Management's Discussion and Analysis

For the Three and Six Months Ended June 30, 2007

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 six months ended June 30, 2007 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, 2006 and 2005 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 2007 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 in the MD&A of Boardwalk REIT's 2006 Annual Report 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, environmental 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 REIT 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 , May 10, 2006 and May 10, 2007 (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 Boardwalk Equities Inc. (the "Corporation").

On May 3, 2004, the Corporation sold all of its assets and undertakings to Boardwalk REIT. Boardwalk REIT units trade on the Toronto Stock Exchange under the symbol "BEI.UN". Boardwalk REIT's principal objectives are to provide its unitholders ("Unitholders") with 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 second quarter of 2007, Boardwalk REIT currently owned and operated in excess of 260 properties, comprised of 35,769 units (excluding a 90-unit property converted to condominiums, of which 21 units have been sold and closed as of June 30, 2007), totalling over 30 million net rentable square feet, and is Canada's largest owner/operator of multi-family rental communities. Boardwalk REIT's portfolio is concentrated in the provinces of Alberta, British Columbia, Saskatchewan, Ontario and Quebec.

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 or the condominium conversion and sale of these suites. 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 purchase of Boardwalk REIT's trust units in the public securities market.

NON-GAAP FINANCIAL 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 measurements most comparable to DI and FFO are total cash flow from operating activities and net earnings, respectively. 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.

PERFORMANCE MEASURES

DI is computed as outlined in the Trust's Declaration of Trust ("DOT"). The DOT requires the Trust be to pay out all taxable income to Unitholders in the form of monthly distributions. The Trust has indicated at the end of the previous quarter that, on an annualized basis, it will distribute $1.60 per outstanding unit (or $0.1333 per trust unit on a monthly basis) for 2007.

For the second quarter of 2007, the Trust declared distributions of $22 million. The Trust also has in place a Distribution Reinvestment Plan ("DRIP"). The essence of this plan is that the Unitholder has the option, in lieu of receiving monthly distributions, to receive trust units from treasury. The DRIP allows participants to accept all or part of their monthly distributions in additional units. To promote this plan, the Trust offers a 3% premium on the units distributed under the plan.

In the table below, Boardwalk REIT provides a reconciliation of both FFO and DI, both non –GAAP measures, to their closely related GAAP measures for the current period.

FFO Reconciliation In $000's, except per unit amounts	**3 months Jun-07**	3 months Jun-06	Change	**6 months Jun-07**	6 months Jun-06	Change
Net earnings (loss) from continuing operations	**$ (102,573)**	$ 3,940		**$ (99,004)**	$ 3,469	
Adjustments						
Earnings from discontinued operations	**$ 5,073**	$ 121		**$ 5,134**	$ 7,888	
Deduct gain on dispositions	**$ (4,810)**	–		**$ (4,810)**	$ (7,526)	
Future income taxes (recovery)	**$ 111,630**	$ (122)		**$ 111,398**	$ (224)	
Amortization of capital assets	**$ 20,442**	$ 18,295		**$ 39,800**	$ 35,829	
Funds from operations	**$ 29,762**	$ 22,234	33.9%	**$ 52,518**	$ 39,436	33.2%
Funds from operations - per unit	**$ 0.53**	$ 0.40	32.5%	**$ 0.93**	$ 0.72	29.2%

Distributable Income Reconciliation In $000's, except per unit amounts	**3 months Jun-07**	3 months Jun-06	Change	**6 months Jun-07**	6 months Jun-06	Change
Total Operating Cash Flows	**$ 38,316**	$ 21,377		**$ 60,918**	$ 37,731	
Net change in operating working capital	**$ (8,555)**	$ 857		**$ (8,401)**	$ 1,705	
Add deferred financing costs amortization	**$ 1,100**	$ 693		**$ 2,379**	$ 1,469	
Deduct deferred financing costs amortization post May 2, 2004	**$ (623)**	$ (241)		**$ (948)**	$ (506)	
Mark-to-market debt adjustment post May 2004	**$ (254)**	$ (11)		**$ (343)**	$ (23)	
	$ 29,984	$ 22,675	32.2%	**$ 53,605**	$ 40,376	32.8%
Distributable income - per unit	**$ 0.53**	$ 0.40	32.5%	**$ 0.95**	$ 0.74	28.4%

Overall, Boardwalk REIT earned $29.8 million and $52.5 million in total FFO for the three and six months ended June 30, 2007, compared to $22.2 million and $39.4 million, respectively, for the same periods last year, representing increases of approximately 34%. FFO on a per unit basis for the current quarter ended June 30, 2007 increased approximately 33 %, from $0.40 to $0.53, compared to the same period in the prior year. Reported DI for the three months ended June 30, 2007 was $0.53 per unit, compared to $0.40 for the same period last year, representing an increase of 33%.

DECLARATION OF TRUST

The investment guidelines of the Trust are outlined in the Trust's DOT, a copy of which is available on request to all Unitholders. Further information of the DOT can also be located on page 33 of the Annual Information Form dated February 20, 2007. Certain amendments to the investment guidelines can be found on page 31 of the Management Information Circular dated March 30, 2007, which were adopted by Unitholders at the May 10, 2007 Annual General Meeting. 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; and
2. Investments in joint ventures are allowed as long as the Trust's interest in the joint venture is at least 25%.

Operating Policies

1. Maximum debt capacity not to exceed 70% of Gross Book Value;
2. No guaranteeing of third-party debt outside its existing structure and potential joint venture partner structures, except under certain specific conditions and meeting certain defined criteria;
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") on site maintenance compensation to associates, repairs and maintenance, as well as capital upgrades.

Compliance with DOT

At June 30, 2007, 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.

The following table outlines, on a per unit basis, where the growth in FFO was derived for the Trust compared to the results posted for the second quarter and first half of 2006.

FFO Reconciliation	3 Months 30-Jun-07	6 Months 30-Jun-07
FFO Opening	$ 0.40	$ 0.72
NOI from Stabilized	$ 0.16	$ 0.27
NOI from Unstabilized	$ 0.04	$ 0.07
Financing costs	$ (0.05)	$ (0.07)
W/O of Deferred Financing Costs	$ –	$ (0.01)
Administration and other	$ (0.01)	$ (0.03)
Dilution	$ (0.01)	$ (0.02)
FFO Closing	$ 0.53	$ 0.93

ACCOUNTING POLICIES

Note 2 of page 70 of Boardwalk REIT's 2006 Annual Report summarizes Boardwalk REIT's significant accounting policies. Note 3 of Boardwalk REIT's unaudited interim consolidated financial statements for the quarter ended June 30, 2007 provides an update to Boardwalk REIT's accounting policies. Five new accounting standards have come into effect for us as of January 1, 2007. These five sections are CICA Handbook Section 1506-Accounting Changes, Section 1530-Comprehensive Income, Section 3855-Financial Instruments-Recognition and Measurement, Section 3861-Financial Instruments-Disclosure and Presentation and Section 3865-Hedges.

IMPACT OF ADOPTION OF SECTIONS 1506, 1530, 3855, 3861 AND 3865 AND BILL C-52

Our consolidated financial statements now include consolidated statements of earnings and comprehensive income while the cumulative amount of other comprehensive income has been included as a separate section of unitholders' equity.

Boardwalk REIT has also adopted the effective interest rate method for calculating the amortized cost of its financial liabilities and of allocating the financing charges, including transaction costs, over the relevant reporting periods. Any adjustment to the Trust's financial statements, as a result of adopting Section 3855, is recognized by restating the balance of opening unitholders' equity. Comparative periods are not permitted to be restated. For the current and prior periods, all unamortized transaction costs (previously designated as deferred financing costs and mark-to-market adjustment of debt) are now netted against the respective financial liability. The table below outlines the transitional effect of adopting the new accounting standards on financial instruments:

	June 30, 2007	Dec. 31, 2006
Mortgages Payable		
Principal outstanding	$ 1,633,611	$ 1,414,537
Unamortized deferred financing costs	(48,648)	(41,626)
Unamortized mark-to-market adjustment	1,502	1,730
	$ 1,586,465	$ 1,374,641
Debentures		
Principal outstanding	$ 120,000	$ 120,000
Unamortized deferred financing costs	(1,399)	(1,552)
	$ 118,601	$ 118,448

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

BILL C-52

On June 22, 2007, Bill C-52 received Royal Assent in Canada (See Certain Income Tax Risks for more details on Bill C-52). As a result of this, under Generally Accepted Accounting Principles in Canada, once a bill is enacted it is a requirement to record the income tax implications effective on that date. In accordance with Bill C-52, the assumption being made is that, effective January 1, 2011, Boardwalk REIT will no longer qualify as a Real Estate Investment Trust ("REIT") in accordance with the definition contained in that legislation, and will remain within certain "normal growth" limits such that it will be subject to income tax pursuant to this new legislation.

IMPACT OF BILL C-52

The impact of our interpretation of Bill C-52 on Boardwalk REIT was that, based on a detailed review of the legislation, at this time it may be interpreted that the Trust does not qualify as a REIT, which would be exempt from the specified investment flow-through ("SIFT") rules and as such has recorded an estimate of its future income tax liability at June 30, 2007 based on it being subject to the tax prescribed by the SIFT rules on January 1, 2011. If Boardwalk REIT or any other trust, does not qualify under these new rules as of January 1, 2011, it no longer will be able to deduct its taxable distributions and as such will be required to pay tax on the this amount at an estimated current rate of approximately 31.5%. The portion of the distribution that will be determined to be return of capital would still not be subject to any tax.

Although it is the belief of Boardwalk REIT at this time that it will be able to adjust existing policies and or structure to comply with these new rules, there is also the possibility that existing rules or interpretations of these rules will be altered to accommodate Boardwalk REIT's structure, thus making the trust compliant. Management continues to work with industry organizations as well as the Department of Finance on these and other outstanding issues. If we are successful in these endeavours, the amount of the future income tax liability will be reversed and added back to earnings.

Under Canadian accounting rules, we are required to make an adjustment assuming these new rules were in effect on the substantively enacted date of June 22, 2007. The result is that the Trust is recording a future income tax liability at June 30, 2007 in the amount of $111.1 million. At a future time, once it has been deemed that the Trust would be in compliance with the SIFT rules, the amount of the adjustment will be reversed. The reported adjustment of $111.1 million has no impact on reported Funds From Operations, although it does impact reported earnings and cumulative earnings. Although the adjustment to earnings and cumulative earnings at June 30, 2007 is significant, it is not large enough to affect any existing debt covenants currently in place, including those related to Boardwalk REIT's unsecured debentures.

REVIEW OF RENTAL OPERATIONS

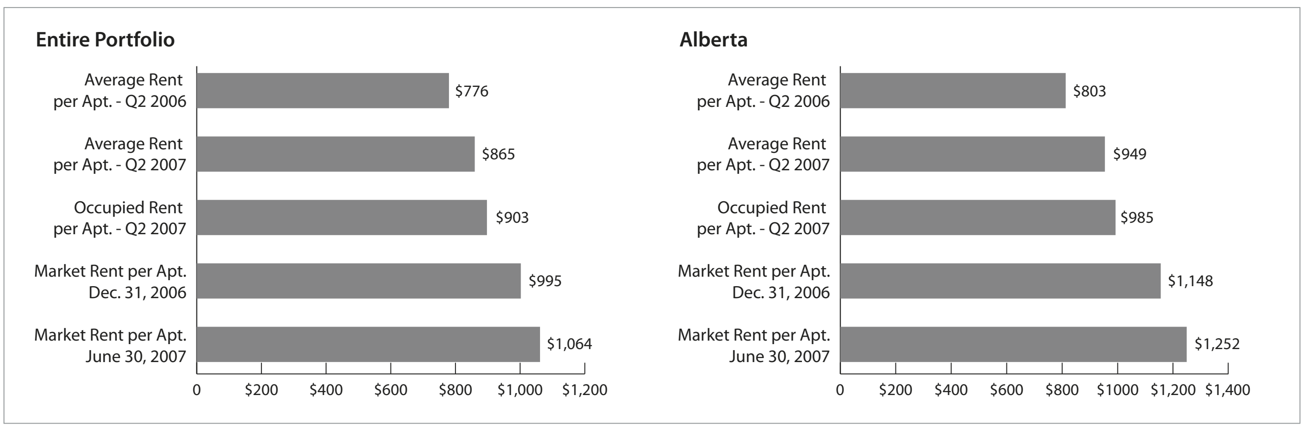
In 000's, except per unit amounts	**3 Months Jun-07**	3 Months Jun-06	Change	**6 Months Jun-07**	6 Months Jun-06	Change
Rental revenue	**$ 92,446**	$ 78,245	18.1%	**$ 179,758**	$ 154,267	16.5%
Expenses						
Operating expenses	**$ 16,160**	$ 14,225	13.6%	**$ 31,675**	$ 28,020	13.0%
Utilities	**$ 9,291**	$ 9,087	2.2%	**$ 22,934**	$ 21,875	4.8%
Utility rebate	**$ (9)**	$ (6)	50.0%	**$ (934)**	$ (1,388)	-32.7%
Property taxes	**$ 8,481**	$ 7,823	8.4%	**$ 16,745**	$ 16,123	3.9%
	$ 33,923	$ 31,129	9.0%	**$ 70,420**	$ 64,630	9.0%
Net operating income	**$ 58,523**	$ 47,116	24.2%	**$ 109,338**	$ 89,637	22.0%
Average rent per unit per month	**$ 865**	$ 776	11.5%	**$ 792**	$ 755	4.9%
Operating costs per unit per month	**$ 315**	$ 312	1.0%	**$ 334**	$ 321	4.0%
Operating margins	**63%**	60%		**61%**	58%	

Overall, Boardwalk REIT's rental operations from continuing operations reported strong results. Of the reported increase in rental revenue of 18.1% and 16.5% for the three and six months ended June 30, 2007, approximately 93% 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 9.0% for the three and six months ended June 30, 2007, the combined effect of an increase in the overall number of units owned by the Trust, reported increased operating costs in the province of Alberta and higher overall property taxes expenses and a decrease in the utility rebate received. Higher operating costs in Alberta are mainly due to salary increases for operations and maintenance personnel. Property taxes also increased 8.4% and 3.9% for the three and six months ended June 30, 2007, respectively, compared to the same period last year, primarily due increased property valuations largely in the province of Alberta.

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 $4.4 million and $8.7 million for the three and six months ended June 30, 2007 compared to $3.3 million and $6.8 million for the three and six months ended June 30, 2006, respectively. The increase was due mainly to higher wages and salaries and to additional apartment units added in 2006 and the first six months of 2007.

ESTIMATED LOSS-TO-LEASE CALCULATION

Boardwalk REIT's estimated loss-to-lease, representing the difference between estimated market rents and actual occupied rents on June 30, 2007, adjusted for current occupancy levels, totalled $60.8 million on an annualized basis, representing $1.08 per outstanding trust unit. The vast majority of this amount can be attributed to the Trust's more than eighteen thousand apartment units located in the province of Alberta, where the mark-to-market on existing rents is approximately $244 per apartment unit per month or $53.7 million . 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 $244 per month noted above. If a Boardwalk REIT customer decides to remain in their existing unit at the end of the lease agreement, it is the Trust's self-imposed internal policy, that their rent will not increase their rent more then $150 in any twelve-month period. Until April 24, 2007, the Trust divided this increase in two parts and only increased existing rental levels by $75 every six months for a total maximum of $150 in any twelve-month period. This change in policy was a result of new proposed legislation introduced by the Alberta Provincial Government. We will be discussing these new proposed changes later in the MDA. 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 REIT'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.



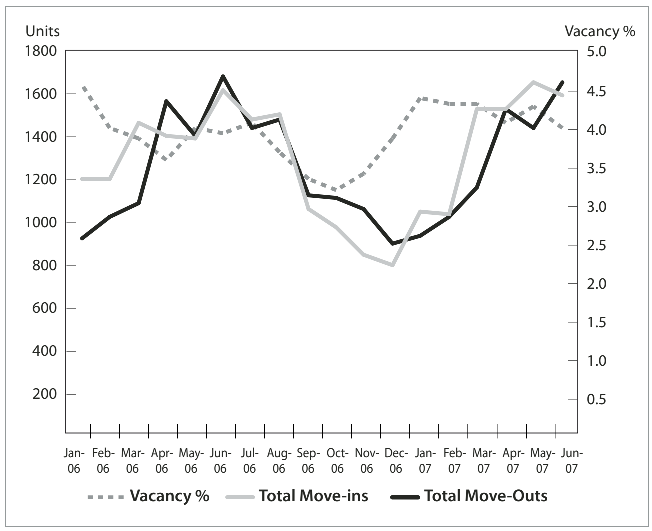
	Jun 2007 Occupied Rent	Jun 2007 Market Rent	Mark to Market Per Month	Annualized Mark to Market Adjusted for Vacancies ($000's)	Weighted Average Units	% of Portfolio
Calgary	$ 1,156	$ 1,356	$ 200	$ 11,966	5,139	14%
Edmonton	$ 937	$ 1,215	$ 278	$ 38,501	11,985	33%
Other Alberta	$ 1,053	$ 1,204	$ 150	$ 3,251	1,967	6%
Alberta Portfolio	$ 1,008	$ 1,252	$ 244	$ 53,718	19,091	53%
Saskatchewan	$ 710	$ 759	$ 50	$ 2,586	4,660	13%
Ontario	$ 791	$ 792	$ 1	$ 43	4,265	12%
Quebec	$ 885	$ 935	$ 50	$ 3,894	6,750	19%
British Columbia	$ 894	$ 939	$ 45	$ 519	1,087	3%
Total Portfolio	$ 917	$ 1,064	$ 147	$ 60,760	35,853	100%

PORTFOLIO OCCUPANCY PERFORMANCE

City	Q2 2007	Q2 2006	Q1 2007	Q1 2006
Calgary	3.14%	2.33	4.03%	2.25%
Edmonton	3.36%	2.93	3.54%	3.72%
Gatineau	7.60%	15.83	10.00%	15.10%
Kitchener	3.14%	2.33	3.75%	2.23%
London	3.77%	4.33	4.47%	5.04%
Montreal	4.26%	2.81	4.92%	2.39%
Other Alberta	7.25%	2.08	4.50%	2.00%
Quebec City	4.56%	5.63	5.68%	6.31%
Regina	3.88%	6.75	3.29%	6.78%
Saskatoon	2.58%	2.15	1.21%	1.79%
Windsor	8.15%	7.28	7.95%	6.62%
Vancouver	4.90%	4.18	5.18%	4.12%
Verdun	5.04%	5.53	6.55%	6.07%
Victoria	6.61%	3.52	5.84%	2.48%
Grand Total	4.16%	3.87	4.39%	4.19%

BOARDWALK REIT'S PORTFOLIO VACANCY

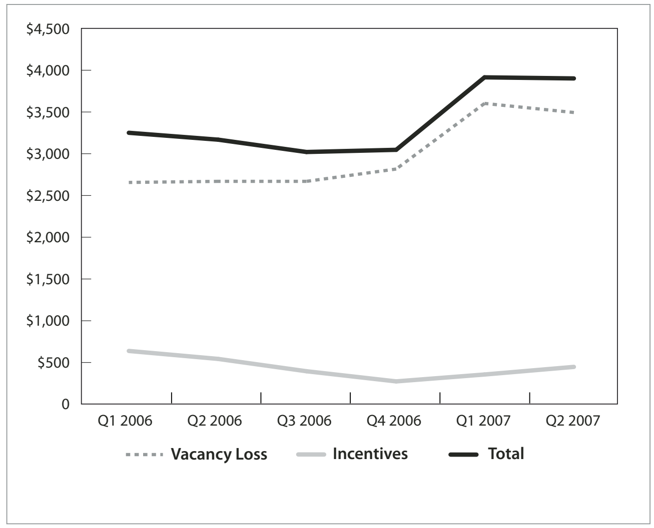
The second quarter of fiscal 2007 saw the portfolio's overall vacancy rate increased to 4.16% from 3.87% for the same period in the prior year. The reported increase is mainly the result of an increase in the reported vacancy rates in Calgary, Edmonton, Grand Prairie, Kitchener, Montreal, Red Deer, Windsor, Vancouver and Victoria. The 7.25% vacancy rate for "Other Alberta" includes Grande Prairie, which is experiencing higher vacancies as a result of record low rig utilization and low natural gas prices.



The increase in vacancy rates is a very positive stride for the Trust in that even though vacancy rates increased overall, reported revenue increased substantially, further emphasizing the Trust's focus on revenue of which vacancy is simply one component.

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, or vice versa, is the primary driver in the reported vacancy rate. Overall, Boardwalk REIT's turnover rate for the six months ended June 30, 2007 averaged 3.68% per month compared to 3.84% from the same period in the prior year. The decrease was mainly the result of a reported decrease in turnover in our Alberta Portfolio, which reported an average monthly turnover of 3.05% as compared to 3.66% for the same period in 2006. The 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 given 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 given versus vacancy loss and the impact of the two on overall rental revenue. The reported increase in vacancy loss was mainly the result of a significant increase in overall market rental rates, particularly in Alberta, combined with the slight increase in vacancy rates from previous quarters.

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.

BRITISH COLUMBIA RENTAL OPERATIONS

In $000's	**3 Months Jun-07 (Unaudited)**	3 Months Jun-06 (Unaudited)	Change	**6 Months Jun-07 (Unaudited)**	6 Months Jun-06 (Unaudited)	Change
Rental revenue	**$ 2,854**	$ 2,137	33.6%	**$ 5,625**	$ 3,788	48.5%
Rental Expenses:						
Operating expenses	**$ 568**	$ 334	70.1%	**$ 1,189**	$ 691	72.1%
Utilities	**$ 328**	$ 310	5.8%	**$ 623**	$ 449	38.8%
Property taxes	**$ 262**	$ 33	693.9%	**$ 516**	$ 222	132.4%
	$ 1,158	$ 677	71.0%	**$ 2,328**	$ 1,362	70.9%
Net operating income	**$ 1,696**	$ 1,460	16.2%	**$ 3,297**	$ 2,426	35.9%
Operating margins	**59.4%**	68.3%		**58.6%**	64.0%	

Boardwalk REIT entered British Columbia during the first quarter of 2005 and has continued to increase its position in 2006 and the first half of 2007. The increase in rental revenue and related expenses are mainly due to this increase in the number of apartment units. Operating margins declined due primarily to higher repair and maintenance and higher property taxes in the current periods compared to the same periods in the prior year.

ALBERTA RENTAL OPERATIONS

In $000's	**3 Months Jun-07 (Unaudited)**	3 Months Jun-06 (Unaudited)	Change	**6 Months Jun-07 (Unaudited)**	6 Months Jun-06 (Unaudited)	Change
Rental revenue	**$ 53,578**	$ 40,862	31.1%	**$ 102,485**	$ 80,658	27.1%
Rental Expenses:						
Operating expenses	**$ 7,853**	$ 6,358	23.5%	**$ 15,349**	$ 12,274	25.1%
Utilities	**$ 5,112**	$ 4,214	21.3%	**$ 11,757**	$ 10,718	9.7%
Utilities rebate	**$ (8)**	$ (6)		**$ (930)**	$ (1,384)	-32.8%
Property taxes	**$ 3,365**	$ 3,189	5.5%	**$ 6,540**	$ 6,395	2.3%
	$ 16,322	$ 13,755	18.7%	**$ 32,716**	$ 28,003	16.8%
Net operating income	**$ 37,256**	$ 27,107	37.4%	**$ 69,769**	$ 52,655	32.5%
Operating margins	**69.5%**	66.3%		**68.1%**	65.3%	

Boardwalk REIT's Alberta operations for the three and six months ended June 30, 2007 have posted strong growth when compared to the amounts reported for the same period during fiscal 2006. The reported increase in rental revenues is mainly due to the combined effect of 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 18.7% for the three months ended June 30, 2007. The reported increase for the three-month period compared to the prior year was mainly due to the addition of new apartment units in the current period, higher wages and salaries and higher utility costs.

SASKATCHEWAN RENTAL OPERATIONS

In $000's	**3 Months Jun-07 (Unaudited)**	3 Months Jun-06 (Unaudited)	Change	**6 Months Jun-07 (Unaudited)**	6 Months Jun-06 (Unaudited)	Change
Rental revenue	**$ 9,420**	$ 8,721	8.0%	**$ 18,632**	$ 17,414	7.0%
Rental Expenses:						
Operating expenses	**$ 1,615**	$ 1,529	5.6%	**$ 3,209**	$ 2,986	7.5%
Utilities	**$ 797**	$ 1,291	-38.3%	**$ 2,522**	$ 2,760	-8.6%
Property taxes	**$ 1,157**	$ 1,187	-2.5%	**$ 2,328**	$ 2,438	-4.5%
	$ 3,569	$ 4,007	-10.9%	**$ 8,059**	$ 8,184	-1.5%
Net operating income	**$ 5,851**	$ 4,714	24.1%	**$ 10,573**	$ 9,230	14.6%
Operating margins	**62.1%**	54.1%		**56.7%**	53.0%	

Boardwalk REIT's Saskatchewan operations reported slightly better results for the three and six months ended June 30, 2007 compare to the same period in fiscal 2006. Overall, rental revenue increased mainly the result of a decrease in vacancy rates in both Regina and Saskatoon. Operating costs increased by 5.6% and 7.5% for the three and six months ended June 30, 2007, respectively, compared to the same period in the prior year, mainly as a result of higher salaries and wages. Overall, utility costs have decreased mainly the result of seasonality and the timing of the related expenses.

ONTARIO RENTAL OPERATIONS

In $000's	**3 Months Jun-07 (Unaudited)**	3 Months Jun-06 (Unaudited)	Change	**6 Months Jun-07 (Unaudited)**	6 Months Jun-06 (Unaudited)	Change
Rental revenue	**$ 9,074**	$ 9,041	0.4%	**$ 18,129**	$ 18,075	0.3%
Rental Expenses:						
Operating expenses	**$ 1,364**	$ 1,476	-7.6%	**$ 2,832**	$ 2,839	-0.2%
Utilities	**$ 1,315**	$ 1,355	-3.0%	**$ 3,269**	$ 3,148	3.8%
Property taxes	**$ 1,709**	$ 1,609	6.2%	**$ 3,408**	$ 3,411	-0.1%
	$ 4,388	$ 4,440	-1.2%	**$ 9,509**	$ 9,398	1.2%
Net operating income	**$ 4,686**	$ 4,601	1.8%	**$ 8,620**	$ 8,677	-0.7%
Operating margins	**51.6%**	50.9%		**47.5%**	48.0%	

Boardwalk REIT's Ontario operations reported relatively stable rental revenue for the three and six months ended June 30, 2007 compared to the same periods last year. Operating expenses decreased by 7.6% for the three months ended June 30, 2007 and remained stable for the six months ended June 30, 2007 compared to the same periods in the prior year. Utility costs were down 3.0% for the second quarter compared to the same period in fiscal 2006, the result of lower utility usage after the winter months. Property taxes were higher by 6.2% for the three months ended June 30, 2007 due to higher property tax assessments on our properties and remained relatively unchanged the same for the six months ended June 30, 2007 compared to the same period in the prior year.

QUEBEC RENTAL OPERATIONS

In $000's	**3 Months Jun-07 (Unaudited)**	3 Months Jun-06 (Unaudited)	Change	**6 Months Jun-07 (Unaudited)**	6 Months Jun-06 (Unaudited)	Change
Rental revenue	**$ 17,099**	$ 16,897	1.2%	**$ 34,113**	$ 33,294	2.5%
Rental Expenses:						
Operating expenses	**$ 3,452**	$ 3,402	1.5%	**$ 6,417**	$ 6,517	-1.5%
Utilities	**$ 1,610**	$ 1,788	-10.0%	**$ 4,604**	$ 4,599	0.1%
Property taxes	**$ 1,893**	$ 1,731	9.4%	**$ 3,782**	$ 3,491	8.3%
	$ 6,955	$ 6,921	0.5%	**$ 14,803**	$ 14,607	1.3%
Net operating income	**$ 10,144**	$ 9,976	1.7%	**$ 19,310**	$ 18,687	3.3%
Operating margins	**59.3%**	59.0%		**56.6%**	56.1%	

Boardwalk REIT's Quebec operations reported small gains in revenue. Reported revenue increased by 1.2% and 2.5% for the three and six months ended June 30, 2007, 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 slightly from the same periods in the prior year, mainly the result of higher property taxes.

STABILIZED PROPERTY RESULTS

Boardwalk REIT defines a stabilized property as one that the Trust, or any predecessor companies, has owned for a period of at least two years. The definition is simply one of term of ownership, and the Trust believes 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% of its total rental unit portfolio as at June 30, 2007, or a total of 33,014 units. The following compares the "same-store" results for the three and six months ended June 30, 2007 with the same periods in the prior year.

Jun 30 2007 - 3 M	# of Units	Revenue Growth	Operating Expense Growth	Net Operating Income Growth	% of Stabilized NOI
Calgary	4,973	24.0%	2.1%	34.2%	21%
Edmonton	10,369	18.8%	9.1%	24.1%	34%
Other Alberta	1,680	15.3%	8.3%	18.3%	6%
British Columbia	633	10.6%	11.2%	10.3%	2%
Saskatchewan	4,660	8.0%	-10.9%	24.1%	10%
Quebec	6,434	2.4%	-1.4%	5.1%	18%
Ontario	4,265	0.2%	-2.1%	2.5%	9%
	33,014	12.4%	1.3%	19.3%	100%

Jun 30 2007 - 6 M	# of Units	Revenue Growth	Operating Expense Growth	Net Operating Income Growth	% of Stabilized NOI
Calgary	4,973	22.6%	6.9%	29.9%	21%
Edmonton	10,369	17.3%	8.7%	22.4%	34%
Other Alberta	1,680	16.7%	8.7%	20.5%	7%
British Columbia	633	8.4%	7.0%	9.2%	2%
Saskatchewan	4,660	7.0%	-1.5%	14.6%	10%
Quebec	6,434	2.2%	-1.7%	5.4%	18%
Ontario	4,265	0.1%	0.3%	-0.1%	8%
	33,014	11.5%	3.3%	17.0%	100%

For the second quarter 2007, same-store revenue increased by 12.4% compared to the prior period with rental expenses increasing by 1.3%, resulting in an overall improvement of 19.3%. The increase in reported stabilized revenue was driven mainly by the Trust's Alberta operations, which accounts for approximately 61% of the Trust's reported stabilized net operating income. The majority of the reported increase in rental operating expenses for the six months ended June 30, 2007 was due to higher operating costs in Alberta and a decrease in the reported Alberta provincial natural gas rebate in the first quarter of 2007 as compared to the first quarter of 2006. 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 six months ended June 30, 2007 would have increased to 17.9% as compared to the reported 17.0%.

FINANCING COSTS

Financing costs for the second quarter and first half of 2007 have increased slightly from the same periods in the prior year, due primarily to the Trust's increased leverage to finance its recent acquisitions. The increased interest expense on the additional financing was partially offset by the lower overall interest rate on its mortgage portfolio. As at June 30, 2007, the reported weighted average interest rate on its mortgage and debt portfolio was 5.25%, down from 5.28% reported at March 31, 2007, 5.31% reported at December 31, 2006 and 5.35% reported at June 30, 2006. 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 and debt portfolio is approximately 3 years.

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

Boardwalk REIT 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 June 30, 2007, approximately 93% of Boardwalk REIT's mortgage secured debt was backed by this NHA insurance with a weighted average amortization period of approximately 24.5 years.

ADMINISTRATION

Administration reported was $5.3 million and $10.6 million for the three and six months ended June 30, 2007 compared to the same periods in the prior year, represents an increase of 19.0% and 19.6%, respectively. The increase is mainly due to higher wages and salaries and higher professional fees incurred.

DEFERRED FINANCING COSTS AMORTIZATION

The amounts reported here relate primarily to the amortization and or write-off of CMHC premiums, which are paid as part of its 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. For the six months ended June 30, 2007, deferred financing costs of approximately $600,000 were written off due to mortgage refinancings compared to $0 for the same period in the prior year. The funds from these refinancings were used to finance its 2007 acquisitions to date, most notably the West Edmonton Village portfolio consisting of 1,176 apartment units at a purchase price of approximately $143.5 million. 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 and six months ended June 30, 2007 of $20.5 million and 39.8 million, respectively, has increased from the $18.2 and $35.6 million reported in the comparable period in 2006. The reported increases for the current three-month and six-month periods compared to the same periods in the prior year were due to new property units acquired.

REAL ESTATE ASSETS

Acquisitions

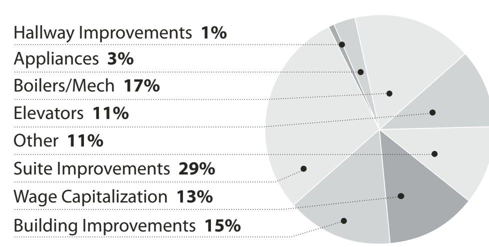
During the first six months of 2007, Boardwalk REIT acquired a total of 1,703 rental units for a total acquisition cost, including a fair value adjustment to debt, of $207.8 million, or $122 thousand per residential apartment unit. A portion (approximately $6.4 million) of the purchase price has been allocated to the value of the in-place operating leases as is now required under EIC-140.

	3 months ended June 30, 2007	3 months ended June 30, 2006	**6 months ended June 30, 2007**	6 months ended June 30, 2006
Cash paid	**$ 16,000**	$ 18,500	**$ 176,213**	$ 60,795
Debt assumed	**–**	–	**31,209**	–
Total purchase price	**16,000**	18,500	**207,422**	60,795
Fair value adjustments to debt		–	**376**	–
Book value	**$ 16,000**	$ 18,500	**$ 207,798**	$ 60,795
Allocation of book value to revenue-producing properties	**$ 15,528**	$ 17,797	**$ 201,400**	$ 58,562
Allocation of book value to other assets	**472**	703	**6,398**	2,233
	$ 16,000	$ 18,500	**$ 207,798**	$ 60,795
Multi-family units acquired	**160**	280	**1,703**	840

CAPITAL IMPROVEMENTS

For the first six months of fiscal 2007, Boardwalk REIT invested approximately $33.5 million in its properties in the form of project enhancements, an increase of $14.9 million from the $18.6 million invest in the same period in 2006. The increase in the current period compared to the same period in the prior year is due primarily to the timing of capital improvements being initiated, the Trust's strategy to increase the rental appeal of its Quebec properties and as a result of its recent acquisitions in 2006 and the first half of 2007. The following chart details which areas these funds were expended for the six months ended June 30, 2007.

Included in these amounts is approximately $3.5 million of capitalized on-site wages and salaries, representing approximately 6% of total capital expenditures for the current three-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".



Capital Improvements

UNITHOLDERS' EQUITY

The following chart discloses the changes in reported Unitholders' Capital.

Summary of Unitholders' Capital Contributions	Units	Amount
December 31, 2005	53,224,194	$ 295,696
Units issued under equity financing	2,915,000	63,583
Units issued under distribution reinvestment plan Restructuring costs	212,589	5,784
Restructuring costs	–	(140)
Deferred unit plan	–	821
December 31, 2006	56,351,783	$ 365,744
Units issued under distribution reinvestment plan	99,588	4,232
Issue costs	–	(136)
Deferred unit plan	–	931
June 30, 2007	**56,451,371**	**$ 370,771**

As is reported on the face of the balance sheet, the Trust has unitholders' equity of $187.2 million. 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 income, 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 REIT's distribution will be in the form of a return of capital with the remainder 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.

As at June 30, 2007, unitholders' equity was also affected by a non-cash charge for future income taxes in the amount of $111.1 million due to the possibility under Bill C-52 that the Trust may not qualify as a real estate investment trust and, as such, will be subject to income tax beginning January 1, 2011.

Boardwalk REIT has one class of voting securities known as "REIT Units". As at June 30, 2007, there were 51,976,371 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 in 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 through the special voting unit entitles the holder to one vote at any meeting of unitholders. Accordingly, if all of the LP B Units were exchanged for REIT units, the total issued and outstanding REIT units would be 56,451,371.

LIQUIDITY AND CAPITAL RESOURCES

Boardwalk REIT's financial position continues to be strong, with the overall debt level reported at 62% 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:

Gross Book Value Calculation	**Jun-07**	Dec-06
Total reported assets	**$ 2,069,942**	$ 1,870,460
Reported amortization	**$ 474,255**	$ 438,269
	$ 2,544,197	$ 2,308,729
Conversion adjustment (May 2004)	**$ 231,460**	$ 231,460
	$ 2,775,657	$ 2,540,189
Mortgages payable	**$ 1,586,465**	$ 1,374,641
Debentures	**$ 118,601**	$ 118,448
Bank indebtedness	**$ –**	$ 4,042
Market adjustment on mortgages (May 2004)	**$ 15,670**	$ 20,779
	$ 1,720,736	$ 1,517,910
Debt to GBV	**62%**	60%

With a DOT stipulation not to exceed 70% on Debt-to-Gross Book Value, Boardwalk REIT has the ability to add additional leverage on its existing portfolio to facilitate with future investment in the acquisition and or development of apartment assets.

Currently, Boardwalk REIT has an operating facility with a major financial institution with the maximum available of approximately $200 million, which as of June 30, 2007 was not drawn upon. For the second quarter of 2007, 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 2.37 as compared to 2.13 for the same period last year.

Mortgage and Debt Schedule Year	**Principal Outstanding as at Jun. 30, 2007**	Weighted Average Interest Rate By Maturity
2007	**316,520,192**	5.34%
2008	**227,753,551**	5.99%
2009	**274,346,421**	5.37%
2010	**304,586,223**	4.77%
2011	**127,989,320**	5.68%
2012	**361,732,999**	4.86%
2013	**63,110,669**	5.07%
2014	**4,294,999**	5.91%
2015	**30,346,879**	4.68%
2016	**25,578,180**	5.35%
2018	**6,894,450**	6.18%
2019	**11,285,476**	5.99%
2020	**3,638,487**	7.24%
Total Principal Outstanding	**1,758,077,847**	5.25%

SUBSEQUENT EVENTS

Subsequent to June 30, 2007, the Trust has filed an application with and received approval from the Toronto Stock Exchange to commence a Normal Course Issuer Bid. The Bid would allow Boardwalk REIT to purchase up to 4,267,048 trust units, representing 10% of the public float of its trust unit capital, through the facilities of The Toronto Stock Exchange. The Bid is subject to regulatory approval, and will terminate one year later, or at such earlier time as the Bid is complete.

ALBERTA RENTAL LEGISLATION

On April 24, 2007, the Alberta Provincial Government announced its intentions to alter the existing legislation with respect to rental accommodation in Alberta. Bill 34 was tabled to the Alberta Legislature on May 2, 2007. The most significant changes to the legislation focused on two key areas, the first being the number of rental increases that an owner could issue to a renter on an annual basis and the second being the notice period required if an owner is contemplating a significant renovation or condominium conversion.

Rental increases limited to once per year – the legislation stipulates that an owner may increase existing renters' rents not more than one time per year; previously, owners were able to increase rents once every six months, or twice per year. It should be noted that in this legislation, there is no limitation placed on how much rents can increase to these renters.

Notice for extensive renovations or condominium conversion - the legislation introduced limitations on an owner that wishes to convert an existing rental property to a condominium. Under the legislation, an owner is required to give the existing tenants a notice of one year and during the one year the owner will not be able to increase the said rents at any time during the notice period. Previous legislation required only a notice period of six months and there was no limitation as to rental increases other than existing rental increase laws.

It should be emphasized that there has been no changes or limitations as to the market rents charged in Alberta. Thus, this implies that there are no new limitations placed on the amounts charged to new renters renting from Boardwalk REIT.

These legislative changes came into effect on April 24, 2007.

Impact on Boardwalk REIT - Boardwalk REIT currently has over 50% of its rental portfolio in Alberta and, as such, any change to existing legislation needs to be reviewed and any impact considered. It is currently Boardwalk REIT's internal policy to increase the rents of existing customers by no more than $150 over a one-year period; again, the same limitation does not apply to new customers. The Trust's previous policy was to implement the $150 maximum over two equal instalments of $75 every six months. The legislation now limits Boardwalk REIT to one increase per year and, as such, the Trust would then increase the in-place rents a maximum of $150 once per year. The Trust also now offers the renter a fixed twelve-month lease with this rent in place.

CERTAIN TAX RISKS

Mutual Fund Trust Status

Boardwalk REIT currently qualifies as a "real estate investment trust" and as a "mutual fund trust" for income tax purposes. Boardwalk REIT is required by its Declaration of Trust to annually distribute all of its taxable income to unitholders and thus is generally not subject to tax on such amount. In order to maintain its current mutual fund trust status, Boardwalk REIT is required to comply with specific restrictions regarding its activities and the investments held by it. If Boardwalk REIT was to cease to qualify as a mutual fund trust, the consequences could be adverse.

On December 21, 2006, the Minister of Finance (Canada) released draft legislation (the "Proposals") relating to the federal income taxation of publicly traded trusts (such as income trusts and REITs), partnerships and their unitholders. This legislation, Bill C-52, received Royal Assent on June 22, 2007. The legislation applies to "specified investment flow-through" trusts and partnerships, or "SIFT" trusts and partnerships, and will result in such trusts being subject to tax at a rate of 31.5% (comparable to the projected combined federal and provincial corporate income tax rate in 2011) on certain income that is distributed to their unitholders, and in such distributions being treated as taxable dividends paid by a taxable Canadian corporation. If Boardwalk REIT, or any other trust, does not qualify under these new rules as a real estate investment trust as at January 1, 2011, it no longer be able to deduct for tax purposes its taxable distributions and, as such, will be required to pay tax on the this amount prior to distribution. It should be noted that any amount distributed that is determined to be return of capital would not be subject to this tax. For SIFT trusts, the units of which were already publicly traded on October 31, 2006, these proposed changes generally will not take effect until January 1, 2011.

The definition of a "SIFT trust" specifically excludes a trust that is a "real estate investment trust" for the taxation year, which is defined under the Proposals as a trust that is resident in Canada and that satisfies all of the following criteria:

(a) the trust at no time in the taxation year holds any non-portfolio property other than real or immovable properties situated in Canada;

(b) not less than 95% of the trust's revenues for the taxation year are *derived from* one or more of the following:

    (i) rent from real or immovable properties,

    (ii) interest,

(iii) capital gains from dispositions of real or immovable properties,

(iv) dividends, and

(v) royalties;

(c) not less than 75% of the trust's revenues for the taxation year are *derived from* one or more of the following:

(i) rent from real or immovable properties, to the extent that it is derived from real or immovable properties situated in Canada,

(ii) interest from mortgages, or hypothecs, on real or immovable properties situated in Canada, and

(iii) capital gains from dispositions of real or immovable properties situated in Canada."

(d) at no time in the taxation year is the total fair market value of all properties held by the trust, each of which is a real or immovable property situated in Canada, cash, or a property described in clause 212(1)(b)(ii)(C) of the Tax Act, less than 75% of the equity value of the trust at that time.

For this purpose, "real or immovable property" includes a security of any trust, corporation or partnership that itself satisfies the above criteria, but does not include any depreciable property of a prescribed class for which the rate of capital cost allowance exceeds 5%.

As with many other Canadian real estate investment trusts, upon creation, Boardwalk REIT adopted a "trust-on-trust" structure, whereby the mutual fund trust owns, directly, units and notes of another trust (often referred to as a "commercial trust" or a "holding trust") which in turn owns, in most cases, units of a limited partnership that owns the operating assets. Under such a structure, the mutual fund trust earns, directly, interest income and trust income, neither of which would constitute "rent from real or immovable properties", "interest from mortgages, or hypothecs, on real or immovable properties" or "capital gains from dispositions of real or immovable properties". As a result of the specific wording used in Parts (b) and (c) noted above, there is a question as to whether the current legislation would include in its interpretation a "look through" provision. Therefore, if the expression "derived from" in paragraphs (b) and (c) of the definition of "real estate investment trust" in proposed section 122.1 does not permit a look through approach to be taken, then a mutual fund trust, such as Boardwalk REIT, that has adopted a trust-on-trust structure would not, for that reason alone, qualify as a "real estate investment trust".

Although the Canadian Federal Department of Finance has not noted publicity at this time their interpretation of the term "derived from", there is a risk that if not resolved to Boardwalk REIT's satisfaction, the Trust would not be able to qualify as a SIFT entity and as such would become taxable on the income it earned effective January 1, 2011. Under current tax legislation there is no tax effective away to remedy the trust-on-trust issue.

Other than was just noted above, it is the Trust's belief that it either meets the criteria to be a real estate investment trust as set out above, or can alter its existing policies to qualify on or before January 1, 2011. However, if the exception for REITs noted above is not applicable to Boardwalk REIT, the Proposals could, commencing in 2011, impact the level of cash distributions, which would otherwise be made by Boardwalk REIT. The Proposals do not fully accommodate the current business structures used by many Canadian REITs and contain a number of technical tests that many Canadian REITs, including Boardwalk REIT, may find difficult to satisfy. The Minister has stated intention is to exempt REITs from taxation as SIFTs in recognition of "the unique history and role of collective real estate investment vehicles". Accordingly, it is possible that changes to these technical tests will be made prior to their enactment in order to accommodate some or all of the existing Canadian REITs. Alternatively, if the Proposals are not changed, existing Canadian REITs, including Boardwalk REIT, may need to restructure their affairs in order to limit the application of the Proposals. In light of the foregoing, it is not currently possible to predict whether the Proposals, as ultimately enacted, will have an adverse effect on Boardwalk REIT.

CRITICAL ACCOUNTING POLICIES

Boardwalk REIT's accounting policies are described in Note 2 to the consolidated financial statements for the year ended December 31, 2006 and updated in Note 3 to the unaudited interim consolidated financial statements for the quarter ended June 30, 2007. 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 59 of Boardwalk REIT's 2006 annual report.

As was previously noted, the Trust has reported a future tax liability adjustment of $111.1 million related to Bill C-52. The reported amount was based on an estimate on what this amount may be for fiscal 2011 under existing legislation as well as anticipated tax rates. The actual amount may be materially different if any significant changes or clarifications are made to this legislation or the effective reported tax rates.

FINANCIAL OUTLOOK AND MARKET GUIDANCE

As is customary, the Trust has reviewed its key assumptions in providing financial guidance for the current fiscal year. Based on this review, and our continued belief of the strengthened rental markets in Western Canada as well as the fact that we have now reported on two of the four fiscal quarters of 2007, we are making the following adjustments to the reported 2007 guidance. We are increasing as well as adjusting the reported range for both FFO and DI Guidance. For fiscal 2007, we are expecting FFO to be between $1.95 to $2.04 as compared to previous guidance of between $1.90 to $2.02. For DI, we now expect a range of between $1.97 to $ $2.05 compared to the previous guidance of between $1.92 to $2.04. To achieve these revisions, we are also increasing our expected stabilized property NOI growth to 10% from the previous 8.5% and increasing our apartment acquisition target range to between 2,000 to 3,000 units compared to our previous guidance of between 1,000 to 2000 units.

	Revised Q1 2007 Objectives	Revised 2007 Objectives
FFO Rental Operations	$1.90 to 2.02	1.95 to $2.04
Distributable Income	$1.92 to 2.04	$1.97 to $2.05
New Unit Acquisitions	1,000 to 2,000	2,000 to 3,000
Stabilized Buildings NOI growth	8.50%	10.00%

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,

(signed)
Roberto A. Geremia
President

(signed)
William Wong
Chief Financial Officer

Consolidated Balance Sheets

(Cdn$ Thousands)

As at	June 30, 2007	December 31, 2006
	(Unaudited)	(Audited)
ASSETS		
Revenue producing properties (NOTE 4)	**$ 2,021,256**	$ 1,830,210
Other assets (NOTE 5)	**18,149**	13,873
Future income taxes (NOTE 11)	**–**	316
Mortgages and accounts receivable	**4,127**	4,388
Segregated tenants' security deposits	**12,171**	9,998
Cash	**1,192**	–
Discontinued operations (NOTE 6)	**13,047**	11,675
	$ 2,069,942	$ 1,870,460
LIABILITIES		
Mortgages payable (NOTE 3)	**$ 1,586,465**	$ 1,374,641
Debentures (NOTES 3 and 7)	**118,601**	118,448
Accounts payable and accrued liabilities	**45,320**	35,423
Refundable tenants' security deposits and other	**15,451**	13,102
Future income taxes (NOTES 3 and 11)	**111,081**	
Bank indebtedness	**–**	4,042
Discontinued operations (NOTE 6)	**5,866**	5,937
	$ 1,882,784	$ 1,551,593
UNITHOLDERS' EQUITY		
Unitholders' equity	**$ 187,158**	$ 318,867
	$ 2,069,942	$ 1,870,460

Commitments and contingencies (NOTE 12)

See accompanying notes to the consolidated financial statements

Consolidated Statements of Earnings and Comprehensive Income

(Cdn$ Thousands, except per UNIT amounts)

	3 months ended June 30		6 months ended June 30	
	2007	2006	**2007**	2006
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
REVENUE				
Rental income	**$ 92,446**	$ 78,245	**$ 179,758**	$ 154,267
EXPENSES				
Revenue producing properties:				
Operating expenses	**16,160**	14,225	**31,661**	28,035
Utilities	**9,291**	9,087	**22,934**	21,875
Utility rebate (NOTE 12)	**(9)**	(6)	**(933)**	(1,388)
Property taxes	**8,481**	7,823	**16,745**	16,123
Administration	**5,291**	4,446	**10,582**	8,845
Financing costs	**22,570**	20,139	**44,239**	40,481
Deferred financing costs amortization (NOTE 3)	**1,094**	688	**2,369**	1,459
Amortization of capital assets	**20,511**	18,166	**39,767**	35,574
	83,389	74,568	**167,364**	151,004
Earnings from continuing operations before income taxes	**9,057**	3,677	**12,394**	3,263
Large corporations taxes	**–**	(141)	**–**	8
Future income taxes (recovery) (NOTE 11)	**111,630**	(122)	**111,398**	(224)
Earnings (loss) from continuing operations	**(102,573)**	3,940	**(99,004)**	3,479
Earnings from discontinued operations, net of tax (NOTE 6)	**5,073**	121	**5,134**	7,879
Net earnings (loss)	**(97,500)**	4,061	**(93,870)**	11,358
Other comprehensive income	**–**	–	**–**	–
Comprehensive income (loss)	**$ (97,500)**	$ 4,061	**$ (93,870)**	$ 11,358
Basic earnings (loss) per unit (NOTE 10)				
- from continuing operations	**$ (1.82)**	$ 0.07	**$ (1.75)**	$ 0.07
- from discontinued operations	**0.09**	0.0	**0.09**	0.14
Basic earnings (loss) per unit	**$ (1.73)**	$ 0.07	**$ (1.66)**	$ 0.21
Diluted earnings (loss) per unit (NOTE 10)				
- from continuing operations	**$ (1.82)**	$ 0.07	**$ (1.75)**	$ 0.07
- from discontinued operations	**0.09**	0.0	**0.09**	0.14
Diluted earnings (loss) per unit	**$ (1.73)**	$ 0.07	**$ (1.66)**	$ 0.21

See accompanying notes to the consolidated financial statements

Consolidated Statements of Unitholders' Equity

(Cdn$ Thousands, except number of units)

	6 months ended June 30, 2007	6 months ended June 30, 2006
	(Unaudited)	(Unaudited)
Trust units (NOTE 9)		
Balance, beginning of period	**$ 365,744**	$ 295,696
Units issued under equity financing, net of issue costs	**(136)**	63,594
Units issued under distribution reinvestment plan	**4,232**	2,485
Restructuring costs	**–**	(141)
Deferred unit plan (NOTE 8)	**931**	–
Balance, end of period	**$ 370,771**	$ 361,634
Cumulative earnings		
Balance, beginning of period	**$ 154,917**	$ 129,530
Net earnings (loss) for the period	**(93,870)**	11,358
Balance, end of period	**$ 61,047**	$ 140,888
Cumulative other comprehensive income		
Balance, beginning of period	**$ –**	$ –
Other comprehensive income for the period	**–**	–
Balance, end of period	**$ –**	$ –
Cumulative distributions to unitholders		
Balance, beginning of period	**$ (201,794)**	$ (129,483)
Distributions declared to unitholders (NOTE 10)	**(42,866)**	(34,792)
Balance, end of period	**$ (244,660)**	$ (164,275)
Total unitholders' equity	**$ 187,158**	$ 338,247
Units issued and outstanding	**56,451,371**	56,248,349

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows

(Cdn$ Thousands)

	3 months ended June 30		6 months ended June 30	
	2007	2006	**2007**	2006
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Operating activities				
Net earnings (loss)	**$ (97,500)**	$ 4,061	**$ (93,870)**	$ 11,358
Earnings from discontinued operations, net of tax	**(5,073)**	(121)	**(5,134)**	(7,879)
Future income taxes (recovery)	**111,630**	(122)	**111,398**	(224)
Amortization of capital assets	**20,511**	18,166	**39,767**	35,574
	29,567	21,984	**52,161**	38,829
Funds from discontinued operations	**194**	250	**356**	607
Net change in operating working capital	**8,555**	(857)	**8,401**	(1,705)
Total operating cash flows	**38,316**	21,377	**60,918**	37,731
Financing activities				
Issue of trust units (net of issue costs) (NOTE 9)	**1,782**	1,480	**4,095**	65,938
Distributions paid	**(22,005)**	(17,705)	**(42,859)**	(34,474)
Financing of revenue producing properties	**72,545**	9,458	**318,685**	12,746
Repayment of debt on revenue producing properties	**(22,536)**	(7,850)	**(132,237)**	(25,626)
Deferred financing costs incurred (net of amortization)	**(1,347)**	(413)	**(5,243)**	(199)
	28,439	(15,030)	**142,441**	18,385
Investing activities				
Purchases of revenue producing properties (NOTE 4)	**(16,000)**	(18,500)	**(176,213)**	(60,795)
Improvements to revenue producing properties	**(19,146)**	(11,593)	**(33,494)**	(18,572)
Net cash proceeds from sale of properties	**12,275**	–	**12,275**	20,274
Additions to corporate technology assets	**(358)**	(321)	**(693)**	(628)
	(23,229)	(30,414)	**(198,125)**	(59,721)
Net increase (decrease) in cash and cash equivalents balance	**43,526**	(24,067)	**5,234**	(3,605)
Cash and cash equivalents (bank indebtedness), beginning of period	**(42,334)**	31,607	**(4,042)**	11,145
Cash and cash equivalents, end of period	**$ 1,192**	$ 7,540	**$ 1,192**	$ 7,540
Supplementary cash flow information:				
Capital taxes paid	**$ –**	$ 140	**$ –**	$ 350
Interest paid	**$ 15,118**	$ 18,668	**$ 31,291**	$ 40,658

See accompanying notes to the consolidated financial statements

Notes to Consolidated Financial Statements

Three and six months ended June 30, 2007

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

(UNAUDITED)

1. ORGANIZATION OF TRUST

Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") is an unincorporated, open-ended real estate investment trust created pursuant to the Declaration of Trust, dated January 9, 2004 and as amended and restated on May 3, 2004, May 10, 2006 and May 10, 2007, under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue producing multi-family residential properties or interests within Canada, initially through the acquisition of operations of Boardwalk Equities Inc. (the "Corporation"), which was acquired on May 3, 2004.

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and are consistent with those used in the audited consolidated financial statements as at and for the year ended December 31, 2006, except as disclosed in Note 3 below. These interim financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles ("Canadian GAAP") applicable to annual financial statements and, therefore, they should be read in conjunction with the audited consolidated financial statements.

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

Due to seasonality, the operating results for the three and six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2007 due to seasonal variations in utility costs and other factors. Historically, Boardwalk REIT has experienced higher utility expenses in the first quarter as a result of the winter months, which create variations in the quarterly results.

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

3. ACCOUNTING CHANGES

On January 1, 2007, the Trust adopted five new accounting standards issued by the CICA. These standards are to be applied on a retroactive basis without restatement to prior periods. Any adjustments as a result of adopting these new standards were recognized by restating the balance of opening unitholders' equity. Comparative periods are not permitted to be restated. These five standards are outlined below:

a) Section 1506 - Accounting Changes

b) Section 1530 - Comprehensive Income

c) Section 3855 - Financial Instruments-Recognition and Measurement

d) Section 3861 – Financial Instruments – Disclosure and Presentation

e) Section 3865 - Hedges

Section 1506 - Accounting Changes prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors in order to enhance the relevance, reliability and comparability of financial statements.

Section 1530 – Comprehensive Income is comprised of net earnings and other comprehensive income ("OCI"), which represents changes in unitholders' equity during a period arising from transactions and other events with non-owner sources. OCI generally would include unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation adjustments arising from self-sustaining foreign operations and changes in the fair value of the effective portion of cash flow hedging instruments.

Section 3855 – Financial Instruments – Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial instruments are required to be measured at fair value on initial recognition, except for certain related-party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities. Financial assets and financial liabilities classified as held-for-trading are required to be measured at fair value with gains and losses recognized in net earnings. Financial assets classified as held-to-maturity, loans and receivables and financial liabilities (other than those held-for-trading) are required to be measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are required to be measured at fair value with unrealized gains and losses recognized in OCI. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market should be measured at cost. Derivative instruments must be recorded on the balance sheet at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are required to be recognized in net earnings, except for derivatives that are designated as a cash flow hedge, in which case the fair value change for the effective portion of such hedge relationship is required to be recognized in OCI. The standard permits us to designate any financial instrument whose fair value can be reliably measured as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855. The standard specifically excludes Section 3065, Leases, from the definition of financial instruments, except for derivatives that are embedded in a lease contract. Other significant accounting implications arising on adoption of the standard include the initial recognition of certain financial guarantees at fair value on the balance sheet and the use of the effective interest method of amortization for any transaction costs or fees, premiums or discounts earned or incurred for financial instruments measured at amortized cost.

Section 3861 – Financial Instruments – Disclosure and Presentation establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. The presentation paragraphs deal with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The disclosure paragraphs deal with information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments. This Section also deals with disclosure of information about the nature and extent of an entity's use of financial instruments, the business purposes they serve, the risks associated with them and management's policies for controlling those risks.

Section 3865 - Hedges specifies the criteria under which hedge accounting can be applied and how hedge accounting should be executed for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation. In a fair value hedging relationship, the carrying value of the hedged item will be adjusted by gains or losses attributable to the hedged risk and recognized in net earnings. The changes in the fair value of the hedged item, to the extent that the hedging relationship is effective as defined by the standard ("effective"), will be offset by changes in the fair value of the hedging derivative. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative will be recognized in OCI. The ineffective portion as defined by the standard ("ineffective") will be recognized in net earnings. The amounts recognized in OCI will be reclassified to net earnings in those periods in which net earnings is affected by the variability in the cash flows of the hedged item. In hedging a foreign currency exposure of a net investment in a self-sustaining foreign operation, the effective portion of foreign exchange gains and losses on the hedging instruments will be recognized in OCI and the ineffective portion is recognized in net earnings. Deferred gains or losses on the hedging instrument with respect to hedging relationships that were discontinued prior to the transition date but qualify for hedge accounting under the new standards will be recognized in the carrying amount of the hedged item and amortized to net earnings over the remaining term of the hedged item for fair value hedges, and for cash flow hedges will be recognized in OCI and reclassified to net earnings in the same period during which the hedged item affects net earnings. However, for discontinued hedging relationships that do not qualify for hedge accounting under the new standards, the deferred gains and losses will be recognized in the opening balance of retained earnings on transition.

Impact of Adoption of Sections 1506, 1530, 3855, 3861 and 3865

Our consolidated financial statements now include consolidated statements of earnings and comprehensive income while the cumulative amount of other comprehensive income has been included as a separate section of unitholders' equity.

Boardwalk REIT has also adopted the effective interest rate method for calculating the amortized cost of its financial liabilities and of allocating the financing charges, including transaction costs, over the relevant reporting periods. Any adjustment as a result of the adoption of Section 3855 is recognized by restating the balance of opening unitholders' equity. Comparative periods are not permitted to be restated. For the current and prior periods, all unamortized transaction costs (previously designated as deferred financing costs and mark-to-market adjustment of debt) are now netted against the respective financial liability. The table below outlines the transitional effect of adopting the new accounting standards on financial instruments:

	June 30, 2007	December 31, 2006
Mortgages Payable		
Principal outstanding	**$ 1,633,611**	$ 1,414,537
Unamortized deferred financing costs	**(48,648)**	(41,626)
Unamortized mark-to-market adjustment	**1,502**	1,730
	$ 1,586,465	$ 1,374,641
Debentures		
Principal outstanding	**$ 120,000**	$ 120,000
Unamortized deferred financing costs	**(1,399)**	(1,552)
	$ 118,601	$ 118,448

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

BILL C-52

On June 22, 2007, Bill C-52 received Royal Assent in Canada. As a result of this, under Generally Accepted Accounting Principles in Canada, once a bill is enacted, it is a requirement to record the income tax implications effective on that date. In accordance with Bill C-52, the assumption being made is that, effective January 1, 2011, Boardwalk REIT will no longer qualify as a Real Estate Investment Trust ("REIT") in accordance with the definition contained in that legislation, and will remain within certain "normal growth" limits such that it will be subject to income tax pursuant to this new legislation.

Impact of BILL C-52

The impact our interpretation of Bill C-52 on Boardwalk REIT was that, based on a detailed review of the legislation, at this time it may be interpreted that the Trust does not qualify as a REIT, which would be exempt from the specified investment flow-through ("SIFT") rules, and as such has recorded an estimate of its the future income tax liability at June 30, 2007 based on it being subject to the tax prescribed by the SIFT rules on January 1, 2011. The result is that the Trust is recording a future income tax liability at June 30, 2007 in the amount of $111.1 million. At a future time, once it has been deemed that the Trust would be in compliance with the SIFT rules, the amount of the adjustment will be reversed. Although the adjustment to earnings and cumulative earnings at June 30, 2007 is significant, it is not large enough to affect any existing debt covenants currently in place, including those stipulated for Boardwalk REIT's unsecured debentures. At this time, it is the belief of the Trust that it will be in compliance with the existing and or amended legislation prior to the effective date of January 1, 2011.

4. REVENUE PRODUCING PROPERTIES

	3 months ended June 30		6 months ended June 30	
Acquisitions	**2007**	2006	**2007**	2006
Cash paid	**$ 16,000**	$ 18,500	**$ 176,213**	$ 60,795
Debt assumed	**–**	–	**31,209**	–
Total purchase price	**16,000**	18,500	**207,422**	60,795
Fair value adjustments to debt	**–**	–	**376**	–
Book value	**$ 16,000**	$ 18,500	**$ 207,798**	$ 60,795
Allocation of book value to revenue-producing properties	**$ 15,528**	$ 17,797	**$ 201,400**	$ 58,562
Allocation of book value to other assets	**472**	703	**6,398**	2,233
	$ 16,000	$ 18,500	**$ 207,798**	$ 60,795
Multi-family units acquired	**160**	280	**1,703**	840

	3 months ended June 30		6 months ended June 30	
Dispositions	**2007**	2006	**2007**	2006
Cash received	**$ 12,275**	$ –	**$ 12,275**	$ 20,274
Cost of dispositions	**125**	–	**125**	426
Total proceeds	**12,400**	–	**12,400**	20,700
Net book value	**7,590**	–	**7,590**	13,173
Gain on dispositions	**$ 4,810**	$ –	**$ 4,810**	$ 7,527
Multi-family units sold	**72**	–	**72**	194

5. OTHER ASSETS

As at	**June 30, 2007**	December 31, 2006
Corporate technology assets (net of accumulated amortization)	**$ 3,467**	$ 3,436
Head office building (net of accumulated amortization)	**2,367**	2,329
Deposits on potential property acquisitions	**–**	814
Prepaid parts and supplies	**2,562**	2,097
Lease goodwill and customer relationship intangibles (net of accumulated amortization)	**4,596**	1,271
Prepaid property taxes	**2,952**	1,193
Prepaid and other	**2,205**	2,733
	$ 18,149	$ 13,873

Accumulated amortization for corporate technology assets and head office building at June 30, 2007 were $12.8 million and $1.0 million, respectively (December 31, 2006 - $12.1 million and $1.0 million, respectively). Accumulated amortization for lease goodwill and customer relationship intangibles at June 30, 2007 was $10.9 million (December 31, 2006 - $7.9 million)

6. DISCONTINUED OPERATIONS

During the second quarter of 2007, the Trust initiated a plan to sell a property totaling 108 units in Edmonton, Alberta. The property is available for immediate sale in its present condition, a buyer has been located and the sale is probable and expected to be completed within the fiscal year.

During the first quarter of 2007, the Trust acquired a property in Edmonton, Alberta consisting of two buildings totaling 51 apartment units. Prior to the closing of the acquisition, the Trust received an unsolicited offer to sell this property to an unrelated third party. After a detailed review of the offer, the Trust agreed to the sale of this property. The property was, therefore, classified as discontinued operations upon acquisition.

During the end of the third quarter of 2006, a revenue producing property consisting of 90 units in Calgary was classified as discontinued operations as a result of the Trust initiating an active program to dispose of this property. This property is being developed into condominium units for sale at a price that is reasonable in relation to its current fair value. This Calgary property formed part of our Alberta segment in our segmented information disclosure.

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

	3 months ended June 30		6 months ended June 30	
	2007	2006	**2007**	2006
Revenue				
Rental income	**$ 296**	$ 493	**$ 742**	$ 1,193
Expenses				
Revenue producing properties:				
Operating expenses	**56**	83	**183**	206
Utilities	**–**	50	**48**	112
Utility rebate	**–**	–	**(5)**	(12)
Property taxes	**24**	38	**67**	100
Administration	**17**	7	**70**	22
Financing costs	**–**	60	**13**	148
Deferred financing cost amortization	**5**	5	**10**	10
Amortization of capital assets	**(69)**	129	**32**	255
	33	372	**418**	841
	263	121	**324**	352
Gain on dispositions	**4,810**	–	**4,810**	7,527
Earnings from discontinued operations	**$ 5,073**	$ 121	**$ 5,134**	$ 7,879

	June 30, 2007	December 31, 2006
Discontinued Assets		
Revenue producing properties held for sale	**$ 6,331**	$ 6,219
Properties held for redevelopment	**6,716**	5,456
Total	**$ 13,047**	$ 11,675
Discontinued Liabilities		
Mortgages payable on properties held for sale	**$ 5,866**	$ 5,937

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. At June 30, 2007, the Trust was in compliance with all the covenants reported in the debenture.

8. DEFERRED UNIT PLAN

During 2006, the Trust implemented a deferred unit plan. The plan entitles trustees and officers, at the participant's option, to receive deferred units in consideration for trustee fees or executive bonuses, respectively, with the Trust matching the number of units received. The deferred units vest 50% on the third anniversary and 25% on each of the fourth and fifth anniversaries, subject to provisions for earlier vesting in certain events. The deferred units earn additional deferred units for the distributions that would otherwise have been paid on the deferred units (i.e., had they instead been issued as Trust Units on the date of grant). Once vested, participants are entitled, at their option, to receive an equivalent number of Trust Units or the equivalent value in cash of the vested deferred units and the corresponding additional deferred units. The deferred unit plan was approved by unitholders on May 10, 2006. At the end of June 30, 2007, total compensation costs of $1.5 million were recognized in income related to employee awards under the deferred unit plan.

The status of the outstanding deferred units is as follows:

Summary of Deferred Unit Plan	Outstanding	Vested
Deferred units granted	72,746	–
Additional deferred units earned on unvested units	1,000	–
December 31, 2006	73,746	–
Deferred units granted	20,668	–
Additional deferred units earned on unvested units	1,495	–
June 30, 2007	**95,909**	**–**

9. UNITHOLDERS' CAPITAL

The Plan of Arrangement (the "Arrangement") to convert Boardwalk Equities Inc. from a share corporation to a real estate investment trust was completed on May 3, 2004. On conversion of Boardwalk Equities Inc. to a trust, Boardwalk Equities Inc. incurred $10.3 million in restructuring costs. Under the Arrangement, the former shareholders of Boardwalk Equities Inc. received Boardwalk REIT units or Class B Limited Partnership ("LP Class B") units of a controlled limited partnership of the Trust, Boardwalk REIT Limited Partnership.

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

Summary of Unitholders' Capital Contributions	Units	Amount
December 31, 2005	53,224,194	$ 295,696
Units issued under equity financing, net of issue costs	2,915,000	63,583
Units issued under distribution reinvestment plan	212,589	5,784
Restructuring costs	–	(140)
Deferred unit plan	–	821
December 31, 2006	56,351,783	$ 365,744
Units issued under distribution reinvestment plan	99,588	4,232
Issue costs	–	(136)
Deferred unit plan	–	931
June 30, 2007	**56,451,371**	**$ 370,771**

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	51,976,371	
Special Voting Units issued to holders of LP Class B units	4,475,000	
Total trust units	56,451,371	$ 370,771

Distributable income per unit

Boardwalk REIT makes distributions to unitholders on a monthly basis on or about the 15th day of the following month. The reported distributable income is defined under the Trust's Declaration of Trust ("DOT"). Under the DOT, as amended and restated, the Trust is required to distribute, at a minimum, its reported taxable income. The reconciliation of distributable income and per unit information begins with total operating cash flows calculated in accordance with Canadian generally accepted accounting principles and as defined in the Declaration of Trust for Boardwalk REIT. However, distributable income and the per unit information are non-GAAP measures that do not have any standardized meaning prescribed by Canadian GAAP and, therefore, unlikely to be comparable to similar measures presented by other real estate companies and trusts.

	3 months ended June 30		6 months ended June 30	
	2007	2006	**2007**	2006
Total operating cash flows	**$ 38,316**	$ 21,377	**$ 60,918**	$ 37,731
Net change in operating working capital	**(8,555)**	857	**(8,401)**	1,705
Add:				
Deferred financing costs amortization	**1,100**	693	**2,379**	1,469
Deduct:				
Deferred financing costs amortization post May 2, 2004	**(622)**	(241)	**(948)**	(506)
Amortization of net premium on long-term debt assumed after May 2, 2004	**(254)**	(11)	**(343)**	(23)
Distributable income	**$ 29,985**	$ 22,675	**$ 53,605**	$ 40,376
Distribution declared to unitholders	**$ 22,005**	$ 17,712	**$ 42,866**	$ 34,792
Weighted average units outstanding – basic and diluted	**56,429,362**	56,217,368	**56,408,370**	54,771,413
Distributable income earned per unit	**$ 0.531**	$ 0.403	**$ 0.950**	$ 0.737
Actual distributions declared per unit	**$ 0.390**	$ 0.315	**$ 0.760**	$ 0.630

Earnings per unit

	3 months ended June 30		6 months ended June 30	
	2007	2006	**2007**	2006
Numerator				
Earnings (loss) from continuing operations	**$ (102,573)**	$ 3,940	**$ (99,004)**	$ 3,479
Earnings from discontinued operations	**$ 5,073**	$ 121	**$ 5,134**	$ 7,879
Denominator				
Denominator for basic earnings per unit - weighted average units	**56,429,362**	56,217,368	**56,408,370**	54,771,413
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion	**56,429,362**	56,217,368	**56,408,370**	54,771,413
Earnings (loss) per unit from continuing operations				
Basic	**$ (1.82)**	$ 0.07	**$ (1.75)**	$ 0.07
Diluted	**$ (1.82)**	$ 0.07	**$ (1.75)**	$ 0.07
Earnings per unit from discontinued operations				
Basic	**$ 0.09**	$ –	**$ 0.09**	$ 0.14
Diluted	**$ 0.09**	$ –	**$ 0.09**	$ 0.14

11. INCOME TAXES

Although Boardwalk REIT is a "mutual fund trust" as defined under the Income Tax Act (Canada) and accordingly is not taxable on its income to the extent that its income is distributed to its unitholders. This exemption does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax. The adjustment for change in effective tax rate reflects the reduction of the current combined federal and provincial substantively enacted rate in the province of Alberta. On June 22, 2007, Bill C-52 received royal assent (see Note 3 for further details). As such the Trust, to be in compliance with Canadian GAAP, is required to estimate what the impact of the reported tax amount would be on January1, 2011.

	3 months ended June 30		6 months ended June 30	
	2007	2006	**2007**	2006
Continuing operations	**$ 111,630**	$ (122)	**$ 111,398**	$ (224)
Discontinued operations	**–**	–	**–**	–
Total future income taxes (recovery)	**$ 111,630**	$ (122)	**$ 111,398**	$ (224)

Future income taxes (recovery) consist of the following:

	3 months ended June 30		6 months ended June 30	
	2007	2006	**2007**	2006
Tax (recovery) expense based on expected rate	**$ 40**	$ (166)	**$ 149**	$ (321)
Adjustment to future income tax liabilities	**111,590**	44	**111,249**	97
Future income taxes (recovery)	**$ 111,630**	$ (122)	**$ 111,398**	$ (224)

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

As at	**June 30, 2007**	December 31, 2006
Tax asset related to operating losses	**$ 320**	$ 294
Tax liability related to differences in tax and book basis	**(111,401)**	22
Future income tax asset (liability)	**$ (111,081)**	$ 316

12. COMMITMENTS AND CONTINGENCIES

At June 30, 2007, the Trust had a long-term supply arrangement with one electrical utility company to supply the Trust with its electrical power needs for southern Alberta for the next eighteen months at a blended rate of approximately $0.068/kwh. The agreement provides that the Trust purchase its power for all southern Alberta properties under contract for the upcoming months.

Beginning in November 2003, the Alberta government implemented a natural gas rebate program covering the winter usage months of November through March. In October 2005, the natural gas rebate program was extended to cover the month of October. In January of 2006, the Alberta government announced a three-year extension to the program covering the winter months of October through March. The extension of the natural gas rebate program will end March 31, 2009. The rebate program becomes active when the natural gas consumer price charged by two of the three major gas companies in Alberta exceeds $5.50/GJ for any individual winter usage month. For January through June 2006, Boardwalk REIT was eligible for estimated rebates totalling approximately $1.4 million. For January to June 2007, Boardwalk REIT was eligible for rebates totalling approximately $0.9 million.

The Trust 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 covered the period from June 1, 2006 to June 1, 2007 and provided 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 June 30, 2007 is approximately $5.3 million (June 30, 2006 - $5.5 million). In the event of default, Boardwalk REIT's recourse for recovery includes the sale of the respective building asset. Boardwalk REIT expects that the proceeds from the sale of the building asset will cover, and in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at June 30, 2007, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

14. SEGMENTED INFORMATION

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

	3 months ended June 30		6 months ended June 30	
	2007	2006	**2007**	2006
Alberta				
Revenue	**$ 53,578**	$ 40,862	**$ 102,485**	$ 80,658
Expenses				
Operating	**7,853**	6,358	**15,349**	12,274
Utilities	**5,112**	4,214	**11,757**	10,718
Utility rebates	**(8)**	(6)	**(930)**	(1,384)
Property taxes	**3,365**	3,189	**6,540**	6,395
	16,322	13,755	**32,716**	28,003
Net operating income	**$ 37,256**	$ 27,107	**$ 69,769**	$ 52,655
Saskatchewan				
Revenue	**$ 9,420**	$ 8,721	**$ 18,632**	$ 17,414
Expenses				
Operating	**1,615**	1,529	**3,209**	2,986
Utilities	**797**	1,291	**2,522**	2,760
Property taxes	**1,157**	1,187	**2,328**	2,438
	3,569	4,007	**8,059**	8,184
Net operating income	**$ 5,851**	$ 4,714	**$ 10,573**	$ 9,230
Ontario				
Revenue	**$ 9,074**	$ 9,041	**$ 18,129**	$ 18,075
Expenses				
Operating	**1,364**	1,476	**2,832**	2,839
Utilities	**1,315**	1,355	**3,269**	3,148
Property taxes	**1,709**	1,609	**3,408**	3,411
	4,388	4,440	**9,509**	9,398
Net operating income	**$ 4,686**	$ 4,601	**$ 8,620**	$ 8,677
British Columbia				
Revenue	**$ 2,854**	$ 2,137	**$ 5,625**	$ 3,788
Expenses				
Operating	**568**	334	**1,189**	691
Utilities	**328**	310	**623**	449
Property taxes	**262**	33	**516**	222
	1,158	677	**2,328**	1,362
Net operating income	**$ 1,696**	$ 1,460	**$ 3,297**	$ 2,426
Quebec				
Revenue	**$ 17,099**	$ 16,897	**$ 34,113**	$ 33,294
Expenses				
Operating	**3,452**	3,402	**6,417**	6,517
Utilities	**1,610**	1,788	**4,604**	4,599
Property taxes	**1,893**	1,731	**3,782**	3,491
	6,955	6,921	**14,803**	14,607
Net operating income	**$ 10,144**	$ 9,976	**$ 19,310**	$ 18,687
Total				
Net operating income	**$ 59,633**	$ 47,858	**$ 111,569**	$ 91,675
Unallocated revenue*	**421**	587	**774**	1,038
Unallocated expenses**	**(157,554)**	(44,384)	**(206,213)**	(81,355)
Net earnings (loss) for the period	**$ (97,500)**	$ 4,061	**$ (93,870)**	$ 11,358

As at	**June 30, 2007**	December 31, 2006
Alberta		
Identifiable assets		
Revenue producing properties	**$ 1,111,986**	$ 924,112
Mortgages and accounts receivable	**301**	1,249
Tenants' security deposit	**9,932**	7,988
	$ 1,122,219	$ 933,349
Saskatchewan		
Identifiable assets		
Revenue producing properties	**$ 169,772**	$ 171,733
Mortgages and accounts receivable	**148**	216
Tenants' security deposits	**1,791**	1,491
	$ 171,711	$ 173,440
Ontario		
Identifiable assets		
Revenue producing properties	**$ 197,989**	$ 199,552
Mortgages and accounts receivable	**60**	122
	$ 198,049	$ 199,674
British Columbia		
Identifiable assets		
Revenue producing properties	**$ 104,251**	$ 98,111
Mortgages and accounts receivable	**5**	37
Tenants' security deposits	**439**	408
	$ 104,695	$ 98,556
Quebec		
Identifiable assets		
Revenue producing properties	**$ 419,872**	$ 419,962
Mortgages and accounts receivable	**853**	859
	$ 420,725	$ 420,821
Total assets		
Identifiable assets	**$ 2,017,399**	$ 1,825,840
Unallocated assets***	**52,543**	44,620
	$ 2,069,942	$ 1,870,460

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

** Unallocated expenses include cost of property sales, operating expenses from discontinued operations, non-rental operating expenses, 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 June 30, 2007, the Trust has filed an application with and received approval from the Toronto Stock Exchange to commence a Normal Course Issuer Bid. The Bid would allow Boardwalk REIT to purchase up to 4,267,048 trust units, representing 10% of the public float of its trust unit capital, through the facilities of The Toronto Stock Exchange. The Bid is subject to regulatory approval, and will terminate one year later, or at such earlier time as the Bid is complete.