

Letter To Unitholders

We are pleased to report on our Trust's solid third quarter. Building on the solid rental fundamentals of the first half of 2006, Boardwalk again posted positive revenue growth. For the third quarter, Funds from Operations (FFO) was up 23.4% over last year's third quarter, and FFO per unit was up 17.1% over the same period last year. Benefiting from the booming economy, Boardwalk's Alberta portfolio, which makes up in excess of 50% of the Trust's entire apartment portfolio, continued to drive revenue upwards. Boasting continued low vacancy, steadily rising revenues and virtually zero loss to incentives, Boardwalk's Alberta markets moved ahead of increasing expenses, resulting in positive overall net operating and financial results for the quarter.

As reflected in our past quarter's early indicators and discussed in prior quarters, demand for our rental units continued to improve through the third quarter of 2006. The Trust saw significant absorption throughout the peak, summer rental market, positioning us well as we go into the traditionally quieter Fall and Winter months. Across the Trust's entire portfolio, market rent increased 6% from \$926 at the end of Q2, to \$985 at the end of Q3, 2006. In our Alberta portfolio, market rent increased 10.5% from \$1,036 at the end of Q2, 2006, to \$1,145 at the end of Q3, 2006. To put this growth into context, a \$25 monthly increase in rents across our portfolio adds approximately \$0.19 per unit bottom-line growth assuming no inflationary expense loss.

Across the portfolio, vacancy dropped by 84 basis points to 3.73% compared to 4.57% on a year-over-year basis. Most notably, Calgary and Edmonton posted 2.31% and 2.76% vacancy respectively, in comparison to 4.73% and 4.39% vacancy respectively last year. On average, a 100 basis point

or 1% improvement in vacancy rates across our portfolio, with no further incentives, provides an internal rental revenue growth opportunity of approximately \$3.4 million on in-place, or \$3.9 million on current market rent. The significant decrease in vacancy is particularly significant given the already low vacancy going into Q3.

According to the Calgary and Edmonton Real Estate Boards, growth in housing prices in Alberta's two largest cities appears to be balancing slightly. While still hot, the markets are shifting to a growth rate which is more sustainable than the approximately 45% increases seen in both markets over the past year. However, the rental market remains strong, as substantial net provincial in-migration, high home prices, exceptional industry growth and record low unemployment combine to generate strong demand. The gap between home and condominium ownership costs vs. the cost of renting has widened significantly. These factors bode well for the future.

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 the long term, diversity greatly increases our sustainability as a proven, growing investment option.

At all times, we remember that our customers are the cornerstone of our business. We are committed to pursuing a balance between profitability and customer relationship. Developing long-term, positive associations with our

customers ensures corporate sustainability into the future. While we are certainly pleased to benefit from the Alberta market's increased rental rate capacity, we stand by our self-imposed, customer-focused rental rate policies. Market rents in Alberta are well above in-place rents for the majority of our residents. In order to develop solid, sustainable, growing financial results, customer loyalty and long-term retention, we allow customers to benefit from the Trust's self-imposed rental rate increase maximum when they choose month-to-month lease terms. Further, we provide internal rental subsidies in the form of rental increase forgiveness to customers who can prove financial need.

Building on the strength of our Alberta markets, the geographic diversification of our quality rental assets, our strong operating platform, and our long-term, relationship focused approach to all stakeholders, we feel exceptionally well positioned for the future.

Highlights of the Trust's Third Quarter 2006 Financial Results include:

- ▲ Rental revenues of \$81.1 million, an increase of 8.9% compared to \$74.5 million for the three-month period ended September 30, 2005.
- ▲ Net operating income of \$51.6 million, representing a 10.3% increase from \$46.8 million in the same period last year.
- ▲ FFO of \$26.9 million, an increase of 23.4% compared to \$21.8 million for the three-month period ended September 30, 2005.
- ▲ FFO per unit was \$0.48 on a diluted basis, up 17.1%, compared to \$0.41 for the three-month period ended September 30, 2005.
- ▲ DI was \$0.49 per unit, up 16.7% from \$0.42 for the three months ended September 30, 2005.
- ▲ The average monthly rent on our entire portfolio realized in the third quarter of 2006 was \$797 per rental unit, up \$46 from \$751 per rental unit for the same period last year.
- ▲ The average market rent for the Trust's properties at the end of September 2006 was an estimated \$985 per rental unit per month, which compares to an average in-place monthly rent per occupied unit of \$832 for the quarter ended September 30, 2006.
- ▲ 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, 2006 had rental revenue growth of 6.1%, an increase in total operating expenses of 5.2%, resulting in an increase in NOI of 6.6% compared to the same period last year. A total of 31,401 units, representing approximately 93% of Boardwalk's total portfolio, were classified as stabilized as at September 30, 2006.

Highlights of the Trust's results for the nine months ended Sept. 30, 2006 include:

- ▲ Rental revenues of \$235.8 million, an increase of 6.7% compared to \$221.0 million for the nine-month period ended September 30, 2005.
- ▲ Net operating income of \$141.6 million, representing an 8.1% increase from \$130.9 million in the same period last year.
- ▲ FFO of \$66.3 million, an increase of 16.4% compared to \$57.0 million for the nine-month period ended September 30, 2005.
- ▲ FFO per unit was \$1.20 on a diluted basis, up 12.1% compared to \$1.07 for the nine-month period ended September 30, 2005.
- ▲ DI was \$1.22 per unit, up 9.9% from \$1.11 for the nine months ended September 30, 2005.
- ▲ The "same-property" results for the nine-month period ended September 30, 2006 showed rental revenue growth of 4.2%, and an increase in total operating expenses of 2.5%, resulting in an increase in NOI of 5.3% compared to the same period last year.

Rental Market Fundamentals

Our occupied rents remain well below market rents across our portfolio, with the greatest variance in our Alberta markets. At the end of September 2006, the potential between occupied rents and market rents (mark-to-market) totaled \$57 million, or \$1.01 per unit, up from \$43 million, or \$0.79 per unit, at the end of June 2006. Because our rental strategy focuses on sustainability, the rental potential takes time to achieve. Approximately 50% of our Alberta Customers turn over every year, with new Customers jumping to current market rent. However, new Customers may be signed up for 12-month leases, during which time they receive no rental

increases. Existing Customers who renew their leases may elect a month-to-month lease term, in which case they will receive a maximum increase of \$75 every six months, effective January 1, 2007. While both the lease term and maximum rate increase limit the speed at which we can bring all tenants to market rate in a good market, these controls foster our market reputation as a professional, customer focused landlord, thereby enhancing our sustainability for more competitive times.

Though the mark-to-market delta continues to widen, as market rents rise more quickly than occupied rents, the growth in our occupied rents across our portfolio is significant. Occupied rents were up \$22 to \$832 for Q3, 2006 from \$810 for Q2, 2006. In reality, the gains seen in market rent growth are so significant that even if we only realize a portion of the total, we will continue to see above average results.

Across the rest of our portfolio, we recorded relatively flat results for Q3. However, as we mentioned previously, rental markets are cyclical. Outside of Alberta, our portfolio's performance is very similar to that seen in the Alberta markets just two years ago. We continue to watch each of our markets very closely, fine-tuning rental rates and incentives to meet each individual market's requirements on an ongoing basis. 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, allowing us to maximize our gross rental revenues in each changing market.

Our diversification into 18 markets across five provinces strengthens our long-term viability and market resiliency. Currently, our Alberta markets are receiving the bulk of stakeholder interest due to their exceptionally positive financial and operating results. However, the remaining 49% of our units, which continue to perform as per expectations, are equally important as they provide necessary diversification and strength to ensure the Trust's viability over the long-term.

Across our portfolio, expenses continued to rise, though at a more moderate pace than earlier this year. In particular, the Trust faced substantial increases in turnover costs in Alberta, due in large part to overall increases in wages and salary among staff. As well, inflationary pressures in Alberta have resulted in increased costs for building materials and

supplies. On the positive front, increasing expenses are somewhat tempered by savings in natural gas expenditures, and property taxes were flat after the massive increases of the past couple years.

Improving Market Fundamentals

Excellent market fundamentals aligned to produce positive effects on the Alberta rental market. Higher home and condominium prices have resulted in exceptional relative value for our rental homes.

Though housing prices appear to have recently balanced somewhat in Calgary and Edmonton after record year over year gains (the average residential MLS sale price in Calgary was up 45.7% over September 05, while the average residential MLS sale price in Edmonton was up 46.3% in the same time frame), affordability for home ownership continues to erode. As the market stabilizes slightly, an easing sales-listing ratio has calmed the frenzied purchase competition that characterized the first half of the year in Calgary. However, what is considered a stabilizing market by Alberta standards would still be characterized as a hot market elsewhere. CMHC predicts the price of residential real estate in Alberta's major cities will continue to increase at a more moderate rate of 10-15% over the next year, further pricing many would-be homeowners out of the market. Given the exceptional price gains seen across Alberta in the past year, rental rate increases prove to be substantially more affordable than home purchase. In fact, increasing home purchase prices make renting the best value in accommodation available in Alberta today.

The promise of employment and superior wages is spurring an unprecedented level of net in-migration to the province. In a bid to draw employees, entry-level jobs now commonly advertise full benefits, starting wages at double the minimum wage and retention bonuses. To unemployed or underemployed people living in the rest of Canada, Alberta really does appear the 'Land of Plenty'. The majority of new residents choose rental accommodation as their first housing in a new city. As more and more people choose Alberta, demand for rental accommodation increases.

In opposition to the soaring demand for rental housing, supply continues to decrease. Many landlords seeking to benefit quickly from the hot market are opting to convert rental units to condominiums. Though a significant portion of condominium units are subsequently rented out, the overall supply of rental accommodation continues to

decrease on a per capita basis. Rental rates have not yet reached a level to make new construction viable. As upward pressure continues to price building supplies, labour and properties higher, it may be some time before would-be developers consider rental construction. In the mean time, we expect to continue benefiting from the positive supply and demand forces.

Growing our Portfolio

There were no acquisition or disposition activities in the third quarter of 2006. At the end of the third quarter of 2006, one property, consisting of 90 units located in Calgary, Alberta, was reclassified as properties held for redevelopment as a result of Boardwalk's plan to convert these suites to condominium units for sale.

Subsequent to September 30, 2006, Boardwalk REIT contracted to acquire 96 residential units located in Victoria, British Columbia from unrelated third parties for an aggregate purchase price of \$9.4 million. The acquisition was funded from cash on hand. The project, built in 1976, consists of one bachelor, 62 one-bedroom, 29 two-bedroom, and four three-bedroom units. The acquisition has a going-in cap rate of 5.83% and closed on November 9, 2006.

Previously announced acquisitions in 2006 consisted of 840 rental units in the provinces of Quebec, Alberta and British Columbia. The acquisitions had a total combined purchase price of \$60.05 million and had, in aggregate, a going-in cap rate of 6.86%. The acquisition of 560 of the announced units was completed in the first quarter of the year, while the purchase of the remaining 280 units closed midway through the second quarter.

Previously announced disposition activities in 2006 occurred in the first quarter of the year. The sale involved two multi-family residential properties consisting of 196 units sold for \$20.7 million in total. Further details on the Trust's acquisition and disposition activities can be found in the supplemental information package available on Boardwalk REIT's website, located at www.boardwalkreit.com.

Boardwalk's success is, in large part, due to our rigorous acquisition strategy. Our on-going market due diligence consists of intensive, building-by-building analysis. Possessing substantial insight into a property's surrounding area, socio-economic motivators, background and potential tenants, Boardwalk is able to recognize and close on one-time, below-market-value deals. This acquisition strategy enables Boardwalk to limit acquisitions to accretive transac-

tions, while bypassing those that would be dilutive to our portfolio over either the short or the longer term.

Declining cap rates are positively affecting our portfolio's market valuation, though they are making acquisitions increasingly difficult. Investors are increasingly drawn to the stable and financially attractive multi-family real-estate market, resulting in compressed cap rates in most markets across the country. We remain confident that we can meet our acquisition target of 1,000 units in 2006. However, we recognize that our key growth over the short term will be inherent internal growth only enhanced through external acquisition.

Maintaining Financial Strength

The Trust built upon its solid financial position in the third quarter of 2006. Boardwalk's total mortgage and long-term debt was \$1.53 billion as at September 30, 2006, down from \$1.55 billion at September 30, 2005. As at September 30, 2006, the Trust's total debt had an average maturity of 3.3 years with a weighted average interest rate of 5.35%. The Trust's total debt-to-total-market-capitalization ratio was 45.7%. The Trust's interest coverage ratio of adjusted EBITDA (i.e. earnings before interest, taxes, depreciation and amortization) to interest expense after excluding gains was 2.36 times for the three months ended September 30, 2006, compared to 2.10 times for the same period last year. During the third quarter of 2006, Boardwalk successfully completed approximately \$7.3 million in mortgage refinancings and renewals. Of note in 2006, the Trust sold a total of 2.9 million trust units into the public market on a bought deal basis through a group of underwriters led by National Bank Financial. This transaction was completed in March of 2006, with an issue price of \$22.80 per unit.

Guidance, Summary and Outlook

After the excellent summer we just enjoyed, our Trust is positioned to end 2006 on a high note. We anticipate a strong winter and remain confident in meeting or exceeding the majority of targets detailed in our 2005 Annual Report. Given the continued improvement in our Alberta Portfolio, we again feel it reasonable to increase guidance from the amounts originally estimated. Our fiscal 2006 guidance for FFO on a per unit basis has been increased to \$1.55 - \$1.62. Our fiscal 2006 guidance for Distributable Income has been similarly increased to \$1.57 to \$1.64. In addition, we are increasing the annual distribution from \$1.26 to \$1.48, an increase of 17.5%. On a monthly basis, the increased distribu-

tion equates to \$0.123 up from \$0.105. The revised monthly distribution will commence to Unitholders of Record on November 30, 2006 and will be payable December 15, 2006.

Based on our internal review, we are introducing fiscal 2007 guidance for FFO and DI on a per Trust unit basis of between \$1.85 to \$2.00 and \$1.87 to \$2.02, respectively.

I would like to thank our Associates for their exceptional efforts and commitment over the busy summer months. These 1,100 individuals live up to every challenge the rental market can throw at them. I am proud to be part of their team, and blessed to stand beside them.

I would also like to thank our Board of Trustees for their indispensable guidance, and our unitholders, key financial community and operational partners for their continued support of the Trust. Finally, I would like to offer particular thanks to our Customers for trusting us with their homes.

We are proud to offer a superior work environment to our Associates, quality homes to our Customers and sustainable, long-term value to our unitholders.

Sincerely,

Sam Kolia,
President and CEO

Management's Discussion and Analysis

for Three Months Ended September 30, 2006

FORWARD-LOOKING STATEMENTS

Caution regarding forward-looking statements

The terms "Boardwalk", "Boardwalk REIT", "the Trust", "we", "us" and "our" in the following Management's Discussion and Analysis ("MD&A") refer to Boardwalk Real Estate Investment Trust and its consolidated financial position and results of operations for the three and nine months ended September 30 in the fiscal years of 2005 and 2006. Our MD&A should be read in conjunction with our interim financial statements, along with MD&A and audited consolidated financial statements for the two years ended December 31, 2005 and 2004, and all other publicly posted information on the Trust, including the most recently filed Annual Information Form. All these documents are located on SEDAR (www.sedar.com). Historical results and percentage relationships contained in our annual consolidated financial statements and MD&A, including trends which might appear, should not be taken as indicative of our future operations.

Advisory: Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our 2006 objectives, our strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties, including those described below in this MD&A under the heading Risks and Risk Management, which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. Those risks and uncertainties include risks associated with real property ownership, competition for real estate investments, financing and interest rates, governmental regulations, environ-

mental matters as well as unitholder liability. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include that the general economy remains stable; interest rates are relatively stable; acquisition capitalization rates are stable; competition for acquisitions of residential apartments remains intense; and equity and debt markets continue to provide access to capital. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

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

Business Overview

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

On May 3, 2004, Boardwalk Equities Inc. (the "Corporation") sold all of its assets and undertakings to Boardwalk REIT. Boardwalk REIT units trade on the Toronto Stock Exchange under the symbol "BEI.UN". Boardwalk REIT's principal objectives are to provide its unitholders ("Unitholders") with stable and growing monthly cash distributions, partially on a Canadian income tax-deferred basis, and to increase the value of its units through the effective management of its residential multi-family revenue producing properties and the acquisition of additional, accretive properties. As at the end of the third quarter of 2006, Boardwalk REIT currently owned and operated in excess of 260 properties, comprised of 34,040 units, totalling over 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 Alberta, British Columbia, Saskatchewan, Ontario and Quebec.

FINANCIAL REPORTING REVIEW

With our 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 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.

PERFORMANCE REVIEW

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

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

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

PERFORMANCE MEASURES

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

DI is computed as outlined in the Trust's Declaration of Trust ("DOT"). The DOT also requires the Trust to pay out all taxable income to Unitholders in the form of monthly distributions. The Trust has previously indicated that it will distribute \$0.105 per trust unit on a monthly basis for 2006. For the third quarter of 2006, a total of \$17.7 million was declared in DI. The Trust has also implemented a Distribution Reinvestment Plan ("DRIP"). The essence of this plan is to provide the Unitholder with 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. To date, a non-material number of Unitholders have elected to participate in this option.

In the table below, Boardwalk REIT provides a reconciliation of both FFO and DI, both non-GAAP measures to their closely related GAAP measure for the current period and on a year-to-date basis.

FFO Reconciliation In \$000's, except per unit amounts	3 Months Sep-06	3 Months Sep-05	% Change	9 Months Sep-06	9 Months Sep-05	% Change
Net earnings from continuing operations	\$ 7,438	\$ 2,713		\$ 11,092	\$ 1,614	
Adjustments						
Earnings from discontinued operations	\$ 64	\$ 216		\$ 7,768	\$ 2,213	
Deduct gain on dispositions	\$ -	\$ -		\$ (7,536)	\$ (1,507)	
Recovery of write-down on technology business unit	\$ -	\$ -		\$ -	\$ (739)	
Future income taxes (recovery)	\$ 446	\$ 28		\$ 222	\$ (804)	
Future income taxes on discontinued operations	\$ -	\$ -		\$ -	\$ 12	
Amortization of capital assets	\$ 18,934	\$ 18,826		\$ 54,763	\$ 56,165	
Funds from operations	\$ 26,882	\$ 21,783	23.4%	\$ 66,309	\$ 56,954	16.4%
Funds from operations - per unit	\$ 0.48	\$ 0.41	17.1%	\$ 1.20	\$ 1.07	12.1%

Distributable Income Reconciliation In \$000's, except per unit amounts	3 Months Sep-06	3 Months Sep-05	% Change	9 Months Sep-06	9 Months Sep-05	% Change
Total Operating Cash Flows	\$ 29,198	\$ 18,746		\$ 66,929	\$ 56,982	
Net change in operating working capital	\$ (2,316)	\$ 3,037		\$ (612)	\$ (28)	
Add deferred financing costs amortization	\$ 768	\$ 865		\$ 2,237	\$ 2,730	
Deduct deferred financing costs amortization post May 2, 2004	\$ (317)	\$ (332)		\$ (824)	\$ (648)	
Mark-to-market debt adjustment post May 2004	\$ (11)	\$ 4		\$ (34)	\$ 5	
	\$ 27,322	\$ 22,320	22.4%	\$ 67,696	\$ 59,041	14.7%
Distributable income - per unit	\$ 0.49	\$ 0.42	16.7%	\$ 1.22	\$ 1.11	9.9%

Overall, Boardwalk REIT earned \$26.9 million and \$66.3 million in total FFO for the three and nine months ended September 30, 2006, respectively, compared to \$21.8 million and \$57.0 million for the same periods last year. Reported DI for the three and nine months ended September 30, 2006 were \$0.49 and \$1.22 per unit, respectively, compared to \$0.42 and \$1.11 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 from the DOT can also be located beginning on page 29 of the Trust's Annual Information Form, dated February 24, 2006. Some of the main investment guidelines and operating policies as set out in the DOT are as follows:

Investment Guidelines

1. Acquire and operate multi-family residential property;
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. No guaranteeing of third party debt outside its existing structure and potential joint venture partner structures;
3. Both structural and environmental third party surveys are required prior to the acquisition of a multi-family asset; and
4. Commitment to expending at least 8.5% of its gross consolidated annual rental revenues generated from

properties that have been insured by Canada Mortgage and Housing ("CMHC").

At September 30, 2006, the Trust was in material compliance with all investment guidelines and operating policies stipulated in the DOT. More details will be provided later with respect to certain detailed calculations.

FFO RECONCILIATION	3 Months Sep 30, 2006	9 Months Sep 30, 2006
FFO Opening	\$0.41	\$1.07
NOI from Stabilized	\$0.05	\$0.12
NOI from Unstabilized	\$0.03	\$0.07
Financing costs	\$(0.01)	\$(0.01)
Administration and other	\$0.01	\$(0.03)
Dilution	\$(0.01)	\$(0.02)
FFO Closing	\$0.48	\$1.20

ACCOUNTING POLICIES

Note 2 of page 55 of Boardwalk REIT's 2005 annual report summarizes Boardwalk REIT's significant accounting policies. Note 3 of Boardwalk REIT's unaudited interim consolidated financial statements for the quarter ended September 30, 2006 provides an update to Boardwalk REIT's accounting policies. The only significant accounting change relates to the implementation of a deferred unit plan, which was approved by Unitholders on May 10, 2006. Deferred units granted to trustees and executives in respect of their trustee fees and executive bonuses are considered to be in respect of past services and are recognized in compensation expense upon grant. Deferred units granted relating to amounts matched by the Trust are considered to be in respect of future services and are recognized in compensation expense on a straight-line basis over the vesting period. Compensation cost is measured based on the ten (10) day weighted average market price of the Trust's units on the date of grant of the deferred units. The deferred units earn additional deferred units for the distributions that would otherwise have been paid on the deferred units had they

instead been issued as Trust Units on the date of grant. No additional compensation cost is recorded for additional deferred units issued. Deferred units that have vested, but for which the corresponding Trust Units have not been

issued and where the ultimate issuance of such Trust Units is simply a matter of the passage of time, are considered to be outstanding units from the date of vesting for basic income per unit calculations.

REVIEW OF RENTAL OPERATIONS

In 000's, except per unit amounts	3 Months Sep-06	3 Months Sep-05	Change	9 Months Sep-06	9 Months Sep-05	Change
Rental revenue	\$ 81,083	\$ 74,490	8.9%	\$ 235,805	\$ 220,968	6.7%
Expenses						
Operating expenses	\$ 14,003	\$ 12,514	11.9%	\$ 42,107	\$ 38,632	9.0%
Utilities	\$ 7,464	\$ 6,958	7.3%	\$ 29,346	\$ 27,935	5.1%
Utility rebate	\$ (39)	\$ (7)		\$ (1,427)	\$ (618)	130.9%
Property taxes	\$ 8,041	\$ 8,219	-2.2%	\$ 24,201	\$ 24,105	0.4%
	\$ 29,469	\$ 27,684	6.4%	\$ 94,227	\$ 90,054	4.6%
Net operating income	\$ 51,614	\$ 46,806	10.3%	\$ 141,578	\$ 130,914	8.1%
Average rent per unit per month	\$ 797	\$ 751	6.1%	\$ 779	\$ 748	4.1%
Operating costs per unit per month	\$ 286	\$ 273	4.8%	\$ 307	\$ 301	2.0%
Operating margins	64%	63%		60%	59%	

Overall, Boardwalk REIT's rental revenue from continuing operations reported strong results. The reported increase in rental revenue of 8.9% and 6.7% for the three and nine months ended September 30, 2006, respectively, is mainly the effect of revenue generated from our existing properties, or properties referred to as stabilized. More specifically, the increase in rental revenue is mainly attributable to the performance of our properties in the province of Alberta. Total rental expenses increased by 6.4% and 4.6% for the three and nine months ended September 30, 2006, respectively, the combined effect of an increase in the overall number of units owned by the trust and previously reported increased operating costs in the province of Quebec and higher overall utility expenses. Higher operating costs in Quebec are mainly due to higher repair and maintenance carried out on our Nun's Island portfolio in order to increase the curb appeal of the property and to repair the damages caused by a fire at one of the buildings in the portfolio. Repair costs under our \$100,000 deductible limit are not covered by our insurance program. Property taxes declined 2.2% for the three months ended September 30, 2006, compared to the same period last year, but increased slightly for the nine months ended September 30, 2006, compared to the same period in 2005.

For the current and prior comparative periods, Boardwalk REIT has reclassified certain administration costs from corporate and non-operating to rental operating expenses. The amounts reclassified relate to specific administrative costs

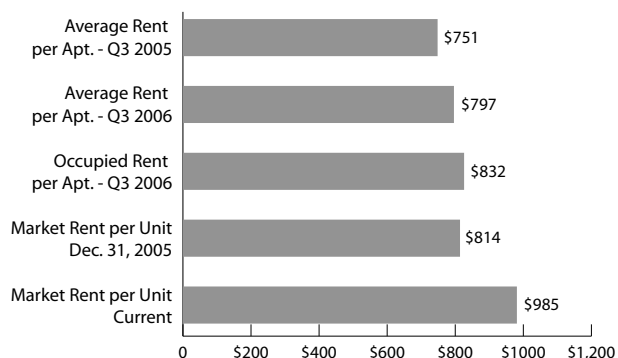
associated with primarily operation-specific staff and related support initiatives. The total of these adjustments were \$3.4 million and \$10.4 million for the three and nine months ended September 30, 2006, respectively, compared to \$3.3 million and \$10.3 million for the three and nine months ended September 30, 2005, respectively.

LOSS TO LEASE

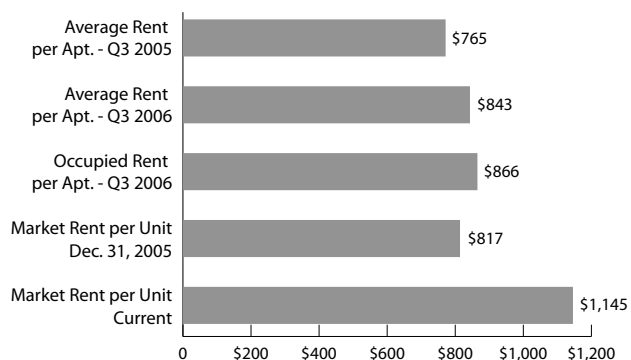
Boardwalk REIT's estimated loss-to-lease, representing the difference between estimated market rents and actual occupied rents on September 30, 2006, adjusted for current occupancy levels, totalled \$57 million on an annualized basis, and represented \$1.01 per outstanding trust unit. The vast majority of this amount can be attributed to the Trust's seventeen thousand four hundred (17,400) apartment units located in the province of Alberta, where the market-to-market on existing rents exceeds \$262 per apartment unit per month. For the most part, Boardwalk REIT's rental lease agreements last no longer than twelve months. On physical turnover, the rental unit is then re-leased directly at current market rents, which in many cases are well in excess of the average \$262 per month noted above. If a Boardwalk customer decides to remain in their existing unit at the end of the lease agreement, it is the Trust's self-imposed internal policy to increase the reported rental rate by \$75, effective January 1, 2007 (\$50 as of June 30, 2006). Since the lease is month-to-month, under existing Alberta legislation, the maximum number of times this can occur is twice per year, resulting in a total rental increase of \$150 over a twelve-

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

Entire Portfolio



Alberta

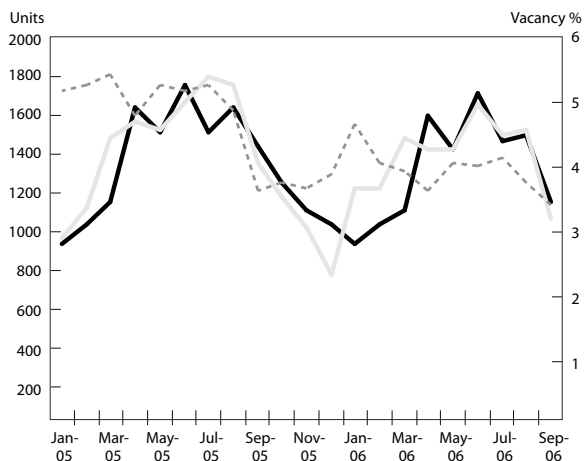


	Average Occupied Rent	Average Market Rent	Monthly Mark-to-Market	Annualized Mark-to-Market (\$000's)	Units	% of Portfolio
Calgary	\$984	\$1,325	\$342	\$20,514	5,139	15%
Edmonton	\$822	\$1,049	\$227	\$28,388	10,649	31%
Other Alberta	\$954	\$1,199	\$245	\$4,658	1,604	5%
Alberta Portfolio	\$882	\$1,145	\$262	\$53,560	17,392	51%
Saskatchewan	\$663	\$678	\$15	\$781	4,660	14%
Ontario	\$785	\$779	\$(6)	\$(242)	4,265	13%
Quebec	\$891	\$929	\$38	\$2,370	6,756	20%
British Columbia	\$886	\$898	\$11	\$110	871	2%
Total Portfolio	\$842	\$985	\$144	\$56,579	33,944	100%

BOARDWALK REIT'S PORTFOLIO VACANCY

City	Q3 2006	Q3 2005	Q2 2006	Q2 2005
Calgary	2.31%	4.73%	2.33%	5.99%
Edmonton	2.76%	4.39%	2.93%	5.40%
Gatineau	12.19%	12.40%	15.83%	12.71%
Kitchener	3.65%	3.44%	2.33%	1.62%
London	4.44%	4.11%	4.33%	4.33%
Montreal	4.27%	1.68%	2.81%	1.51%
Other Alberta	2.21%	3.00%	2.08%	3.43%
Quebec City	5.31%	5.46%	5.63%	4.60%
Regina	4.59%	5.57%	6.75%	4.47%
Saskatoon	1.64%	3.07%	2.15%	4.49%
Windsor	8.44%	7.83%	7.28%	9.49%
Vancouver	6.48%	5.44%	4.18%	6.92%
Victoria	2.69%	7.04%	3.52%	6.63%
Grand Total	3.73%	4.57%	3.87%	5.04%

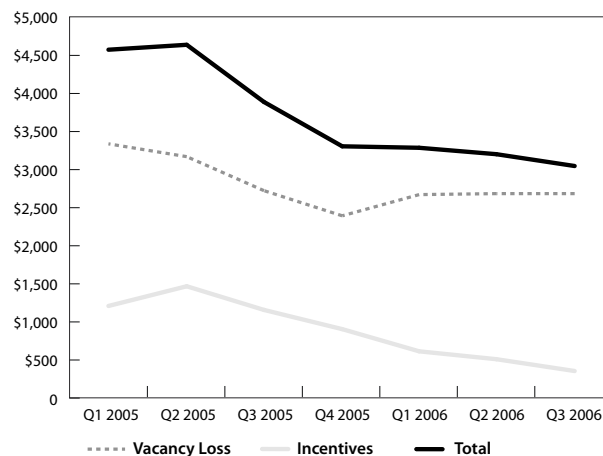
The third quarter of fiscal 2006 saw the portfolio's overall vacancy rate decreased to 3.73% compared to 3.87% for the second quarter of the current year, and 4.57% for the third quarter of the prior year. The reported decrease is mainly the result of a continuing improvement in the reported vacancy rate in Alberta, and in particular, in Calgary and Edmonton. These reported improvements can be attributed to a significant increase in demand for rentals in Calgary and Edmonton, partially as a result of recent increases in reported sales prices of residential houses and apartments in these markets. The reported decrease in Alberta was slightly offset by reported increases in Montreal and various cities in the province of Ontario.



The issue of demand and supply, as with other industries, is an important performance indicator for multi-family real estate. The above chart attempts to show the total move-outs (supply) compared to total move-ins (demand) and the resulting impact on reported vacancy. The cumulative impact of demand being greater than supply is the primary driver in the reported vacancy rate. Overall, Boardwalk REIT's turnover rate for the nine months ended September 30, 2006 averaged 3.9% per month as compared to 4.97% from the same period in the prior year. The difference was mainly the result of a reported decrease in turnover in our Alberta Portfolio, which reported an average monthly turnover of 2.79%, as compared to 4.99% for the same period in 2005. The sharp decline is mainly the result of customers electing

not to seek alternative sources of housing at the end of their leases.

VACANCY LOSS AND INCENTIVES



Vacancy loss and rental incentives 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, rental incentives offered versus vacancy loss and the impact of the two on overall rental revenue.

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.

ALBERTA RENTAL OPERATIONS

In \$000's	3 Months Sep-06	3 Months Sep-05		9 Months Sep-06	9 Months Sep-05	
	(Unaudited)	(Unaudited)	Change	(Unaudited)	(Unaudited)	Change
Rental revenue	\$ 43,600	\$ 38,809	12.3%	\$ 124,712	\$ 115,209	8.2%
Rental Expenses:						
Operating expenses	\$ 6,823	\$ 5,975	14.2%	\$ 19,904	\$ 19,241	3.4%
Utilities	\$ 3,498	\$ 3,643	-4.0%	\$ 14,224	\$ 14,045	1.3%
Utilities rebate	\$ -	\$ (2)		\$ (1,384)	\$ (623)	122.2%
Property taxes	\$ 2,967	\$ 3,383	-12.3%	\$ 9,399	\$ 9,832	-4.4%
	\$ 13,288	\$ 12,999	2.2%	\$ 42,143	\$ 42,495	-0.8%
Net operating income	\$ 30,312	\$ 25,810	17.4%	\$ 82,569	\$ 72,714	13.6%
Operating margins	69.5%	66.5%		66.2%	63.1%	

Boardwalk REIT's Alberta operations for the three and nine months ended September 30, 2006 have posted strong growth when compared to the amounts reported for the same period during fiscal 2005. The reported increase in rental revenues is the combined effect of a reported decrease in the reported vacancy rate in Alberta, a significant increase in the reported market rents for this province, and the increased market pressure on in-place rents.

Overall, operating costs increased by 2.2% for the three months, but decreased marginally by 0.8% for the nine months, ended September 30, 2006 compared to those reported for the same periods in fiscal 2005. The reported increase for the three-month period compared to the prior year was mainly due to higher turnover costs. The reported decrease for the current nine-month period compared to the same period last year was due mainly to lower property taxes combined with an increase in the reported natural gas rebate received from the Government of Alberta during the first quarter of fiscal 2006.

SASKATCHEWAN RENTAL OPERATIONS

In \$000's	3 Months Sep-06	3 Months Sep-05	% Change	9 Months Sep-06	9 Months Sep-05	% Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Rental revenue	\$ 8,933	\$ 8,674	3.0%	\$ 26,347	\$ 25,756	2.3%
Rental Expenses:						
Operating expenses	\$ 1,579	\$ 1,454	8.6%	\$ 4,758	\$ 4,718	0.8%
Utilities	\$ 886	\$ 670	32.2%	\$ 3,646	\$ 3,101	17.6%
Property taxes	\$ 1,187	\$ 1,210	-1.9%	\$ 3,625	\$ 3,712	-2.3%
	\$ 3,652	\$ 3,334	9.5%	\$ 12,029	\$ 11,531	4.3%
Net operating income	\$ 5,281	\$ 5,340	-1.1%	\$ 14,318	\$ 14,225	0.7%
Operating margins	59.1%	61.6%		54.3%	55.2%	

Boardwalk REIT's Saskatchewan operations reported slightly lower results for the three months ended September 30, 2006, compared to the same period in fiscal 2005, but slightly higher results for the nine months ended September 30, 2006, compared to the prior year. Overall rental revenue increased slightly, mainly the result of a decrease in vacancy, particularly in Saskatoon. Operating costs increased by 9.5% and 4.3% for the three and nine months ended September 30, 2006, respectively, compared to the same periods in the prior year, mainly as a result of higher natural gas prices incurred in the province.

ONTARIO RENTAL OPERATIONS

In \$000's	3 Months Sep-06	3 Months Sep-05	% Change	9 Months Sep-06	9 Months Sep-05	% Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Rental revenue	\$ 9,363	\$ 9,198	1.8%	\$ 28,130	\$ 27,653	1.7%
Rental Expenses:						
Operating expenses	\$ 1,540	\$ 1,453	6.0%	\$ 4,657	\$ 4,696	-0.8%
Utilities	\$ 1,460	\$ 1,264	15.5%	\$ 4,739	\$ 4,721	0.4%
Property taxes	\$ 1,846	\$ 1,685	9.6%	\$ 5,373	\$ 5,011	7.2%
	\$ 4,846	\$ 4,402	10.1%	\$ 14,769	\$ 14,428	2.4%
Net operating income	\$ 4,517	\$ 4,796	-5.8%	\$ 13,361	\$ 13,225	1.0%
Operating margins	48.2%	52.1%		47.5%	47.8%	

Boardwalk REIT's Ontario operations reported marginally higher rental revenue for the three and nine months ended September 30, 2006 of approximately 1.8% and 1.7%, respectively, compared to the same periods last year, which was mainly the result of increasing market rents and despite the increase in vacancy rates in various cities in the province of Ontario. Operating expenses increased 10.1% and 2.4%, respectively, for the three and nine months ended September 30, 2006 compared to the same periods in the prior year. Utility costs were up 15.5% for the third quarter compared to the same period in fiscal 2005, the result of a credit of approximately \$200 thousand received in 2005 on the sale of excess gas in storage for Ontario. Property taxes were higher by 9.6% and 7.2%, respectively, for the three and nine months ended September 30, 2006, compared to the same periods in the prior year.

QUEBEC RENTAL OPERATIONS

In \$000's	3 Months Sep-06	3 Months Sep-05	% Change	9 Months Sep-06	9 Months Sep-05	% Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Rental revenue	\$ 16,927	\$ 16,159	4.8%	\$ 50,225	\$ 47,890	4.9%
Rental Expenses:						
Operating expenses	\$ 3,196	\$ 2,803	14.0%	\$ 10,116	\$ 8,119	24.6%
Utilities	\$ 1,345	\$ 1,185	13.5%	\$ 5,944	\$ 5,464	8.8%
Property taxes	\$ 1,906	\$ 1,756	8.5%	\$ 5,397	\$ 5,253	2.7%
	\$ 6,447	\$ 5,744	12.2%	\$ 21,457	\$ 18,836	13.9%
Net operating income	\$ 10,480	\$ 10,415	0.6%	\$ 28,768	\$ 29,054	-1.0%
Operating margins	61.9%	64.5%		57.3%	60.7%	

Boardwalk REIT's Quebec operations reported strong gains in revenue. Reported revenue increased by 4.8% and 4.9% for the three and nine months ended September 30, 2006, respectively, compared to the same periods in the prior year on the combined effect of marginally improving results on existing properties and the addition of new units in this market. Reported rental expenses are up significantly from the same periods in the prior year, mainly the result of increased operating costs associated with Boardwalk REIT's 3,100-unit project in Montreal known as Nun's Island and higher overall utility costs. The increase in operating costs is the result of a stepped-up repairs and maintenance program designed to increase the curb appeal of the project. Higher repair and maintenance was also the result of a fire event at one of the buildings in the portfolio, whereby costs below our \$100,000 deductible limit are not insured.

STABILIZED PROPERTY RESULTS

Boardwalk defines a stabilized property as one that the Trust, or any predecessor company, has owned for a period of at least two years. The definition is simply one of term of ownership, and the Trust believes it to be the most useful on a comparative basis to the prior year. It is not the intent for the definition to indicate market maturity. Boardwalk REIT's overall percentage of stabilized properties was 92.5% of its total rental unit portfolio as at September 30 2006, or a total of 31,401 units. The following compares the "same-store" results for the three and nine months ended September 30, 2006 with the same periods in the prior year.

3 Months	Revenue	Operating Expenses	NOI	% of NOI
Calgary	14.3%	2.6%	19.0%	20%
Edmonton	7.4%	-0.6%	11.4%	34%
Other Alberta	14.3%	-0.1%	21.1%	6%
Saskatchewan	3.0%	9.8%	-1.0%	11%
Ontario	1.7%	10.4%	-6.1%	9%
Quebec	0.2%	9.4%	-4.5%	20%
	6.1%	5.2%	6.6%	100%

9 Months	Revenue	Operating Expenses	NOI	% NOI
Calgary	9.0%	-3.3%	15.2%	19%
Edmonton	5.2%	-1.5%	9.2%	34%
Other Alberta	10.7%	-4.6%	19.3%	6%
Saskatchewan	2.3%	4.6%	0.5%	11%
Ontario	1.6%	3.2%	-0.2%	10%
Quebec	0.1%	11.7%	-7.6%	20%
	4.2%	2.5%	5.3%	100%

For the third quarter 2006, same-store revenue increased by 6.1% compared to the prior period, with rental expenses increasing by 5.2%, resulting in an overall improvement of 6.6%. The increase in reported stabilized revenue was driven mainly by the Trust's Alberta operations, which accounts for approximately 60% of the Trust's reported stabilized net operating income. The majority of the reported increase in rental operating expenses was due to higher utility costs as well as higher repair and maintenance expenses in Quebec. For the nine months ended September 30, 2006, same-store revenue increased by 4.2% compared to the same period last year, while rental expenses increased by 2.5%, resulting in an improvement of 5.3%. The increase in same-store revenue was driven primarily by the Trust's Alberta opera-

tions. The increase in rental expenses was due primarily to increased repair and maintenance costs performed at the 3,100-unit Nun's Island portfolio in Quebec, including the costs related to two fire events, which were below our insurance deductible limit. This increase was partially offset by a significant increase in the reported Alberta provincial natural gas rebate in the first quarter of 2006 as compared to the first quarter of 2005. For further information on this Alberta Provincial Natural Gas Rebate program, please visit the following website: www.energy.gov.ab.ca. If we were to exclude this rebate from our analysis, stabilized property net operating income for the nine months ended September 30, 2006 would have increased by 4.7% as compared to the reported 5.3%.

FINANCING COSTS

Financing costs for the current quarter and year-to-date have decreased slightly from the same periods in the prior year, due primarily to the Trust's lower overall interest rate on its mortgage portfolio. As at September 30, 2006, the reported weighted average interest rate was 5.35%, down from the 5.38% reported at December 31, 2005 and 5.38% reported on September 30, 2005. 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 3.3 years. Given current financing market conditions, we estimate that if we were to mark the entire debt portfolio to current market rates based on a five-year term of approximately 4.4%, on an annual basis, the Trust would save an additional \$14.5 million, or \$.26 per outstanding trust unit.

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

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

The *first* benefit of using CMHC insurance is that Boardwalk REIT can normally obtain lower interest rate spreads on its property financing. Although the amount of the interest rate spreads will vary, they are currently estimated to be between 30 and 50 basis points above the respective

Government of Canada Bonds. This compares favourably to the spreads on conventional financing, which currently range from 120 to 150 basis points above such bonds.

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

At September 30, 2006, approximately 99% of Boardwalk REIT's mortgage secured 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 from continuing operations for the three months ended September 30, 2006 of \$18.9 million has increased from the \$18.7 million reported in the comparable period in 2005. For the nine months ended September 30, 2006, amortization of capital assets from continuing operations of \$54.6 million has decreased from the \$55.7 million reported in the comparable period last year. The reported decrease for the nine months ended September 30, 2006 is mainly the result of the sale of selected properties in its Alberta portfolio and a decrease in lease goodwill amortization. The reported increase for the current three-month period compared to the same period in the prior year is due to higher amounts of capital improvements incurred in 2006.

REAL ESTATE ASSETS

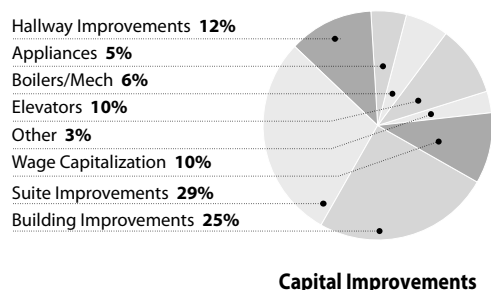
Acquisitions

During the first nine months of 2006, Boardwalk REIT acquired a total of 840 rental units for a total acquisition cost of \$60.8 million, or \$72.7 thousand per residential unit. A portion (approximately \$2.2 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 the acquisitions occurred in the first and second quarter of 2006.

	3 months ended Sept. 30, 2006	3 months ended Sept. 30, 2005	9 months ended Sept. 30, 2006	9 months ended Sept. 30, 2005
Cash paid	\$ -	\$ -	\$ 60,795	\$ 103,289
Debt assumed	-	-	-	13,144
Total purchase price	-	-	60,795	116,433
Fair value adjustments to debt	-	-	-	(207)
Book value	\$ -	\$ -	\$ 60,795	\$ 116,226
Allocation of book value to revenue producing properties	\$ -	\$ -	\$ 58,562	\$ 112,569
Allocation of book value to other assets	-	-	2,233	3,657
	\$ -	\$ -	\$ 60,795	\$ 116,226
Multi-family units acquired	-	-	840	1,325

CAPITAL IMPROVEMENTS

For the first nine months of fiscal 2006, Boardwalk REIT invested approximately \$29.6 million in its properties in the form of project enhancements, an increase of \$11.1 million from the \$18.5 million invested in the same period in 2005. The following chart details which areas these funds were expended.



Included in these amounts for 2006 is approximately \$2.1 million that has been invested in our recently converted apartment complex in Calgary. This project, known as the Brentwood Retirement Community, has been subject to an extensive

renovation program (\$3.0 million to date) designed to attract seniors and provide them with an assisted living lifestyle.

Included in these amounts is approximately \$3.0 million of capitalized on-site wages and salaries, representing approximately 10% 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".

UNITHOLDERS' EQUITY

At the end of the first quarter of 2006, the Trust issued equity to the public markets. The Trust issued a total of 2.9 million trust units at an issue price of \$22.80 prior to offering costs. The net proceeds of \$62.5 million were used to fund the acquisition of the 560 apartment units in the first quarter and 280 apartment units in the second quarter of 2006. The following chart discloses the changes in reported Unitholders' Capital.

Summary of Unitholders' Capital Contributions	Units	Amount (ooo's)
December 31, 2004	53,107,567	\$ 293,503
Units issued under distribution reinvestment plan	116,627	2,202
Restructuring costs	-	(9)
December 31, 2005	53,224,194	\$ 295,696
Units issued under equity financing	2,915,000	63,594
Units issued under distribution reinvestment plan	164,537	4,008
Restructuring costs	-	(165)
Deferred unit plan	-	597
September 30, 2006	56,303,731	\$ 363,730

As is reported on the face of the balance sheet, the Trust has unitholders' equity of \$330.1 million, after adding cumulative earnings to and deducting cumulative distributions from unitholders to unitholders' capital contributions. To better allow the reader to review the details of this account, the Trust now includes a separate consolidated statement of unitholders' equity. As reported on this schedule, there is a continued drawdown of reported cumulative earnings, which is the direct result of the Trust's distributions declared to its unitholders. As the reported schedule shows, the Trust's monthly distribution has two components. The first relates to the distribution of income and the second relates to a return of capital. On an annualized basis, it is estimated that about 70% of Boardwalk's distribution will be in the form of a return of capital with the remaining 30% constituting regular income.

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

Boardwalk REIT has one class of voting securities known as "REIT Units". As at September 30, 2006, there were 51,828,731 REIT units issued and outstanding. In addition, there are currently 4,475,000 Class "B" special voting units of Boardwalk REIT Limited Partnership ("LP B Units") each of which also has a special voting unit of the REIT. Each LP B Unit is exchangeable for REIT units on a one-for-one basis at the option of the holder. Each LP B Unit entitles the holder, through the special voting unit attached to it, 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 number of REIT units would be 56,303,731.

LIQUIDITY AND CAPITAL RESOURCES

Boardwalk REIT's financial position continues to be strong, with the overall debt level reported at 61% 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-06	Dec-05
Total reported assets	\$ 1,899,849	\$ 1,883,386
Reported amortization	\$ 420,505	\$ 371,446
	\$ 2,320,354	\$ 2,254,832
Conversion adjustment (May 2004)	\$ 231,460	\$ 231,460
	\$ 2,551,814	\$ 2,486,292
Mortgages payable	\$ 1,404,556	\$ 1,424,962
Debentures	\$ 120,000	\$ 120,000
Market adjustment on mortgages (May 2004)	\$ 23,334	\$ 30,999
	\$ 1,547,890	\$ 1,575,961
Debt to GBV	61%	63%

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. The reported decrease in Debt-to-Gross book value is mainly the result of the previously noted equity offering.

Currently, Boardwalk REIT has an operating facility with a major financial institution with excess available of approximately \$100 million. In addition, at the date of writing, Boardwalk REIT has approximately \$2.0 million of cash available for investment. For the third quarter of 2006, Boardwalk REIT's overall interest coverage ratio of adjusted EBITDA (i.e. earnings before interest, taxes, depreciation and amortization) to interest expense, after excluding gains, was 2.36, as compared to 2.10 for the same period last year.

MORTGAGE AND DEBT SCHEDULE

Year	Mortgage and Debt Balances as at Sept. 30, 2006	Weighted Average by Maturity
2006	90,037,132	5.01%
2007	253,336,035	5.19%
2008	231,564,470	6.00%
2009	214,907,408	5.64%
2010	252,461,332	4.81%
2011	128,268,605	5.71%
2012	219,103,329	5.10%
2013	56,251,471	5.14%
2014	4,404,232	5.91%
2015	30,570,690	4.68%
2016	21,280,222	5.55%
Subsequent	22,371,074	6.26%
Grand Total	1,524,556,000	5.35%

CRITICAL ACCOUNTING POLICIES

Boardwalk REIT's accounting policies are described in Note 2 to the consolidated financial statements for the year ended December 31, 2005 and updated in Note 3 to the unaudited interim consolidated financial statements for the quarter ended September 30, 2006. 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 55 of Boardwalk REIT's 2005 annual report.

FINANCIAL OUTLOOK AND MARKET GUIDANCE

In its 2005 annual report, Boardwalk REIT outlined specific targets for its fiscal 2006 overall financial performance. The financial targets, and any revisions, are outlined below.

REVISED 2006 GUIDANCE

It is customary for the Trust, on a quarterly basis, to review its market guidance and, in particular, review the significant assumptions made in preparing its market guidance. Based on this review, we feel that mainly as a result of the continued improvement in our Alberta Portfolio, we are increasing the reported market guidance for fiscal 2006. For fiscal 2006, we are increasing FFO guidance on a per unit basis to the range of \$1.55 to \$1.62 from our original 2006 objective of \$1.37 to \$1.46, and distributable income guidance on a per unit basis to \$1.57 to \$1.64 from our original 2006 objective of \$1.41 to \$1.51. We have also increased our expectations for year-over-year net operating income on stabilized buildings to 5%, as compared to our original forecast of 0% growth. Again, the increase is the direct result of the performance of our Alberta portfolio. In revising these estimates, we have taken into account the issuance of 2.9 million trust units that were issued in March of 2006.

	Original 2006 Objectives	Revised Q3 2006 2006 Objectives
FFO Rental Operations	\$1.37 to \$1.46	\$1.55 to \$1.62
Distributable Income	\$1.41 to \$1.51	\$1.57 to \$1.64
New Unit Acquisitions	1,000 to 2,000	1,000
Stabilized Buildings NOI growth	0.00%	5.00%

We have also altered our new apartment acquisition target to approximately 1,000 rental units as compared to the original target of between one (1,000) to two (2,000) thousand units.

2007 FINANCIAL PERFORMANCE GUIDANCE

In addition, Boardwalk REIT is providing next fiscal year's financial performance objectives as follow:

	2007 Objectives
FFO Rental Operations	\$1.85 to \$2.00
Distributable Income	\$1.87 to \$2.02
New Unit Acquisitions	1,000 to 2,000
Stabilized Buildings NOI growth	8.00%

This reported guidance is based on internal estimates and the reader is cautioned that if these estimates are materially incorrect, it may result in actual results being materially different from the actual results reported. The significant improvement anticipated as compared to estimate 2006 financial results mainly stems from the Trust's estimated ability to increase existing reported rents to levels closer to those representing current market rates. We have also incorporated into our guidance the extension of the Alberta natural gas rebate program to March 2009. This extension is estimated to benefit Boardwalk's 2006 financial results by approximately \$0.03 per outstanding unit.

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, 2006	December 31, 2005
	(Unaudited)	(Audited)
ASSETS		
Revenue producing properties (NOTE 4)	\$ 1,818,876	\$ 1,782,648
Deferred financing costs	43,237	42,853
Other assets (NOTE 5)	13,951	11,328
Future income taxes (NOTE 11)	708	929
Mortgages and accounts receivable	6,193	9,039
Segregated tenants' security deposits	9,586	7,280
Cash and cash equivalents	2,018	11,145
Discontinued operations (NOTE 6)	5,280	18,164
	\$ 1,899,849	\$ 1,883,386
LIABILITIES		
Mortgages payable	\$ 1,404,556	\$ 1,409,375
Debentures (NOTE 7)	120,000	120,000
Accounts payable and accrued liabilities	32,322	32,196
Refundable tenants' security deposits and other	12,856	10,486
Discontinued operations (NOTE 6)	-	15,587
	\$ 1,569,734	\$ 1,587,644
UNITHOLDERS' EQUITY		
Unitholders' equity	\$ 330,115	\$ 295,742
	\$ 1,899,849	\$ 1,883,386

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF EARNINGS

(Cdn\$ Thousands, except per UNIT amounts)

	3 months ended Sept. 30, 2006	3 months ended Sept. 30, 2005	9 months ended Sept. 30, 2006	9 months ended Sept. 30, 2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE				
Rental income	\$ 81,083	\$ 74,490	\$ 235,805	\$ 220,968
EXPENSES				
Revenue producing properties:				
Operating expenses	14,003	12,514	42,107	38,632
Utilities	7,464	6,958	29,346	27,935
Utility rebate (NOTE 12)	(39)	(7)	(1,427)	(618)
Property taxes	8,041	8,219	24,201	24,105
Administration	3,867	3,752	12,712	10,779
Financing costs	20,209	20,546	60,691	61,323
Deferred financing costs amortization	767	854	2,233	2,698
Amortization of capital assets	18,887	18,662	54,620	55,673
	73,199	71,498	224,483	220,527
	7,884	2,992	11,322	441
Recovery of write-down on technology business unit	-	-	-	(739)
Earnings from continuing operations before income taxes	7,884	2,992	11,322	1,180
Large corporations taxes	-	251	8	370
Future income taxes (recovery) (NOTE 11)	446	28	222	(804)
Earnings from continuing operations	7,438	2,713	11,092	1,614
Earnings from discontinued operations, net of tax (NOTE 6)	64	216	7,768	2,213
Net earnings	\$ 7,502	\$ 2,929	\$ 18,860	\$ 3,827
Basic earnings per unit (NOTE 10)				
- from continuing operations	\$ 0.13	\$ 0.06	\$ 0.20	\$ 0.03
- from discontinued operations	-	-	0.14	0.04
Basic earnings per unit	\$ 0.13	\$ 0.06	\$ 0.34	\$ 0.07
Diluted earnings per unit (NOTE 10)				
- from continuing operations	\$ 0.13	\$ 0.06	\$ 0.20	\$ 0.03
- from discontinued operations	-	-	0.14	0.04
Diluted earnings per unit	\$ 0.13	\$ 0.06	\$ 0.34	\$ 0.07

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(Cdn\$ Thousands, except number of units)

	9 months ended September 30, 2006	9 months ended September 30, 2005
	(Unaudited)	(Unaudited)
Trust units (NOTE 9)		
Balance, beginning of period	\$ 295,696	\$ 293,503
Unit issue proceeds under equity financing, net	63,594	-
Unit issue proceeds under distribution reinvestment plan	4,008	1,765
Restructuring costs	(165)	32
Deferred unit plan (NOTE 8)	597	-
Balance, end of period	\$ 363,730	\$ 295,300
Cumulative earnings		
Balance, beginning of period	\$ 129,530	\$ 124,498
Net earnings	18,860	3,827
Balance, end of period	\$ 148,390	\$ 128,325
Cumulative distributions to unitholders		
Balance, beginning of period	\$ (129,483)	\$ (62,485)
Distributions declared to unitholders (NOTE 10)	(52,522)	(50,234)
Balance, end of period	\$ (182,005)	\$ (112,719)
Total unitholders' equity	\$ 330,115	\$ 310,906
Units issued and outstanding (NOTE 9)	56,303,731	53,201,879

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Cdn\$ Thousands)

	3 months ended Sept. 30, 2006	3 months ended Sept. 30, 2005	9 months ended Sept. 30, 2006	9 months ended Sept. 30, 2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating activities				
Net earnings	\$ 7,502	\$ 2,929	\$ 18,860	\$ 3,827
Earnings from discontinued operations, net of tax	(64)	(216)	(7,768)	(2,213)
Future income taxes (recovery)	446	28	222	(804)
Amortization of capital assets	18,887	18,662	54,620	55,673
Recovery of write-down on technology business unit	-	-	-	(739)
Funds from continuing operations	26,771	21,403	65,934	55,744
Funds from discontinued operations	111	380	383	1,210
Net change in operating working capital	2,316	(3,037)	612	28
Total operating cash flows	29,198	18,746	66,929	56,982
Financing activities				
Issue of trust units (net of issue costs) (NOTE 9)	1,523	565	67,602	1,797
Restructuring costs	(24)	-	(165)	-
Distributions paid	(17,725)	(16,749)	(52,199)	(50,230)
Issuance of debentures (NOTE 7)	-	-	-	120,000
Financing of revenue producing properties	7,293	14,627	20,039	127,589
Repayment of debt on revenue producing properties	(14,177)	(17,634)	(39,803)	(123,878)
Deferred financing costs incurred (net of amortization)	(180)	(211)	(379)	(4,772)
	(23,290)	(19,402)	(4,905)	70,506
Investing activities				
Purchases of revenue producing properties (NOTE 4)	-	-	(60,795)	(103,289)
Improvements to revenue producing properties	(11,051)	(6,187)	(29,623)	(18,500)
Net cash proceeds from sale of properties	-	-	20,274	9,405
Additions to corporate technology assets	(379)	(592)	(1,007)	(1,524)
	(11,430)	(6,779)	(71,151)	(113,908)
Net increase (decrease) in cash and cash equivalents balance	(5,522)	(7,435)	(9,127)	13,580
Cash and cash equivalents (bank indebtedness), beginning of period	7,540	18,292	11,145	(2,723)
Cash and cash equivalents, end of period	\$ 2,018	\$ 10,857	\$ 2,018	\$ 10,857
Supplementary cash flow information:				
Capital taxes paid (received)	\$ (676)	\$ 242	\$ (326)	\$ 900
Interest paid	\$ 21,876	\$ 19,188	\$ 62,534	\$ 57,531

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 30, 2006

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

(UNAUDITED)

1. ORGANIZATION OF TRUST

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

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and are consistent with those used in the audited consolidated financial statements as at and for the year ended December 31, 2005. These interim financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles ("Canadian GAAP") applicable to annual financial statements and, therefore, they should be read in conjunction with the audited consolidated financial statements.

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

Due to seasonality, the operating results for the three and nine months ended September 30, 2006 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2006 due to seasonal variations in utility costs and other factors. Historically, Boardwalk REIT has experienced higher utility expenses in the first quarter as a result of the winter months, which create variations in the quarterly results.

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

3. ACCOUNTING CHANGES

Deferred Unit Plan

The deferred unit plan is described in NOTE 8. Deferred units granted to trustees and executives in respect of their trustee fees and bonuses are considered to be in respect of past services and are recognized in compensation expense upon grant. Deferred units granted relating to amounts matched by the Trust are considered to be in respect of future services and are recognized in compensation expense on a straight-line basis over the vesting period. Compensation cost is measured based on the ten (10) day weighted average market price of the Trust's units on the date of grant of the deferred units. The deferred units earn additional deferred units for the distributions that would otherwise have been paid on the deferred units had they instead been issued as Trust Units on the date of grant. No additional compensation cost is recorded for additional deferred units issued. Deferred units that have vested, but for which the corresponding Trust Units have not been issued and where the ultimate issuance of such Trust Units is simply a matter of the passage of time, are considered to be outstanding units from the date of vesting for basic income per unit calculations.

4. REVENUE PRODUCING PROPERTIES

	3 months ended Sept. 30, 2006	3 months ended Sept. 30, 2005	9 months ended Sept. 30, 2006	9 months ended Sept. 30, 2005
Acquisitions				
Cash paid	\$ -	\$ -	\$ 60,795	\$ 103,289
Debt assumed	-	-	-	13,144
Total purchase price	-	-	60,795	116,433
Fair value adjustments to debt	-	-	-	(207)
Book value	\$ -	\$ -	\$ 60,795	\$ 116,226
Allocation of book value to revenue producing properties	\$ -	\$ -	\$ 58,562	\$ 112,569
Allocation of book value to other assets	-	-	2,233	3,657
	\$ -	\$ -	\$ 60,795	\$ 116,226
Multi-family units acquired	-	-	840	1,325

	3 months ended Sept. 30, 2006	3 months ended Sept. 30, 2005	9 months ended Sept. 30, 2006	9 months ended Sept. 30, 2005
Dispositions				
Cash received	\$ -	\$ -	\$ 20,274	\$ 9,405
Cost of dispositions	-	-	426	127
Total proceeds	-	-	20,700	9,532
Net book value	-	-	13,173	8,025
Gain on dispositions	\$ -	\$ -	\$ 7,527	\$ 1,507
Multi-family units sold	-	-	196	186

5. OTHER ASSETS

As at	September 30, 2006	December 31, 2005
Corporate technology assets (net of amortization)	\$ 3,456	\$ 3,502
Head office building (net of amortization)	2,281	2,350
Deposits on potential property acquisitions	115	200
Prepaid parts and supplies	1,950	2,037
Lease goodwill and customer relationship intangibles, net of accumulated amortization	1,158	125
Prepaid property taxes	2,967	1,151
Prepaid and other	2,024	1,963
	\$ 13,951	\$ 11,328

Accumulated amortization for corporate technology assets and head office building at September 30, 2006 were \$11.8 million and \$0.9 million, respectively (December 31, 2005 - \$10.8 million and \$0.8 million, respectively).

6. DISCONTINUED OPERATIONS

During the first quarter of 2006, the Trust completed the sale of a 156-unit and a 40-unit rental property, both located in Calgary, Alberta. During 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. These three properties formed part of our Alberta segment in our segmented information disclosure. The following tables set forth the results of operations as well as the assets and liabilities associated with the discontinued operations.

	3 months ended Sept. 30, 2006	3 months ended Sept. 30, 2005	9 months ended Sept. 30, 2006	9 months ended Sept. 30, 2005
Revenue				
Rental income	\$ 273	\$ 906	\$ 1,011	\$ 3,348
Expenses				
Revenue producing properties:				
Operating expenses	30	79	168	378
Utilities	25	78	130	410
Utility rebate	-	-	(12)	(18)
Property taxes	19	79	82	250
Administration	6	23	28	94
Financing costs	81	256	228	992
Deferred financing cost amortization	1	11	4	32
Amortization of capital assets	47	164	142	492
	209	690	770	2,630
	64	216	241	718
Gain on dispositions (NOTE 4)	-	-	7,527	1,507
Operating earnings from discontinued operations before income taxes	64	216	7,768	2,225
Future income taxes	-	-	-	12
Earnings from discontinued operations	\$ 64	\$ 216	\$ 7,768	\$ 2,213

	September 30, 2006	December 31, 2005
Discontinued Assets		
Revenue producing properties held for sale	\$ -	\$ 12,490
Properties held for redevelopment	5,109	5,230
Other assets on properties held for sale	-	268
Other assets on properties held for redevelopment	171	176
Total	\$ 5,280	\$ 18,164
Discontinued Liabilities		
Mortgages payable on properties held for sale	\$ -	\$ 9,562
Mortgages payable on properties held for redevelopment		6,025
Total	\$ -	\$ 15,587

7. DEBENTURES

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

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 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, on filing of a notice of redemption with the trust, to receive an equivalent number of Trust Units. The deferred unit plan was approved by unitholders on May 10, 2006. At the end of September 30, 2006, total compensation costs of \$0.6 million were recognized in income related to employee awards under the deferred unit plan.

The status of the outstanding deferred units is as follows:

	Outstanding	Vested
Deferred units granted	59,790	–
Additional deferred units earned on unvested units	231	–
September 30, 2006	60,021	–

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, \$10.3 million was incurred for restructuring costs. Under the Arrangement, the former shareholders of Boardwalk Equities Inc. received Boardwalk REIT units or Class B Limited Partnership ("LP Class B") units of a controlled limited partnership of the Trust, Boardwalk REIT Limited Partnership.

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

Summary of Unitholders' Capital Contributions	Units	Amount
December 31, 2004	53,107,567	\$ 293,503
Units issued under distribution reinvestment plan	116,627	2,202
Restructuring costs	–	(9)
December 31, 2005	53,224,194	\$ 295,696
Units issued under equity financing	2,915,000	63,594
Units issued under distribution reinvestment plan	164,537	4,008
Restructuring costs	–	(165)
Deferred unit plan (NOTE 8)	–	597
September 30, 2006	56,303,731	\$ 363,730

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	51,828,731	
Special Voting Units issued to holders of LP Class B units	4,475,000	
Total trust units	56,303,731	\$ 363,730

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 this current DOT, the Trust is required to distribute, at a minimum, its reported taxable income. The reconciliation of distributable income and per unit information begins with total operating cash flows calculated in accordance with Canadian generally accepted accounting principles and as defined in the Declaration of Trust for Boardwalk REIT. However, distributable income and the per unit information are non-GAAP measures that do not have any standardized meaning prescribed by Canadian GAAP and, therefore, unlikely to be comparable to similar measures presented by other real estate companies and trusts.

	3 months ended Sept. 30, 2006	3 months ended Sept. 30, 2005	9 months ended Sept. 30, 2006	9 months ended Sept. 30, 2005
Total operating cash flows	\$ 29,198	\$ 18,746	\$ 66,929	\$ 56,982
Net change in operating working capital	(2,316)	3,037	(612)	(28)
Add:				
Deferred financing costs amortization	768	865	2,237	2,730
Amortization of net discount on long-term debt assumed after May 2, 2004	-	4	-	5
Deduct:				
Deferred financing costs amortization post May 2, 2004	(317)	(332)	(824)	(648)
Amortization of net premium on long-term debt assumed after May 2, 2004	(11)	-	(34)	-
Distributable income	\$ 27,322	\$ 22,320	\$ 67,696	\$ 59,041
Distribution declared to unitholders	\$ 17,730	\$ 16,757	\$ 52,522	\$ 50,234
Weighted average units outstanding – basic and diluted	56,277,684	53,189,860	55,279,021	53,152,242
Distributable income earned per unit	\$ 0.485	\$ 0.420	\$ 1.225	\$ 1.111
Actual distributions declared per unit	\$ 0.315	\$ 0.315	\$ 0.950	\$ 0.945

	3 months ended Sept. 30, 2006	3 months ended Sept. 30, 2005	9 months ended Sept. 30, 2006	9 months ended Sept. 30, 2005
Earnings per unit				
Numerator				
Earnings from continuing operations	\$ 7,438	\$ 2,713	\$ 11,092	\$ 1,614
Earnings from discontinued operations	\$ 64	\$ 216	\$ 7,768	\$ 2,213
Denominator				
Denominator for basic earnings per unit – weighted average units (THOUSANDS)	56,278	53,190	55,279	53,152
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion (THOUSANDS)	56,278	53,190	55,279	53,152
Earnings per unit from continuing operations				
Basic	\$ 0.13	\$ 0.06	\$ 0.20	\$ 0.03
Diluted	\$ 0.13	\$ 0.06	\$ 0.20	\$ 0.03
Earnings per unit from discontinued operations				
Basic	\$ 0.00	\$ 0.00	\$ 0.14	\$ 0.04
Diluted	\$ 0.00	\$ 0.00	\$ 0.14	\$ 0.04

Boardwalk REIT is a "mutual fund trust" as defined under the Income Tax Act (Canada) and accordingly is not taxable on its income to the extent that its income is distributed to its unitholders. This exemption does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax.

	3 months ended Sept. 30, 2006	3 months ended Sept. 30, 2005	9 months ended Sept. 30, 2006	9 months ended Sept. 30, 2005
Continuing operations	\$ 446	\$ 28	\$ 222	\$ (804)
Discontinued operations	-	-	-	12
Total future income taxes (recovery)	\$ 446	\$ 28	\$ 222	\$ (792)

Future income taxes (recovery) consist of the following:

	3 months ended Sept. 30, 2006	3 months ended Sept. 30, 2005	9 months ended Sept. 30, 2006	9 months ended Sept. 30, 2005
Tax (recovery) expense based on expected rate	\$ 462	\$ (25)	\$ 141	\$ (164)
Adjustment to future income tax liabilities	166	53	172	(548)
Adjustment for change in effective tax rate	(182)	-	(91)	(80)
Future income taxes (recovery)	\$ 446	\$ 28	\$ 222	\$ (792)

The future income tax asset is calculated as follows:

As at	September 30, 2006	December 31, 2005
Tax asset related to operating losses	\$ 689	\$ 403
Tax asset related to differences in tax and book basis	19	526
Future income tax asset	\$ 708	\$ 929

At September 30, 2006, the Trust had long-term supply arrangements with two electrical utility companies to supply the Trust with its electrical power needs for Alberta for the next three to twenty-seven months at a blended rate of approximately \$0.0561/kwh. These agreements provide that the Trust purchase its power for all Alberta properties under contract for the upcoming months.

While the above utility contracts for electrical power reduce the risk of exposure to adverse changes in commodity prices, they also reduce the potential benefits of favourable changes in commodity prices. For accounting purposes, all settlements are recorded as utility expense in the period the settlement occurs.

Beginning in November 2003, the Alberta government implemented a natural gas rebate program covering the winter usage months of November through March. In October 2005, the natural gas rebate program was extended to cover the month of October. In January of 2006, the Alberta government announced a three-year extension to the program covering the winter months of October through March. The extension of the natural gas rebate program will end March 31, 2009. The rebate program becomes active when the natural gas consumer price charged by two of the three major gas companies in Alberta exceeds \$5.50/GJ for any individual winter usage month. For January through March 2006, Boardwalk REIT was eligible for estimated rebates totalling \$1.4 million. For January to March 2005, Boardwalk REIT was eligible for rebates totalling approximately \$0.6 million.

The Trust has also entered into three natural gas supply contracts, which provide a degree of price certainty for natural gas usage in the provinces of Saskatchewan, Ontario and Quebec. The contracts cover between 75 - 100% of the Trust's natural gas requirements for each of the provinces. The physical supply agreement for Saskatchewan runs

from November 1, 2006 to October 31, 2007 and provides the commodity at a price of \$8.48/GJ. The physical supply agreements for Eastern Canada run from June 1, 2006 to June 1, 2007 and provide the commodity near \$8.00/GJ.

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

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 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, 2006 is approximately \$5.5 million (September 30, 2005 - \$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, 2006, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

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

	3 months ended Sept. 30, 2006	3 months ended Sept. 30, 2005	9 months ended Sept. 30, 2006	9 months ended Sept. 30, 2005
Alberta				
Revenue	\$ 43,600	\$ 38,809	\$ 124,712	\$ 115,209
Expenses				
Operating	6,823	5,975	19,904	19,241
Utilities	3,498	3,643	14,224	14,045
Utility rebates	–	(2)	(1,384)	(623)
Property taxes	2,967	3,383	9,399	9,832
	13,288	12,999	42,143	42,495
Net operating income	\$ 30,312	\$ 25,810	\$ 82,569	\$ 72,714
Saskatchewan				
Revenue	\$ 8,933	\$ 8,674	\$ 26,347	\$ 25,756
Expenses				
Operating	1,579	1,454	4,758	4,718
Utilities	886	670	3,646	3,101
Property taxes	1,187	1,210	3,625	3,712
	3,652	3,334	12,029	11,531
Net operating income	\$ 5,281	\$ 5,340	\$ 14,318	\$ 14,225
Ontario				
Revenue	\$ 9,363	\$ 9,198	\$ 28,130	\$ 27,653
Expenses				
Operating	1,540	1,453	4,657	4,696
Utilities	1,460	1,264	4,739	4,721
Property taxes	1,846	1,685	5,373	5,011
	4,846	4,402	14,769	14,428
Net operating income	\$ 4,517	\$ 4,796	\$ 13,361	\$ 13,225
British Columbia				
Revenue	\$ 2,151	\$ 1,514	\$ 5,939	\$ 3,929
Expenses				
Operating	429	226	1,178	726
Utilities	235	152	684	365
Property taxes	120	163	342	251
	784	541	2,204	1,342
Net operating income	\$ 1,367	\$ 973	\$ 3,735	\$ 2,587
Quebec				
Revenue	\$ 16,927	\$ 16,159	\$ 50,225	\$ 47,890
Expenses				
Operating	3,196	2,803	10,116	8,119
Utilities	1,345	1,185	5,944	5,464
Property taxes	1,906	1,756	5,397	5,253
	6,447	5,744	21,457	18,836
Net operating income	\$ 10,480	\$ 10,415	\$ 28,768	\$ 29,054
Total				
Net operating income	\$ 51,957	\$ 47,334	\$ 142,751	\$ 131,805
Unallocated revenue*	382	1,042	22,163	13,411
Unallocated expenses**	(44,837)	(45,447)	(146,054)	(141,389)
Net earnings for the period	\$ 7,502	\$ 2,929	\$ 18,860	\$ 3,827

As at	September 30, 2006	December 31, 2005
Alberta		
Identifiable assets		
Revenue producing properties	\$ 931,602	\$ 929,273
Mortgages and accounts receivable	759	5,277
Deferred financing costs	26,845	25,908
Tenants' security deposit	7,738	5,688
	\$ 966,944	\$ 966,146
Saskatchewan		
Identifiable assets		
Revenue producing properties	\$ 173,432	\$ 176,116
Mortgages and accounts receivable	159	185
Deferred financing costs	4,294	4,320
Tenants' security deposits	1,506	1,341
	\$ 179,391	\$ 181,962
Ontario		
Identifiable assets		
Revenue producing properties	\$ 210,195	\$ 213,490
Mortgages and accounts receivable	245	236
Deferred financing costs	3,490	3,508
	\$ 213,930	\$ 217,234
British Columbia		
Identifiable assets		
Revenue producing properties	\$ 79,278	\$ 62,014
Mortgages and accounts receivable	50	285
Deferred financing costs	21	-
Tenants' security deposits	343	250
	\$ 79,692	\$ 62,549
Quebec		
Identifiable assets		
Revenue producing properties	\$ 420,645	\$ 398,109
Mortgages and accounts receivable	1,376	5,032
Deferred financing costs	5,648	5,927
	\$ 427,669	\$ 409,068
Total assets		
Identifiable assets	\$ 1,867,626	\$ 1,836,959
Unallocated assets***	32,223	46,427
	\$ 1,899,849	\$ 1,883,386

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

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

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

15. SUBSEQUENT EVENTS

Subsequent to September 30, 2006, Boardwalk REIT contracted to acquire 96 residential units located in Victoria, British Columbia from unrelated third parties for an aggregate purchase price of \$9.4 million. The acquisition will be funded from cash on hand and Boardwalk REIT's credit facility.



BOARDWALK REAL ESTATE INVESTMENT TRUST

CORPORATE INFORMATION

EXECUTIVE OFFICES

Calgary

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

Toronto

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

BOARD OF TRUSTEES

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

James Dewald⁽²⁾
Calgary, Alberta

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

Sam Kolias
Calgary, Alberta

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

David V. Richards⁽¹⁾
Calgary, Alberta

⁽¹⁾ Member of the Audit and Risk Management Committee

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

SENIOR MANAGEMENT

Jonathan Brimmell
Vice President, Operations,
Ontario and Quebec

Dean Burns
Vice President, Legal Affairs

William Chidley
Senior Vice President,
Corporate Development

Jean Denis
Vice President, Acquisitions,
Quebec and Atlantic Canada

Ian Dingle
Vice President, Purchasing
and Contracts

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

Michael Guyette
Vice President, Technology

Sam Kolias
President & Chief Executive
Officer

Van Kolias
Senior Vice President,
Quality Control

Helen Mix
Vice President, Human Resources

Kim O'Brien

Vice President, Investments

Lisa Russell

Vice President, Acquisitions,
Western Canada

Kelly Mahajan

Vice President,
Customer Service and
Process Design

Kevin P. Screpnechuk

Senior Vice President, Rental
Operations

Lizaine Wheeler

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

William Wong

Vice President and Controller