

Q208

TSX: **BEI.UN**

reaching higher

Letter to Unitholders

We are pleased to report on a solid second quarter of 2008 for the Trust. Economic strength in Western Canada continued to support strong demand for rental accommodations in our largest markets this quarter, producing positive revenue growth for the Trust. Funds from Operations (FFO) and FFO per Unit increased approximately 10.6% and 13.2%, respectively, over last year's second quarter. FFO is a non-GAAP measure; the reconciliation to Net Earnings can be found in Management's Discussion and Analysis ("MD&A") for the second quarter ended June 30, 2008, under the section titled, "Performance Measures".

Much of our success this quarter can be attributed to our three-pronged revenue maximization strategy, in which we actively monitor occupancy, adjust price and apply suite-specific incentives. In the first quarter of 2008, we strategically reduced market rents on select properties in response to weaker seasonal demand and quickly realized an increase in occupancy. In the second quarter, this strategy continued to be very successful, with occupancy improving overall in Alberta, Saskatchewan, British Columbia and Quebec. This improved occupancy places the Trust in a strong position for continued revenue growth over the third and fourth quarters of 2008. Despite some adjustments, market rents remain quite stable, with slight increases or decreases depending on the local rental market.

Saskatchewan's booming economy continues to produce outstanding market fundamentals, particularly in Saskatoon, Saskatchewan's largest centre. House prices in Saskatoon and Regina continue to increase at a significant pace, creating a strong value differential for the rental option. Monthly occupied rent in our property portfolio increased approximately \$44 in Saskatchewan in June 2008 over March 2008 and increased approximately \$137 year-over-year. Average market rents in Saskatchewan increased \$63 in June 2008 compared to March 2008, and increased \$257 year-over-year.

Though some market fundamentals have tempered from their peak, Alberta continues to exhibit solid economic strength. Strong employment growth, a thriving energy sector and healthy international migration continue to bode well for rental demand. With 54% of our portfolio located in the province, we are pleased to note continued growth at a more sustainable pace.

Over the second quarter of 2008, a large housing inventory and a continued tempering of housing prices were noted in Calgary and Edmonton. Despite increased housing options for consumers, we are pleased to report improved occupancy in both Calgary and Edmonton on a quarter-over-quarter basis. We believe that our incremental approach to market rents, with a focus on occupancy, continues to be the best way to maximize revenues in these markets. Average occupied rents were up approximately \$6 in Calgary and up approximately \$10 in Edmonton in June 2008, compared to March 2008. Market rents increased approximately \$51 in Calgary and decreased approximately \$5 in Edmonton in June 2008 compared to March 2008. Year-over-year market rent decreased by \$34 and \$75 in Calgary and Edmonton, respectively.

Our mark-to-market lease differential – the difference between the in-place rental revenue (based on actual rental rates obtained) and potential rental revenue (based on market rental rates) – increased at the end of June 2008 compared to the amount reported at the end of March 2008, despite increased occupied rents. The increase was primarily due to higher market rents in our Saskatchewan and Calgary portfolios. Across our portfolio, our mark-to-market was \$60 per suite per month in June 2008, up slightly from the \$57 per suite per month in March 2008. The annualized total mark-to-market gap increased by \$1.5 million, from \$23.7 million in March 2008 to \$25.2 million in June 2008, adjusted for current vacancy.

Inflationary costs increased in the second quarter of 2008, particularly the cost of natural gas. Natural gas prices exceeded our expectations, especially in Alberta, where the Trust purchases natural gas based on floating market rates. In Alberta, we choose a floating rate primarily because the Alberta Government provides a winter gas hedge. For more information on the Government of Alberta’s energy programs, please visit: (<http://www.energy.gov.ab.ca/>).

Though our western markets continue to generate great attention, we are also seeing positive growth from many of our eastern markets, despite weaker economies. Our geographic diversity continues to be one of our greatest strengths and is fundamental to our long-term sustainability.

AMENDMENT TO DECLARATION OF TRUST

On May 13, 2008 and July 30, 2008, respectively, Boardwalk REIT Unitholders and Bondholders voted to adopt the amendments to its Declaration of Trust and Trust Indenture to change the definition of “Gross Book Value” by increasing the asset bump by \$410 million, from \$231 million to \$641 million. We believe that the amendments to the definition of Gross Book Value will give the Trust increased flexibility to implement its strategic plan, which includes the purchase of accretive multi-family assets in the current competitive acquisition environment and at the same time execute its Trust Unit buy-back program.

SEQUENTIAL REVENUE ANALYSIS

Stabilized Revenue Growth	# of Units	Q2 2008 vs. Q1 2008	Q1 2008 vs. Q4 2007	Q4 2007 vs. Q3 2007	Q3 2007 vs. Q2 2007
Calgary	4,973	3.0%	3.3%	0.4%	0.8%
Edmonton	10,649	2.6%	5.3%	1.8%	3.9%
Other Alberta	1,680	0.1%	3.2%	1.9%	0.8%
British Columbia	871	1.9%	4.1%	-1.9%	2.6%
Ontario	4,265	0.9%	-0.4%	2.1%	-1.4%
Quebec	6,756	1.1%	0.0%	0.2%	2.3%
Saskatchewan	4,660	6.6%	2.7%	4.6%	5.5%
	33,854	2.5%	2.9%	1.5%	2.4%

On a sequential basis, stabilized revenues grew 2.5% from Q1 2008 to Q2 2008, 2.9% from Q4 2007 to Q1 2008, 1.5% from Q3 2007 to Q4 2007 and 2.4% from Q2 2007 to Q3 2007.

Highlights of the Trust’s Second Quarter 2008 Financial Results Include:

- ▲ Rental revenues of \$105.5 million, an increase of 13.8%, compared to \$92.7 million for the three-month period ended June 30, 2007.
- ▲ Net operating income of \$66.7 million, representing a 13.6% increase, from \$58.7 million for the three-month period ended June 30, 2007.
- ▲ FFO of \$32.9 million, an increase of 10.6%, compared to \$29.8 million for the three-month period ended June 30, 2007.
- ▲ FFO per Unit was \$0.60 on a diluted basis, up 13.2%, compared to \$0.53 for the three-month period ended June 30, 2007.

- ▲ DI per Unit was \$0.61, up 15.1%, from the \$0.53 per Unit for the three months ended June 30, 2007. DI is a non-GAAP measure; a reconciliation to Total Operating Cash Flows can be found in Management's Discussion and Analysis for the second quarter ended June 30, 2008, under the section titled, "Performance Measures".

Portfolio Highlights for the Second Quarter Include:

- ▲ The average vacancy rate across the Trust's portfolio for the second quarter of 2008 was 4.74%, down from 5.65% in the first quarter of 2008, and up from 4.16% for the second quarter of 2007.
- ▲ The average monthly rent realized in the second quarter of 2008 was \$955 per rental unit, up \$90 from \$865 per rental unit for the same period last year.
- ▲ The average market rent for the Trust's properties at the end of June 2008 was an estimated \$1,068 per rental unit per month, which compares to an average in-place monthly rent per occupied unit of \$1,008. This translates to an estimated 'loss-to-lease' of approximately \$25.2 million on an annualized basis, or \$0.46 per outstanding Trust Unit, given existing occupancy levels.
- ▲ For the second quarter, 'same-property' (or properties owned for a period of 24 months or longer) rental revenue grew by 9.6% compared to the same period last year; overall operating costs increased by 12.0%, resulting in same-property NOI increase of 8.2%. A total of 33,854 units, representing approximately 92% of Boardwalk REIT's total portfolio, were classified as stabilized as of June 30, 2008.

Market Fundamentals From Across Canada:

UNEMPLOYMENT, MIGRATION AND WAGES

Western Canada:

Strong economies in British Columbia, Alberta and Saskatchewan continued to support solid rental demand in the second quarter of 2008.

The western provinces continue to enjoy the lowest unemployment rates and highest wage growth in the nation. Employment options and good wages remain plentiful in the west, particularly in Alberta and Saskatchewan. We are pleased to note these positive trends as they positively impact our Customers' ability to absorb higher rental costs.

Though interprovincial migration to Alberta has tempered from its peak, international migration remains healthy. International migration bodes well for the Trust, as new immigrants have a high propensity to rent. In Saskatchewan, net migration remains extremely high by historical standards. In the first quarter of 2008, Saskatchewan was a net recipient of interprovincial migrants from Alberta for the sixth straight quarter.

Eastern Canada:

In our Eastern Canadian markets, rental market fundamentals continue to be negatively impacted by the high Canadian dollar, slowing US economy and cutbacks in the manufacturing and auto industries. Corresponding with the difficult economy, unemployment has increased and wage growth is conservative in Ontario and Quebec. While interprovincial migration to Ontario and Quebec has decreased, international migration remains strong.

Market Fundamentals	BC		Alberta		Saskatchewan		Ontario		Quebec	
	June 2008	June 2007	June 2008	June 2007	June 2008	June 2007	June 2008	June 2007	June 2008	June 2007
Unemployment Rate	4.5%	4.4%	3.3%	3.7%	4.0%	4.4%	6.7%	6.6%	7.2%	6.9%
	Q1 2008	Q1 2007	Q1 2008	Q1 2007	Q1 2008	Q1 2007	Q1 2008	Q1 2007	Q1 2008	Q1 2007
Net Interprovincial Migration	1,710	2,502	713	7,384	1,850	988	-3074	-4729	-1,808	-3,032
Net International Migration	10,789	10,493	4,398	3,068	1,153	651	26,055	22,048	8,104	7,866
Total Net Migration	12,499	12,995	5,111	10,452	3,003	1,639	22,981	17,319	6,298	4,834

	May 2007 to May 2008	May 2006 to May 2007	May 2007 to May 2008	May 2006 to May 2007	May 2007 to May 2008	May 2006 to May 2007	May 2007 to May 2008	May 2006 to May 2007	May 2007 to May 2008	May 2006 to May 2007
Average Weekly Wages Growth	3.1%	1.2%	5.4%	3.2%	5.0%	2.3%	2.6%	2.3%	2.6%	4.5%

Source: Statistics Canada, Alberta Finance and Enterprise, Government of British Columbia, Canada Mortgage and Housing Corporation, Government of Saskatchewan, Ontario Ministry of Finance.

MLS HOUSING PRICES

Western Canada:

In Calgary and Edmonton, a large inventory of houses and condominiums for sale contributed to tempering in the housing market. Similarly, an oversupply of houses and condominiums for sale in Vancouver and Victoria has also produced a buyers' market. While prices have primarily moderated in these markets, houses and condominiums continue to be very expensive, supporting a strong value differential for renters. In Saskatoon and Regina, house prices continued to increase at a noteworthy rate. Though still low in relation to other major CMAs, the cost delta between owning a home and renting a home continues to grow in Saskatchewan.

Eastern Canada:

Despite difficult economies and weak fundamentals, housing prices remain relatively stable in Ontario and Quebec, with small increases or decreases depending on the market.

MLS Housing Prices				
British Columbia	Vancouver CMA		Victoria CMA	
	June 2008	2007	June 2008	June 2007
	Average Single Family	\$ 765,654	\$ 715,715	\$ 580,104
Average Condo	na	na	\$ 319,943	\$ 348,089
Alberta	Calgary CMA		Edmonton	
	June 2008	June 2007	June 2008	June 2007
	Average Single Family	\$ 473,774	\$ 496,890	\$ 381,384
Average Condo	\$ 315,042	\$ 323,269	\$ 262,365	\$ 265,172
Saskatchewan	Saskatoon		Regina	
	June 2008	June 2007	June 2008	June 2007
	Average Overall	\$ 310,386	\$ 252,433	\$ 242,981
Ontario	London		Windsor	
	June 2008	June 2007	June 2008	June 2007
	Average Single Family	\$ 232,145	\$ 218,711	na
Average Condo	\$ 150,891	\$ 154,837	na	na
Average Overall	na	na	\$ 165,055	\$ 170,094
Quebec	Montreal (CMA)			
	Q2 2008	Q2 2007		
	Average Single Family	\$ 269,820	\$ 259,614	
Average Condo	\$ 219,041	\$ 211,651		

Internally generated, na = Data not available. Source: Calgary Real Estate Board, Edmonton Real Estate Board, Realty Link Online, Realtors of Greater Victoria, Canada Mortgage and Housing Corporation, Saskatoon Region Association of Realtors, Association of Regina Realtors, London and St. Thomas Association of Realtors, Windsor Essex County Real Estate Board, Greater Montreal Real Estate Board.

ACQUISITIONS

During the second quarter of 2008, the Trust closed on one previously announced acquisition of Varsity Square Apartments located in Calgary, Alberta. The purchase of Varsity Square, which consists of 297 apartment units, was completed on June 12, 2008.

Turbulence in the credit markets has resulted in fewer transactions closing.

To date in 2008, the Trust's acquisitions and dispositions are as follows:

Closed – 2008									
Building Name	City	# of Units	Type	Price	Year 1 Cap Rate	Year 2 Cap Rate	\$/unit	\$/sq ft	Date Closed
Varsity Square Apartments	Calgary	297	High Rise	\$ 48,750,000	5.86%	6.12%	\$ 164,141	\$ 207	June 12, 2008
Total Acquisitions		297		\$ 48,750,000	5.86%	6.12%	\$ 164,141	\$ 207	

Not included in the above table is one additional unit acquired in an Edmonton, Alberta property called, "Morningside", of which Boardwalk REIT already owned 220 units. Dispositions for the year-to-date consisted solely of the sales and closings of 30 units in a 90-unit property converted to condominiums for sale.

NEW PROPERTY DEVELOPMENT

We continue to explore the possibility of developing new multi-family rental product in select markets in Western Canada, focusing on several of our existing buildings in Calgary and Edmonton that feature excess density. It is important to note that we are in the early stages of this process, with the earliest completion of any new development between 2011 and 2012. As part of this investigation, we are considering a number of ways to surface this densification value, including direct development, joint venture and the sale of excess density.

MAINTAINING FINANCIAL STRENGTH AND FLEXIBILITY

The Trust continued to build on its solid financial position throughout the second quarter of 2008. Boardwalk REIT's total principal mortgage and debt outstanding was \$2.16 billion as of June 30, 2008, as compared to \$1.76 billion as of June 30, 2007. As of June 30, 2008, the Trust's total debt had an average maturity of 3 years with a weighted average interest rate of 4.91% and debt-to-total enterprise value ratio was 50.2%.

We currently estimate that by the end of this fiscal year, the Trust could have access to approximately \$350 million of available capital in the form of cash-on-hand; a secured, undrawn acquisition and operating facility; and estimated additional mortgage proceeds for the remainder of the year. The Trust's interest coverage ratio, excluding gains, for the six-month period ended June 30, 2008 was 2.20 times compared to 2.27 times in the same period last year.

THE CURRENT CREDIT CRUNCH

Despite the tight credit market, there continues to be an ample supply of debt credit available to the Trust. Our credit security can be greatly attributed to our high quality debt, in particular, property mortgages which are backed by the Government of Canada. While we continue to see further widening in credit spreads, we are still able to finance our mortgages well below maturing rates.

NORMAL COURSE ISSUER BID

We continue to believe that one of the best investments we can make is purchasing our Trust Units at current levels. Under the Normal Course Issuer Bid, the Trust purchased and cancelled 1,518,100 REIT Trust Units in the first half of 2008, representing a total market value of approximately \$59.7 million, or an average of \$39.33 per Trust Unit. Together with the 856,447 Trust Units purchased and cancelled in 2007, the Trust has purchased and cancelled 2,374,547 Trust Units representing a total market value of approximately \$98.3 million at June 30, 2008, or an average of \$41.39 per Trust Unit.

2008 FINANCIAL GUIDANCE

Each quarter, we review our key assumptions in providing our financial guidance. Based on this review, we are revising our reported 2008 financial guidance. We have adjusted the reported range of FFO from \$2.35 - \$2.50 to a new range of \$2.35 - \$2.45 (DI from \$2.37 - \$2.52 to \$2.37 - \$2.47). The two main catalysts for these adjustments are the higher-than-expected utility costs and lower-than-anticipated acquisitions.

SUMMARY AND OUTLOOK

Our three-pronged revenue maximization strategy continues to produce results for the Trust. By continuously monitoring occupancy, adjusting rents, and applying suite specific incentives, we are able to maximize value. Our geographically diverse portfolio also continues to be a key advantage. With buildings in 19 markets and five provinces, the Trust has the diversity to deliver long-term value as market conditions shift and change.

Looking ahead to the remainder of 2008, we believe that our quality assets, geographically diverse portfolio and experienced team of management and Associates will continue to provide long-term value for all of our stakeholders.

CHANGE TO QUARTERLY REPORTING FORMAT

Commencing with the third quarter, we will be altering the format of the quarterly report. In particular, we will be significantly adjusting the format of the 'Letter to Unitholders' to better provide the user with a more summarized report that will point the user to a more detailed analysis in the MD&A. We believe that this new format will eliminate redundancies and provide the user with clear, concise information.

IN CONCLUSION

I would like to express my sincere gratitude to our over 1,340 Associates for their continued dedication to Team Boardwalk. I am honored to be a member of this talented, hardworking and creative team.

I would also like to thank our Board of Trustees for their indispensable guidance and continued focus on governance, and our Unitholders and key financial community and operational partners for their continued support of the Trust.

Finally, I would like to thank our Customers for calling Boardwalk home.

Sincerely,

(signed)

Sam Kolias,
Chairman and CEO

Management's Discussion and Analysis

For the Three and Six Months Ended June 30, 2008

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, 2008 and 2007. 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, 2007 and 2006 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 objectives for 2008 and future periods, 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 2007 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 report 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, and as amended and restated on May 3, 2004, May 10, 2006, May 10, 2007 and May 13, 2008 (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 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 trust units trade on the Toronto Stock Exchange under the symbol "BEI.UN". Boardwalk REIT's principal objective is to enhance Unitholder Value by providing stable and growing monthly cash distributions, partially on a Canadian income tax-deferred basis, through capitalization of opportunities created by existing market conditions. At the end of the second quarter of 2008, Boardwalk REIT owned and operated in excess of 260 properties, comprised of 36,785 units (excluding a 90-unit property converted to condominiums, of which 80 units have been sold and closed as of June 30, 2008), totaling approximately 40 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 selective 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 non-core 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 ("Trust Units") in the public securities market.

Non-GAAP Financial Measures

Boardwalk REIT assesses and measures operating results based on performance measures referred to as "Funds From Operations" ("FFO"), "Distributable Income" ("DI") and Adjusted Funds From Operations ("AFFO"). Both DI and FFO are widely accepted supplemental measures of 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. The reconciliation from Net Earnings to FFO and the reconciliation from Total Operating Cash Flows to DI can be found below, under the section titled, "Performance Measures". 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 to pay out all taxable income to Unitholders in the form of monthly distributions. Currently, the Trust is distributing \$1.80 per Trust Unit on an annualized basis (or \$0.15 per Trust Unit on a monthly basis).

For the three and six months ended June 30, 2008, the Trust declared distributions of \$24.7 million and \$49.6 million, respectively, representing approximately 74.3% and 80.7% of the reported DI. It is the Trust's current policy to be paying out approximately 80% of reported DI on an annualized basis. The Trust previously had in place a Distribution Reinvestment Plan ("DRIP"). The essence of this plan is that the Unitholder had the option, in lieu of receiving monthly distributions, to receive Trust Units from treasury. The DRIP allowed participants to accept all or part of their monthly distributions in additional Trust Units. To promote this plan, the Trust offered a 3% premium on the units distributed under the plan. Effective February 29, 2008, Boardwalk REIT suspended the DRIP plan for Unitholders. Notification to that effect was mailed to DRIP participants on February 15, 2008. The suspension of the DRIP does not affect regular distributions and Unitholders will continue to receive the regular distribution as declared.

In the following tables, 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-08	3 months Jun-07	% Change	6 months Jun-08	6 months Jun-07	% Change
Net earnings from continuing operations	\$ 10,375	\$ (102,321)		\$ 13,740	\$ (98,639)	
Adjustments						
Earnings from discontinued operations	\$ 1,355	\$ 4,821		\$ 3,622	\$ 4,769	
Deduct gain on dispositions	\$ (1,355)	\$ (4,810)		\$ (3,622)	\$ (4,810)	
Future income taxes	\$ 889	\$ 111,630		\$ 3,270	\$ 111,398	
Amortization of assets (capital and intangibles)	\$ 21,638	\$ 20,442		\$ 43,576	\$ 39,800	
Funds from operations	\$ 32,902	\$ 29,762	10.6%	\$ 60,586	\$ 52,518	15.4%
Funds from operations – per unit	\$ 0.60	\$ 0.53	13.2%	\$ 1.10	\$ 0.93	18.3%

Distributable Income Reconciliation In \$000's, except per unit amounts	3 months Jun-08	3 months Jun-07	% Change	6 months Jun-08	6 months Jun-07	% Change
Total Operating Cash Flows	\$ 33,079	\$ 39,416		\$ 56,958	\$ 63,297	
Net change in operating working capital	\$ 937	\$ (8,555)		\$ 6,210	\$ (8,401)	
Deduct deferred financing costs amortization post May 2, 2004	\$ (707)	\$ (622)		\$ (1,438)	\$ (948)	
Mark-to-market debt adjustment post May 2004	\$ (92)	\$ (254)		\$ (216)	\$ (343)	
Distributable income	\$ 33,217	\$ 29,985	10.8%	\$ 61,514	\$ 53,605	14.8%
Distributable income – per unit	\$ 0.61	\$ 0.53	15.1%	\$ 1.12	\$ 0.95	17.9%

Overall, Boardwalk REIT earned \$32.9 million and \$60.6 million in total FFO for the three and six months ended June 30, 2008, compared to \$29.8 million and \$52.5 million, respectively, for the same periods last year. FFO on a per unit basis for the current quarter ended June 30, 2008 increased approximately 13.2% compared to the same period in the prior year, from \$0.53 to \$0.60. Reported DI for the three months ended June 30, 2008 was \$0.61 per Trust Unit, compared to \$0.53 for the same period last year, representing an increase of approximately 15.1%.

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 34 of the Annual Information Form dated February 19, 2008. 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 properties; and
2. Enter into investments in joint ventures 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, 2008, the Trust was in material compliance with all investment guidelines and operating policies stipulated in the DOT. More details will be provided later with respect to certain detailed calculations.

FFO RECONCILIATION – Q2 2007 WITH Q2 2008

FFO Reconciliation	3 Months Jun-08	6 Months Jun-08
FFO Opening	\$ 0.53	\$ 0.93
NOI from Stabilized	\$ 0.09	\$ 0.17
NOI from Unstabilized	\$ 0.06	\$ 0.14
Financing costs	\$ (0.08)	\$ (0.15)
Administration and other	\$ (0.01)	\$ (0.02)
Unit Buyback	\$ 0.01	\$ 0.03
FFO Closing	\$ 0.60	\$ 1.10

Critical Accounting Policies

Boardwalk REIT's accounting policies are described in Note 2 (on page 43 of Boardwalk REIT's 2007 Annual Report) to the consolidated financial statements for the year ended December 31, 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 32 of Boardwalk REIT's 2007 Annual Report.

Note 3 of Boardwalk REIT's unaudited interim consolidated financial statements for the three and six months ended June 30, 2008 provides an update to Boardwalk REIT's critical accounting policies. Four new accounting standards came into effect for Boardwalk REIT as of January 1, 2008, while one new accounting standard is effective for the Trust's fiscal year commencing January 1, 2009. These five sections are CICA Handbook: Section 1535 – Capital Disclosure; Section 3031 – Inventories; Section 3064 – Goodwill and Intangible Assets; Section 3862 – Financial Instruments-Disclosure and Section 3863 – Financial Instruments-Presentation.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed a change over date of January 1, 2011 as the date in which all publicly accountable enterprises ("PAEs") will no longer be required to prepare their financial statement disclosure in accordance with Canadian Generally Accepted Accounting Policies (Canadian GAAP). At that date, all PAEs, including Boardwalk REIT, will instead be required to report all interim and annual financial statement information in accordance with International Financial Reporting Standards ("IFRS").

The impact of the adoption of IFRS on the consolidated financial statements of Boardwalk REIT will likely be significant and, as such, the Trust has begun to develop its convergence plan in order to transition its financial statement reporting, presentation and disclosure for IFRS to meet the January 1, 2011 deadline. Boardwalk REIT is currently in the process of evaluating the potential impact of IFRS to its consolidated financial statements. The process will be an on-going one as new standards and recommendations are issued by the International Accounting Standards Board and the AcSB.

The Canadian Securities Administrators issued Staff Notice 52-321, "Early Adoption of International Financial Reporting Standards", which provides issuers with the option to early adopt IFRS effective January 1, 2009. It is not our intention to early adopt IFRS on January 1, 2009.

Additional disclosure on the Trust's transition to IFRS and its convergence plan will be disclosed in the 2008 Annual Report.

IMPACT OF ADOPTION OF SECTIONS 1535, 3031, 3064, 3862 AND 3863

Our consolidated financial statements 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.

Section 1535 – Capital Disclosures requires the disclosure of both qualitative and quantitative information, which allows the users of financial statements to evaluate the entity’s objective, policies and processes for managing capital.

Section 3031 – Inventories, which replaces Section 3030 – Inventories, provides guidelines on the measurement and costing of inventories, as well as allows for the reversal of inventory values previously written down. This new section also enhances disclosure requirements for inventory to include accounting policies and carrying amounts used to value inventory, inventory amounts recognized as an expense and disclosure of any write-downs or the reversal of any inventory write-downs previously recorded.

Section 3064 – Goodwill and Intangible Assets, which replaces Section 3062 – Goodwill and Other Intangible Assets and Section 3450 – Research and Development Costs, establishes standards for the recognition of intangible assets by profit-oriented enterprises. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008.

Section 3862 – Financial Instruments-Disclosure and Section 3863 – Financial Instruments-Presentation, which replaced Section 3861 – Financial Instruments Presentation and Disclosure, revise and enhance the disclosure requirements for financial instruments and carry forward unchanged the presentation requirements for financial instruments. Section 3862 requires entities to provide disclosures in their financial statements that will allow the users to evaluate both the significance of financial instruments for the entity’s financial position and performance, as well as the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The purpose of Section 3863 is to enhance financial statement users’ understanding of the significance of financial instruments to an entity’s financial position, performance and cash flows.

Our unaudited consolidated financial statements for the three and six months ended June 30, 2008 include additional disclosures on capital management (NOTE 12) and financial instruments (NOTE 13).

There was no material impact to the unaudited consolidated financial statements on adoption of Section 3031 by the Trust.

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. The effective interest rate method calculates the effective interest rate over the expected life of the financial liability by adjusting the stated interest rate of the financial liability for any fees, transaction costs, and premiums or discounts paid or received. Any adjustment to the Trust’s financial statements, as a result of adopting Section 3855 in 2007, was recognized by restating the balance of opening unitholders’ equity. Comparative periods were 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 effect of adopting the new accounting standards on financial instruments:

(\$000's)	June 30, 2008	Dec. 31, 2007
Mortgages Payable		
Principal outstanding	\$ 2,037,196	\$ 1,827,793
Unamortized deferred financing costs	(68,605)	(58,821)
Unamortized mark-to-market adjustment	803	1,043
	\$ 1,969,394	\$ 1,770,015
Debentures		
Principal outstanding	\$ 120,000	\$ 120,000
Unamortized deferred financing costs	(1,080)	(1,232)
	\$ 118,920	\$ 118,768

BILL C-52

On June 22, 2007, Bill C-52 received Royal Assent in Canada. Under Generally Accepted Accounting Principles in Canada, once a bill is enacted, it is a requirement to record its 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 AND RELATED TECHNICAL AMENDMENTS

The impact of Bill C-52 on Boardwalk REIT may, at this time, mean that the Trust does not qualify as a REIT, which would be exempt from the specified investment flow-through ("SIFT") rules. Accordingly, the Trust has recorded an estimate of its future income tax liability at June 30, 2007 based on 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 this amount at the prevailing federal corporate income tax rate, plus an additional 13% in lieu of provincial tax. The portion of the distribution that will be determined to be return of capital would continue to not be subject to tax. The SIFT rules generally will not apply to a trust that qualified as a SIFT trust on October 31, 2006, until January 1, 2011.

Under Canadian accounting rules, Boardwalk REIT is 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 recorded a future income tax liability at June 30, 2007 of \$111.1 million. This amount was adjusted quarterly, resulting in a future income tax liability of \$99.9 million as at December 31, 2007. This amount was increased by \$2.8 million to \$102.7 million at March 31, 2008 and \$0.6 million to \$103.3 million at June 30, 2008. At a future time, if it has been deemed that the Trust would be in compliance with the definition of a REIT as defined under the SIFT rules, the amount of this future income tax liability will be reversed. The reported adjustments of \$0.6 million and \$3.4 million for the three and six months ended June 30, 2008, respectively, had no impact on reported Funds From Operations or Distributable Income, although it does impact reported earnings and cumulative earnings. Although the adjustments to earnings and cumulative earnings at June 30, 2008 are significant, they are not large enough to affect any existing debt covenants currently in place, including those related to Boardwalk REIT's unsecured debentures.

On December 20, 2007, the Federal Government announced its intention to make technical amendments to Bill C-52, in particular, amendments clarifying the definition of a REIT, which is exempted from the SIFT rules. In particular, it is proposed that revenue of a subsidiary trust will be treated as revenue from real property. On July 14, 2008, draft legislation was published for review, which mirrors the technical amendments announced in late December 2007; however, the draft legislation has not received Royal Assent. If these amendments receive Royal Assent, as was the case with Bill C-52, it is believed that Boardwalk REIT would qualify as a REIT and will reverse the future income tax liability reported in the financial statements.

If these amendments are not passed, it is still the belief of management that we will be able to adjust existing policies and/or restructure to qualify as a REIT under these new SIFT rules. Management continues to work with industry organizations as well as the Department of Finance on these and other outstanding issues.

Hedging Activities

This year, 2008, marks the first year the Trust has entered into forward hedging strategies with respect to its upcoming mortgage interest obligations. The strategy consisted of hedging, or locking in, the interest rates on the underlying bonds used to set mortgage interest rates while layering an interest rate swap on top of this to reduce overall interest rates and variability in cash flows from fluctuating interest rates. To date, we have found that, due to existing credit conditions in the market, this appears to be the strategy that results in lower overall interest rates.

BOND FORWARD TRANSACTION

In the beginning of 2008, the Trust entered into a forward bond transaction (the "Transaction") with a major Canadian financial institution. In total, the transaction, which is comprised of bond forward contracts on specific mortgages set to mature and to be renewed in 2008, was for a total nominal amount of \$101.6 million with a weighted average term

and interest rate of 7.2 years and 3.63%, respectively. Subsequent to entering into this Transaction, the Trust initiated changes to the terms of one of the contracts, with a nominal amount of approximately \$21.8 million, and negotiated a settlement loss of \$100 thousand related to these changes. Boardwalk REIT assessed this one particular bond forward contract as no longer being an effective hedge and payment of this \$100 thousand settlement loss was included as part of the financing costs in the quarter ended March 31, 2008.

During the second quarter ended June 30, 2008, the remaining bond forward contracts in the Transaction were settled. Except for one of the contracts, all remaining contracts were assessed to be ineffective as a result of changes to certain critical terms to the hedged mortgages being renewed and the net settlement loss of \$168 thousand was included in financing costs for the quarter. The bond forward contract assessed to be effective was settled for a loss of \$284 thousand, which will be amortized over the term of the new financing.

INTEREST RATE SWAP

During the first quarter of 2008, Boardwalk REIT entered into an interest rate swap agreement on the mortgages of specific properties within its portfolio in an effort to hedge the variability in cash flows attributed to fluctuating interest rates. These interest rate swap agreements were designated as cash flow hedges on March 11, 2008. The effective date of the hedges was May 1, 2008, and will continue to be designated as such until the date of maturity, May 1, 2015. Hedge accounting will be applied to these agreements in accordance with CICA Handbook section 3865.

Boardwalk REIT has determined that there is no ineffectiveness in the hedging of its interest rate exposure. The effectiveness of the hedging relationship will be reviewed on a quarterly basis and measured at fair value. Any gains or losses which arise as a result of the "effectiveness" of the hedge will be recognized in Other Comprehensive Income ("OCI"). The ineffective portion of the gain or loss on the swap transaction will be recognized immediately in net earnings. On recognition of the financial liability of the hedged item on the balance sheet, the associated gains or losses that were recognized in OCI will be reclassified into net earnings in the same period or periods during which the interest payments of the hedged item affect net earnings. However, if all or a portion of the net loss recognized in OCI will not be recovered in one or more future periods, this amount will be immediately reclassified into net earnings.

Settlements on both the fixed and variable portion of the interest rate swaps will occur on a monthly basis. The fixed interest rate has been set at 4.15%, plus a stamping fee of 0.25%, while the total amount of mortgage debt subject to the interest rate swaps is \$91.5 million.

As at June 30, 2008, the interest rate swap agreement was assessed to be effective and, consequently, any gains or losses on the interest rate swap agreement were recognized in earnings in the periods during which the interest payments on the hedged items were recognized.

Review of Rental Operations

In 000's, except per apartment unit amounts	3 Months Jun-08	3 Months Jun-07	Change	6 Months Jun-08	6 Months Jun-07	Change
Rental revenue	\$ 105,460	\$ 92,711	13.8%	\$ 207,669	\$ 180,281	15.2%
Expenses						
Operating expenses	\$ 18,577	\$ 16,202	14.7%	\$ 37,136	\$ 31,743	17.0%
Utilities	\$ 11,819	\$ 9,512	24.3%	\$ 28,533	\$ 23,374	22.1%
Utility rebate	-	\$ (8)	-100.0%	\$ (1,248)	\$ (933)	33.8%
Property taxes	\$ 8,330	\$ 8,285	0.5%	\$ 16,009	\$ 16,354	-2.1%
	\$ 38,726	\$ 33,991	13.9%	\$ 80,430	\$ 70,538	14.0%
Net operating income	\$ 66,734	\$ 58,720	13.6%	\$ 127,239	\$ 109,743	15.9%
Average rental revenue per unit per month	\$ 955	\$ 865	10.4%	\$ 943	\$ 854	10.4%
Operating costs per unit per month	\$ 353	\$ 316	11.7%	\$ 367	\$ 335	9.6%
Operating margins	63%	63%		61%	61%	

Overall, Boardwalk REIT's rental operations from continuing operations reported strong results. Of the reported increase in rental revenue of 13.8% and 15.2% for the three and six months ended June 30, 2008, approximately 91% is mainly the effect of revenue generated from our same-store 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 provinces of Alberta and Saskatchewan. Total rental expenses increased by 13.9% and 14.0% for the three and six months ended June 30, 2008, the combined effect of an increase in the overall number of units owned by the Trust, increased operating costs in the province of Alberta and higher costs for natural gas. Higher operating costs in Alberta are mainly due to additional units acquired in 2007, higher utility costs and higher operating costs, in particular advertising costs. Property taxes increased 0.5% for the three months ended June 30, 2008 and decreased by 2.1% for the six months ended June 30, 2008, compared to the same period last year. The slight increase in the second quarter is primarily due to increased property valuations largely in the province of Alberta. The decrease in property taxes for the six months ended June 30, 2008 is primarily due to a refund received during the first quarter on the Trust's Nun's Island properties in Montreal, Quebec. The refund was the result of a reassessment of the property tax mill rates charged for the 2007 year and the first quarter of 2008. The Trust is constantly reviewing property tax assessments and related charges and, where it feels appropriate, will appeal all or a part of the related assessment. It is not uncommon for the Trust to receive refunds; however, due to the uncertainty of the amount and timing of the related refunds, these amounts are only reported when they are received.

Overall, operating margins for the current quarter remained consistent at 63% when compared to the same period in 2007. This is mainly due to revenues and operating expenses increasing at comparable rates.

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, 2008, adjusted for current occupancy levels, totaled \$25.2 million on an annualized basis, representing \$0.46 per outstanding Trust Unit. More than one-half of the estimated loss-to-lease can be attributed to the Trust's more than nineteen thousand apartment units located in the province of Alberta, where the mark-to-market on existing rents is approximately \$62 per apartment unit per month, or \$14.0 million. For the most part, Boardwalk REIT's rental lease agreements last no longer than twelve months. On physical turnover, the rental units are then re-leased directly at current market rent. If a Boardwalk REIT Customer decides to remain in his/her apartment unit at the end of the lease agreement, it is the Trust's self-imposed internal policy that the rent will not increase more than \$150 in any twelve-month period. Until April 24, 2007, the Trust divided this increase into 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 legislation introduced by the Alberta Provincial Government in 2007. The reader should note that estimated loss-to-lease is a non-GAAP measure, of which there is no comparable 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 reader should also note that it would 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 2008 Occupied Rent	June 2008 Market Rent	Mark to Market Per Month	Annualized Mark to Market Adjusted for Vacancies (\$000's)	Weighted Average Units	% of Portfolio
Calgary	\$ 1,224	\$ 1,322	\$ 99	\$ 6,073	5,347	15%
Edmonton	\$ 1,096	\$ 1,140	\$ 45	\$ 6,330	12,583	34%
Other Alberta	\$ 1,096	\$ 1,171	\$ 74	\$ 1,600	1,967	5%
Alberta Portfolio	\$ 1,130	\$ 1,192	\$ 62	\$ 14,003	19,897	54%
Saskatchewan	\$ 847	\$ 1,016	\$ 169	\$ 9,131	4,660	13%
Ontario	\$ 790	\$ 788	\$ (2)	\$ (75)	4,265	12%
Quebec	\$ 909	\$ 924	\$ 15	\$ 1,168	6,749	18%
British Columbia	\$ 921	\$ 999	\$ 79	\$ 972	1,087	3%
Total Portfolio	\$ 1,008	\$ 1,068	\$ 60	\$ 25,199	36,658	100%

Below is a table that reconciles the increase in estimated loss-to-lease at March 2008, compared to the amount at June 2008 for our Alberta portfolio.

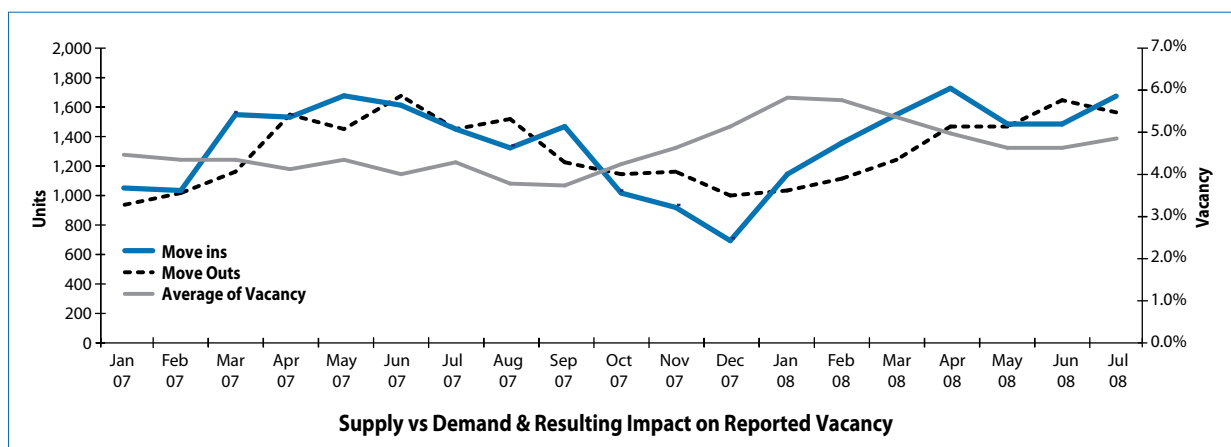
	Total	Per Trust Unit
Mar 2008 - Alberta	\$ 12,910,000	\$ 0.24
Increase in in-place rents	\$ (4,004,000)	\$ (0.07)
Vacancy Adjustment	\$ 90,000	\$ 0.00
Market Rent Adjustment	\$ 5,007,000	\$ 0.09
Jun 2008 - Alberta	\$ 14,003,000	\$ 0.26

The increase in the loss-to-lease for our Alberta portfolio, from \$12.9 million at March 2008 to \$14.0 million at June 2008, was due primarily to the Trust's ability to adjust market rents in selective areas given existing market conditions while continuing to capitalize on higher in-place rents. As with prior quarters, Boardwalk REIT continues to focus on the reduction of its overall vacancy rate while still monitoring areas of strengthening fundamentals.

BOARDWALK REIT'S PORTFOLIO VACANCY

City	Q2 2008	Q2 2007	Q1 2008	Q1 2007
Calgary	4.10%	3.14%	6.32%	4.03%
Edmonton	6.08%	3.36%	7.02%	3.54%
Gatineau	4.27%	7.60%	1.67%	10.00%
Kitchener	3.14%	3.14%	2.03%	3.75%
London	4.10%	3.77%	4.16%	4.47%
Montreal	4.37%	4.26%	5.72%	4.92%
Other Alberta	7.49%	7.25%	6.04%	4.50%
Quebec City	3.05%	4.56%	3.82%	5.68%
Regina	3.19%	3.88%	5.42%	3.29%
Saskatoon	1.39%	2.58%	1.64%	1.21%
Windsor	7.89%	8.15%	7.95%	7.95%
Vancouver	3.94%	4.90%	4.34%	5.18%
Verdun	2.53%	5.04%	3.55%	6.55%
Victoria	2.72%	6.61%	2.98%	5.84%
Grand Total	4.74%	4.16%	5.65%	4.39%

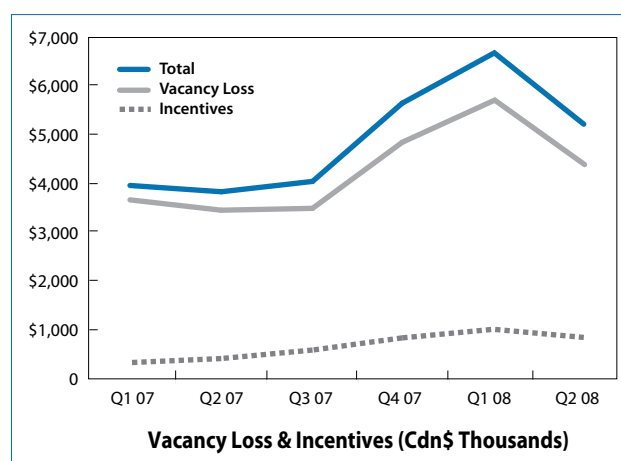
The second quarter of fiscal 2008 saw the portfolio's overall vacancy rate increase to 4.74% from 4.16% for the same period in the prior year, but decreased over 90 basis points from the vacancy reported in the first quarter of 2008. Significant decreases were seen in most areas of the portfolio, with the largest decreases reported in Calgary and Edmonton. The 7.49% vacancy rate for "Other Alberta" includes Grande Prairie, which is experiencing higher vacancies as a result of low rig utilization and a past trend of low natural gas prices.



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. In the fourth quarter of fiscal 2007 and the first quarter of 2008, the Trust made the decision to adjust downward market rents in selective markets – in particular Alberta. The strategy was initiated with the intent of lowering vacancy rates in these markets. This strategy continues to be viewed as a success; as a result, we have been able to lower the overall vacancy rate to below 5%, while still reporting strong overall rental revenues. Boardwalk REIT will continue with this strategy; however, the Trust is now in the position whereby, in many of its markets, the focus is on building specific upward rental adjustments. The reader is cautioned that adjusting market rental rates is an on going process for the Trust and consistent with its overall strategy of maximizing overall reported revenues; consequently, it will adjust rents upward or downward when it is deemed necessary.

VACANCY LOSS AND INCENTIVES

Vacancy loss and rental incentives given are strong indicators of current and future revenue performance. Depending on specific market conditions, to best manage overall economic rental revenue, the correct balance between rental incentives and vacancy loss is important. The above chart details, on a quarterly basis, rental incentives given versus vacancy loss. The reported decrease in vacancy loss and incentives during the second quarter of 2008 was mainly the result of Boardwalk REIT's continued strategy of maximizing overall revenues through the optimization of the key revenue variables, these being market rents, vacancy levels and suite-selective incentives.



Boardwalk REIT closely monitors and individually manages 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-08 (Unaudited)	3 Months Jun-07 (Unaudited)	Change	6 Months Jun-08 (Unaudited)	6 Months Jun-07 (Unaudited)	Change
Rental revenue	\$ 3,020	\$ 2,854	5.8%	\$ 5,986	\$ 5,625	6.4%
Rental Expenses:						
Operating expenses	\$ 598	\$ 568	5.3%	\$ 1,218	\$ 1,189	2.4%
Utilities	\$ 397	\$ 439	-9.6%	\$ 894	\$ 840	6.4%
Property taxes	\$ 155	\$ 152	2.0%	\$ 305	\$ 300	1.7%
	\$ 1,150	\$ 1,159	-0.8%	\$ 2,417	\$ 2,329	3.8%
Net operating income	\$ 1,870	\$ 1,695	10.3%	\$ 3,569	\$ 3,296	8.3%
Operating margins	61.9%	59.4%		59.6%	58.6%	

Boardwalk REIT's British Columbia portfolio continued to report strong results. The increase in rental revenue and related expenses for the six months ended June 30, 2008 are mainly due to this increase in the number of apartment units. Operating margins for the second quarter of 2008 improved, compared to the same period in the prior year as a result of a utility cost decrease of 9.6%, which offset the increase in operating expenses and property taxes. The decrease in utilities is mainly the result of certain sales tax refunds from the government of British Columbia previously charged in error on our natural gas billings.

ALBERTA RENTAL OPERATIONS

In \$000's	3 Months Jun-08 (Unaudited)	3 Months Jun-07 (Unaudited)	Change	6 Months Jun-08 (Unaudited)	6 Months Jun-07 (Unaudited)	Change
Rental revenue	\$ 62,860	\$ 53,842	16.7%	\$ 123,979	\$ 103,008	20.4%
Rental Expenses:						
Operating expenses	\$ 10,017	\$ 7,907	26.7%	\$ 20,500	\$ 15,443	32.7%
Utilities	\$ 6,845	\$ 5,116	33.8%	\$ 15,710	\$ 11,764	33.5%
Utilities rebate	-	\$ (8)	-100.0%	\$ (1,255)	\$ (930)	34.9%
Property taxes	\$ 3,584	\$ 3,387	5.8%	\$ 7,075	\$ 6,582	7.5%
	\$ 20,446	\$ 16,402	24.7%	\$ 42,030	\$ 32,859	27.9%
Net operating income	\$ 42,414	\$ 37,440	13.3%	\$ 81,949	\$ 70,149	16.8%
Operating margins	67.5%	69.5%		66.1%	68.1%	

Boardwalk REIT's Alberta operations for the three and six months ended June 30, 2008 have posted strong growth in rental revenues when compared to the amounts reported for the same periods during fiscal 2007. The reported increase in rental revenues is mainly due to the combined effect of the addition of new apartment units in the remainder of fiscal 2007 and the first half of 2008, as well as an increase in the reported in-place occupied rents for this province.

Overall, operating costs increased by 24.7% for the three months ended June 30, 2008. The reported increase in costs 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 natural gas costs.

SASKATCHEWAN RENTAL OPERATIONS

In \$000's	3 Months Jun-08 (Unaudited)	3 Months Jun-07 (Unaudited)	Change	6 Months Jun-08 (Unaudited)	6 Months Jun-07 (Unaudited)	Change
Rental revenue	\$ 11,387	\$ 9,420	20.9%	\$ 22,069	\$ 18,632	18.4%
Rental Expenses:						
Operating expenses	\$ 2,005	\$ 1,615	24.1%	\$ 3,669	\$ 3,209	14.3%
Utilities	\$ 977	\$ 797	22.6%	\$ 3,340	\$ 2,522	32.4%
Property taxes	\$ 1,075	\$ 1,157	-7.1%	\$ 2,207	\$ 2,328	-5.2%
	\$ 4,057	\$ 3,569	13.7%	\$ 9,216	\$ 8,059	14.4%
Net operating income	\$ 7,330	\$ 5,851	25.3%	\$ 12,853	\$ 10,573	21.6%
Operating margins	64.4%	62.1%		58.2%	56.7%	

Boardwalk REIT's Saskatchewan operations reported strong results for the three and six months ended June 30, 2008 compared to the same periods in fiscal 2007. Overall, for the current quarter, rental revenue increased by 20.9%. The increase is mainly the result of strong rental market fundamentals in both Regina and Saskatoon. Operating costs increased by 13.7% for the three months ended June 30, 2008, compared to the same period in the prior year, mainly as a result of higher utility costs, in particular natural gas costs.

ONTARIO RENTAL OPERATIONS

In \$000's	3 Months Jun-08 (Unaudited)	3 Months Jun-07 (Unaudited)	Change	6 Months Jun-08 (Unaudited)	6 Months Jun-07 (Unaudited)	Change
Rental revenue	\$ 9,522	\$ 9,412	1.2%	\$ 18,957	\$ 18,788	0.9%
Rental Expenses:						
Operating expenses	\$ 1,667	\$ 1,395	19.5%	\$ 3,260	\$ 2,910	12.0%
Utilities	\$ 1,503	\$ 1,350	11.3%	\$ 3,515	\$ 3,378	4.1%
Property taxes	\$ 1,615	\$ 1,766	-8.6%	\$ 3,188	\$ 3,522	-9.5%
	\$ 4,785	\$ 4,511	6.1%	\$ 9,963	\$ 9,810	1.6%
Net operating income	\$ 4,737	\$ 4,901	-3.3%	\$ 8,994	\$ 8,978	0.2%
Operating margins	49.7%	52.1%		47.4%	47.8%	

Boardwalk REIT's Ontario operations reported relatively stable rental revenue for the three and six months ended June 30, 2008, compared to the same periods last year. Operating expenses increased by 6.1% for the three months ended June 30, 2008, compared to the same period in the prior year, largely due to an increase in wages and operating general and administrative expenses. Property taxes were lower by 8.6% for the three months ended June 30, 2008 due to the successful appeal of property tax assessments on our Ontario properties. Utilities showed an increase compared to the same period in the prior year due to an increase in natural gas prices as a result of the expiration of the natural gas supply contract for Ontario, which expired on June 1, 2007 and set the price of natural gas near \$8.00/GJ.

QUEBEC RENTAL OPERATIONS

In \$000's	3 Months Jun-08 (Unaudited)	3 Months Jun-07 (Unaudited)	Change	6 Months Jun-08 (Unaudited)	6 Months Jun-07 (Unaudited)	Change
Rental revenue	\$ 17,659	\$ 17,099	3.3%	\$ 35,129	\$ 34,113	3.0%
Rental Expenses:						
Operating expenses	\$ 3,307	\$ 3,452	-4.2%	\$ 6,870	\$ 6,417	7.1%
Utilities	\$ 2,030	\$ 1,610	26.1%	\$ 4,922	\$ 4,604	6.9%
Property taxes	\$ 1,880	\$ 1,893	-0.7%	\$ 3,183	\$ 3,782	-15.8%
	\$ 7,217	\$ 6,955	3.8%	\$ 14,975	\$ 14,803	1.2%
Net operating income	\$ 10,442	\$ 10,144	2.9%	\$ 20,154	\$ 19,310	4.4%
Operating margins	59.1%	59.3%		57.4%	56.6%	

Boardwalk REIT's Quebec operations reported small gains in rental revenue. Reported revenue increased by 3.3% and 3.0% for the three and six months ended June 30, 2008, compared to the same periods in the prior year, due to marginally improving results on existing properties. Reported rental expenses are up from the same periods in the prior year. Utilities were higher for the second quarter and the first half of 2008 compared to the same periods in the prior year due to higher natural gas prices. Property taxes were down for the first half of 2008 compared to the same periods in the prior year as the result of a reassessment of property tax mill rates on our Nun's Island Portfolio in Montreal.

STABILIZED PROPERTY RESULTS

Boardwalk REIT defines a stabilized property as one that the Trust 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, 2008, or a total of 33,854 units. The following compares the "same-store" results for the three and six months ended June 30, 2008 with the same period in the prior year.

June 30 2008 - 3 M	# Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	4,973	7.8%	13.9%	5.6%	20.2%
Edmonton	10,649	14.2%	18.1%	12.4%	35.2%
Other Alberta	1,680	6.1%	29.6%	-3.1%	5.6%
British Columbia	871	5.8%	-3.6%	12.0%	2.6%
Ontario	4,265	1.1%	6.1%	-3.4%	7.6%
Quebec	6,756	3.3%	4.1%	2.7%	16.9%
Saskatchewan	4,660	20.9%	13.7%	25.3%	11.9%
	33,854	9.6%	12.0%	8.2%	100.0%

June 30 2008 - 6 M	# Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	4,973	8.5%	17.0%	5.2%	20.3%
Edmonton	10,649	15.3%	17.9%	13.9%	35.7%
Other Alberta	1,680	5.9%	23.5%	-1.8%	5.8%
British Columbia	871	6.0%	3.8%	7.6%	2.6%
Ontario	4,265	0.9%	1.6%	0.1%	7.6%
Quebec	6,756	3.0%	1.4%	4.2%	17.1%
Saskatchewan	4,660	18.4%	14.4%	21.6%	10.9%
	33,854	9.6%	11.0%	8.8%	100.0%

For the second quarter 2008, same-store revenue increased by 9.6%, compared to the same period in the prior year. Despite rental expenses increasing by 12%, net operating income growth improved overall by 8.2%. The increase in reported stabilized revenue was driven mainly by the Trust's Alberta operations, which account for approximately 61.0% of the Trust's reported stabilized net operating income. The majority of the reported increase in rental operating expenses for the three months ended June 30, 2008 was due to higher utility costs, particularly the cost of natural gas.

For the six months ended June 30, 2008, same-store revenues increased by 9.6% over the same period last year, resulting in an overall increase in net operating income of 8.8%, despite an increase of 11.0% in operating expenses in the first six months of 2008. Overall, the increased operating expenses were the result of an increase in the number of units in the portfolio and higher utility costs.

Stabilized revenues reported in the second quarter of 2008 were up 2.5% over Q1 2008, 5.5% over Q4 2007, 7.0% over Q3 2007 and 9.6% over Q2 2007. As we expected, the tempered growth, which we saw in Q1 2007 (mainly as the result of the implications of the Alberta provincial rental increase restrictions in 2007, which allow only one increase per year), has been pushed into Q1 and Q2 2008. Boardwalk REIT continues to experience growth in its reported stabilized revenue as occupied rent and occupancy levels continue to show an upward trend.

Financing costs

Financing costs for the second quarter and first half of 2008 have increased from the same periods in the prior year, due primarily to the increased leverage resulting from Boardwalk REIT's mortgage refinancing and renewals. 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, 2008, the reported weighted average interest rate on its mortgage and debt portfolio was 4.91%, down from 5.02% reported at March 31, 2008, down from 5.11% reported at December 31, 2007, and down from 5.25% reported at June 30, 2007. 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 compared to spreads on conventional mortgage financing.

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, 2008, approximately 99% of Boardwalk REIT's mortgage secured debt was backed by this NHA insurance with a weighted average amortization period of approximately 29 years.

Administration

Administration reported was \$5.8 million and \$11.5 million for the three and six months ended June 30, 2008 compared to \$5.3 million and \$10.6 million, respectively, for the same periods in the prior year. This represents an increase of 8.9% and 8.8% and 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 included in earnings in the period that this occurs. For the six months ended June 30, 2008, deferred financing costs of approximately \$295,000 were written off due to mortgage refinancing, compared to \$600,000 for the same period in the prior year. As a result of this, and due to the variable timing and strategy of each mortgage at maturity, the amounts reported will vary

Amortization

The amounts reported as amortization of capital and intangible assets from continuing operations for the three and six months ended June 30, 2008, of \$21.6 million and \$43.6 million, respectively, have increased by \$1.2 million and \$3.8 million from the \$20.4 million and \$39.8 million reported in the comparable periods in 2007. The reported increase from the same period in the prior year was due to new property units acquired in the latter part of 2007 and in the first half of 2008.

Real Estate Assets

ACQUISITIONS

During the six months ended June 30, 2008, Boardwalk REIT acquired a total of 298 rental units for a total acquisition cost of \$48.9 million, or \$164 thousand per residential apartment unit. A portion (approximately \$1.5 million) of the purchase price has been allocated to the value of the in-place operating leases.

	3 months ended June 30, 2008	3 months ended June 30, 2007	6 months ended June 30, 2008	6 months ended June 30, 2007
Cash paid	\$ 48,925	\$ 16,000	\$ 48,925	\$ 176,213
Debt assumed	–	–	–	31,209
Total purchase price	48,925	16,000	48,925	207,422
Fair value adjustments to debt	–	–	–	376
Book value	\$ 48,925	\$ 16,000	\$ 48,925	\$ 207,798
Allocation of book value to revenue producing properties	\$ 47,413	\$ 15,528	\$ 47,413	\$ 201,400
Allocation of book value to other assets	1,512	472	1,512	6,398
	\$ 48,925	\$ 16,000	\$ 48,925	\$ 207,798
Multi-family units acquired	298	160	298	1,703

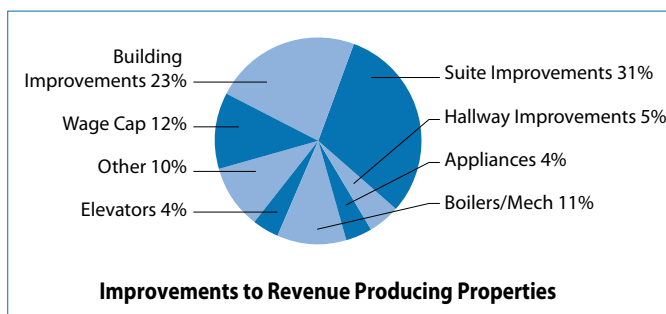
DISPOSITIONS

	3 months ended June 30, 2008	3 months ended June 30, 2007	6 months ended June 30, 2008	6 months ended June 30, 2007
Cash received	\$ 1,906	\$ 12,275	\$ 10,287	\$ 12,275
Cost of dispositions	–	125	–	125
Total proceeds	1,906	12,400	10,287	12,400
Net book value	551	7,590	6,665	7,590
Gain on dispositions	\$ 1,355	\$ 4,810	\$ 3,622	\$ 4,810
Multi-family units sold	6	72	30	72

Dispositions in the second quarter and the first half of 2008 consist solely of the sales and closings in a 90-unit property located in Calgary, Alberta that is being developed into condominium units for sale (cumulatively, 80 units of the 90-unit property have been sold and closed in 2007 and the first half of 2008). Under the percentage of completion method, sales of \$1.9 million and \$10.3 million for the three and six months ended June 30, 2008, respectively, were recorded against cost of sales of \$0.6 million and \$6.7 million, resulting in a reported gain on disposition of \$1.4 million and \$3.6 for both the current quarter and the six months ended.

Capital Improvements

For the first six months of fiscal 2008, Boardwalk REIT invested approximately \$32.5 million in its properties in the form of project enhancements, a decrease of \$1.0 million from the \$33.5 million invested in the same period in 2007. The decrease in the current period compared to the same period in the prior year is due primarily to the winding up of renovations in the 90-unit property that has been converted to condominiums. The following chart details in which areas these funds were expended for the six months ended June 30, 2008.



Included in these amounts is approximately \$4.0 million of capitalized on-site wages and salaries, compared to \$3.5 million for the same period last year. 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".

MAINTENANCE OF PRODUCTIVE CAPACITY

The Trust has two separate areas in which capital is invested back into its residential buildings. These are referred to as 'maintenance capital expenditures' and 'stabilizing and value enhancing capital expenditures'.

Maintenance capital expenditures are funded from operating cash flows. These expenditures are deducted from FFO in order to estimate a sustainable amount of Adjusted Funds From Operations ("AFFO") that can be distributed to Unitholders. Maintenance capital includes those expenditures of a capital nature that are not considered productive, and relate more to maintaining the existing earnings capacity of our property portfolio. In contrast, stabilizing and value enhancing capital expenditures are more discretionary in nature and more focused on increasing the productivity of the property, with the goal of increasing the FFO generated at that property.

The following chart provides Management's estimate of the separate capital expenditure categories.

In 000's of \$ except per suite amounts	3 Months Jun-2008	Per Suite	6 Months Jun-2008	Per Suite
Maintenance Capital Expenditures	\$ 4,111	\$ 450	\$ 8,216	\$ 450
Stabilizing and Value Enhancing Capital Expenditures	\$ 12,110	\$ 1,326	\$ 24,330	\$ 1,333
	\$ 16,221	\$ 1,776	\$ 32,546	\$ 1,783

If we compare the funds generated by the Trust after adjusting for the required maintenance capital, we note that the Trust is currently paying out an estimated 75% of reported FFO and 86% of AFFO for the current quarter ended June 30, 2008, and 82% of reported FFO and 95% of AFFO for the six month period ended June 30, 2008.

(000's)	3 Months Jun-08	6 Months Jun-08
Funds From Operations (FFO)	\$ 32,902	\$ 60,586
Maintenance Capital Expenditures	\$ 4,111	\$ 8,216
Adjusted Funds From Operations (AFFO)	\$ 28,791	\$ 52,370
Unitholder Distributions	\$ 24,655	\$ 49,613
Distribution as a % of FFO	75%	82%
Distribution as a % of AFFO	86%	95%

Maintenance capital expenditures for our income-producing properties are dependent upon many factors, including but not limited to: the number of suites, age and location of our properties. On an annual basis, the Trust is targeting a payout ratio of approximately 80% of FFO.

Unitholders' Equity

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

Summary of Unitholders' Capital Contributions	Units	Amount
December 31, 2006	56,351,783	\$ 365,744
Units issued under distribution reinvestment plan	205,185	8,917
Issue costs	-	(151)
Deferred unit plan	-	1,750
Units issued for vested deferred units	8,413	400
Units purchased and cancelled	(856,447)	(38,576)
December 31, 2007	55,708,934	\$ 338,084
Units issued under distribution reinvestment plan	56,718	2,121
Deferred unit plan	-	921
Units purchased and cancelled	(1,518,100)	(59,707)
June 30, 2008	54,247,552	\$ 281,419

In the third quarter of fiscal 2007, Boardwalk REIT filed an application for a Normal Course Issuer Bid (the "Bid"), which received regulatory approval from the Toronto Stock Exchange on August 10, 2007. The Bid allows Boardwalk REIT to purchase and cancel up to 4,267,048 Trust Units, representing 10% of the public float of its Trust Units at the time of the TSX approval. The Bid will terminate on the earlier of one year from the date of commencement of the Bid on August 17, 2007, or at such time as purchases under the Bid are complete.

Under the Bid, the Trust purchased and cancelled 1,518,100 REIT Trust Units in the first half of 2008, representing a total market value of approximately \$59.7 million, or an average of \$39.33 per Trust Unit. Together with the 856,447 trust units purchased and cancelled in 2007, the Trust has purchased and cancelled 2,374,547 trust units representing a total market value of approximately \$98.3 million at June 30, 2008, or an average of \$41.39 per trust unit.

As is reported on the face of the balance sheet, the Trust has Unitholders' Equity of \$53.4 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. The Trust moved closer to reporting cumulative distributions being in excess of cumulative earnings at the end of the second quarter of 2007, when it recorded a future tax loss of \$111.1 million as a result of Bill C-52, which was substantively enacted on June 22, 2007. This amount is reviewed and adjusted quarterly, if necessary. As at the end of the 2007 fiscal year, the future tax liability as a result of Bill

C-52 was \$99.9 million. For the six months ended June 30, 2008, Unitholders' Equity was, again, affected by a non-cash adjustment for future income taxes in the amount of \$3.4 million.

However, as a result of new draft legislation published July 14, 2008, it is believed that Boardwalk REIT would qualify as a REIT and, as a result, the future tax liability previously recorded will be reversed at a future date.

Boardwalk REIT, as was previously noted, calculates its distributions not on net earnings but rather on distributable income. As was previously noted, DI is a non-GAAP measure and we have provided a reconciliation from reported total operating cash flows (which is a GAAP measurement). The basis for this is that, like most other real estate entities, the key determination for these distributions is available cash.

Boardwalk REIT has one class of voting securities known as "REIT Units". As at June 30, 2008, there were 49,772,552 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 54,247,552.

Liquidity and Capital Resources

Notwithstanding the Trust's current ample liquidity situation (with cash balances of approximately \$76 million as compared to \$1 million at the same time last year), Boardwalk's liquidity and access to capital resources was constrained by certain tests that have been adopted in both its Declaration of Trust, as well as in its Unsecured Debentures Indenture. Of the most constraining to date is what is referred to as its Debt to Gross Book Value. With this in mind, along with the fact that, effective January 1, 2011, Canadian GAAP will be following IFRS standards, which will allow the Trust to replace the existing book cost of its investment assets (apartments) with their reported fair value, the Trust recommended and received approval from both its Unitholders as well as its Unsecured Debenture Holders an interim step of adjusting upward the current basis of this calculation. At its Unitholders meeting in May of 2008 and at a recent Debenture Holders special meeting, both parties approved an additional provisional bump to the calculation of the Trust's Gross Book Value. The additional bump was in the amount of \$410 million. The determination was done in a similar manner to the original one done in May of 2004 in conjunction with our conversion to a Trust - with one significant difference. In the most recent adjustment, we recommended an adjustment that would only move the Trust to one-half of the estimated enterprise value of its investment assets, an amount the Trust feels is still well below the fair value of its assets. In total, the adjustment of \$641 million will improve the Trust's ability to fully implement its strategy.

With these adjustments, Boardwalk REIT's financial position continues to be strong, with the overall debt level reported at 66% 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 \$641 million (\$231 million prior to May 13, 2008 - see NOTE 12 to the unaudited consolidated financial statements for the three and six months ended June 30, 2008). The following chart sets out the Trust's recomputed GBV:

Gross Book Value Calculation (\$000's)	Jun-08	Dec-07
Total reported assets	\$ 2,305,965	\$ 2,195,888
Reported amortization	553,331	513,514
Conversion adjustment (May 2004)	641,460	231,460
	\$ 3,500,756	\$ 2,940,785
Mortgages payable	\$ 1,969,394	\$ 1,770,015
Debentures	118,920	118,768
Market adjustment on mortgages (May 2004)	5,450	10,560
	\$ 2,093,764	\$ 1,899,343
Debt to GBV	60%	65%
DOT Limit	70%	70%

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 a committed revolving credit facility with a major financial institution with the amount available varying with the value of pledged real estate assets and with a maximum limit not to exceed \$200 million. As at June 30, 2008, no amount of the credit facility was owing and outstanding. For the second quarter of 2008, 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 2.26 as compared to 2.37 for the same period last year.

MORTGAGE AND DEBT SCHEDULE

Year	Principal Outstanding as at Jun 30, 2008	Weighted Average Interest Rate By Maturity	% of Total
2008	100,816,883	5.45%	4.67%
2009	275,171,817	5.34%	12.76%
2010	322,634,479	4.77%	14.96%
2011	125,297,982	5.67%	5.81%
2012	819,013,347	4.78%	37.97%
2013	266,464,333	4.56%	12.35%
2014	16,113,834	4.81%	0.75%
2015	185,396,162	4.52%	8.59%
2016	25,225,349	5.34%	1.17%
2018	6,640,023	6.18%	0.31%
2019	10,882,848	5.99%	0.50%
2020	3,539,762	7.24%	0.16%
Total Principal Outstanding	2,157,196,817	4.91%	100.00%

SUBSEQUENT EVENT

Subsequent to June 30, 2008, the debenture holders, in a special meeting held July 30, 2008, approved an amendment to the trust indenture amending the definition of Gross Book Value for an additional \$410 million to be added to the one-time adjustment to assets, thereby increasing it from \$231 million to \$641 million. The 'Consolidated EBITDA to Consolidated Interest Expense' financial covenant was also amended to 1.75 : 1 from the current 1.50 : 1 and the rate of interest on the debentures was increased to 5.61% from the current 5.31% commencing July 30, 2008 until the Maturity Date of January 23, 2012.

Financial Outlook and Market Guidance

As is customary, the Trust on a quarterly basis reviews its key assumptions used in deriving its public financial guidance. Based on this review, we are revising our reported financial guidance for fiscal 2008. The revised guidance now has a range for FFO of \$2.35 to \$2.45 from \$2.35 to \$2.50 (DI to \$2.37 to \$2.47 from \$2.37 to \$2.52). In altering this range, the Trust took into account the following items:

The Trust now has reported financial results for the six months of the fiscal 2008 year, which allows us to tighten the existing range.

Operationally, the revenue generated by our rental units is in excess of our expectations; however, increased labour costs and, in particular, natural gas costs are well above expectations.

To date, we have acquired a total of 297 units for a total consideration of approximately \$48 million. This is well below our expected acquisition total of approximately \$195 million. Although we have been able to acquire these 297 units at a higher cap rate than forecasted, overall we are still well below our original estimates.

In anticipation of our 2008 acquisition target, the Trust had created excess liquidity through refinancings to implement this strategy. At June 30, 2008, there was approximately \$72 million of cash on our balance sheet that has not been deployed.

Currently, the Trust's Normal Course Issuer Bid is ahead of our original forecast; however, it has not, as of yet, compensated for our lower-than-expected acquisitions or additional operational costs.

The following table summarizes the changes to our 2008 Financial Guidance:

Description	Original Guidance	Q1 Revised Guidance	Q2 Revised Guidance
Acquisitions	\$130 million to \$260 million (1,000 to 2,000 apartment units)	\$65 million to \$130 million (500 to 1,000 apartment units)	\$75 million (500 units)
Stabilized Building NOI growth	8% to 14%	8% to 12%	8% to 10%
FFO per Trust Unit	\$2.35 to \$2.50	\$2.35 to \$2.50	\$2.35 to \$2.45
DI per Trust Unit	\$2.37 to \$2.52	\$2.37 to \$2.52	\$2.37 to \$2.47

In addition to the above financial guidance for 2008, the Trust has assumed the following capital will be invested back into its existing portfolio for the upcoming year.

Capital Budget	2008 Budget	Per Unit	Six months ended June 30, 2008	Per Unit
Total Approved	\$ 73,914	\$ 2,025	\$ 32,546	\$ 1,783
MTSE Capital	\$ 16,430	\$ 450	\$ 8,216	\$ 450
Stabilizing & Value Added Capital	\$ 57,484	\$ 1,575	\$ 24,330	\$ 1,333
	\$ 73,914	\$ 2,025	\$ 32,546	\$ 1,783

In total, Boardwalk REIT estimates it will invest a total of \$73.9 million (or \$2,025 per apartment unit) in 2008 for capital improvements. For the first half of 2008, Boardwalk REIT has incurred \$32.5 million (or \$1,783 per apartment unit) of capital improvements.

Additional Information

Additional information relating to Boardwalk REIT, 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)

(UNAUDITED)

As at	June 30, 2008	December 31, 2007
ASSETS		
Revenue producing properties (NOTE 4)	\$ 2,187,680	\$ 2,149,853
Other assets (NOTE 5)	17,221	15,776
Mortgages and accounts receivable	9,242	10,071
Segregated tenants' security deposits	14,073	12,935
Cash and cash equivalents	76,185	960
Discontinued operations (NOTE 6)	1,564	6,293
	\$ 2,305,965	\$ 2,195,888
LIABILITIES		
Mortgages payable	\$ 1,969,394	\$ 1,770,015
Debentures (NOTE 7)	118,920	118,768
Accounts payable and accrued liabilities	43,314	48,279
Refundable tenants' security deposits and other	17,343	16,186
	2,148,971	1,953,248
Future income taxes (NOTES 3 and 11)	103,557	100,287
	2,252,528	2,053,535
UNITHOLDERS' EQUITY		
Unitholders' equity	53,437	142,353
	\$ 2,305,965	\$ 2,195,888

Commitments and contingencies (NOTE 14)

Guarantees (NOTE 15)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Cdn\$ Thousands, except per UNIT amounts)

(UNAUDITED)

	3 months ended June 30, 2008	3 months ended June 30, 2007	6 months ended June 30, 2008	6 months ended June 30, 2007
REVENUE				
Rental income	\$ 105,460	\$ 92,711	\$ 207,669	\$ 180,281
EXPENSES				
Revenue producing properties:				
Operating expenses	18,577	16,202	37,136	31,743
Utilities	11,819	9,512	28,543	23,374
Utility rebate (NOTE 14)	–	(8)	(1,258)	(933)
Property taxes	8,330	8,285	16,009	16,354
Administration	5,782	5,308	11,536	10,599
Financing costs	26,936	22,570	52,531	44,239
Amortization of deferred financing costs	1,114	1,100	2,582	2,379
Amortization of capital assets	20,617	18,623	40,616	36,759
Amortization of intangibles	1,021	1,810	2,960	3,008
	94,196	83,402	190,655	167,522
Earnings from continuing operations before income taxes	11,264	9,309	17,014	12,759
Current income taxes	–	–	4	–
Future income taxes (NOTE 11)	889	111,630	3,270	111,398
Earnings (loss) from continuing operations	10,375	(102,321)	13,740	(98,639)
Earnings from discontinued operations, net of tax (NOTE 6)	1,355	4,821	3,622	4,769
Net earnings (loss)	11,730	(97,500)	17,362	(93,870)
Other comprehensive income	–	–	–	–
Comprehensive income (loss)	\$ 11,730	\$ (97,500)	\$ 17,362	\$ (93,870)
Basic earnings (loss) per unit (NOTE 10)				
– from continuing operations	\$ 0.19	\$ (1.82)	\$ 0.25	\$ (1.75)
– from discontinued operations	0.02	0.09	0.07	0.09
Basic earnings (loss) per unit	\$ 0.21	\$ (1.73)	\$ 0.32	\$ (1.66)
Diluted earnings (loss) per unit (NOTE 10)				
– from continuing operations	\$ 0.19	\$ (1.82)	\$ 0.25	\$ (1.75)
– from discontinued operations	0.02	0.09	0.07	0.09
Diluted earnings (loss) per unit	\$ 0.21	\$ (1.73)	\$ 0.32	\$ (1.66)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(Cdn\$ Thousands, except number of units)

(UNAUDITED)

	6 months ended June 30, 2008	6 months ended June 30, 2007
Trust units (NOTE 9)		
Balance, beginning of period	\$ 338,084	\$ 365,744
Units issued under equity financing, net of issue costs	–	(136)
Units issued under distribution reinvestment plan	2,121	4,232
Deferred unit plan (NOTE 8)	921	931
Units purchased and cancelled (NOTE 9)	(59,707)	–
Balance, end of period	\$ 281,419	\$ 370,771
Cumulative earnings		
Balance, beginning of period	\$ 95,591	\$ 154,917
Net earnings (loss) for the period	17,362	(93,870)
Balance, end of period	\$ 112,953	\$ 61,047
Accumulated 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	\$ (291,322)	\$ (201,794)
Distributions declared to unitholders (NOTE 10)	(49,613)	(42,866)
Balance, end of period	\$ (340,935)	\$ (244,660)
Total unitholders' equity	\$ 53,437	\$ 187,158
Units issued and outstanding	54,247,552	56,451,371

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Cdn\$ Thousands)

(UNAUDITED)

	3 months ended June 30, 2008	3 months ended June 30, 2007	6 months ended June 30, 2008	6 months ended June 30, 2007
Operating activities				
Net earnings (loss)	\$ 11,730	\$ (97,500)	\$ 17,362	\$ (93,870)
(Earnings) from discontinued operations, net of tax	(1,355)	(4,821)	(3,622)	(4,769)
Future income taxes	889	111,630	3,270	111,398
Amortization of capital assets	20,617	18,623	40,616	36,759
Amortization of intangibles	1,021	1,810	2,960	3,008
Amortization of deferred financing costs	1,114	1,100	2,582	2,379
	34,016	30,842	63,168	54,905
Cash from (used in) discontinued operations	–	19	–	(9)
Net change in operating working capital (see below)	(937)	8,555	(6,210)	8,401
Total operating cash flows	33,079	39,416	56,958	63,297
Financing activities				
Issuance of trust units (net of issue costs) (NOTE 9)	–	1,782	2,121	4,095
Distributions paid	(24,749)	(22,005)	(49,761)	(42,859)
Unit repurchase program (NOTE 9)	(36,698)	–	(59,707)	–
Financing of revenue producing properties	151,536	72,545	360,923	318,685
Repayment and maturity of debt on revenue producing properties	(69,904)	(22,536)	(151,266)	(132,237)
Deferred financing costs incurred	(5,192)	(2,447)	(12,214)	(7,622)
	14,993	27,339	90,096	140,062
Investing activities				
Purchases of revenue producing properties (NOTE 4)	(48,925)	(16,000)	(48,925)	(176,213)
Improvements to properties	(16,221)	(19,146)	(32,546)	(33,494)
Net cash proceeds from sale of properties (NOTE 4)	1,906	12,275	10,287	12,275
Additions to corporate technology assets	(322)	(358)	(645)	(693)
	(63,562)	(23,229)	(71,829)	(198,125)
Net increase (decrease) in cash and cash equivalents balance	(15,490)	43,526	75,225	5,234
Cash and cash equivalents (bank indebtedness), beginning of period	91,675	(42,334)	960	(4,042)
Cash and cash equivalents, end of period	\$ 76,185	\$ 1,192	\$ 76,185	\$ 1,192
Supplementary cash flow information:				
Taxes paid	\$ –	\$ –	\$ 4	\$ –
Interest paid	\$ 24,332	\$ 15,118	\$ 50,874	\$ 31,291
Net change in operating working capital:				
Net change in mortgages and accounts receivable	\$ 825	\$ 927	\$ 829	\$ 261
Net change in other assets	(81)	(1,105)	(2,093)	(1,933)
Net change in tenants' security deposits	(12)	(13)	19	176
Net change in accounts payable and accrued liabilities	(1,669)	8,746	(4,965)	9,897
	\$ (937)	\$ 8,555	\$ (6,210)	\$ 8,401

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended June 30, 2008

(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 ("DOT"), dated January 9, 2004 and as amended and restated on May 3, 2004, May 10, 2006, May 10, 2007, and May 13, 2008 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, 2007, 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.

The operating results for the three and six months ended June 30, 2008 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2008 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, resulting in 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, 2008, the Trust adopted four new accounting standards issued by the CICA as outlined below:

- a) Section 1535 – Capital Disclosures
- b) Section 3031 – Inventories
- c) Section 3862 – Financial Instruments – Disclosure
- d) Section 3863 – Financial Instruments – Presentation

Section 1535 – Capital Disclosures requires the disclosure of both qualitative and quantitative information, which allows the users of financial statements to evaluate the entity's objective, policies and processes for managing capital.

Section 3031 – Inventories, which replaced Section 3030 – Inventories, provides guidelines on the measurement and costing of inventories, as well as allows for the reversal of inventory values previously written-down. This new section also enhances disclosure requirements for inventory to include accounting

policies and carrying amounts used to value inventory, inventory amounts recognized as an expense and disclosure of any write-downs or the reversal of any inventory write-downs previously recorded.

Section 3862 – Financial Instruments–Disclosure and Section 3863 – Financial Instruments–Presentation, which replaced Section 3861 – Financial Instruments Presentation and Disclosure, revises and enhances the disclosure requirements for financial instruments and carry forward unchanged the presentation requirements for financial instruments. Section 3862 requires entities to provide disclosures in their financial statements which allow the users to evaluate both the significance of financial instruments for the entity's financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The purpose of Section 3863 is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows.

Impact of Adoption of Sections 1535, 3031, 3862 and 3863

Our consolidated financial statements include additional disclosures on capital management (NOTE 12) and financial instruments (NOTE 13).

There was no material impact to the consolidated financial statements on adoption of Section 3031 by the Trust.

Bill C-52

On June 22, 2007, Bill C-52 received Royal Assent in Canada. As a result of this, under Canadian GAAP, 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

Our interpretation of Bill C-52 on Boardwalk REIT was that, at this time, based on a detailed review of the legislation, 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 the Trust recorded an estimate of its the future income tax liability at December 31, 2007 recognizing the probability that it would be subject to the tax prescribed by the SIFT rules on January 1, 2011. The result is that the Trust recorded a future income tax liability at December 31, 2007 of \$99.9 million, which was revised upward by \$2.8 million to \$102.7 million at March 31, 2008 and \$0.6 million to \$103.3 million at June 30, 2008. At a future time, if 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, 2008 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.

At June 30, 2008, the technical amendments announced in late December 2007 had not received Royal Assent; however, on July 14, 2008, draft legislation was published for review, which mirrors the technical amendments announced in late December 2007. If these amendments receive Royal Assent, as was the case with Bill C-52, it is believed that Boardwalk REIT would qualify as a REIT and management will reverse the future income tax liability reported in these financial statements.

Hedging Relationships

In the beginning of 2008, the Trust entered into a forward bond transaction (the "Transaction") with a major Canadian financial institution. In total, the Transaction, which comprised of bond forward contracts on specific mortgages set to mature and be renewed in 2008, was for a total nominal amount of \$101.6 million with a weighted average term and interest rate of 7.2 years and 3.63%, respectively. Subsequent to entering into this Transaction, the Trust initiated changes to the terms of one of the contracts in the Transaction and negotiated a settlement loss of \$100 thousand related to the changes. This contract was assessed to be ineffective and the settlement loss of \$100 thousand was included in

financing costs for the quarter ended March 31, 2008. During the second quarter ended June 30, 2008, the remaining bond forward contracts in the Transaction were settled. Except for one of the contracts, all remaining contracts were assessed to be ineffective and the net settlement loss of \$168 thousand was included in financing costs for the quarter. The bond forward contract assessed to be effective was settled for a loss of \$284 thousand, which will be amortized over the term of the new financing.

During the first quarter of 2008, the Trust entered into an interest rate swap agreement on the mortgages of specific properties within its portfolio in an effort to hedge the variability in cash flows attributed to fluctuating interest rates. These interest rate swap agreements were designated as cash flow hedges on March 11, 2008. The effective date of the hedge was May 1, 2008 and will continue to be designated as such until May 1, 2015. Settlements on both the fixed and variable portion of the interest rate swap will occur on a monthly basis. The fixed interest rate is 4.15%, plus a stamping fee of 0.25%, while the total amount of the mortgage debt subject to the interest rate swap is \$91.5 million. Hedge accounting will be applied to these agreements in accordance with CICA Handbook section 3865.

The Trust has assumed that there is no ineffectiveness in the hedge of its interest rate exposure. The effectiveness of the hedging relationship will be reviewed on a quarterly basis and measured at fair value. The portion of the gain or loss on the swap transaction that is determined to be an effective hedge will be recognized in other comprehensive income ("OCI"). The ineffective portion of the gain or loss on the swap transaction will be recognized immediately in net earnings. On recognition of the financial liability of the hedged item on the balance sheet, the associated gains or losses that were recognized in OCI will be reclassified into net earnings in the same period or periods during which the interest payments of the hedged item affected net earnings. However, if all or a portion of the net loss recognized in OCI will not be recovered in one or more future periods, the amount not expected to be recovered will be immediately reclassified into net earnings.

As at June 30, 2008, the interest rate swap agreement was assessed to be effective and, consequently, any gains or losses on the interest rate swap agreement were recognized in earnings in the periods during which the interest payments on the hedged items were recognized.

Future Changes in Significant Accounting Policies

Boardwalk REIT monitored the recently issued CICA accounting pronouncements to assess the applicability and impact, if any, of these new pronouncements on our consolidated financial statements and note disclosures. The CICA issued one new accounting standard that is effective for the Trust's fiscal year commencing January 1, 2009:

Section 3064 – Goodwill and Intangible Assets, which replaces Section 3062 – Goodwill and Other Intangible Assets and Section 3450 – Research and Development Costs, establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Section 1000 - Financial Statement Concepts, was also amended to provide consistency with this new standard.

The new accounting pronouncement is not expected to have any material impact to the consolidated financial statements on adoption.

4. REVENUE PRODUCING PROPERTIES

	3 months ended June 30, 2008	3 months ended June 30, 2007	6 months ended June 30, 2008	6 months ended June 30, 2007
Acquisitions				
Cash paid	\$ 48,925	\$ 16,000	\$ 48,925	\$ 176,213
Debt assumed	–	–	–	31,209
Total purchase price	48,925	16,000	48,925	207,422
Fair value adjustments to debt	–	–	–	376
Book value	\$ 48,925	\$ 16,000	\$ 48,925	\$ 207,798
Allocation of book value to revenue producing properties	\$ 47,413	\$ 15,528	\$ 47,413	\$ 201,400
Allocation of book value to other assets	1,512	472	1,512	6,398
	\$ 48,925	\$ 16,000	\$ 48,925	\$ 207,798
Multi-family units acquired	298	160	298	1,703

	3 months ended June 30, 2008	3 months ended June 30, 2007	6 months ended June 30, 2008	6 months ended June 30, 2007
Dispositions				
Cash received	\$ 1,906	\$ 12,275	\$ 10,287	\$ 12,275
Cost of dispositions	–	125	–	125
Total proceeds	1,906	12,400	10,287	12,400
Net book value	551	7,590	6,665	7,590
Gain on dispositions	\$ 1,355	\$ 4,810	\$ 3,622	\$ 4,810
Multi-family units sold	6	72	30	72

Dispositions for the second quarter ended June 30, 2008 consist solely of the sales and closings of 6 units (30 units for the current fiscal year to date) in a 90-unit property located in Calgary, Alberta that is being developed into condominium units for sale (see NOTE 6). Under the percentage of completion method, sales of \$1.9 million for the three months (\$10.3 million for the current fiscal year to date) ended June 30, 2008 were recorded against cost of sales of \$0.6 million (\$6.7 million for the current fiscal year to date).

5. OTHER ASSETS

As at	June 30, 2008	December 31, 2007
Corporate technology assets (net of accumulated amortization)	\$ 3,145	\$ 3,100
Head office building (net of accumulated amortization)	2,628	2,307
Prepaid parts and supplies	2,834	2,791
In-place lease and customer relationship intangibles (net of accumulated amortization)	2,239	3,686
Prepaid property taxes	4,073	1,312
Prepaid insurance and other	2,302	2,580
	\$ 17,221	\$ 15,776

Accumulated amortization for corporate technology assets and head office building at June 30, 2008 were \$14.1 million and \$1.2 million, respectively (December 31, 2007 – \$13.5 million and \$1.1 million, respectively). Accumulated amortization for in-place lease and customer relationship intangibles at June 30, 2008 was \$18.2 million (December 31, 2007 – \$15.2 million)

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 (See NOTE 4). This Calgary property formed part of our Alberta segment in our segmented information disclosure.

During the first quarter of 2007, the Trust acquired a property in Edmonton, Alberta, consisting of two buildings totalling 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, which the Trust accepted. This property was, therefore, classified as discontinued operations upon acquisition.

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, 2008	3 months ended June 30, 2007	6 months ended June 30, 2008	6 months ended June 30, 2007
Revenue				
Rental income	\$ -	\$ 31	\$ -	\$ 219
Expenses				
Revenue producing properties:				
Operating expenses	-	14	-	101
Utilities	-	(4)	-	41
Utility rebate	-	-	-	(5)
Property taxes	-	2	-	25
Administration	-	-	-	53
Financing costs	-	-	-	13
Amortization of capital assets	-	8	-	32
	-	20	-	260
	-	11	-	(41)
Gain on dispositions	1,355	4,810	3,622	4,810
Earnings from discontinued operations	\$ 1,355	\$ 4,821	\$ 3,622	\$ 4,769

	June 30, 2008	December 31, 2007
Discontinued Assets		
Properties held for redevelopment and sale	\$ 1,564	\$ 6,293

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, 2008 the Trust was in compliance with all the covenants reported in the debenture. These covenants are discussed in NOTE 13(d).

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. The deferred units had a weighted average fair value of \$39.02 per unit at the grant dates for 2008 to date (2007 – \$45.87; 2006 – \$25.48). For the three months ended June 30, 2008, total compensation costs of \$0.5 million (2007 – \$0.3 million) were recognized in income related to employee awards under the deferred unit plan, while \$0.9 million (2007 – \$0.9 million) was recognized on a year-to-date basis.

The status of the outstanding deferred units is as follows:

Summary of Deferred Unit Plan	Outstanding	Vested
December 31, 2006	73,746	–
Deferred units granted	51,722	–
Additional deferred units earned on unvested units	3,487	–
Deferred units cancelled	(10,478)	–
December 31, 2007	118,477	–
Deferred units granted	50,885	19,096
Additional deferred units earned on unvested units	3,164	2,892
June 30, 2008	172,526	21,988

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. 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, 2006	56,351,783	\$ 365,744
Units issued under distribution reinvestment plan	205,185	8,917
Issue costs	–	(151)
Deferred unit plan	–	1,750
Units issued for vested deferred units	8,413	400
Units purchased and cancelled	(856,447)	(38,576)
December 31, 2007	55,708,934	\$ 338,084
Units issued under distribution reinvestment plan	56,718	2,121
Deferred unit plan (NOTE 8)	–	921
Units purchased and cancelled (see below)	(1,518,100)	(59,707)
June 30, 2008	54,247,552	\$ 281,419

In August of 2007 Boardwalk REIT filed an application for a normal course issuer bid (the "Bid"), which received regulatory approval from the Toronto Stock Exchange on August 10, 2007. The Bid allows Boardwalk REIT to purchase and cancel up to 4,267,048 trust units, representing 10% of the public float of its trust units at the time of the TSX approval. The Bid will terminate on the earlier of one year from the date of commencement of the Bid on August 17, 2007 or at such time as purchases under the Bid are complete.

Under the Bid, the Trust has purchased and cancelled, on a cumulative basis, 2,374,547 REIT units (1,518,100 in the first six months of 2008), representing a total market value of approximately \$98.2 million (2008 – \$59.7 million), or an average of \$41.39 per trust unit (2008 – \$39.33 per trust unit).

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	49,772,552	
Special Voting Units issued to holders of LP Class B units	4,475,000	
Total trust units	54,247,552	\$ 281,419

10.

DISTRIBUTABLE INCOME AND PER UNIT INFORMATION

Distributable income per unit

Boardwalk REIT makes distributions to unitholders on a monthly basis on or about the 15th day of the following month. The reported distributable income is defined under the Trust’s 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 they are, therefore, unlikely to be comparable to similar measures presented by other real estate companies and trusts.

	3 months ended June 30, 2008	3 months ended June 30, 2007	6 months ended June 30, 2008	6 months ended June 30, 2007
Total operating cash flows	\$ 33,079	\$ 39,416	\$ 56,958	\$ 63,297
Net change in operating working capital	937	(8,555)	6,210	(8,401)
Deduct:				
Deferred financing costs amortization post May 2, 2004	(707)	(622)	(1,438)	(948)
Amortization of net premium on long-term debt assumed after May 2, 2004	(92)	(254)	(216)	(343)
Distributable income	\$ 33,217	\$ 29,985	\$ 61,514	\$ 53,605
Distributions declared to unitholders	\$ 24,655	\$ 22,005	\$ 49,613	\$ 42,866
Distributable income withheld	\$ 8,562	\$ 7,980	\$ 11,901	\$ 10,739
	\$ 33,217	\$ 29,985	\$ 61,514	\$ 53,605
Weighted average units outstanding – basic and diluted	54,691,272	56,429,362	55,057,843	56,408,370
Distributable income earned per unit	\$ 0.607	\$ 0.531	\$ 1.117	\$ 0.950
Actual distributions declared per unit	\$ 0.451	\$ 0.390	\$ 0.901	\$ 0.760
Distributions declared as a % of distributable income	74.3%	73.4%	80.7%	80.0%

Earnings per unit	3 months ended	3 months ended	6 months ended	6 months ended
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Numerator				
Earnings (loss) from continuing operations	\$ 10,375	\$ (102,321)	\$ 13,740	\$ (98,639)
Earnings from discontinued operations	\$ 1,355	\$ 4,821	\$ 3,622	\$ 4,769
Denominator				
Denominator for basic earnings per unit – weighted average units	54,691,272	56,429,362	55,057,843	56,408,370
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion	54,691,272	56,429,362	55,057,843	56,408,370
Earnings (loss) per unit from continuing operations				
Basic	\$ 0.19	\$ (1.82)	\$ 0.25	\$ (1.75)
Diluted	\$ 0.19	\$ (1.82)	\$ 0.25	\$ (1.75)
Earnings per unit from discontinued operations				
Basic	\$ 0.02	\$ 0.09	\$ 0.07	\$ 0.09
Diluted	\$ 0.02	\$ 0.09	\$ 0.07	\$ 0.09

11.

INCOME TAXES

Boardwalk REIT is a “mutual fund trust” as defined under the Income Tax Act (Canada) and, accordingly, is not taxable on its income to the extent that its income is distributed to its unitholders. This exemption does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax. 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, was required to estimate what the impact of the reported tax amount would be on January 1, 2011. This estimate is reviewed quarterly and adjusted, if necessary.

	3 months ended	3 months ended	6 months ended	6 months ended
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Continuing operations	\$ 889	\$ 111,630	\$ 3,270	\$ 111,398
Total future income taxes	\$ 889	\$ 111,630	\$ 3,270	\$ 111,398

Future income taxes consist of the following:

	3 months ended	3 months ended	6 months ended	6 months ended
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Tax expense based on expected rate	\$ 231	\$ 40	\$ 291	\$ 149
Adjustment to future income tax liabilities	658	111,590	2,979	111,249
Future income taxes	\$ 889	\$ 111,630	\$ 3,270	\$ 111,398

The future income tax liability is calculated as follows:

As at	June 30, 2008	December 31, 2007
Tax asset (liability) related to operating losses	\$ 70	\$ (90)
Tax liability related to differences in tax and book basis	(103,627)	(100,197)
Future income tax liability	\$ (103,557)	\$ (100,287)

The Trust defines capital resources as the aggregate of unitholders' equity, debt (both secured and unsecured), internally generated funds and cash on hand. The Trust's capital management framework is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions pursuant to Boardwalk REIT's DOT as well as existing debt covenants and to continue building long-term unitholder value. The main components of the Trust's capital allocation are approved by its unitholders as stipulated in the Trust's DOT and on a regular basis by its Board of Trustees (the "Board") through their annual review of the Trust's strategic plan and budget, supplemented by periodic Board and Board Committee meetings. Capital adequacy is monitored by the Trust by assessing performance against the approved annual plan throughout the year, which is updated accordingly, and by monitoring adherence to investment and debt restrictions contained in the DOT and debt covenants. Boardwalk REIT's DOT provides for maximum total debt level of up to 70% of Gross Book Value ("GBV"), defined in the DOT as total assets plus accumulated amortization of income properties as recorded by the Trust (and calculated in accordance with Canadian GAAP) and to this amount an additional amount of \$231 million (the "Bump") is added as was previously approved by the Trust's unitholders. On May 13, 2008, the unitholders voted and approved an amendment to the definition of GBV to increase the Bump to its existing GBV calculation by an additional \$410 million, resulting in a total asset bump of \$641 million. Subsequent to June 30, 2008, the debenture holders, in a special meeting held July 30, 2008, approved an amendment to the Trust Indenture amending the definition of GBV to increase the Bump to its existing GBV calculation by an additional \$410 million, resulting in a total asset bump of \$641 million (see NOTE 17). As a matter of internal policy, the Trust has a target of total debt levels not to exceed 65% of GBV. The following table highlights Boardwalk REIT's existing leverage ratio:

As at	June 30, 2008	December 31, 2007
Total assets	\$ 2,305,965	\$ 2,195,888
Amortization	553,331	513,514
Exchange value bump	641,460	231,460
	\$ 3,500,756	\$ 2,940,862
Mortgages payable	\$ 1,969,394	\$ 1,770,015
Unsecured debentures	118,920	118,768
Adjustment to debt	5,450	10,560
	\$ 2,093,764	\$ 1,899,343
Adjusted Debt-to-GBV	60%	65%

With a DOT limit not to exceed 70% on Adjusted Debt-to-Gross Book Value, Boardwalk REIT has the ability to add additional leverage of approximately \$356.8 million to its existing portfolio. Additionally, the Trust's DOT contains provisions that have the effect of limiting capital expended by the Trust.

As outlined in NOTE 13(d), Boardwalk REIT's debenture and credit facility agreements contain financial covenants.

Boardwalk REIT's available capital is comprised of long-term fixed rate debt (both secured and unsecured), unitholders' capital and drawings under lines of credit and totalled \$2.4 billion as at June 30, 2008 (December 31, 2007 – \$2.3 billion). As at June 30, 2008, the Trust was in compliance with all covenants in both its DOT and all existing debt facilities.

Fair Value of Financial Instruments

The Trust's financial instruments consist of mortgages and accounts receivable, tenants' security deposits, cash or bank indebtedness, mortgages payable, debentures and accounts payable and accrued liabilities. All of the Trust's financial instruments were classified as either held for trading (cash), loans and receivables (carried at amortized cost) or other financial liabilities (carried at amortized cost using the effective interest rate method). The fair values of the Trust's financial instruments were determined as follows:

- i) The carrying amounts of mortgages and accounts receivable, tenants' security deposits, cash or bank indebtedness and accounts payable and accrued liabilities approximate their fair values due to their short-term nature.
- ii) The fair values of the Trust's mortgages payable and debentures are estimates made at a specific point in time, based on relevant market information. These estimates are based on quoted market prices for the same or similar issues or on the current rates offered to the Trust for similar financial instruments subject to similar risks and maturities. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in estimates could significantly affect fair values. The significant financial instruments of Boardwalk REIT and their carrying values as at June 30, 2008 are as follow:

As at	June 30, 2008
Mortgages and accounts receivable	
Carrying value	\$ 9,242
Fair market value	\$ 9,242
Mortgages payable and debentures	
Carrying value	\$ 2,088,314
Fair market value	\$ 2,104,134

At January 1, 2008 and for the three and six months ended June 30, 2008, the Trust had no embedded derivatives requiring separate recognition.

The nature of these financial instruments and the Trust's operations expose the Trust to certain principal financial risks. The main objective of the Trust's risk management process is to properly identify financial risks and minimize the exposure to potential losses arising from those risks. The principal financial risks to which the Trust is exposed are described below.

Risk Management

a) Interest rate risk

The Trust is exposed to interest rate risk as a result of its mortgages payable, debentures and credit facilities; however, this risk is minimized through the Trust's current strategy of having the majority of its mortgage payable and debentures in fixed terms arrangements. As such, the Trust's cash flows are not significantly impacted by a change in market interest rates. In addition, the Trust structures its financings so as to stagger the maturities of its debt, thereby minimizing the Trust's exposure to interest rates in any one year. The majority of the Trust's mortgages are also insured by the Canadian Mortgage and Housing Corporation ("CMHC") under the National Housing Act ("NHA") mortgage program. This added level of insurance offered to lenders allows the Trust to receive the best possible financing and interest rates, and significantly reduces the potential for a lender to call a loan prematurely. In addition, management is constantly reviewing its credit facility (floating-rate debt) and, if market conditions warrant, the Trust has the ability to convert its existing floating-rate debt to fixed rate debt.

As at June 30, 2008, the Trust had no credit facility debt outstanding and, as such, of the Trust's total debt at June 30, 2008, 100% was fixed-rate debt and 0% was floating-rate debt. For the three and six months ended June 30, 2008, all else being equal, the increase or decrease in net earnings for each 1% change in market interest rates would be \$0.

b) Credit risk

The Trust is exposed to credit risk as a result of its mortgages and accounts receivable. This balance is comprised of mortgage holdbacks and refundable mortgage fees, accounts receivable from significant customers and tenant receivables. As at June 30, 2008, no balance relating to mortgage holdbacks, refundable mortgage fees or accounts receivable from significant customers was past due.

In relation to mortgage holdbacks and refundable mortgage fees, the Trust's exposure to credit risk is low given the nature of these balances. These funds will be advanced when the Trust has met the conditions pursuant to the mortgage agreement (in the case of the mortgage holdback) or when financing is completed (in the case of refundable mortgage fees), both of which are expected to occur.

Similar to mortgage holdbacks and refundable mortgage fees, the Trust assesses the credit risk on accounts receivable to be low due to the assured collection of these balances. The majority of the balance relates to money owing from an energy provider as a result of the Alberta government natural gas rebate program and the Trust's revenue sharing initiatives. Given the Trust's collection history and the nature of these customers, credit risk is assessed as low. An amount was owing pursuant to the unit sales (see NOTE 4), all of which was collected subsequent to June 30, 2008. Additionally, an amount is owed by insurance companies in relation to current outstanding claims. In all circumstances, the insurance deductible has been paid and amounts incurred and owing for reimbursement are due to an insurable event. Recoverability may differ from the amount owing solely due to discrepancies between the Trust and the insurance provider regarding the value of replacement costs.

With tenant receivables, credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease term commitments. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

As stated above, the carrying amount of tenant receivables reflects management's assessment of the credit risk associated with its tenants; however, the Trust mitigates this risk of credit loss by geographically diversifying its existing portfolio, by limiting its exposure to any one tenant and by conducting thorough credit checks with respect to all new rental leasing arrangements. In addition, where legislation allows, the Trust obtains a security deposit from a tenant to assist in the recovery of monies owed to the Trust.

Past due receivables are reviewed by management on a monthly basis and tenant receivables are considered for impairment on a case-by-case basis. The Trust takes into consideration the tenant's payment history, their credit worthiness and the current economic environment however tenant receivable balances exceeding 60 days are typically written off to bad debt expense as the Trust does not utilize an allowance for doubtful accounts. The amount of the loss is recognized in the consolidated statement of earnings and comprehensive income within operating expenses. Subsequent recoveries of amounts previously written off are credited against operating expenses during the period of settlement. As tenant receivables are typically written off after 60 days, none of the balance is considered to be past due by the Trust.

c) Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they become due. The Trust maintains what it believes to be a conservatively leveraged balance sheet and can finance any future growth through one or a combination of internally generated cash flows, borrowing under existing credit facility, the issuance of debt or the issuance of equity, according to its capital management objectives. In addition, the Trust structures its financings so as to stagger the maturities of its debt, thereby minimizing the Trust's exposure to liquidity risk in any one year. In addition, cash flow projections are completed on a regular basis to ensure the Trust has sufficient cash flows to make its monthly distributions to its Unitholders. Given the Trust's currently available liquid resources (from both financial assets and on-going operations) as compared to its contractual obligations, management assesses the Trust's liquidity risk to be low.

d) Debt covenants

As outlined in its mortgages payable agreements, the Trust is required to make equal monthly payments of principal and interest based on the respective amortization period. Additionally, the Trust must ensure that all property taxes have been paid in full when they become due and that no arrears exist.

CMHC provides mortgage loan insurance in connection with mortgages made to Boardwalk REIT. In an agreement dated September 13, 2002 and as amended and restated on January 19, 2005 and April 25, 2006, the Trust agreed to provide certain financial information to the CMHC and be subject to certain restrictive covenants, including limitation on additional debt, payment of distributions in respect to unitholders' capital in the event of default, and maintenance of certain financial ratios. In the event of default, the Trust's total financial liability under this Agreement is limited to a one-time penalty payment of \$250 thousand under a Letter of Credit issued in favour of CMHC.

In accordance with the debenture agreement, the Trust is required to pay semi-annual interest instalments on January 23 and July 23 of each year. The Trust is also required to maintain in good condition, repair and working order all of the properties owned by it or any of its subsidiaries while maintaining property and liability insurance.

The debenture agreement contains three financial covenants as follows:

- i) the Trust will maintain a Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") to Consolidated Interest Expense of not less than 1.50 to 1. As outlined in NOTE 17, this covenant was amended to 1.75 to 1 on July 30, 2008. As at June 30, 2008, this ratio was 2.2 to 1 and, as such, the Trust was in compliance.
- ii) the Trust will not incur or assume any indebtedness unless the quotient obtained by dividing the Adjusted Consolidated Indebtedness by the Adjusted Gross Book Value would be less than or equal to 70%. As outlined in NOTE 12, on May 13, 2008, the unitholders approved an amendment to the definition of GBV; however, as noted in NOTE 17, this amendment was not approved by the debenture holders until July 30, 2008. As such, as at June 30, 2008, this amount was 68% based on the previous definition for GBV and the Trust was in compliance.
- iii) the Trust will maintain at all times, an Adjusted Unitholders' Equity of at least \$300 million. Adjusted Unitholders' Equity was \$833 million as at June 30, 2008.

The Trust has a committed revolving credit facility with a major financial institution. This credit facility is secured by a pledge of a group of specific real estate assets (carrying value of \$292 million). The amount available through the revolving credit facility varies with the value of the pledged assets, with a maximum limit not to exceed \$200 million. The revolving facility requires monthly interest payments and is renewable annually subject to the mutual consent of the lender and the Trust. To the extent the revolving credit facility is not extended, the drawn-down principal would be due 364 days later.

The credit facility contains three financial covenants as follows:

- i) the Trust will maintain an overall Debt Service Coverage Ratio of at least 1.20. As at June 30, 2008, this ratio was 1.67 and, as such, the Trust was in compliance.
- ii) the Trust will maintain a Debt Service Coverage Ratio, specific to the Security Portfolio of at least 1.15 (tested semi-annually). As at June 30, 2008, this ratio was 1.26 and, as such, the Trust was in compliance.
- iii) Total indebtedness of the Trust will not exceed 70% of the GBV of all assets as defined in the DOT. As outlined in NOTE 12, as at June 30, 2008, this amount was 60% based on the new definition of GBV and, as such, the Trust was in compliance.

As at June 30, 2008, the Trust was in compliance with all covenants.

e) Utility risk

The Trust is exposed to utility risk as a result of fluctuations in the prices of natural gas and electricity service charges. As outlined in NOTE 14, the Trust has commitments to certain utility contracts to reduce the risk of exposure to adverse changes in commodity prices.

At June 30, 2008, the Trust had a long-term supply arrangement with one electrical utility company to supply the Trust with its electrical power needs for its southern Alberta properties for the next six 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 2007, Boardwalk REIT was eligible for estimated rebates totalling approximately \$0.9 million. For January to June 2008, Boardwalk REIT was eligible for rebates totalling approximately \$1.3 million.

The Trust also entered into one natural gas supply contract, which provides a degree of price certainty for natural gas usage in the province of Saskatchewan. The contract covers between 75 - 100% of the Trust's natural gas requirements for this province. The physical supply agreement for Saskatchewan covered the period from November 1, 2006 to October 31, 2007, and has been extended to October 31, 2008. The supply contract provides the commodity at a price of \$8.95/GJ. Currently, the Trust's gas contract provider has declared bankruptcy, which may limit the Trust's ability to buy gas from this provider for the remaining term of the contract.

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.

In the normal course of business, various agreements may be entered that may contain features that meet the CICA Accounting Handbook Guideline 14 ("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, 2008 is approximately \$4.9 million (June 30, 2007 - \$5.3 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 will cover, and in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at June 30, 2008, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

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

	3 months ended June 30, 2008	3 months ended June 30, 2007	6 months ended June 30, 2008	6 months ended June 30, 2007
Alberta				
Revenue	\$ 62,860	\$ 53,842	\$ 123,979	\$ 103,008
Expenses				
Operating	10,017	7,907	20,500	15,443
Utilities	6,845	5,116	15,710	11,764
Utility rebates	–	(8)	(1,255)	(930)
Property taxes	3,584	3,387	7,075	6,582
	20,446	16,402	42,030	32,859
Net operating income	\$ 42,414	\$ 37,440	\$ 81,949	\$ 70,149
Saskatchewan				
Revenue	\$ 11,387	\$ 9,420	\$ 22,069	\$ 18,632
Expenses				
Operating	2,005	1,615	3,669	3,209
Utilities	977	797	3,340	2,522
Property taxes	1,075	1,157	2,207	2,328
	4,057	3,569	9,216	8,059
Net operating income	\$ 7,330	\$ 5,851	\$ 12,853	\$ 10,573
Ontario				
Revenue	\$ 9,522	\$ 9,412	\$ 18,957	\$ 18,788
Expenses				
Operating	1,667	1,395	3,260	2,910
Utilities	1,503	1,350	3,515	3,378
Property taxes	1,615	1,766	3,188	3,522
	4,785	4,511	9,963	9,810
Net operating income	\$ 4,737	\$ 4,901	\$ 8,994	\$ 8,978
British Columbia				
Revenue	\$ 3,020	\$ 2,854	\$ 5,986	\$ 5,625
Expenses				
Operating	598	568	1,218	1,189
Utilities	397	439	894	840
Property taxes	155	152	305	300
	1,150	1,159	2,417	2,329
Net operating income	\$ 1,870	\$ 1,695	\$ 3,569	\$ 3,296
Quebec				
Revenue	\$ 17,659	\$ 17,099	\$ 35,129	\$ 34,113
Expenses				
Operating	3,307	3,452	6,870	6,417
Utilities	2,030	1,610	4,922	4,604
Property taxes	1,880	1,893	3,183	3,782
	7,217	6,955	14,975	14,803
Net operating income	\$ 10,442	\$ 10,144	\$ 20,154	\$ 19,310
Total				
Net operating income	\$ 66,793	\$ 60,031	\$ 127,519	\$ 112,306
Unallocated revenue*	1,012	84	1,549	115
Unallocated expenses**	(56,075)	(157,615)	(111,706)	(206,291)
Net earnings (loss) for the period	\$ 11,730	\$ (97,500)	\$ 17,362	\$ (93,870)

As at	June 30, 2008	December 31, 2007
Alberta		
Identifiable assets		
Revenue producing properties	\$ 1,287,570	\$ 1,244,328
Mortgages and accounts receivable	5,085	5,863
Tenants' security deposits	11,104	10,385
	\$ 1,303,759	\$ 1,260,576
Saskatchewan		
Identifiable assets		
Revenue producing properties	\$ 167,241	\$ 168,581
Mortgages and accounts receivable	506	202
Tenants' security deposits	2,492	2,096
	\$ 170,239	\$ 170,879
Ontario		
Identifiable assets		
Revenue producing properties	\$ 204,200	\$ 206,366
Mortgages and accounts receivable	99	237
	\$ 204,299	\$ 206,603
Quebec		
Identifiable assets		
Revenue producing properties	\$ 419,458	\$ 421,473
Mortgages and accounts receivable	774	800
	\$ 420,232	\$ 422,273
British Columbia		
Identifiable assets		
Revenue producing properties	\$ 104,803	\$ 104,491
Mortgages and accounts receivable	1,241	1,049
Tenants' security deposits	474	444
	\$ 106,518	\$ 105,984
Total assets		
Identifiable assets	\$ 2,205,047	\$ 2,166,315
Unallocated assets***	100,918	29,573
	\$ 2,305,965	\$ 2,195,888

* 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 and cash equivalents and other assets.

Subsequent to the quarter ended June 30, 2008, the debenture holders, in a special meeting held July 30, 2008, approved an amendment to the Trust Indenture amending the definition of Gross Book Value to increase the Bump to its existing GBV calculation by an additional \$410 million, resulting in a total asset bump of \$641 million. In addition, the Consolidated EBITDA to Consolidated Interest Expense financial covenant was amended to 1.75 to 1 from the current 1.50 to 1 and the rate of interest on the debenture was increased to 5.61% from the current 5.31% commencing July 30, 2008 until the maturity date of January 23, 2012.

CORPORATE INFORMATION

EXECUTIVE OFFICE

Calgary

First West Professional Building
Suite 200, 1501 – 1 Street SW

Calgary, Alberta T2R 0W1

Phone: 403.531.9255

Fax: 403.531.9565

Web: www.boardwalkREIT.com

BOARD OF TRUSTEES

Sam Kolias

Chairman of the Board
Calgary, Alberta

James Dewald ⁽¹⁾ ⁽³⁾

Calgary, Alberta

Art Havener ⁽²⁾ ⁽³⁾

St. Louis, MO

Ernest Kapitza ⁽³⁾

Calgary, Alberta

Al Mawani ⁽²⁾

Thornhill, Ontario

David Richards ⁽²⁾

Calgary, Alberta

⁽¹⁾ Lead Trustee

⁽²⁾ Member of the Audit and Risk
Management Committee

⁽³⁾ Member of the Compensation,
Governance and Nominations
Committee

SENIOR MANAGEMENT

Jonathan Brimmell

Vice President, Operations
Ontario and Quebec

Dean Burns

Vice President, Legal Affairs

William Chidley

Senior Vice President,
Corporate Development

Jean Denis

Vice President, Acquisitions
Eastern Canada

Ian Dingle

Vice President, Purchasing
and Contracts

Roberto Geremia

President

Michael Guyette

Vice President, Technology

Sam Kolias

Chief Executive Officer and
Chairman of the Board

Van Kolias

Senior Vice President,
Quality Control

Kelly Mahajan

Vice President,
Customer Service and
Process Design

Helen Mix

Vice President,
Human Resources

Lisa Russell

Vice President, Acquisitions
Western Canada

Kevin Screpnechuk

Senior Vice President,
Rental Operations

Lizaine Wheeler

Vice President, Operations
Southern Alberta,
British Columbia and
Saskatchewan

William Wong

Chief Financial Officer



BOARDWALK REAL ESTATE INVESTMENT TRUST

BOARDWALK REIT

First West Professional Building

Suite 200, 1501 – 1 Street SW

Calgary, Alberta T2R 0W1

Phone: 403.531.9255 Fax: 403.531.9565

Web: www.boardwalkREIT.com