its fiscal 2005 overall financial performance. These targets, and any revisions, are outlined below:

2005 GUIDANCE

The reported results for the second quarter are reasonably in line with our internal estimates. With the additional information we have with respect to the third quarter reported results we are adjusting the exist guidance for 2005. The following chart shows the adjustment in the range:

	2005 Objectives	2005 Revised Objectives
FFO Rental Operations	\$1.42 to \$1.49	\$1.40 to \$1.45
Distributable Income	\$1.46 to \$1.53	\$1.45 to \$1.50
New Unit Acquisitions	1,000 to 2,000	1,000 to 2,000
Stabilized Buildings NOI growth	1.0% to 2.0%	0.0%

Although the revised range with respect to Distributable Income overlaps the original, we have adjusted the lower end of the range slightly downward to account for the higher than expected natural gas prices that we are currently experiencing.

2006 GUIDANCE

In addition, we are also providing 2006 Guidance as is noted below.

	2006 Objectives
FFO Rental Operations	\$1.37 to \$1.46
Distributable Income	\$1.41 to \$1.51
New Unit Acquisitions	1,000 to 2,000
Stabilized Buildings NOI growth	0%
Alberta Natural Gas Rate	\$0.03
Distributions	\$1.26

Although we are anticipating strong internal rental revenue growth, overall operating expenses are expected to continue increasing.

Our guidance for 2006 FFO and DI is slightly more conservative compared to our 2005 revised forecast. The 2006 guidance takes into consideration higher natural gas prices and overall operating costs. We believe we will not be able to fully recover these increased costs from our customers during the 2006 year. We have also assumed that the existing Alberta Natural Gas Rebate program will be extended, in its current form, past the March 2006 expiry date. The Alberta Provincial Government has not yet confirmed this. This anticipated extension is estimated to benefit Boardwalk's 2006 financial results by approximately \$0.03 per outstanding unit.

We have not included the potential recovery in terms of Edmonton property tax appeals described earlier. It is man-

agement's intention to update the market on a quarterly basis regarding our guidance estimates.

Forward-Looking Statements

This discussion contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. The forward-looking statements are statements that involve risks and uncertainties, including, but not limited to, changes in the demand for apartment and townhome rentals, the effects of economic conditions, the impact of competition and competitive pricing, the effects of Boardwalk REIT's accounting policies and other matters detailed in Boardwalk REIT's and Boardwalk Equities Inc.'s filings with Canadian and United States securities regulators available on SEDAR in Canada and by request through the Securities and Exchange Commission in the United States, including matters set forth in Boardwalk REIT's Annual Report to Unitholders for the year ended December 31, 2004, under the heading "Management's Discussion and Analysis". Because of these risks and uncertainties, the results, expectations, achievements, or performance described in this release may be different from those currently anticipated by Boardwalk REIT.

ADDITIONAL INFORMATION

Additional information relating to Boardwalk REIT and Boardwalk, including the Annual Information of Boardwalk REIT, is available on SEDAR at www.sedar.com.

Respectfully,

Roberto A. Geremia
Senior Vice President, Finance and Chief Financial Officer

Consolidated Balance Sheets

(Cdn\$ Thousands)

As at	September 30, 2005 (Unaudited)	December 31, 2004 (Audited)
ASSETS		
Revenue producing properties (NOTES 3, 4 and 5)	\$ 1,807,143	\$ 1,740,932
Deferred financing costs	43,517	39,056
Other assets	13,871	14,125
Future income taxes (NOTE 9)	1,338	547
Mortgages and accounts receivable	7,790	8,019
Segregated tenants' security deposits	7,171	6,460
Cash and cash equivalents	10,857	–
Discontinued operations (NOTE 5)	7,105	–
	\$ 1,898,792	\$ 1,809,139
LIABILITIES		
Mortgages payable	\$ 1,427,136	\$ 1,414,122
Debentures (NOTE 6)	120,000	–
Accounts payable and accrued liabilities	25,960	27,235
Refundable tenants' security deposits and other	10,356	9,543
Bank indebtedness	–	2,723
Discontinued operations (NOTE 5)	4,434	–
	\$ 1,587,886	\$ 1,453,623
UNITHOLDERS' EQUITY		
Unitholders' capital (NOTE 7)	295,300	293,503
Accumulated earnings	15,606	62,013
	\$ 310,906	\$ 355,516
	\$ 1,898,792	\$ 1,809,139

See accompanying notes to the consolidated financial statements

Consolidated Statements of Earnings

(Cdn\$ Thousands, except per UNIT amounts)

	3 months ended Sept. 30		9 months ended Sept. 30	
	2005	2004	2005	2004
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE				
Rental income	\$ 75,205	\$ 70,352	\$ 223,089	\$ 209,308
Expenses				
Revenue producing properties:				
Operating expenses	9,247	8,143	28,542	24,565
Utilities	7,020	5,678	28,157	27,741
Utility rebate (NOTE 10)	-	-	(624)	(812)
Property taxes	8,274	8,131	24,263	21,607
Administration	7,098	5,904	21,165	18,206
Financing costs	20,715	18,868	61,834	56,633
Deferred financing costs amortization	864	679	2,727	2,199
Amortization of capital assets	18,826	18,288	56,165	53,335
	72,044	65,691	222,229	203,474
	3,161	4,661	860	5,834
Recovery of write-down on technology business unit	-	-	(739)	-
Earnings (loss) from continuing operations before income taxes	3,161	4,661	1,599	5,834
Large corporations taxes	251	255	370	1,455
Future income taxes (recovery) (NOTE 9)	28	(201)	(804)	(1,544)
Earnings (loss) from continuing operations	2,882	4,607	2,033	5,923
Earnings (loss) from discontinued operations, net of tax (NOTE 5)	47	(126)	1,794	(254)
Net earnings	\$ 2,929	\$ 4,481	\$ 3,827	\$ 5,669
Basic earnings (loss) per unit (NOTE 8)				
- from continuing operations	\$ 0.06	\$ 0.08	\$ 0.04	\$ 0.11
- from discontinued operations	-	-	\$ 0.03	-
Basic earnings per unit	\$ 0.06	\$ 0.08	\$ 0.07	\$ 0.11
Diluted earnings (loss) per unit (NOTE 8)				
- from continuing operations	\$ 0.06	\$ 0.08	\$ 0.04	\$ 0.11
- from discontinued operations	-	-	\$ 0.03	-
Diluted earnings per unit	\$ 0.06	\$ 0.08	\$ 0.07	\$ 0.11

See accompanying notes to the consolidated financial statements

Consolidated Statements of Accumulated Earnings

(Cdn\$ Thousands)

As at	9 months ended September 30, 2005	9 months ended September 30, 2004
	(Unaudited)	(Audited)
Accumulated earnings, beginning of period	\$ 62,013	\$ 32,993
Net earnings	3,827	5,669
Distributions declared on units	(50,234)	(31,297)
Premium on unit repurchases	-	(1,397)
Elimination of future income taxes on conversion to trust	-	73,553
Accumulated earnings, end of period	\$ 15,606	\$ 79,521

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Cdn\$ Thousands)

	3 months ended Sept. 30		9 months ended Sept. 30	
	2005	2004	2005	2004
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating activities				
Net earnings	\$ 2,929	\$ 4,481	\$ 3,827	\$ 5,669
Loss (earnings) from discontinued operations, net of tax	(47)	126	(1,794)	254
Future income taxes (recovery)	28	(201)	(804)	(1,544)
Amortization of capital assets	18,826	18,288	56,165	53,335
Recovery of write-down on technology business unit	–	–	(739)	–
Funds from continuing operations	21,736	22,694	56,655	57,714
Funds from discontinued operations	47	(19)	215	71
Net change in operating working capital	(3,037)	928	112	10,930
Total operating cash flows	18,746	23,603	56,982	68,715
Financing activities				
Issue of trust units (net of issue costs) (NOTE 7)	565	127	1,797	28,769
Unit repurchase program	–	(530)	–	(2,163)
Restructuring costs	–	(1,020)	–	(9,520)
Distributions paid	(16,749)	(16,419)	(50,230)	(31,297)
Issue of debentures (NOTE 6)	–	120,000	–	–
Financing of revenue producing properties	14,627	25,485	127,589	95,340
Repayment of debt on revenue producing properties	(17,634)	(26,173)	(123,878)	(92,646)
Capital lease obligations	–	(2,786)	–	(3,370)
Deferred financing costs incurred (net of amortization)	(211)	1,827	(4,772)	(1,140)
	(19,402)	(19,489)	70,506	(16,027)
Investing activities				
Purchases of revenue producing properties (NOTE 4)	–	–	(103,289)	(22,263)
Project improvements to revenue producing properties	(6,187)	(10,101)	(18,500)	(22,860)
Net cash proceeds from sale of properties	–	–	9,405	–
Technology for real estate operations	(592)	(258)	(1,524)	(540)
	(6,779)	(10,359)	(113,908)	(45,663)
Net increase (decrease) in cash and cash equivalents balance	(7,435)	(6,245)	13,580	7,025
Cash and cash equivalents (bank indebtedness), beginning of period	18,292	23,393	(2,723)	10,123
Cash and cash equivalents, end of period	\$ 10,857	\$ 17,148	\$ 10,857	\$ 17,148
Supplementary cash flow information:				
Taxes paid	\$ 242	\$ 425	\$ 900	\$ 1,667
Interest paid	\$ 19,188	\$ 18,934	\$ 57,531	\$ 57,225

See accompanying notes to the consolidated financial statements

Notes to Consolidated financial Statements

Three and nine months ended September 30, 2005

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

(unaudited)

1. ORGANIZATION OF TRUST

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

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements of Boardwalk Real Estate Investment Trust (the "Trust") 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, 2004, except as described in Note 3 below. These interim financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles ("Canadian GAAP") applicable to annual financial statements and, therefore, they should be read in conjunction with the audited consolidated financial statements.

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

Due to seasonality, the operating results for the three and nine months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2005 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.

The comparative figures for the three months ended September 30, 2004 represent the activities of Boardwalk REIT. The comparative figures for the nine months ended September 30, 2004 represent the activities of the Boardwalk Equities Inc. for the period from January 1, 2004 to May 2, 2004 combined with the activities of Boardwalk REIT for the period from May 3, 2004 to September 30, 2004. Certain comparative figures have been reclassified to conform to the presentation of the current period, or as a result of accounting changes.

3. ACCOUNTING CHANGES

a) Accounting Policy Changes

(i) Hedge Accounting

Beginning January 1, 2005, the Trust adopted hedge accounting in accordance with the transitional provisions of CICA Handbook Section 3865. Hedge accounting was applied to a bond forward contract (see NOTE 6) entered into by the Trust to mitigate future cash interest payments associated with our unsecured debentures, which was completed on January 21, 2005.

(ii) Consolidation of Variable Interest Entities

These consolidated financial statements include the accounts of Boardwalk REIT and its wholly owned subsidiaries, as well as variable interest entities over which it exercises control on a basis other than ownership of voting interests in accordance with CICA Handbook Accounting Guideline 15 (AcG-15), Consolidation of Variable Interest Entities. All inter-company transactions have been eliminated.

b) Reclassification of Properties Held For Resale

Prior to the commencement of the second quarter of 2005, certain excess land located in the province of Saskatchewan that was being developed and made readied for sale was classified as "Properties Held for Resale". The Trust capitalized all direct costs, including financing and property tax costs, net of related revenue, associated with the land.

Capitalization of costs continued to the end of the first quarter of 2005, when the development was substantially completed. Capitalized financing and property tax costs totalled \$0.1 million for the three months ended March 31, 2005 (\$0.4 million for the year ended December 31, 2004).

Commencing in the second quarter of 2005, the excess land in the amount of \$8.0 million (December 31, 2004 - \$7.9 million) was reclassified as a component of revenue producing properties.

4. REVENUE PRODUCING PROPERTIES

Acquisitions

	3 months ended Sept. 30, 2005	3 months ended Sept. 30, 2004	9 months ended Sept. 30, 2005	9 months ended Sept. 30, 2004
Cash paid	\$ -	\$ -	\$ 103,289	\$ 22,263
Debt assumed	-	-	13,144	18,321
Total purchase price	\$ -	\$ -	\$ 116,433	\$ 40,584
Fair value adjustments to debt	-	-	(207)	1,334
Book value	\$ -	\$ -	\$ 116,226	\$ 41,918
Allocation of book value to revenue producing properties	\$ -	\$ -	\$ 112,569	\$ 40,145
Allocation of book value to other assets	-	-	3,657	1,773
	\$ -	\$ -	\$ 116,226	\$ 41,918
Units acquired	-	-	1,325	537

Dispositions

	3 months ended Sept. 30, 2005	3 months ended Sept. 30, 2004	9 months ended Sept. 30, 2005	9 months ended Sept. 30, 2004
Cash received	\$ -	\$ -	\$ 9,405	\$ -
Cost of dispositions	-	-	127	-
Total proceeds	\$ -	\$ -	\$ 9,532	\$ -
Net book value	-	-	8,025	-
Gain on sale	\$ -	\$ -	\$ 1,507	\$ -
Units sold	-	-	186	-

5. DISCONTINUED OPERATIONS

During the first quarter of 2005, a commercial building 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 available for immediate sale and is being marketed for sale at a price that is reasonable in relation to its current fair value. During the second quarter of 2005, the Trust completed the sale of a 186-unit rental property located in Edmonton, Alberta. This rental property formed part of our Alberta segment in our segmented information disclosure.

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

	3 months ended Sept. 30, 2005	3 months ended Sept. 30, 2004	9 months ended Sept. 30, 2005	9 months ended Sept. 30, 2004
Revenue				
Rental income	\$ 191	\$ 448	\$ 1,227	\$ 1,357
Expenses				
Revenue producing properties:				
Operating expenses	13	91	135	225
Utilities	9	129	176	327
Property taxes	24	39	92	92
Administration	10	10	41	49
Financing costs	87	194	481	584
Deferred financing cost amortization	1	4	3	9
Amortization of capital assets	–	143	–	394
	144	610	928	1,680
	47	(162)	299	(323)
Gain on disposition	–	–	1,507	–
Operating earnings (loss) from discontinued operations before income taxes	47	(162)	1,806	(323)
Future income taxes (recovery)	–	(36)	12	(69)
Earnings (loss) from discontinued operations	\$ 47	\$ (126)	\$ 1,794	\$ (254)

	Sept. 30, 2005
Discontinued Assets	
Revenue producing properties	\$ 6,763
Other assets	342
Total	<u>\$ 7,105</u>
Discontinued Liabilities	
Mortgages payable	\$ 4,434
Total	<u>\$ 4,434</u>

6. DEBENTURES

On January 21, 2005, Boardwalk REIT completed the issuance of unsecured debentures in a public offering in the aggregate amount of \$120 million. The debentures are rated “BBB” with a stable trend by Dominion Bond Rating Services, carry a coupon rate of 5.31% and will mature on January 23, 2012. Net proceeds of approximately \$119 million was 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 were settled when the debentures were issued for the settlement amount of \$0.7 million. The settlement amount will be amortized over the term of the unsecured debentures.

7. UNITHOLDERS’ CAPITAL

The Plan of Arrangement (the “Arrangement”) to convert Boardwalk Equities Inc. from a share corporation to a real estate investment trust was completed on May 3, 2004. On conversion of Boardwalk Equities Inc. to a trust, \$10.1 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 contributions are as follow:

	Shares	Amount
Share capital of Boardwalk Equities Inc. at December 31, 2003	50,868,119	\$ 275,509
Options exercised	2,345,155	28,372
Share capital of Boardwalk Equities Inc. at May 2, 2004 exchanged for trust units	53,213,274	\$ 303,881
Summary of Unitholders' Capital Contributions		
	Units	Amount
Units issued in exchange for Boardwalk Equities Inc. shares	53,213,274	\$ 303,881
Issuance of 15,000 units for cash at \$18.00 per unit on May 3, 2004	15,000	270
Unit repurchases, recorded at book value of units	(138,400)	(766)
Units issued under distribution reinvestment plan	17,693	292
Restructuring costs	-	(10,174)
December 31, 2004	53,107,567	\$ 293,503
Units issued under distribution reinvestment plan	94,312	1,797
September 30, 2005	53,201,879	\$ 295,300

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	48,726,879	
Special Voting Units issued to holders of LP Class B units	4,475,000	
Total trust units	53,201,879	\$ 295,300

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 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.

	9 months ended Sept. 30, 2004
Net earnings	\$ 3,827
Add:	
Amortization of capital assets	56,165
Amortization of deferred financing costs incurred prior to May 3, 2004	2,082
Amortization of net discount on long-term debt assumed after May 2, 2004	5
Deduct:	
Future income tax recovery	(792)
Gain on disposal	(1,507)
Recovery of write-down on technology business unit	(739)
Distributable income	\$ 59,041
Distribution to unitholders	\$ 50,234
Weighted average units outstanding – basic and diluted	53,152,242
Distributable income earned per unit	\$ 1.111
Actual distributions declared per unit	\$ 0.945

Earnings per unit

	3 months ended Sept. 30, 2005	3 months ended Sept. 30, 2004	9 months ended Sept. 30, 2005	9 months ended Sept. 30, 2004
Numerator				
Earnings (loss) from continuing operations	\$ 2,882	\$ 4,607	\$ 2,033	\$ 5,923
Earnings (loss) from discontinued operations	\$ 47	\$ (126)	\$ 1,794	\$ (254)
Denominator				
Denominator for basic earnings per unit – weighted average units (THOUSANDS)	53,190	53,100	53,152	52,632
Effect of dilutive units Units issued (stock options before May 3, 2004) in respect of long-term incentive plan (THOUSANDS)	–	–	–	–
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion (THOUSANDS)	53,190	53,100	53,152	52,632
Earnings (loss) per unit from continuing operations				
Basic	\$ 0.06	\$ 0.08	\$ 0.04	\$ 0.11
Diluted	\$ 0.06	\$ 0.08	\$ 0.04	\$ 0.11
Earnings (loss) per unit from discontinued operations				
Basic	\$ 0.00	\$ 0.00	\$ 0.03	\$ 0.00
Diluted	\$ 0.00	\$ 0.00	\$ 0.03	\$ 0.00

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. Total future income tax recovery for the nine months ended September 30, 2004 combines the results of Boardwalk Equities Inc. prior to May 3, 2004 with the results of Boardwalk REIT subsequent to May 2, 2004. 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 Sept. 30, 2005	3 months ended Sept. 30, 2004	9 months ended Sept. 30, 2005	9 months ended Sept. 30, 2004
Continuing operations	\$ 28	\$ (201)	\$ (804)	\$ (1,544)
Discontinued operations	–	(36)	12	(69)
Total future income taxes (recovery)	\$ 28	\$ (237)	\$ (792)	\$ (1,613)

Future income taxes (recovery) consist of the following:

	3 months ended Sept. 30, 2005	3 months ended Sept. 30, 2004	9 months ended Sept. 30, 2005	9 months ended Sept. 30, 2004
Tax (recovery) expense based on expected rate	\$ (25)	\$ (237)	\$ (164)	\$ (36)
Adjustment to future income tax liabilities	53	–	(548)	(26)
Adjustment for change in effective tax rate	–	–	(80)	(1,551)
Future income taxes (recovery)	\$ 28	\$ (237)	\$ (792)	\$ (1,613)

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

As at	September 30, 2005	December 31, 2004
Tax assets related to operating losses	\$ 1,089	\$ 1,034
Tax liabilities related to differences in tax and book basis	249	(487)
Future income tax asset (liability)	<u>\$ 1,338</u>	<u>\$ 547</u>

10. COMMITMENTS AND CONTINGENCIES

At September 30, 2005, 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 three to fifteen months at a blended rate of approximately \$0.066/kwh. These agreements provide that the Trust purchase its power for all Alberta properties under contract for the upcoming months.

In Saskatchewan, the Trust has a physical supply agreement to supply 100% of the Trust's natural gas requirements for that province. The agreement extends until October 31, 2005 at a fixed price of \$5.20/GJ.

While the above utility contracts for both electrical power and natural gas 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 Alberta government modified the natural gas rebate program to include the month of October 2005. This program will be in effect for a remaining six-month term ending March 31, 2006. The rebate program becomes active when the natural gas consumer price exceeds \$5.50/GJ for any individual winter usage month. For January to March 2005, Boardwalk REIT was eligible for rebates totalling approximately \$0.6 million. For January to March 2004, Boardwalk REIT's predecessor was eligible for rebates totalling approximately \$0.8 million.

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

11. GUARANTEES

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

In connection with the sales of properties, a mortgage assumed by the purchaser will have an indirect guarantee provided to the lender until the mortgage is refinanced by the purchaser. In the event of default by the purchaser, the seller would be liable for the outstanding mortgage balance. Boardwalk REIT's maximum exposure at September 30, 2005 is approximately \$5.7 million. In the event of default, Boardwalk REIT's recourse for recovery includes the sale of the respective building asset. Boardwalk REIT expects that the proceeds from the sale of the building asset will cover, and in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at September 30, 2005, 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 five provinces located in Canada. The following summary presents segmented financial information for Boardwalk REIT's business by geographic location. The comparative nine-month figures represent the activities of Boardwalk Equities Inc. for the period from January 1, 2004 to May 2, 2004 combined with the activities of Boardwalk REIT for the period from May 3, 2004 to September 30, 2004.

	3 months ended Sept. 30, 2005	3 months ended Sept. 30, 2004	9 months ended Sept. 30, 2005	9 months ended Sept. 30, 2004
Alberta				
Revenue	\$ 39,524	\$ 38,025	\$ 117,330	\$ 112,967
Expenses				
Operating	4,471	4,084	14,441	13,278
Utilities	3,709	3,092	14,266	13,674
Utility rebates	–	–	(629)	(812)
Property taxes	3,438	3,860	9,991	9,227
	11,618	11,036	38,069	35,367
Net operating income	\$ 27,906	\$ 26,989	\$ 79,261	\$ 77,600
Saskatchewan				
Revenue	\$ 8,674	\$ 8,553	\$ 25,756	\$ 25,663
Expenses				
Operating	1,002	998	3,478	3,246
Utilities	670	568	3,101	3,355
Property taxes	1,210	1,103	3,712	3,338
	2,882	2,669	10,291	9,939
Net operating income	\$ 5,792	\$ 5,884	\$ 15,465	\$ 15,724
Ontario				
Revenue	\$ 9,198	\$ 8,959	\$ 27,653	\$ 26,824
Expenses				
Operating	1,112	985	3,661	3,159
Utilities	1,264	1,242	4,721	4,650
Property taxes	1,687	1,518	5,013	4,465
	4,063	3,745	13,395	12,274
Net operating income	\$ 5,135	\$ 5,214	\$ 14,258	\$ 14,550
British Columbia				
Revenue	\$ 1,514	\$ –	\$ 2,415	\$ –
Expenses				
Operating	108	–	298	–
Utilities	152	–	213	–
Property taxes	163	–	88	–
	423	–	599	–
Net operating income	\$ 1,091	\$ –	\$ 1,816	\$ –
Quebec				
Revenue	\$ 16,159	\$ 15,065	\$ 47,890	\$ 43,524
Expenses				
Operating	1,947	1,638	5,417	4,500
Utilities	1,185	865	5,464	5,076
Property taxes	1,756	1,668	5,253	4,561
	4,888	4,171	16,134	14,137
Net operating income	\$ 11,271	\$ 10,894	\$ 31,756	\$ 29,387
Total				
Net operating income	\$ 51,195	\$ 48,981	\$ 143,648	\$ 137,261
Unallocated revenue*	327	198	11,292	753
Unallocated expenses**	(48,593)	(44,698)	(151,113)	(132,345)
Net earnings for the period	\$ 2,929	\$ 4,481	\$ 3,827	\$ 5,669

As at	September 30, 2005	December 31, 2004
Alberta		
Identifiable assets		
Revenue producing properties	\$ 952,823	\$ 939,735
Mortgages and accounts receivable	976	297
Deferred financing costs	26,313	24,392
Tenants' security deposit	5,576	5,243
	<u>\$ 985,688</u>	<u>\$ 969,667</u>
Saskatchewan		
Identifiable assets		
Revenue producing properties	\$ 177,333	\$ 181,230
Mortgages and accounts receivable	96	102
Deferred financing costs	4,346	4,467
Tenants' security deposits	1,338	1,216
	<u>\$ 183,113</u>	<u>\$ 187,015</u>
Ontario		
Identifiable assets		
Revenue producing properties	\$ 214,719	\$ 218,740
Mortgages and accounts receivable	166	246
Deferred financing costs	3,577	3,329
	<u>\$ 218,462</u>	<u>\$ 222,315</u>
British Columbia		
Identifiable assets		
Revenue producing properties	\$ 61,755	\$ -
Mortgages and accounts receivable	8	-
Tenants' security deposits	256	-
	<u>\$ 62,019</u>	<u>\$ -</u>
Quebec		
Identifiable assets		
Revenue producing properties	\$ 396,889	\$ 389,866
Mortgages and accounts receivable	4,805	4,465
Deferred financing costs	6,032	5,417
	<u>\$ 407,726</u>	<u>\$ 399,748</u>
Total assets		
Identifiable assets	\$ 1,857,008	\$ 1,778,745
Unallocated assets***	41,784	30,394
	<u>\$ 1,898,792</u>	<u>\$ 1,809,139</u>

* 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.



Corporate Information

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BOARD OF TRUSTEES

Paul J. Hill, Chairman of the Board
Regina, Saskatchewan

James DeWald
Calgary, Alberta

Ernest Kapitza ^{(1) (2)}
Calgary, Alberta

Sam Koliás
Calgary, Alberta

Al W. Mawani ^{(1) (2)}
Thornhill, Ontario

David V. Richards ⁽¹⁾
Calgary, Alberta

Michael D. Young ⁽²⁾
Dallas, Texas

⁽¹⁾ Member of the Audit and
Risk Management Committee

⁽²⁾ Member of the Compensation,
Governance and Nominations Committee

SENIOR MANAGEMENT

Dean Burns
Vice President, Legal Affairs

William Chidley
Senior Vice President,
Corporate Development

Jean Denis
Vice President, Acquisitions,
Quebec and Atlantic Canada

Roberto A. Geremia
Senior Vice President, Finance
and Chief Financial Officer

Michael Guyette
Vice President, Technology

Sam Koliás
President & Chief Executive Officer

Van Koliás
Senior Vice President, Quality Control

Helen Mix
Vice President, Human Resources

Kim O'Brien
Vice President, Investments

Shaun Renneberg
Vice President, Capital Projects

Lisa Russell
Vice President, Acquisitions,
Western Canada

Kelly Mahajan
Vice President,
Customer Service and Process Design

Kevin P. Screpnechuk
Senior Vice President, Rental Operations

William Wong
Vice President and Controller