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reaching higher

Letter to Unitholders

We are pleased to report on a strong third quarter of 2008 for Boardwalk Real Estate Investment Trust ("Boardwalk", "Boardwalk REIT", or the "Trust"). Market fundamentals remain steady, especially in Western Canada, and solid rental demand continues to produce positive revenue growth for the Trust. Funds from Operations (FFO) and FFO per Unit increased approximately 8.2% and 11.5%, respectively, over last year's third quarter. Distributable Income (DI) and DI per Unit for the third quarter increased approximately 8.4% and 13.1%, respectively, year-over-year. FFO and DI are non-GAAP measures; the reconciliation of FFO and DI to Net Earnings and Total Operating Cash Flows, respectively, can be found in the Management's Discussion and Analysis (MD&A) for the third quarter ended September 30, 2008, under the section titled, "Performance Measures".

Historically, residential multi-family property has been a stable asset class during times of economic downturn. Of our total secured debt, 98% is backed by the Government of Canada through Canada Mortgage and Housing Corporation, which continues to allow us access to capital at very attractive rates. Strong balance sheet equity and excellent liquidity allow us to be ready for future opportunities. Our long-term strategy has included the periodic culling of our property portfolio. We are aware of current equity market conditions and the large valuation gap between cap rates on the main street of apartments in Canada and the higher implied cap rates of public company evaluations and will explore this unique opportunity with a goal to narrow this gap.

As we move forward into the winter months, we remain focused on our three-pronged revenue maximization strategy by actively monitoring occupancy, adjusting market rents and applying suite-specific incentives. In the last quarter of 2007, we strategically reduced market rents on select properties in response to weaker seasonal demand and quickly realized an increase in occupancy. In the current third quarter, this strategy continued to be quite successful, as occupancy improved overall on a quarter-over-quarter basis, and we are confident the last three months of 2008 will continue to produce strong results in occupancy and revenue growth.

CHANGE TO QUARTERLY REPORTING FORMAT

As mentioned in our last quarter, the Trust has adopted a new reporting format beginning with the third quarter of 2008. The goal of the new easier-to-read format is to reduce repetition and provide a high-level overview of our quarterly results. A more detailed analysis is provided in the MD&A and quarterly presentation.

Highlights of the Trust's Third Quarter 2008 Financial Results

\$ million, except per unit amounts	3 months Sep 2008	3 months Sep 2007	Change	9 months Sep 2008	9 months Sep 2007	Change
Rental Revenue	\$108.2	\$95.7	13.0%	\$315.9	\$276.0	14.4%
Net Operating Income (NOI)	\$72.1	\$64.1	12.4%	\$199.3	\$173.9	14.6%
Funds From Operations (FFO)	\$36.8	\$34.1	8.2%	\$97.4	\$86.6	12.6%
FFO Per Unit	\$0.68	\$0.61	11.5%	\$1.78	\$1.55	14.8%
Distributable Income (DI)	\$37.2	\$34.3	8.4%	\$98.7	\$87.9	12.3%
DI Per Unit	\$0.69	\$0.61	13.1%	\$1.80	\$1.57	14.6%
Distributions Declared	\$24.3	\$22.5		\$73.9	\$65.4	
Distributions Declared Per Unit (2008 Target \$1.80 Per Unit on an annualized basis)	\$0.45	\$0.40		\$1.35	\$1.17	
Payout as a % DI	65.2%	65.7%		74.9%	74.4%	

For further detail, please refer to pages 8-9 and 14-15 of the MD&A.

Portfolio Highlights for the Third Quarter 2008

	Sep 2008	Jun 2008	Sep 2007
Average Vacancy (3 Months)	4.58%	4.74%	3.93%
Average Monthly Rent (3 Months)	\$977	\$955	\$879
Average Market Rent (Month Ended)	\$1,070	\$1,068	\$1,096
Average Occupied Rent (Month Ended)	\$1,027	\$1,008	\$907
Loss-to-Lease (\$ million)	\$18.2	\$25.2	\$78.5
Loss-to-Lease per Unit	\$0.34	\$0.46	\$1.39
Debt-to-GBV ("Gross Book Value")	59.6%		
	% Change Year-Over-Year		
Same Property Results (3 Months)			
Rental Revenue	9.7%		
Operating Costs	9.1%		
Net Operating Income (NOI)	9.9%		

For further details, please refer to pages 15-17 and 19-20 of the MD&A.

SEQUENTIAL REVENUE ANALYSIS

Stabilized Revenue Growth	Number of Units	Q3 2008 vs. Q2 2008	Q2 2008 vs. Q1 2008	Q1 2008 vs. Q4 2007	Q4 2007 vs. Q3 2007
Calgary	4,973	1.3%	3.0%	3.3%	0.4%
Edmonton	10,649	3.5%	2.6%	5.3%	1.8%
Other Alberta	1,680	0.3%	0.1%	3.2%	1.9%
British Columbia	871	1.2%	1.9%	4.1%	-1.9%
Ontario	4,265	-1.2%	0.9%	-0.4%	2.1%
Quebec	6,756	2.2%	1.1%	0.0%	0.2%
Saskatchewan	4,660	5.7%	6.6%	2.7%	4.6%
	33,854	2.4%	2.5%	2.9%	1.5%

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

Market Fundamentals From Across Canada:

UNEMPLOYMENT, MIGRATION AND WAGES

Market Fundamentals	BC		Alberta		Saskatchewan		Ontario		Quebec	
	Sep 2008	Sep 2007	Sep 2008	Sep 2007	Sep 2008	Sep 2007	Sep 2008	Sep 2007	Sep 2008	Sep 2007
Unemployment Rate	4.6%	4.3%	3.8%	3.6%	4.1%	3.8%	6.4%	6.2%	7.3%	6.9%
	Q2 2008	Q2 2007	Q2 2008	Q2 2007	Q2 2008	Q2 2007	Q2 2008	Q2 2007	Q2 2008	Q2 2007
Net Interprovincial Migration	1,669	4,337	6,730	4,677	1,107	1,691	-3,942	-3,451	-4,952	-4,665
Net International Migration	15,178	10,800	13,439	10,634	1,757	1,126	38,442	34,689	17,154	14,487
Total Net Migration	16,847	15,137	20,169	15,311	2,864	2,817	34,500	31,238	12,202	9,822
	Aug 2007 to Aug 2008	Aug 2006 to Aug 2007	Aug 2007 to Aug 2008	Aug 2006 to Aug 2007	Aug 2007 to Aug 2008	Aug 2006 to Aug 2007	Aug 2007 to Aug 2008	Aug 2006 to Aug 2007	Aug 2007 to Aug 2008	Aug 2006 to Aug 2007
Average Weekly Wages Growth	3.1%	3.5%	4.8%	4.1%	4.9%	3.9%	2.8%	2.8%	0.7%	3.0%

Source: Statistics Canada

Western Canada:

While the real estate market is tempering across Canada, rental market fundamentals remain strong in the Western provinces and continued to support our solid rental demand in the third quarter of 2008.

Alberta and Saskatchewan both demonstrated steady employment and wage growth over the first three quarters, with 17,000 and 7,700 jobs created in September, respectively. Growth in natural resources for both provinces remains strong, and Saskatchewan's economic strength is expected to increase due to the province's ample supply of commodities such as oil & gas, uranium and potash. Unemployment in Alberta is still the lowest in the country, at 3.8%, with Saskatchewan and British Columbia following in second and third. Employment opportunities combined with high wages will continue to allow our Customers to absorb rental costs going into the fourth quarter. Oil sands development in Alberta remains positive, totaling over \$180 billion as of October 1, 2008. Imperial Oil recently announced it will move ahead with its Kearn project in Fort McMurray, with an initial cost estimate of \$5 to \$8 billion; Suncor is also proceeding with its Voyageur project, although costs have been scaled back to \$6 billion for 2009. While interprovincial migration into Alberta has slowed from its peak, gains in the second quarter remained higher than the same time last year, and international migration reached record levels. British Columbia also enjoyed high international migration numbers, coming in behind Alberta and slightly ahead of Saskatchewan in terms of population growth. Interprovincial migration continues to be a strong component of population growth for Saskatchewan, which once again saw a net gain in interprovincial migrants from Alberta for the seventh consecutive quarter. International migration to Saskatchewan also reached record levels in the second quarter. With a high number of migrants and immigrants arriving in the Western provinces, we can expect demand for rental housing to remain strong.

Eastern Canada:

With the economic downturn in the US and the global financial situation, our markets in Eastern Canada will continue to be impacted negatively; however, the recent drop in the value of the Canadian dollar may temper the effect of this somewhat over the coming months. Manufacturing jobs in Ontario continued to decrease over the third quarter by 16,000. However, both Ontario and Quebec saw an employment increase of 0.4% in September 2008, gaining 52,000 and 32,000 jobs, respectively. While Ontario and Quebec showed losses in interprovincial migration over the second quarter of 2008, international migration levels remain high.

MLS HOUSING PRICES

British Columbia	Vancouver CMA		Victoria CMA	
	Sep 2008	Sep 2007	Sep 2008	Sep 2007
Average Single Family	\$ 726,331	\$ 737,927	\$ 549,284	\$ 584,193
Average Condo	na	na	\$ 319,562	\$ 343,462
Alberta	Calgary CMA		Edmonton	
	Sep 2008	Sep 2007	Sep 2008	Sep 2007
Average Single Family	\$ 444,048	\$ 470,888	\$ 362,097	\$ 399,555
Average Condo	\$ 287,426	\$ 321,614	\$ 252,234	\$ 270,745
Saskatchewan	Saskatoon		Regina	
	Sep 2008	Sep 2007	Sep 2008	Sep 2007
Average Overall	\$ 297,836	\$ 242,091	\$ 235,809	\$ 185,653
Ontario	London		Windsor	
	Sep 2008	Sep 2007	Sep 2008	Sep 2007
Average Single Family	\$ 227,794	\$ 216,275	na	na
Average Condo	\$ 152,353	\$ 152,189	na	na
Average Overall	na	na	\$ 160,280	\$ 170,585
Quebec	Montreal (CMA)			
	Sep 2008	Sep 2007		
Average Overall	\$ 274,710	\$ 258,780		

Internally generated, NA = Data not available. Source: Association of Regina REALTORS®, Calgary Real Estate Board, Canada Mortgage and Housing Corporation, Edmonton Real Estate Board, London and St. Thomas Association of REALTORS®, Real Estate Board of Greater Vancouver, Saskatoon Region Association of REALTORS®, Victoria Real Estate Board, Windsor-Essex County Real Estate Board

Western Canada:

In Calgary and Edmonton, housing prices are declining as the province adjusts to large inventories of unsold homes and slowing interprovincial migration, creating a buyers' market. Average single family sale prices for Calgary and Edmonton in September 2008 were down 5.7% and 9.4%, and condominium prices decreased 10.6% and 6.8%, respectively, year-over-year. While average sale prices in Vancouver and Victoria for September 2008 declined from the same period last year, they remain high. Saskatchewan continues to show remarkable growth in comparison to the other Western provinces, supporting a strong rental market as home prices increase. In September 2008, average residential sale prices for Regina and Saskatoon went up 27.0% and 23.0%, respectively, year-over-year.

Eastern Canada:

Continuing from the last quarter, housing prices in Ontario and Quebec remain relatively steady despite current economic difficulties. While the average residential sale price in Windsor decreased 6.0% over September 2007, London saw the average price of a single-family home for September increase 5.3% year over year. In Montreal, average sale prices for both single-family homes and condominiums in September increased approximately 5.0% and 4.0% respectively, compared to the same period last year. Montreal also saw the sale volume for condominiums increase 25.0% over September 2007.

ACQUISITIONS AND DISPOSITIONS

With the gap between public apartment companies and private market cap rates, there may be a unique opportunity to selectively sell apartment assets to private buyers and redeploy these proceeds to acquire our trust units as part of our Normal Course Issuer Bid.

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

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 36 units in a 90-unit property converted to condominiums for sale.

For further detail, please refer to pages 21 -22 of the MD&A.

UNIT BUYBACK

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 Bids, the Trust purchased and cancelled 1,969,200 REIT Trust Units in the first nine months of 2008, representing a total market value of approximately \$76.3 million, or an average of \$38.76 per Trust Unit. Together with the 856,447 Trust Units purchased and cancelled in 2007, the Trust has cumulatively purchased and cancelled 2,825,647 Trust Units representing a total market value of approximately \$114.9 million at September 30, 2008, or an average of \$40.66 per Trust Unit.

For further detail, please refer to pages 23-24 of the MD&A.

CONTINUED FINANCIAL STRENGTH

The Trust continued to build on its solid financial position throughout the third quarter of 2008. Boardwalk REIT's total principal mortgage and debt outstanding was \$2.14 billion as of September 30, 2008, as compared to \$1.95 billion as of December 31, 2007. As of September 30, 2008, the Trust's total debt had an average term maturity of 3 years with a weighted average interest rate of 4.91% and the debt-to-total enterprise value ratio was 51.9%.

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 three-month period ended September 30, 2008 was 2.40 times compared to 2.48 times in the same period last year.

For further detail, please refer to pages 24-26 of the MD&A.

OUTLOOK AND 2008 FINANCIAL GUIDANCE

Each quarter, we review our key assumptions in providing our financial guidance. Based on this review, we have tightened our 2008 financial guidance range. We estimate that for fiscal 2008, we will report FFO on a per outstanding Trust Unit between \$2.37 – \$2.43 (DI between \$2.39 – \$2.45). We are not anticipating any new apartment acquisitions for the remainder of the fiscal year. The following table summarizes the changes to our 2008 Financial Guidance:

Description	Original Guidance	Q2 Revised Guidance	Q3 Revised Guidance
Acquisitions	\$130 million to \$260 million (1,000 to 2,000 apartment units)	\$75 million (500 units)	\$50 million (298 units)
Stabilized Building NOI growth	8% to 14%	8% to 10%	8% to 10%
FFO per Trust Unit	\$2.35 to \$2.50	\$2.35 to \$2.45	\$2.37 to \$2.43
DI per Trust Unit	\$2.37 to \$2.52	\$2.37 to \$2.47	\$2.39 to \$2.45

For further detail, please refer to page 26 of the MD&A.

As is customary in its Q3 reporting, Boardwalk is providing its financial outlook for 2009. The following table details the 2009 Financial Guidance along with key assumptions.

2009 FINANCIAL GUIDANCE

Description	Guidance
Acquisitions	No new apartment acquisitions
Stabilized Building NOI growth	4% to 6%
FFO per Trust Unit	\$2.45 to \$2.55
DI per Trust Unit	\$2.47 to \$2.57

The Trust continues to believe that one of the best investments it can make at this current time is an investment in Boardwalk REIT through the continued purchase of its Trust Units. For 2009, the Trust plans to continue to prudently allocate capital to this area.

For further detail, please refer to page 27 of the MD&A.

SUPPLEMENTARY INFORMATION

Boardwalk produces the Quarterly Supplemental Information that provides detailed information regarding the Trust's activities during the quarter. The Third Quarter 2008 Supplemental Information is available on our investor website at www.boardwalkreit.com.

IN CONCLUSION

I would like to thank our over 1,300 Associates for their dedication to Team Boardwalk over the last quarter. I am proud to be part of a team that demonstrates passion, determination, and creativity on a daily basis to ensure Boardwalk's continued success.

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 Nine Months Ended September 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 nine months ended September 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 third 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 86 units have been sold and closed as of September 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"). DI, FFO and AFFO 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 FFO and DI are net earnings and total cash flow from operating activities, 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 determine its DI and distribute such DI in the form of monthly distributions at the discretion of its Trustees, but at a minimum 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 nine months ended September 30, 2008, the Trust declared distributions of \$24.3 million and \$73.9 million, respectively, representing approximately 65.3% and 74.9% of the reported DI. On a quarterly basis, the Trust's Board of Trustees reviews the current level of distributions and determines if any adjustment to the distributed amount is warranted. The Trust previously had in place a Distribution Reinvestment Plan ("DRIP"). The essence of this plan was 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. The Board of Trustees, in suspending the DRIP, noted that at the present time the Trust is in a strong liquidity position and the ability to access additional equity capital through this program was not needed.

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 three and nine months ended September 30, 2008.

FFO Reconciliation In \$000's, except per unit amounts	3 months Sep 2008	3 months Sep 2007	% Change	9 months Sep 2008	9 months Sep 2007	% Change
Net earnings (loss) from continuing operations	\$ 16,833	\$ 10,158		\$ 30,573	\$ (88,482)	
Adjustments						
Earnings from discontinued operations	\$ 621	\$ 2,900		\$ 4,243	\$ 7,670	
Deduct gain on dispositions	\$ (621)	\$ (2,900)		\$ (4,243)	\$ (7,710)	
Recovery of write-down on technology business unit/other		-			-	
Future income taxes (recovery)	\$ (2,563)	\$ 2,055		\$ 707	\$ 113,453	
Future income taxes on discontinued operations		\$ -			\$ -	
Amortization of assets (capital and intangibles)	\$ 22,579	\$ 21,838		\$ 66,155	\$ 61,637	
Funds from operations	\$ 36,849	\$ 34,051	8.2%	\$ 97,435	\$ 86,568	12.6%
Funds from operations - per unit	\$ 0.68	\$ 0.61	11.5%	\$ 1.78	\$ 1.55	14.8%

Distributable Income Reconciliation In \$000's, except per unit amounts	3 months Sep 2008	3 months Sep 2007	% Change	9 months Sep 2008	9 months Sep 2007	% Change
Total operating cash flows	\$ 42,805	\$ 30,830		\$ 99,763	\$ 94,127	
Net change in operating working capital	\$ (4,687)	\$ 4,302		\$ 1,523	\$ (4,098)	
Deduct deferred financing costs amortization post May 2, 2004	\$ (844)	\$ (642)		\$ (2,282)	\$ (1,591)	
Mark-to-market debt adjustment post May 2004	\$ (109)	\$ (208)		\$ (325)	\$ (551)	
Distributable income	\$ 37,165	\$ 34,282	8.4%	\$ 98,679	\$ 87,887	12.3%
Distributable income - per unit	\$ 0.69	\$ 0.61	13.1%	\$ 1.80	\$ 1.57	14.6%

Overall, Boardwalk REIT earned \$36.8 million and \$97.4 million in FFO for the three and nine months ended September 30, 2008 compared to \$34.1 million and \$86.6 million, respectively, for the same periods last year. FFO on a per unit basis for the current quarter ended September 30, 2008 increased approximately 11.5% compared to the same period in the prior year, from \$0.61 to \$0.68. DI for the three months ended September 30, 2008 was \$0.69 per Trust Unit, compared to \$0.61 for the same period last year, representing an increase of approximately 13.1%.

Outlook

The global financial and real estate markets have recently experienced dramatic change. These recent events have resulted in significant constraints to the access to cost effective debt and equity capital. Although history has shown that the apartment real estate asset class tends to demonstrate lower volatility to these types of changes, it is not immune to them. Notwithstanding these factors, we believe that both the fundamentals of our asset class and, in particular, our specific assets generally remain strong mainly due to the affordability of renting versus the cost of owning a home. This fact has kept our overall occupancy levels high and, when combined with our non- exposure to any major customer, have kept revenues strong. On the debt capital front, the fact that over 98% of our secured debt carries NHA Insurance, the benefits of which will be detailed later in this report, has significantly assisted us in renewing and obtaining new financing on our assets at rates that currently are better than the maturing interest rates.

As we move forward for the remainder of the year, we find ourselves in a steady liquidity position, details of which will be also discussed later in this report. We are in compliance with our existing Declaration of Trust and all existing debt covenants.

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 any property; 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 September 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 – Q3 2007 VERSUS Q3 2008 & NINE MONTHS 2007 VERSUS NINE MONTHS 2008

FFO Reconciliation Per Trust Unit	3 Months Sep 2008	9 Months Sep 2008
FFO Opening	\$ 0.61	\$ 1.55
NOI from Stabilized	\$ 0.11	\$ 0.28
NOI from Unstabilized	\$ 0.03	\$ 0.18
Financing costs	\$ (0.07)	\$ (0.22)
Administration and other	\$ (0.03)	\$ (0.04)
Unit Buyback	\$ 0.03	\$ 0.03
FFO Closing	\$ 0.68	\$ 1.78

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 nine months ended September 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 the 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 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 continues the process of evaluating the potential impact of IFRS on 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 outlined 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 in 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 nine months ended September 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)	Sept 30, 2008	Dec. 31, 2007
Mortgages Payable		
Principal outstanding	\$ 2,024,131	\$ 1,827,793
Unamortized deferred financing costs	(67,574)	(58,821)
Unamortized mark-to-market adjustment	689	1,043
	\$ 1,957,246	\$ 1,770,015
Debentures		
Principal outstanding	\$ 120,000	\$ 120,000
Unamortized deferred financing costs	(1,003)	(1,232)
	\$ 118,997	\$ 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 will no longer 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, \$0.6 million to \$103.3 million at June 30, 2008 and downward by \$2.6 million to \$100.7 million at September 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 \$ 2.6 million and \$0.8 million for the three and nine months ended September 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 September 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, as at September 30, 2008 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 would 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 hedges and the net settlement loss of \$168 thousand was included in financing costs for the quarter. The bond forward contract assessed to be an effective hedge 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 has been 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 hedging 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 September 30, 2008, the interest rate swap agreement was assessed to be an effective hedge and, consistent with the previous quarter, 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.

DEBENTURES

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 ("GBV") for an additional \$410 million to be added to the one time adjustment to assets, thereby, increasing it from \$231 million to \$641 million. In addition, the Consolidated Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") to Consolidated Interest Expense financial covenants 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.

Review of Rental Operations

In 000's, except per apartment unit amounts	3 months Sep 2008	3 months Sep 2007	Change	9 months Sep 2008	9 months Sep 2007	Change
Rental revenue	\$ 108,186	\$ 95,702	13.0%	\$ 315,855	\$ 275,983	14.4%
Expenses						
Operating expenses	\$ 18,292	\$ 14,768	23.9%	\$ 55,428	\$ 46,513	19.2%
Utilities	\$ 9,104	\$ 8,472	7.5%	\$ 37,647	\$ 31,629	19.0%
Utility rebate	-	-	-	\$ (1,258)	\$ (933)	34.8%
Property taxes	\$ 8,694	\$ 8,317	4.5%	\$ 24,703	\$ 24,888	-0.7%
	\$ 36,090	\$ 31,557	14.4%	\$ 116,520	\$ 102,097	14.1%
Net operating income	\$ 72,096	\$ 64,145	12.4%	\$ 199,335	\$ 173,886	14.6%
Average rental revenue per unit per month	\$ 977	\$ 879	11.1%	\$ 954	\$ 861	10.8%
Operating costs per unit per month	\$ 327	\$ 287	13.9%	\$ 353	\$ 319	10.7%
Operating margins	67%	67%		63%	63%	

Overall, Boardwalk REIT's rental operations from continuing operations reported strong results. Of the reported increase in rental revenue of 13.0% and 14.4% for the three and nine months ended September 30, 2008, approximately 69.7% and 63.7%, respectively, of the revenue growth is mainly the effect of revenue generated from our same-store properties, or properties referred to as stabilized⁽¹⁾. 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 14.4% and 14.1% for the three and nine months ended September 30, 2008, respectively, the combined effect of an increase in the overall number of apartments owned by the Trust, increased operating expenses in the province of Alberta and higher costs for natural gas. Higher operating expenses in Alberta are mainly due to additional apartments acquired in the latter part of 2007 and the 2008 year-to-date, higher wages and salaries and an increase in repairs and maintenance. Property taxes increased 4.5% for the three months ended September 30, 2008 and decreased by 0.7% for the nine months ended September 30, 2008, compared to the same periods last year. The slight increase in the third quarter is primarily due to increased property valuations, largely in the province of Alberta. The decrease in property taxes for the nine months ended September 30, 2008 is primarily due to refunds received during the first and third 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.

⁽¹⁾ The reader should note that due to seasonality, in particular with respect to operations and utility costs, net operating income margins % will materially fluctuate on a quarterly basis.

Overall, operating margins for the current quarter and nine months ended September 30, 2008 remained consistent at 67% and 63%, respectively, when compared to the same periods in 2007.

Estimated Loss-to-Lease Calculation

Boardwalk REIT's estimated loss-to-lease, representing the difference between estimated market rents and actual occupied rents on September 30, 2008, adjusted for current occupancy levels, totaled \$18.2 million on an annualized basis, representing \$0.34 per outstanding Trust Unit. Approximately 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 \$0.17 per apartment unit per month, or \$9.1 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 in Alberta, 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 of annual versus semi-annual increases was a result of new legislation introduced by the Alberta Provincial Government in 2007 limiting rental increases to once a year. 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.

	Sept 2008 Occupied Rent	Sept 2008 Market Rent	Mark to Market Per Month	Annualized Mark to Market Adjusted for Vacancies (\$000's)	Weighted Average Units	% of Portfolio
Calgary	\$ 1,211	\$ 1,301	\$ 90	\$ 5,681	5,466	15%
Edmonton	\$ 1,120	\$ 1,136	\$ 16	\$ 2,244	12,583	34%
Other Alberta	\$ 1,121	\$ 1,174	\$ 53	\$ 1,131	1,967	5%
Alberta Portfolio	\$ 1,145	\$ 1,185	\$ 40	\$ 9,056	20,016	54%
Saskatchewan	\$ 908	\$ 1,065	\$ 157	\$ 8,404	4,660	13%
Ontario	\$ 799	\$ 788	\$ (10)	\$ (498)	4,265	12%
Quebec	\$ 918	\$ 921	\$ 3	\$ 184	6,749	18%
British Columbia	\$ 919	\$ 1,004	\$ 85	\$ 1,060	1,087	3%
Total Portfolio	\$ 1,027	\$ 1,070	\$ 43	\$ 18,206	36,777	100%

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

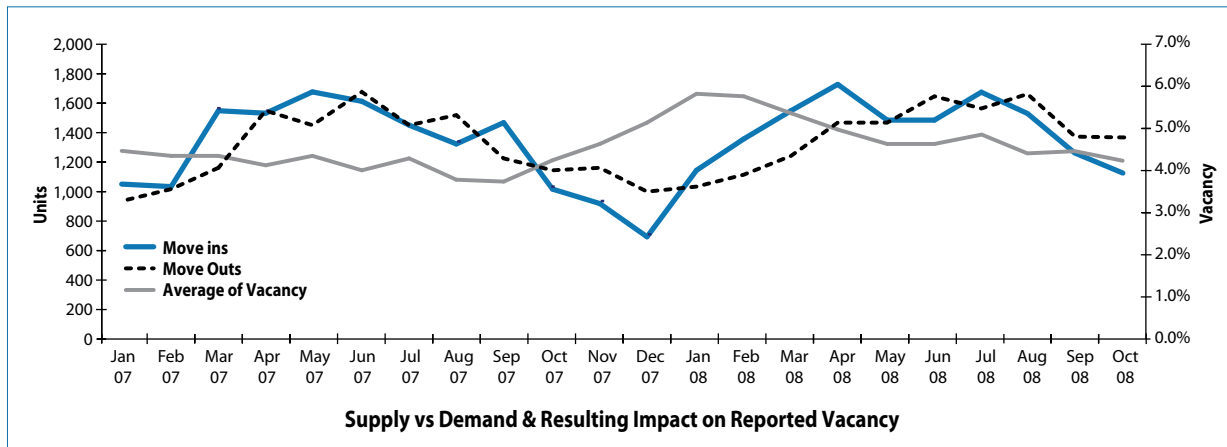
The decrease in the loss-to-lease for our Alberta portfolio, from \$14.0 million at June 2008 to \$9.0 million at September 2008, was due primarily to the Trust's ability to increase occupied rental levels. As with prior quarters, Boardwalk REIT continues to focus on the maximization of all rental revenue, with attention to appropriate levels of market rents with certain occupancy level targets as well as suite-selective incentives, when warranted.

	Total	Per Trust Unit
June 2008 – Alberta	\$ 14,003,000	\$ 0.26
Increase in in-place rents	\$ (5,154,000)	\$ (0.10)
Vacancy Adjustment	\$ 377,000	\$ 0.01
Market Rent Adjustment	\$ (170,000)	\$ –
September 2008 – Alberta	\$ 9,056,000	\$ 0.17

BOARDWALK REIT'S PORTFOLIO VACANCY

City	Q3 2008	Q3 2007	Q2 2008	Q2 2007
Calgary	3.12%	3.34%	4.10%	3.14%
Edmonton	5.18%	3.24%	6.08%	3.36%
Gatineau	4.06%	4.79%	4.27%	7.60%
Kitchener	4.05%	3.14%	3.14%	3.14%
London	4.66%	4.98%	4.10%	3.77%
Montreal	3.61%	4.96%	4.37%	4.26%
Other Alberta	9.57%	8.01%	7.49%	7.25%
Quebec City	2.22%	3.68%	3.05%	4.56%
Regina	4.19%	3.33%	3.19%	3.88%
Saskatoon	2.10%	0.97%	1.39%	2.58%
Windsor	9.38%	8.05%	7.89%	8.15%
Vancouver	2.85%	4.30%	3.94%	4.90%
Verdun	3.04%	3.60%	2.53%	5.04%
Victoria	4.02%	4.93%	2.72%	6.61%
Grand Total	4.58%	3.93%	4.74%	4.16%

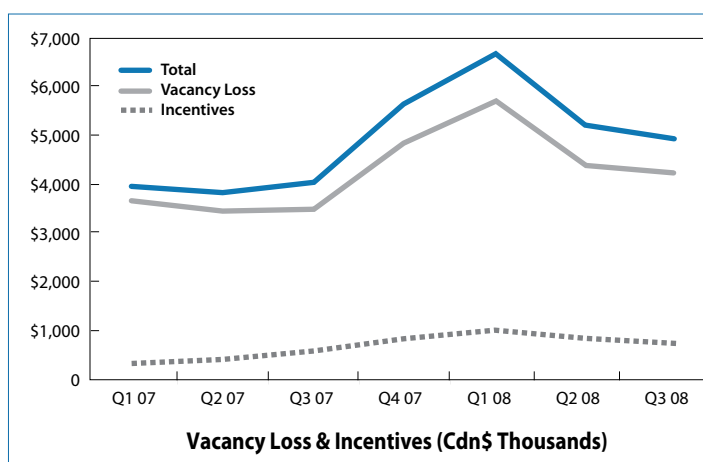
The third quarter of fiscal 2008 saw the portfolio's overall vacancy rate increased to 4.58% from 3.93% for the same period in the prior year, but decreased 16 basis points from the vacancy reported in the second quarter of 2008. The reported increase year-over-year is mainly the result of increases in the reported vacancy rates in Edmonton, Kitchener, Regina, Saskatoon, Windsor and Vancouver. The 9.57% vacancy rate for "Other Alberta" includes Grande Prairie, which experienced higher vacancies as a result of low rig utilization and reduced unemployment in the oil and gas sector due to 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 third 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 Sep 2008 (Unaudited)	3 months Sep 2007 (Unaudited)	Change	9 months Sep 2008 (Unaudited)	9 months Sep 2007 (Unaudited)	Change
Rental revenue	\$ 3,069	\$ 2,902	5.8%	\$ 9,055	\$ 8,527	6.2%
Rental Expenses:						
Operating expenses	\$ 548	\$ 456	20.2%	\$ 1,766	\$ 1,645	7.4%
Utilities	\$ 266	\$ 218	22.0%	\$ 1,160	\$ 1,058	9.6%
Property taxes	\$ 164	\$ 151	8.6%	\$ 469	\$ 451	4.0%
	\$ 978	\$ 825	18.5%	\$ 3,395	\$ 3,154	7.6%
Net operating income	\$ 2,091	\$ 2,077	0.7%	\$ 5,660	\$ 5,373	5.3%
Operating margins	68.1%	71.6%		62.5%	63.0%	

Boardwalk REIT's British Columbia portfolio continued to report good results. The increase in rental revenue and related expenses for the nine months ended September 30, 2008 compared to the comparable period in 2007 are mainly due to the increase in the number of apartment units. Operating margins for the third quarter of 2008 decreased slightly compared to the same period in the prior year as a result of increases in operating expenses, particularly repairs and maintenance and utility costs. These increased costs were offset slightly by an increase in rental revenue of 5.8% for the quarter.

ALBERTA RENTAL OPERATIONS

In \$000's	3 months Sep 2008 (Unaudited)	3 months Sep 2007 (Unaudited)	Change	9 months Sep 2008 (Unaudited)	9 months Sep 2007 (Unaudited)	Change
Rental revenue	\$ 65,039	\$ 55,679	16.8%	\$ 189,018	\$ 158,687	19.1%
Rental Expenses:						
Operating expenses	\$ 9,384	\$ 7,274	29.0%	\$ 29,884	\$ 22,717	31.5%
Utilities	\$ 5,178	\$ 4,929	5.1%	\$ 20,888	\$ 16,693	25.1%
Utilities rebate	-	-	-	\$ (1,255)	\$ (930)	34.9%
Property taxes	\$ 4,492	\$ 3,379	32.9%	\$ 11,567	\$ 9,961	16.1%
	\$ 19,054	\$ 15,582	22.3%	\$ 61,084	\$ 48,441	26.1%
Net operating income	\$ 45,985	\$ 40,097	14.7%	\$ 127,934	\$ 110,246	16.0%
Operating margins	70.7%	72.0%		67.7%	69.5%	

Boardwalk REIT's Alberta operations for the three and nine months ended September 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 revenue is mainly due to the combined effect of the addition of new apartment units in the remainder of fiscal 2007 and the first nine months of 2008 as well as an increase in the reported in-place occupied rents for this province.

Overall, rental expenses increased by 22.3% for the three months ended September 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, and higher wages and salaries, repairs and maintenance and property taxes.

SASKATCHEWAN RENTAL OPERATIONS

In \$000's	3 months Sep 2008 (Unaudited)	3 months Sep 2007 (Unaudited)	Change	9 months Sep 2008 (Unaudited)	9 months Sep 2007 (Unaudited)	Change
Rental revenue	\$ 12,031	\$ 9,941	21.0%	\$ 34,100	\$ 28,573	19.3%
Rental Expenses:						
Operating expenses	\$ 2,043	\$ 1,708	19.6%	\$ 5,712	\$ 4,917	16.2%
Utilities	\$ 871	\$ 898	-3.0%	\$ 4,211	\$ 3,420	23.1%
Property taxes	\$ 1,118	\$ 1,126	-0.7%	\$ 3,325	\$ 3,454	-3.7%
	\$ 4,032	\$ 3,732	8.0%	\$ 13,248	\$ 11,791	12.4%
Net operating income	\$ 7,999	\$ 6,209	28.8%	\$ 20,852	\$ 16,782	24.3%
Operating margins	66.5%	62.5%		61.1%	58.7%	

Boardwalk REIT's Saskatchewan operations reported strong results for the three and nine months ended September 30, 2008 compared to the same periods in fiscal 2007. Overall, for the current quarter, rental revenue increased by 21.0%. The increase is mainly the result of strong rental market fundamentals in both Regina and Saskatoon. Rental expenses increased by 8.0% for the three months ended September 30, 2008, compared to the same period in the prior year, mainly as a result of higher wages and salaries and repairs and maintenance costs.

ONTARIO RENTAL OPERATIONS

In \$000's	3 months Sep 2008 (Unaudited)	3 months Sep 2007 (Unaudited)	Change	9 months Sep 2008 (Unaudited)	9 months Sep 2007 (Unaudited)	Change
Rental revenue	\$ 9,409	\$ 9,276	1.4%	\$ 28,366	\$ 28,064	1.1%
Rental Expenses:						
Operating expenses	\$ 1,619	\$ 1,342	20.6%	\$ 4,879	\$ 4,252	14.7%
Utilities	\$ 1,382	\$ 1,364	1.3%	\$ 4,897	\$ 4,742	3.3%
Property taxes	\$ 1,617	\$ 1,753	-7.8%	\$ 4,805	\$ 5,275	-8.9%
	\$ 4,618	\$ 4,459	3.6%	\$ 14,581	\$ 14,269	2.2%
Net operating income	\$ 4,791	\$ 4,817	-0.5%	\$ 13,785	\$ 13,795	-0.1%
Operating margins	50.9%	51.9%		48.6%	49.2%	

Boardwalk REIT's Ontario operations reported relatively stable rental revenue for the three and nine months ended September 30, 2008 compared to the same periods last year. Rental expenses increased by 3.6% for the three months ended September 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 7.8% for the three months ended September 30, 2008 due to the successful appeal of property tax assessments on our Ontario properties. Utilities for the nine months ended September 30, 2008 showed a slight 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 Sep 2008 (Unaudited)	3 months Sep 2007 (Unaudited)	Change	9 months Sep 2008 (Unaudited)	9 months Sep 2007 (Unaudited)	Change
Rental revenue	\$ 18,055	\$ 17,475	3.3%	\$ 53,184	\$ 51,588	3.1%
Rental Expenses:						
Operating expenses	\$ 3,097	\$ 2,916	6.2%	\$ 9,967	\$ 9,978	-0.1%
Utilities	\$ 1,347	\$ 1,011	33.2%	\$ 6,269	\$ 5,615	11.6%
Property taxes	\$ 1,255	\$ 1,869	-32.9%	\$ 4,438	\$ 5,651	-21.5%
	\$ 5,699	\$ 5,796	-1.7%	\$ 20,674	\$ 21,244	-2.7%
Net operating income	\$ 12,356	\$ 11,679	5.8%	\$ 32,510	\$ 30,344	7.1%
Operating margins	68.4%	66.8%		61.1%	58.8%	

Boardwalk REIT's Quebec operations reported gains in rental revenue. Reported revenue increased by 3.3% and 3.1% for the three and nine months ended September 30, 2008, compared to the same periods in the prior year, due to marginally improving results on existing properties. Reported rental expenses are down from the same periods in the prior year. Utilities were higher for the third quarter and the first nine months of 2008 compared to the same periods in the prior year due to higher natural gas prices. Property taxes were down compared to the same periods in the prior year as the result of a reassessment of property tax mill rates and the receipt of tax refunds 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 92.0% of its total rental unit portfolio as at September 30, 2008, or a total of 33,854 units. The following compares the stabilized property results for the three and nine months ended September 30, 2008 with the same periods in the prior year.

Sep 30 2008 – 3 Months	# of Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	4,973	8.3%	27.3%	2.9%	19.2%
Edmonton	10,649	13.9%	11.7%	14.9%	35.4%
Other Alberta	1,680	5.6%	8.3%	4.4%	5.4%
British Columbia	871	5.8%	17.4%	1.2%	2.6%
Ontario	4,265	1.4%	3.6%	-0.6%	7.1%
Quebec	6,756	3.3%	-2.0%	6.0%	18.3%
Saskatchewan	4,660	21.0%	8.1%	28.8%	12.0%
	33,854	9.7%	9.1%	9.9%	100.0%

Sep 30 2008 – 9 Months	# of Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	4,973	8.4%	20.0%	4.4%	19.9%
Edmonton	10,649	14.8%	15.9%	14.2%	35.6%
Other Alberta	1,680	5.8%	18.4%	0.3%	5.7%
British Columbia	871	5.9%	7.4%	5.1%	2.6%
Ontario	4,265	1.0%	2.2%	-0.1%	7.4%
Quebec	6,756	3.1%	0.4%	4.9%	17.6%
Saskatchewan	4,660	19.3%	12.4%	24.2%	11.2%
	33,854	9.6%	10.4%	9.2%	100.0%

For the third quarter 2008, same-store revenue increased by 9.7% compared to the same period in the prior year. Despite operating expenses increasing by 9.1%, net operating income growth improved overall by 9.9%. The increase in reported stabilized revenue was driven mainly by the Trust's Alberta and Saskatchewan operations, which account for approximately 72.0% of the Trust's reported stabilized net operating income. The majority of the reported increase in rental operating expenses for the three months ended September 30, 2008 was due to higher repairs and maintenance, wages and salaries, and utility costs. The reader is cautioned that due to seasonality and the timing of these related expenses a better gauge of the performance of the stabilized properties is on a year-to-date basis.

For the nine months ended September 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 9.2%, despite an increase of 10.4% in operating expenses in the first nine months of 2008. Overall, the increased operating expenses were the result higher utility costs, wages and salaries, repairs and maintenance and property taxes in Alberta.

Stabilized revenues reported in the third quarter of 2008 were up 2.4% over Q2 2008, 5.0% over Q1 2008, 8.1% over Q4 2007 and 9.7% over Q3 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), was pushed into 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 third quarter and first nine months 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 September 30, 2008, the reported weighted average interest rate on its mortgage and debt portfolio was 4.91% consistent with the 4.91% reported at June 30, 2008 down from 5.02% reported at March 31, 2008 and 5.11% reported at December 31, 2007, and down from 5.22% reported at September 30, 2007. The average term 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, leading to a lower overall cost of debt after including the cost of the NHA insurance.

The second benefit of the CMHC insurance relates to the lowering of Boardwalk REIT's debt 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.

Management cannot over-emphasize the importance of this Government backed mortgage insurance program administered by Canada Mortgage and Housing Corporation. Despite the recent volatility in the overall credit markets the trust has been able to find a number of willing mortgage lenders willing to assume or underwrite additional mortgages under this program.

At September 30, 2008, approximately 98% 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 expenses were \$6.8 million and \$18.4 million for the three and nine months ended September 30, 2008 compared to \$5.3 million and \$15.9 million, respectively, for the same periods in the prior year. This represents an increase of 29.4% and 16.0% and is mainly due to higher wages and salaries and higher professional fees incurred. Administration for the current quarter was approximately \$1 million higher compared to the previous quarter, due in part to the write-off of certain one-time professional fees incurred totaling \$500 thousand.

Deferred financing costs amortization

The amounts reported here relate primarily to the amortization and 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 nine months ended September 30, 2008, deferred financing costs of approximately \$300 thousand were written off due to mortgage refinancing, compared to \$600 thousand 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 nine months ended September 30, 2008 of \$22.6 million and \$66.2 million, respectively, have increased by \$0.8 million and \$4.6 million from the \$21.8 million and \$61.6 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 nine months of 2008.

Real Estate Assets

ACQUISITIONS

During the nine months ended September 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 Sep 30, 2008	3 months ended Sep 30, 2007	9 months ended Sep 30, 2008	9 months ended Sep 30, 2007
Cash paid	\$ –	\$ 133,100	\$ 48,925	\$ 309,313
Debt assumed	–	–	–	31,209
Total purchase price	–	133,100	48,925	340,522
Fair value adjustments to debt	–	–	–	376
Book value	\$ –	\$ 133,100	\$ 48,925	\$ 340,898
Allocation of book value to revenue producing properties	\$ –	\$ 129,635	\$ 47,413	\$ 331,035
Allocation of book value to other assets	–	3,465	1,512	9,863
	\$ –	\$ 133,100	\$ 48,925	\$ 340,898
Multi-family units acquired	–	718	298	2,421

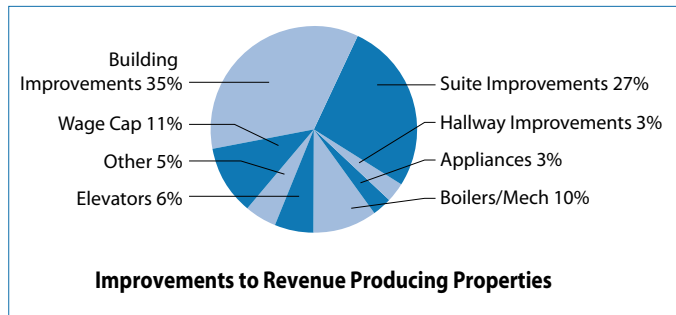
DISPOSITIONS

	3 months ended Sep 30, 2008	3 months ended Sep 30, 2007	9 months ended Sep 30, 2008	9 months ended Sep 30, 2007
Cash received	\$ 1,836	\$ 8,031	\$ 12,123	\$ 20,306
Cost of dispositions	–	–	–	125
Total proceeds	1,836	8,031	12,123	20,431
Net book value	1,215	5,131	7,880	12,721
Gain on dispositions	\$ 621	\$ 2,900	\$ 4,243	\$ 7,710
Multi-family units sold	6	24	36	96

Dispositions in the nine months of 2008 solely consisted of the sales and closings in a 90-unit property located in Calgary, Alberta that is being developed into condominium units for sale (cumulatively, 86 units of the 90-unit property have been sold and closed in 2007 and the first nine months of 2008). Under the percentage of completion method, sales of \$1.8 million and \$12.1 million for the three and nine months ended September 30, 2008, respectively, were recorded against cost of sales of \$1.2 million and \$7.9 million, resulting in a reported gain on disposition of \$0.6 million and \$4.2 for both the current quarter and the nine months ended.

Capital Improvements

For the first nine months of fiscal 2008, Boardwalk REIT invested approximately \$59.7 million in its properties in the form of project enhancements, an increase of \$11 million from the \$48.7 million invested in the same period in 2007. The increase in the current period compared to the same period in the prior year is due primarily to an increase in expenditures for building exterior improvements. The following chart details in which areas these funds were expended for the nine months ended September 30, 2008.



Included in these amounts is approximately \$6.4 million of capitalized on-site wages and salaries, compared to \$5.4 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 except per suite amounts	3 months Sep 2008	Per Suite	9 months Sep 2008	Per Suite
Maintenance Capital Expenditures	\$ 4,138	\$ 450	\$ 12,354	\$ 450
Stabilizing and Value Enhancing Capital Expenditures	\$ 23,045	\$ 2,506	\$ 47,375	\$ 1,726
	\$ 27,183	\$ 2,956	\$ 59,729	\$ 2,176

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 65.8% of reported FFO and 74.1% of AFFO for the current quarter ended September 30, 2008, and 75.8% of reported FFO and 86.8% of AFFO for the nine month period ended September 30, 2008.

(000's)	3 months Sep 2008	9 months Sep 2008
Funds From Operations (FFO)	\$ 36,849	\$ 97,435
Maintenance Capital Expenditures	\$ 4,138	\$ 12,354
Adjusted Funds From Operations (AFFO)	\$ 32,711	\$ 85,081
Unitholder Distributions	\$ 24,250	\$ 73,863
Distribution as a % of FFO	65.8%	75.8%
Distribution as a % of AFFO	74.1%	86.8%

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.

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	-	1,500
Units issued for vested deferred units	18,970	720
Units purchased and cancelled	(1,969,200)	(76,325)
September 30, 2008	53,815,422	\$ 265,380

In the third quarter of fiscal 2007, Boardwalk REIT filed an application for a Normal Course Issuer Bid (the "First 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 First Bid, the Trust purchased and cancelled 1,666,000 REIT Trust Units in the first nine months of 2008, representing a total market value of approximately \$65.3 million, or an average of \$39.19 per Trust Unit. Together with the 856,447 Trust Units purchased and cancelled in 2007, the Trust has purchased and cancelled 2,522,447 Trust Units representing a total market value of approximately \$103.9 million at September 30, 2008, or an average of \$41.18 per trust unit.

In August of 2008, Boardwalk REIT filed an application for a normal course issuers bid (the "Second Bid"), which received regulatory approval from the Toronto Stock Exchange on August 18, 2008. The Second Bid allows Boardwalk REIT to purchase and cancel up to 4,040,192 trust units representing 10% of the public float of its trust units at the time of the TSX approval. The Second Bid will terminate on the earlier of August 19, 2009 or at such time as purchases under the bid are complete.

Under the Second Bid, the Trust has purchased and cancelled, on a cumulative basis, 303,200 REIT units, representing a total market value of approximately \$11.0 million, or an average of \$36.40 per trust unit.

As is reported on the face of the balance sheet, the Trust has Unitholders' Equity of \$30.6 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 nine months ended September 30, 2008, Unitholders' Equity was, again, affected by a non-cash adjustment for future income taxes in the amount of \$0.8 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 would 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 September 30, 2008, there were 49,340,422 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 53,815,422.

Liquidity and Capital Resources

Liquidity refers to the Trust's ability to generate sufficient cash to fund our on going operations and capital commitments as well as our distributions to unitholders. Generally, distributions are funded from FFO. However, in common with the majority of real estate entities, we rely on lending institutions for a significant portion of capital required to fund mortgage principal payments, capital expenditures, acquisitions, unit buyback and refinancing maturing debt.

Over the past fiscal year, many of our lending partners have suffered losses that were mainly the result of the overall weaker economy and an overall general erosion of financial strength. As a result, many of these lenders have tightened their borrowing standards, and that may make accessing additional cost-effective debt capital more difficult. Although it is impossible to eliminate this risk, the Trust does mitigate this with the use of NHA mortgage insurance, the benefits of which we discussed in detail above. In these current volatile times, the ability to access this product has been very beneficial to the Trust as a whole.

The Trust's current liquidity position remains stable as the following table highlights:

Cash position September 30, 2008	\$ 39,152,000
Committed Additional Financing to December 2008	\$ 72,358,000
	\$ 111,510,000
Committed Revolving Credit Facility	\$ 200,000,000
Total Available Liquidity	\$ 311,510,000

In addition to these amounts, the Trust anticipates that an additional \$37 million of net new mortgage financing proceeds may be in place prior to year-end.

Of the remaining \$95.8 million of debt coming due in the fourth quarter of the current fiscal year, the Trust has already received commitments on over half of these amounts and is in the process of obtaining commitments on the remaining maturing mortgages. All of these maturing mortgages carry NHA insurance. Maturing mortgages that already have commitments are at interest rates that are lower than their existing interest rates.

The reader should also be aware that the \$273.2 million of debt coming due in 2009 (as shown in the table below), all have NHA insurance and represent in aggregate approximately 35% of current estimated values on those individual secured assets. Currently, all in interest rates for terms five years or less are well below the reported 5.34% weighted average we have coming due next year. The reader, however, is cautioned that these rates do fluctuate and by the time these maturing mortgages are set for renewal, with or without additional financing, interest rates may have changed materially.

MORTGAGE AND DEBT SCHEDULE

Year	Principal Outstanding as at Sept 30, 2008	Weighted Average Interest Rate	% of Total
2008	95,843,251	4.73%	4.47%
2009	273,246,219	5.34%	12.74%
2010	321,119,429	4.77%	14.98%
2011	124,600,308	5.67%	5.81%
2012	816,856,459	4.78%	38.10%
2013	265,584,678	4.56%	12.39%
2014	16,041,360	4.81%	0.75%
2015	184,846,129	4.52%	8.62%
2016	25,129,346	5.34%	1.17%
2018	6,574,017	6.18%	0.31%
2019	10,778,619	5.99%	0.50%
2020	3,511,395	7.24%	0.16%
Total Principal Outstanding	2,144,131,211	4.91%	100.00%

Notwithstanding the Trust's current liquidity situation, 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. 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 the Debenture Holders special meeting dated July 30, 2008, the holders of these instruments 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 completed in a similar manner to the original one completed 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 60% 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 nine months ended September 30, 2008). The following chart sets out the Trust's recomputed GBV:

Gross Book Value Calculation (\$000's)	Sep 2008	Dec 2007
Total reported assets	\$ 2,272,003	\$ 2,195,888
Reported amortization	574,329	513,514
Conversion adjustment	641,460	231,460
	\$ 3,487,792	\$ 2,940,862
Mortgages payable	\$ 1,957,246	\$ 1,770,015
Debentures	118,997	118,768
Market adjustment on mortgages (May 2004)	2,895	10,560
	\$ 2,079,138	\$ 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 of approximately \$362.3 million to facilitate with the Trust's business and financial strategies.

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 September 30, 2008, no amount of the credit facility was owing and outstanding. For the third 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 2.40 as compared to 2.48 for the same period last year.

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 have tightened our 2008 Financial Guidance range. We estimate that for fiscal 2008, we will report FFO on a per outstanding Trust unit between \$2.37 to \$2.43 (DI of \$2.39 to \$2.45).

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

Description	Original Guidance	Q2 Revised Guidance	Q3 Revised Guidance
Acquisitions	\$130 million to \$260 million (1,000 to 2000 apartment units)	\$75 million (500 units)	\$50 Million (298 units)
Stabilized Building NOI growth	8% to 14%	8% to 10%	8% to 10%
FFO per Trust Unit	\$2.35 to \$2.50	\$2.35 to \$2.45	\$2.37 to \$2.43
DI per Trust Unit	\$2.37 to \$2.52	\$2.37 to \$2.47	\$2.39 to \$2.45

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 2008 fiscal year.

	2008 Budget	Per Unit	Nine months ended Sep 30, 2008	Per Unit
Capital Budget				
Total Approved	\$ 80,485	\$ 2,186	\$ 59,729	\$ 2,176
Maintenance Capital	\$ 16,430	\$ 450	\$ 12,354	\$ 450
Stabilizing & Value Added Capital	\$ 64,055	\$ 1,736	\$ 47,375	\$ 1,726
	\$ 80,485	\$ 2,186	\$ 59,729	\$ 2,176

In total, Boardwalk REIT anticipates it will invest a total of \$80.5 million (or \$2,186 per apartment unit) in 2008 for capital improvements. For the first nine months of 2008, Boardwalk REIT has incurred \$59.7 million (or \$2,176 per apartment unit) of capital improvements.

2009 FINANCIAL PERFORMANCE GUIDANCE

As is customary in its third quarter report, the Trust is providing financial guidance for the upcoming 2009 fiscal year. The following table summarizes management's estimate of FFO and DI for fiscal 2009.

Description	2009 Objectives
Acquisitions	None
Stabilized Building NOI growth	4% to 6%
FFO per Trust Unit	\$2.45 to \$2.55
DI per Trust Unit	\$2.47 to \$2.57

Capital Budget	2009 Budget	Per Unit
Total Approved	\$ 79,700	\$ 2,167
Maintenance Capital	\$ 16,563	\$ 450
Stabilizing & Value Added Capital	63,137	\$ 1,717
	\$ 79,700	\$ 2,167

The reported guidance above is based on internal estimates and the reader is cautioned that if the assumptions for these estimates are materially incorrect, it may result in actual results being materially different from our 2009 objectives.

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	September 30, 2008	December 31, 2007
ASSETS		
Revenue producing properties (NOTE 4)	\$ 2,193,841	\$ 2,149,853
Other assets (NOTE 5)	14,411	15,776
Mortgages and accounts receivable	9,575	10,071
Segregated tenants' security deposits	14,650	12,935
Cash and cash equivalents	39,152	960
Discontinued operations (NOTE 6)	374	6,293
	\$ 2,272,003	\$ 2,195,888
LIABILITIES		
Mortgages payable	\$ 1,957,246	\$ 1,770,015
Debentures (NOTE 7)	118,997	118,768
Accounts payable and accrued liabilities	46,270	48,279
Refundable tenants' security deposits and other	17,894	16,186
	2,140,407	1,953,248
Future income taxes (NOTES 3 and 11)	100,994	100,287
	2,241,401	2,053,535
UNITHOLDERS' EQUITY		
Unitholders' equity	30,602	142,353
	\$ 2,272,003	\$ 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 Sep 30, 2008	3 months ended Sep 30, 2007	9 months ended Sep 30, 2008	9 months ended Sep 30, 2007
REVENUE				
Rental revenue	\$ 108,186	\$ 95,702	\$ 315,855	\$ 275,983
EXPENSES				
Revenue producing properties:				
Operating expenses	18,292	14,768	55,428	46,513
Utilities	9,104	8,472	37,647	31,629
Utility rebate (NOTE 14)	–	–	(1,258)	(933)
Property taxes	8,694	8,317	24,703	24,888
Administration	6,814	5,264	18,350	15,862
Financing costs	27,164	23,734	79,695	67,973
Amortization of deferred financing costs	1,269	1,081	3,851	3,460
Amortization of capital assets	21,435	20,010	62,051	56,769
Amortization of intangibles	1,144	1,828	4,104	4,836
	93,916	83,474	284,571	250,997
Earnings from continuing operations before income taxes	14,270	12,228	31,284	24,986
Current income taxes	–	15	4	15
Future income taxes (recovery) (NOTE 11)	(2,563)	2,055	707	113,453
Earnings (loss) from continuing operations	16,833	10,158	30,573	(88,482)
Earnings from discontinued operations, net of tax (NOTE 6)	621	2,900	4,243	7,670
Net earnings (loss)	17,454	13,058	34,816	(80,812)
Other comprehensive income	–	–	–	–
Comprehensive income (loss)	\$ 17,454	\$ 13,058	\$ 34,816	\$ (80,812)
Basic earnings (loss) per unit (NOTE 10)				
– from continuing operations	\$ 0.31	\$ 0.18	\$ 0.56	\$ (1.58)
– from discontinued operations	0.01	0.05	0.08	0.14
Basic earnings (loss) per unit	\$ 0.32	\$ 0.23	\$ 0.64	\$ (1.44)
Diluted earnings (loss) per unit (NOTE 10)				
– from continuing operations	\$ 0.31	\$ 0.18	\$ 0.56	\$ (1.58)
– from discontinued operations	0.01	0.05	0.08	0.14
Diluted earnings (loss) per unit	\$ 0.32	\$ 0.23	\$ 0.64	\$ (1.44)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(Cdn\$ Thousands, except number of units)

(UNAUDITED)

	9 months ended Sep 30, 2008	9 months ended Sep 30, 2007
Trust units (NOTE 9)		
Balance, beginning of period	\$ 338,084	\$ 365,744
Units issued under equity financing, net of issue costs	-	(151)
Units issued under distribution reinvestment plan	2,121	6,194
Deferred unit plan (NOTE 8)	780	1,275
Units issued for vested deferred units (NOTE 8)	720	400
Units purchased and cancelled (NOTE 9)	(76,325)	(26,361)
Balance, end of period	\$ 265,380	\$ 347,101
Cumulative earnings		
Balance, beginning of period	\$ 95,591	\$ 154,917
Net earnings (loss) for the period	34,816	(80,812)
Balance, end of period	\$ 130,407	\$ 74,105
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)	(73,863)	(65,391)
Balance, end of period	\$ (365,185)	\$ (267,185)
Total unitholders' equity	\$ 30,602	\$ 154,021
Units issued and outstanding	53,815,422	55,928,929

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Cdn\$ Thousands)

(UNAUDITED)

	3 months ended Sep 30, 2008	3 months ended Sep 30, 2007	9 months ended Sep 30, 2008	9 months ended Sep 30, 2007
Operating activities				
Net earnings (loss)	\$ 17,454	\$ 13,058	\$ 34,816	\$ (80,812)
(Earnings) from discontinued operations, net of tax	(621)	(2,900)	(4,243)	(7,670)
Future income taxes (recovery)	(2,563)	2,055	707	113,453
Amortization of deferred financing costs	1,269	1,081	3,851	3,460
Amortization of capital assets	21,435	20,010	62,051	56,769
Amortization of intangibles	1,144	1,828	4,104	4,836
	38,118	35,132	101,286	90,036
Cash (used in) discontinued operations	-	-	-	(7)
Net change in operating working capital (see below)	4,687	(4,302)	(1,523)	4,098
Total operating cash flows	42,805	30,830	99,763	94,127
Financing activities				
Issuance of trust units (net of issue costs) (NOTE 9)	-	1,948	2,121	6,043
Distributions paid	(24,341)	(22,010)	(74,102)	(64,869)
Unit repurchase program (NOTE 9)	(16,618)	(26,361)	(76,325)	(26,361)
Financing of revenue producing properties	-	68,933	360,923	387,618
Repayment and maturity of debt on revenue producing properties	(13,125)	(12,883)	(164,391)	(145,120)
Deferred financing costs incurred	(161)	(2,525)	(12,375)	(10,147)
	(54,245)	7,102	35,851	147,164
Investing activities				
Purchases of revenue producing properties (NOTE 4)	-	(133,100)	(48,925)	(309,313)
Improvements to properties	(27,183)	(15,238)	(59,729)	(48,732)
Net cash proceeds from sale of properties (NOTE 4)	1,836	8,031	12,123	20,306
Additions to corporate technology assets	(246)	(163)	(891)	(856)
	(25,593)	(140,470)	(97,422)	(338,595)
Net increase (decrease) in cash and cash equivalents balance	(37,033)	(102,538)	38,192	(97,304)
Cash and cash equivalents (bank indebtedness), beginning of period	76,185	1,192	960	(4,042)
Cash and cash equivalents (bank indebtedness), end of period	\$ 39,152	\$ (101,346)	\$ 39,152	\$ (101,346)
Supplementary cash flow information:				
Taxes paid	\$ -	\$ -	\$ 4	\$ -
Interest paid	\$ 27,866	\$ 24,615	\$ 78,740	\$ 55,906
Net change in operating working capital:				
Net change in mortgages and accounts receivable	\$ (333)	\$ (496)	\$ 496	\$ (235)
Net change in other assets	2,090	335	(3)	(1,599)
Net change in tenants' security deposits	(26)	(427)	(7)	(251)
Net change in accounts payable and accrued liabilities	2,956	(3,714)	(2,009)	6,183
	\$ 4,687	\$ (4,302)	\$ (1,523)	\$ 4,098

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 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 nine months ended September 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 and fourth 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 objectives, 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 writ-

ten-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 carries 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 for capital management (NOTE 12) and financial instruments (NOTE 13).

There was no material impact to the consolidated financial statements upon 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, based on a detailed review of the legislation, it could 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, upward by \$0.6 million to \$103.3 million at June 30, 2008 and downward by \$2.6 million to \$100.7 million at September 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 September 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 September 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 an ineffective hedge 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 hedges and the net settlement loss of \$168 thousand was included in financing costs for the second quarter. The bond forward contract assessed to be an effective hedge 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 the agreements 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 hedging 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 September 30, 2008, the interest rate swap agreement was assessed to be an effective hedge and, consistent with the previous quarter, 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 pronouncements are not expected to have any material impact to the consolidated financial statements on adoption.

	3 months ended Sep 30, 2008	3 months ended Sep 30, 2007	9 months ended Sep 30, 2008	9 months ended Sep 30, 2007
Acquisitions				
Cash paid	\$ -	\$ 133,100	\$ 48,925	\$ 309,313
Debt assumed	-	-	-	31,209
Total purchase price	-	133,100	48,925	340,522
Fair value adjustments to debt	-	-	-	376
Book value	\$ -	\$ 133,100	\$ 48,925	\$ 340,898
Allocation of book value to revenue producing properties	\$ -	\$ 129,635	\$ 47,413	\$ 331,035
Allocation of book value to other assets	-	3,465	1,512	9,863
	\$ -	\$ 133,100	\$ 48,925	\$ 340,898
Multi-family units acquired	-	718	298	2,421

	3 months ended Sep 30, 2008	3 months ended Sep 30, 2007	9 months ended Sep 30, 2008	9 months ended Sep 30, 2007
Dispositions				
Cash received	\$ 1,836	\$ 8,031	\$ 12,123	\$ 20,306
Cost of dispositions	-	-	-	125
Total proceeds	1,836	8,031	12,123	20,431
Net book value	1,215	5,131	7,880	12,721
Gain on dispositions	\$ 621	\$ 2,900	\$ 4,243	\$ 7,710
Multi-family units sold	6	24	36	96

Dispositions for the third quarter ended September 30, 2008 consist solely of the sales and closings of 6 units (36 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 \$1.8 million for the three months (\$12.1 million for the current fiscal year to date) ended September 30, 2008 were recorded against cost of sales of \$1.2 million (\$7.9 million for the current fiscal year to date).

OTHER ASSETS

As at	September 30, 2008	December 31, 2007
Corporate technology assets (net of accumulated amortization)	\$ 3,060	\$ 3,100
Head office building (net of accumulated amortization)	2,686	2,307
Prepaid parts and supplies	2,808	2,791
In-place lease and customer relationship intangibles (net of accumulated amortization)	1,059	3,686
Prepaid property taxes	3,221	1,312
Prepaid insurance and other	1,577	2,580
	\$ 14,411	\$ 15,776

Accumulated amortization for corporate technology assets and head office building at September 30, 2008 were \$14.4 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 September 30, 2008 was \$19.3 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 was 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 Sep 30, 2008	3 months ended Sep 30, 2007	9 months ended Sep 30, 2008	9 months ended Sep 30, 2007
Revenue				
Rental income	\$ -	\$ -	\$ -	\$ 219
Expenses				
Revenue producing properties:				
Operating expenses	-	-	-	99
Utilities	-	-	-	41
Utility rebate	-	-	-	(5)
Property taxes	-	-	-	25
Administration	-	-	-	54
Financing costs	-	-	-	13
Amortization of capital assets	-	-	-	32
	-	-	-	259
	-	-	-	(40)
Gain on dispositions	621	2,900	4,243	7,710
Earnings from discontinued operations	\$ 621	\$ 2,900	\$ 4,243	\$ 7,670

	September 30, 2008	December 31, 2007
Discontinued Assets		
Properties held for redevelopment and sale	\$ 374	\$ 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.

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 ("GBV") to increase the Bump (see NOTE 12) to its existing GBV calculation by an additional \$410 million, resulting in a total asset bump of \$641 million.

In addition, the Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (“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.

At September 30, 2008, the Trust was in compliance with all the covenants reported in the debenture. These covenants are discussed in NOTE 13(d).

8. DEFERRED UNIT PLAN

During 2006, the Trust implemented a deferred unit plan. The plan entitles trustees and officers, at the participant’s option, to receive deferred units in consideration for trustee fees or executive bonuses, respectively, with the Trust matching the number of units received. The deferred units vest 50% on the third anniversary and 25% on each of the fourth and fifth anniversaries, subject to provisions for earlier vesting in certain events. The deferred units earn additional deferred units for the distributions that would otherwise have been paid on the deferred units (i.e., had they instead been issued as Trust Units on the date of grant). Once vested, participants are entitled, at their option, to receive an equivalent number of Trust Units or the equivalent value in cash of the vested deferred units and the corresponding additional deferred units. The deferred unit plan was approved by unitholders on May 10, 2006. 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 September 30, 2008, total compensation costs of \$0.6 million (2007 - \$0.7 million) were recognized in income related to employee awards under the deferred unit plan, while \$1.5 million (2007 - \$1.7 million) was recognized on a year-to-date basis.

The status of the outstanding deferred units is as follows:

Summary of Deferred Unit Plan	# of Units Outstanding	# of Units Vested
December 31, 2006	73,746	–
Deferred units granted	51,722	–
Additional deferred units earned on 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 units	5,217	3,042
Deferred units converted to Trust Units or cash	(18,974)	(18,974)
September 30, 2008	155,605	3,164

9. UNITHOLDERS’ CAPITAL

The Plan of Arrangement (the “Arrangement”) to convert Boardwalk Equities Inc. from a share corporation to a real estate investment trust was completed on May 3, 2004. 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)	-	780
Units issued for vested deferred units (NOTE 8)	18,970	720
Units purchased and cancelled (see below)	(1,969,200)	(76,325)
September 30, 2008	53,815,422	\$ 265,380

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 purchased and cancelled, on a cumulative basis, 2,522,447 REIT units (1,666,000 in the first nine months of 2008), representing a total market value of approximately \$103.9 million (2008 - \$65.3 million), or an average of \$41.18 per trust unit (2008 - \$39.19 per trust unit).

In August of 2008, Boardwalk REIT filed an application for a normal course issuer bid (the "Second Bid"), which received regulatory approval from the Toronto Stock Exchange on August 18, 2008. The Second Bid allows Boardwalk REIT to purchase and cancel up to 4,040,192 trust units, representing 10% of the public float of its trust units at the time of the TSX approval. The Second Bid will terminate on the earlier of August 19, 2009 or at such time as purchases under the Second Bid are complete.

Under the Second Bid, the Trust has purchased and cancelled, on a cumulative basis, 303,200 REIT units, representing a total market value of approximately \$11.0 million, or an average of \$36.40 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	49,340,422	
Special Voting Units issued to holders of LP Class B units	4,475,000	
Total trust units	53,815,422	\$265,380

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 Sep 30, 2008	3 months ended Sep 30, 2007	9 months ended Sep 30, 2008	9 months ended Sep 30, 2007
Total operating cash flows	\$ 42,805	\$ 30,830	\$ 99,763	\$ 94,127
Net change in operating working capital	(4,687)	4,302	1,523	(4,098)
Deduct:				
Deferred financing costs amortization post May 2, 2004	(844)	(642)	(2,282)	(1,591)
Amortization of net premium on long- term debt assumed after May 2, 2004	(109)	(208)	(325)	(551)
Distributable income	\$ 37,165	\$ 34,282	\$ 98,679	\$ 87,887
Distributions declared to unitholders	\$ 24,250	\$ 22,525	\$ 73,863	\$ 65,391
Distributable income withheld	\$ 12,915	\$ 11,757	\$ 24,816	\$ 22,496
	\$ 37,165	\$ 34,282	\$ 98,679	\$ 87,887
Weighted average units outstanding – basic	54,025,197	55,900,390	54,711,115	55,856,690
Weighted average units outstanding – diluted	54,039,837	55,900,390	54,716,084	55,856,690
Distributable income earned per unit – basic and diluted	\$ 0.688	\$ 0.613	\$ 1.804	\$ 1.573
Actual distributions declared per unit – basic and diluted	\$ 0.449	\$ 0.403	\$ 1.350	\$ 1.171
Distributions declared as a % of distributable income	65.2%	65.7%	74.9%	74.4%

Earnings per unit	3 months ended Sep 30, 2008	3 months ended Sep 30, 2007	9 months ended Sep 30, 2008	9 months ended Sep 30, 2007
Numerator				
Earnings (loss) from continuing operations	\$ 16,833	\$ 10,158	\$ 30,573	\$ (88,482)
Earnings from discontinued operations	\$ 621	\$ 2,900	\$ 4,243	\$ 7,670
Denominator				
Denominator for basic earnings per unit – weighted average units	54,025,197	55,900,390	54,711,115	55,856,690
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion	54,039,837	55,900,390	54,716,084	55,856,690
Earnings (loss) per unit from continuing operations				
– Basic	\$ 0.31	\$ 0.18	\$ 0.56	\$ (1.58)
– Diluted	\$ 0.31	\$ 0.18	\$ 0.56	\$ (1.58)
Earnings per unit from discontinued operations				
– Basic	\$ 0.01	\$ 0.05	\$ 0.08	\$ 0.14
– Diluted	\$ 0.01	\$ 0.05	\$ 0.08	\$ 0.14

11.

INCOME TAXES

Boardwalk REIT is a “mutual fund trust” as defined under the Income Tax Act (Canada) and, accordingly, is not taxable on its income to the extent that its income is distributed to its unitholders. This exemption does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax. 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 Sep 30, 2008	3 months ended Sep 30, 2007	9 months ended Sep 30, 2008	9 months ended Sep 30, 2007
Continuing operations	\$ (2,563)	\$ 2,055	\$ 707	\$ 113,453
Total future income taxes (recovery)	\$ (2,563)	\$ 2,055	\$ 707	\$ 113,453

Future income taxes (recovery) consist of the following:

	3 months ended Sep 30, 2008	3 months ended Sep 30, 2007	9 months ended Sep 30, 2008	9 months ended Sep 30, 2007
Tax expense based on expected rate	\$ 243	\$ 345	\$ 534	\$ 494
Adjustment to future income tax liabilities	(2,806)	1,710	173	112,959
Future income taxes (recovery)	\$ (2,563)	\$ 2,055	\$ 707	\$ 113,453

The future income tax liability is calculated as follows:

	September 30, 2008	December 31, 2007
As at		
Tax asset (liability) related to operating losses	\$ 72	\$ (90)
Tax liability related to differences in tax and book basis	(101,066)	(100,197)
Future income tax liability	\$ (100,994)	\$ (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 a maximum total debt level of up to 70% of Gross Book Value, 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. On July 30, 2008, the debenture holders 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. 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	September 30, 2008	December 31, 2007
Total assets	\$ 2,272,003	\$ 2,195,888
Amortization	574,329	513,514
Exchange value bump	641,460	231,460
	\$ 3,487,792	\$ 2,940,862
Mortgages payable	\$ 1,957,246	\$ 1,770,015
Unsecured debentures	118,997	118,768
Adjustment to debt	2,895	10,560
	\$ 2,079,138	\$ 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 \$362.3 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 capital resources, comprised of cash on hand, long-term fixed rate debt (both secured and unsecured), unitholders' capital and drawings under lines of credit, totalled \$2.4 billion as at September 30, 2008 (December 31, 2007 – \$2.3 billion). Available liquidity as at September 30, 2008 included cash on hand of \$39.2 million as well as an unused committed revolving credit facility of \$200 million. As at September 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	September 30, 2008
Mortgages and accounts receivable	
Carrying value	\$ 9,575
Fair market value	\$ 9,575
Mortgages payable and debentures	
Carrying value	\$ 2,076,243
Fair market value	\$ 2,085,615

At January 1, 2008 and for the three and nine months ended September 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 advantageous 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 September 30, 2008, the Trust had no credit facility debt outstanding and, as such, of the Trust's total debt at September 30, 2008, 100% was fixed-rate debt and 0% was floating-rate debt. For the three and nine months ended September 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 September 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. 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 conservatively leveraged assets 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 EBITDA, as defined, to Consolidated Interest Expense of not less than 1.5 to 1. This covenant was amended to 1.75 to 1 on July 30, 2008. As at September 30, 2008, this ratio was 2.3 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, as at September 30, 2008, this amount was 60% 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 \$1.2 billion as at September 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 \$293 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 September 30, 2008, this ratio was 1.73 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 September 30, 2008, this amount was 60% based on the new definition of GBV and, as such, the Trust was in compliance.

As at September 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 September 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 three 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 September 2007, Boardwalk REIT was eligible for estimated rebates totalling approximately \$0.9 million. For January through September 2008, Boardwalk REIT was eligible for rebates totalling approximately \$1.3 million.

The Trust also entered into a natural gas supply contract, which provides price certainty for natural gas usage in the province of Saskatchewan. The contract covers all of the Trust's natural gas requirements for this province. The physical supply agreement for Saskatchewan covers the period from November 1, 2008 to October 31, 2009. The supply contract provides the commodity at a price of \$8.28/GJ.

In addition to the province of Saskatchewan, the Trust entered into a natural gas supply contract for the provinces of Ontario and Quebec. The contract covers between 85% and 95% of the Trust's natural gas requirements for these provinces. The physical supply agreement for Ontario and Quebec covers the period from November 1, 2008 to October 31, 2009 and provides the commodity at a price of \$7.68/GJ. Furthermore, an additional supply contract covering the period from November 1, 2009 to October 31, 2010 has also been negotiated to ensure supply of approximately 50% of the natural gas usage for Ontario and Quebec at a price of \$7.65/GJ.

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

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 September 30, 2008 is approximately \$4.8 million (September 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 September 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 Sep 30, 2008	3 months ended Sep 30, 2007	9 months ended Sep 30, 2008	9 months ended Sep 30, 2007
Alberta				
Revenue	\$ 65,039	\$ 55,679	\$ 189,018	\$ 158,687
Expenses				
Operating	9,384	7,274	29,884	22,717
Utilities	5,178	4,929	20,888	16,693
Utility rebates	-	-	(1,255)	(930)
Property taxes	4,492	3,379	11,567	9,961
	19,054	15,582	61,084	48,441
Net operating income	\$ 45,985	\$ 40,097	\$ 127,934	\$ 110,246
Saskatchewan				
Revenue	\$ 12,031	\$ 9,941	\$ 34,100	\$ 28,573
Expenses				
Operating	2,043	1,708	5,712	4,917
Utilities	871	898	4,211	3,420
Property taxes	1,118	1,126	3,325	3,454
	4,032	3,732	13,248	11,791
Net operating income	\$ 7,999	\$ 6,209	\$ 20,852	\$ 16,782
Ontario				
Revenue	\$ 9,409	\$ 9,276	\$ 28,366	\$ 28,064
Expenses				
Operating	1,619	1,342	4,879	4,252
Utilities	1,382	1,364	4,897	4,742
Property taxes	1,617	1,753	4,805	5,275
	4,618	4,459	14,581	14,269
Net operating income	\$ 4,791	\$ 4,817	\$ 13,785	\$ 13,795
British Columbia				
Revenue	\$ 3,069	\$ 2,902	\$ 9,055	\$ 8,527
Expenses				
Operating	548	456	1,766	1,645
Utilities	266	218	1,160	1,058
Property taxes	164	151	469	451
	978	825	3,395	3,154
Net operating income	\$ 2,091	\$ 2,077	\$ 5,660	\$ 5,373
Quebec				
Revenue	\$ 18,055	\$ 17,475	\$ 53,184	\$ 51,588
Expenses				
Operating	3,097	2,916	9,967	9,333
Utilities	1,347	1,011	6,269	5,615
Property taxes	1,255	1,869	4,438	5,651
	5,699	5,796	20,674	20,599
Net operating income	\$ 12,356	\$ 11,679	\$ 32,510	\$ 30,989
Total				
Net operating income	\$ 73,222	\$ 64,879	\$ 200,741	\$ 177,185
Unallocated revenue*	583	429	2,132	544
Unallocated expenses**	(56,351)	(52,250)	(168,057)	(258,541)
Net earnings (loss) for the period	\$ 17,454	\$ 13,058	\$ 34,816	\$ (80,812)

As at	September 30, 2008	December 31, 2007
Alberta		
Identifiable assets		
Revenue producing properties	\$ 1,293,921	\$ 1,244,328
Mortgages and accounts receivable	4,389	5,863
Tenants' security deposits	11,531	10,385
	\$ 1,309,841	\$ 1,260,576
Saskatchewan		
Identifiable assets		
Revenue producing properties	\$ 167,319	\$ 168,581
Mortgages and accounts receivable	550	202
Tenants' security deposits	2,628	2,096
	\$ 170,497	\$ 170,879
Ontario		
Identifiable assets		
Revenue producing properties	\$ 203,786	\$ 206,366
Mortgages and accounts receivable	169	237
	\$ 203,955	\$ 206,603
Quebec		
Identifiable assets		
Revenue producing properties	\$ 419,972	\$ 421,473
Mortgages and accounts receivable	1,585	800
	\$ 421,557	\$ 422,273
British Columbia		
Identifiable assets		
Revenue producing properties	\$ 104,396	\$ 104,491
Mortgages and accounts receivable	1,051	1,049
Tenants' security deposits	491	444
	\$ 105,938	\$ 105,984
Total assets		
Identifiable assets	\$ 2,211,788	\$ 2,166,315
Unallocated assets***	60,215	29,573
	\$ 2,272,003	\$ 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.



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Art Havener ⁽²⁾ ⁽³⁾

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Ernest Kapitza ⁽³⁾

Calgary, Alberta

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Thornhill, Ontario

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⁽¹⁾ Lead Trustee

⁽²⁾ Member of the Audit and Risk
Management Committee

⁽³⁾ Member of the Compensation,
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