

# Q1 2009



TSX: BEI.UN

## CORPORATE PROFILE

Boardwalk Real Estate Investment Trust ("Boardwalk REIT," "Boardwalk," or "the Trust") is Canada's largest owner / operator of multi-family rental communities.

Boardwalk REIT owns and operates in excess of 260 properties with 36,785 rental units totaling approximately 31 million net rentable square feet (as of March 31, 2009).

The Trust's portfolio is concentrated in the provinces of British Columbia, Alberta, Saskatchewan, Ontario, and Quebec.

Boardwalk REIT's Trust Units are listed on the Toronto Stock Exchange, trading under the symbol 'BEI.UN'. The Trust's total enterprise value at March 31, 2009 was \$3.6 billion.

Boardwalk was incorporated as Boardwalk Equities Inc. (the "Corporation") in 1994. On May 3, 2004, the Corporation announced the successful completion of its reorganization to Boardwalk Real Estate Investment Trust. The Trust's principal objectives are to provide its Unitholders with stable and growing cash flow distributions and to increase the value of its Trust Units through the effective management of its residential, multi-family, revenue-producing properties and the acquisition of additional properties.

*STRENGTH  
BALANCE  
INNOVATION*

## LETTER TO UNITHOLDERS

We are pleased to report on a solid first quarter of 2009 for Boardwalk Real Estate Investment Trust ("Boardwalk," "Boardwalk REIT", or "the Trust"). Although apartment rental market fundamentals have seen a decline over the last quarter, higher rental revenue with decreases in rental operating expenses and utility costs, and fewer outstanding Trust Units continued to produce positive FFO growth for the Trust year-over-year. Funds from Operations (FFO) and FFO per Unit increased approximately 10.0% and 14.0%, respectively, over the same quarter last year. Distributable Income (DI) and DI per Unit for the first quarter increased approximately 8.7% and 13.7%, 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 first quarter ended March 31, 2009, under the section titled, "Performance Measures".

We continue to demonstrate financial stability in the early part of 2009. Despite the economic challenges ahead, we continue to strengthen our balance sheet. With continued access to debt capital at lower interest rates than our current weighted average, we believe we will be able to produce solid results over the next nine months. Our revenue-maximization strategy proved successful in the first quarter, and we continue to closely monitor occupancy and make adjustments accordingly. Through select incentives and reductions in market rent, we saw occupancy in our Calgary market increase in the first three months of 2009, a positive sign for the Trust. Overall, occupancy was down compared to the fourth quarter of 2008, but higher year-over-year.

In addition to our revenue-maximization strategy, we remain committed to reinvesting in Boardwalk REIT through the purchase of our own Trust Units through the Normal Course Issuer Bid. Due to current cap rates implicit in our Unit price, we believe allocating capital toward the purchase of our Trust Units is a prudent investment and will, in the short term, provide the most value for our Unitholders.



## LETTER TO UNITHOLDERS

## HIGHLIGHTS OF THE TRUST'S FIRST QUARTER 2009 FINANCIAL RESULTS

\$ million, except per unit amounts	Three Months March 2009	Three Months March 2008	% Change
Rental Revenue	\$ 108.2	\$ 102.2	5.9%
Net Operating Income (NOI)	\$ 66.0	\$ 60.5	9.0%
Funds From Operations (FFO)	\$ 30.5	\$ 27.7	10.0%
FFO Per Unit	\$ 0.57	\$ 0.50	14.0%
Distributable Income (DI)	\$ 30.8	\$ 28.3	8.7%
DI Per Unit	\$ 0.58	\$ 0.51	13.7%
Distributions Declared	\$ 24.0	\$ 25.0	
Distributions Declared Per Unit (2008 Target \$1.80 Per Unit on an annualized basis)	\$ 0.45	\$ 0.45	
Payout as a % DI	77.9%	88.2%	

For further detail, please refer to pages 9-11 of the MD&A.

## PORTFOLIO HIGHLIGHTS FOR THE FIRST QUARTER 2009

	March 2009	Dec 2008	March 2008
Average Vacancy (3 Months)	5.34%	4.68%	5.65%
Average Monthly Rent (3 Months)	\$ 979	\$ 978	\$ 931
Average Market Rent (Period Ended)	\$ 1,023	\$ 1,047	\$ 1,051
Average Occupied Rent (Period Ended)	\$ 1,030	\$ 1,028	\$ 994
Loss-to-Lease (\$ million)	(\$ 3.1)	\$ 8.0	\$ 23.7
Loss-to-Lease Per Trust Unit	\$ (0.06)	\$ 0.15	\$ 0.43
<b>Debt-to-GBV ("Gross Book Value") (Period Ended)</b>	<b>60.6%</b>	<b>60.5%</b>	
	<b>% Change Year-Over-Year</b>		
<b>Same Property Results (3 Months)</b>			
Rental Revenue	4.9%		
Operating Costs	-1.3%		
Net Operating Income (NOI)	9.1%		

For further details, please refer to pages 13-16 and 20-21 of the MD&A.

## SEQUENTIAL REVENUE ANALYSIS

Stabilized Revenue Growth	# of Units	Q1 2009 vs. Q4 2008	Q4 2008 vs. Q3 2008	Q3 2008 vs. Q2 2008	Q2 2008 vs. Q1 2008
Calgary	4,973	-1.3%	-0.9%	1.3%	3.0%
Edmonton	11,825	0.4%	-1.0%	3.5%	2.6%
Other Alberta	2,043	0.7%	1.0%	0.3%	0.1%
British Columbia	1,087	-0.8%	2.0%	1.2%	1.9%
Ontario	4,265	0.3%	0.0%	-1.2%	0.9%
Quebec	6,756	-0.2%	-0.5%	2.2%	1.1%
Saskatchewan	4,660	1.5%	2.8%	5.7%	6.6%
	35,609	0.1%	-0.1%	2.4%	2.5%

On a sequential basis, stabilized revenues increased 0.1% from Q4 2008 to Q1 2009, decreased 0.1% from Q3 2008 to Q4 2008, increased 2.4% from Q2 2008 to Q3 2008, and increased 2.5% from Q1 2008 to Q2 2008.

## MARKET FUNDAMENTALS FROM ACROSS CANADA:

### UNEMPLOYMENT, MIGRATION AND WAGES

Market Fundamentals	BC		Alberta		Sask		Ontario		Quebec	
	Apr 2009	Apr 2008	Apr 2009	Apr 2008	Apr 2009	Apr 2008	Apr 2009	Apr 2008	Apr 2009	Apr 2008
Unemployment Rate	7.4%	4.3%	6.0%	3.3%	5.0%	4.3%	8.7%	6.3%	8.4%	7.6%
	Q4 2008	Q4 2007	Q4 2008	Q4 2007	Q4 2008	Q4 2007	Q4 2008	Q4 2007	Q4 2008	Q4 2007
Net Interprovincial Migration	1,453	2,599	6,198	864	949	1,782	-6,517	-4,047	-2,139	-2,105
Net International Migration	10,255	6,252	8,967	6,290	1,512	611	6,151	5,637	6,046	6,902
Total Net Migration	11,708	8,851	15,165	7,154	2,461	2,393	-366	1,590	3,907	4,797
	Feb 2008 to Feb 2009	Feb 2007 to Feb 2008	Feb 2008 to Feb 2009	Feb 2007 to Feb 2008	Feb 2008 to Feb 2009	Feb 2007 to Feb 2008	Feb 2008 to Feb 2009	Feb 2007 to Feb 2008	Feb 2008 to Feb 2009	Feb 2007 to Feb 2008
Average Weekly Wages Growth	-0.5%	3.4%	5.4%	4.9%	3.5%	4.4%	1.1%	2.9%	2.2%	1.7%

Source: Statistics Canada

#### WESTERN CANADA:

Rental market fundamentals in Western Canada have seen a decline compared to 2008 levels, but are still surpassing the Eastern provinces.

In Alberta, high energy prices helped buffer the economy in 2008, but the province is beginning to see the effects of the economic recession. It is projected that the province will lose between \$97 billion and \$241 billion of capital projects over the next ten years due to delayed oil sands projects. Two projects that are staying on course are Imperial Oil's Kearl Project, worth \$8 billion, and the Devon Jackfish Project. Imperial Oil expects to make a decision regarding the Kearl Project at the end of its second quarter of 2009. It is estimated Alberta's GDP growth will decline by 0.7% in 2009, but will rebound in 2010. As of April 2009, Alberta's unemployment rate was 6.0%, the third lowest of the provinces. Wage growth remains high in the province, attracting interprovincial migration, with large gains from Ontario. Alberta also saw reduced interprovincial migration losses to British Columbia and Saskatchewan over the fourth quarter of 2008, helping it lead the provinces in population growth for the fifth straight quarter. International migration was also up year-over-year, contributing to rental demand in the province.

Saskatchewan is expected to post GDP growth of 0.9% in 2009, despite a drop in commodity prices for uranium, crude oil, and agricultural products, and will continue to attract capital investment. As of April 2009, Saskatchewan's unemployment rate was 5.0%, the second lowest in the country. Wage growth was lower year-over-year but still positive at 3.5%. International migration to Saskatchewan was up year-

over-year as of the fourth quarter of 2008, helping to make up for lower interprovincial migration.

British Columbia gained 17,000 jobs in April 2009, helping to make up for the 21,000 jobs lost in the previous month. The province's unemployment rate for April stayed at 7.4%, below the national average of 8.0%. Wages in British Columbia declined as of February 2009 by 0.5%. However, GDP growth for the province is expected to exceed the national average in 2009, with major projects as of December 2008 estimated at a worth of \$179.4 billion. While interprovincial migration to British Columbia was down, international migration was higher year-over-year in the fourth quarter of 2008, and net migration will remain high in 2009.

#### EASTERN CANADA:

Eastern Canada continues to be negatively affected by the economic recession. In Ontario, wage growth has tempered and unemployment remained at 8.7% as of April 2009. With General Motors and Chrysler facing financial difficulties, the future of Ontario's auto industry remains uncertain. The province also experienced its highest fourth quarter losses for interprovincial migration since 1975 due to increased migration to Alberta. Quebec saw wage growth increase year-over-year, as of February 2009, but also saw an increase in unemployment, reaching 8.4% as of April. However we are pleased to report that Quebec gained 22,000 jobs in the same month. Fourth quarter international and interprovincial migration to Quebec were both down year-over-year.

## LETTER TO UNITHOLDERS

## MLS HOUSING PRICES

British Columbia	Vancouver CMA		Victoria CMA	
	March 2009	March 2008	March 2009	March 2008
Average Single Family	\$ 649,342	\$ 764,616	\$ 534,689	\$ 597,176
Average Condo	na	na	\$ 295,624	\$ 328,734
Alberta	Calgary CMA		Edmonton	
	March 2009	March 2008	March 2009	March 2008
Average Single Family	\$ 420,354	\$ 474,513	\$ 349,716	\$ 387,632
Average Condo	\$ 284,056	\$ 312,056	\$ 230,469	\$ 263,023
Saskatchewan	Saskatoon		Regina	
	March 2009	March 2008	March 2009	March 2008
Average Overall	\$ 266,720	\$ 289,440	\$ 246,268	\$ 211,962
Ontario	London		Windsor	
	March 2009	March 2008	March 2009	March 2008
Average Single Family	\$ 215,343	\$ 225,854	na	na
Average Condo	\$ 147,282	\$ 142,081	na	na
Average Overall	na	na	\$ 147,695	\$ 165,298
Quebec	Montreal (CMA)			
	March 2009*	March 2008		
Average Overall	\$ 254,502	\$ 250,451		

Internally generated, NA = Data not available, \* Internally calculated based on volume of sales and total sales for March 2009 as provided by the Greater Montreal Real Estate Board. Source: Association of Regina REALTORS®, Calgary Real Estate Board, Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Edmonton Real Estate Board, Greater Montreal 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:

The buyer's market is re-establishing in Western Canada, as low mortgage rates and housing prices encourage new homebuyers. Both Calgary and Edmonton saw declines in resale prices year-over-year, with the average price for a single-family home in March 2009 falling by 11% and 10%, respectively. For the same month, condominium prices in Calgary and Edmonton fell 9% and 12%, respectively, year-over-year. Multi-family housing starts in both Calgary and Edmonton are projected to drop dramatically, eliminating potential competition for the existing rental market. Calgary has shown the most dramatic drop, from 7,051 in 2008 to an estimate of 1,700 for 2009. Condominium listings in Calgary for March were also down 42% year-over-year. The March average sale price in Saskatoon declined 8% year-over-year, but Regina saw a year-over-year price increase of 16% for the same month. In Vancouver, the average price for a single-family home fell 15.1% in March year-over-year, but prices remain high, encouraging rental demand.

## EASTERN CANADA:

The housing market in Eastern Canada is showing signs of stabilizing. The price of a single-family home in London dropped by 5% for March 2009 year-over-year, although condominium prices were up 4% year-over-year for the same month. Single-family sales were down in London by 7% in March compared to the same time last year, but were an improvement from downward sales of 30% in February of this year. Windsor also saw its average sale price decline by 11% year-over-year for March. In Montreal, housing prices in March were up slightly year-over-year, while sales were down; sales of single-family homes and condominiums decreased by 11% and 15%, respectively, year-over-year. While consumer confidence in Montreal is increasing due to availability and low interest rates, the demand for rental housing is still strong.

## ACQUISITIONS AND DISPOSITIONS

Due to current market conditions, we are not anticipating any acquisitions at this time. However, with the gap between public apartment companies' and private market cap rates, there may be a unique opportunity to selectively sell apart-

ment assets to private buyers and redeploy these proceeds to acquire our Trust Units as part of our Normal Course Issuer Bid.

For further detail, please refer to page 17 of the MD&A.

#### UNIT BUYBACK

In alignment with our financial guidance for 2009, we continue to believe that one of the best investments we can make is purchasing our Trust Units at current levels. Under the First Normal Course Issuer 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 cumulatively 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.

Under the Second Bid, which received regulatory approval from the Toronto Stock Exchange on August 18, 2008, the Trust has purchased and cancelled, on a cumulative basis, 951,000 REIT units (305,000 in the first quarter of 2009), representing a total market value of approximately \$28.0 million (\$7.9 million in first quarter of 2009), or an average of \$29.45 per trust unit.

For further detail, please refer to pages 18-19 of the MD&A.

#### CONTINUED FINANCIAL STRENGTH

The Trust continued to build on its solid financial position throughout the first quarter of 2009. Boardwalk REIT's total mortgage and debt outstanding was \$2.17 billion as of March 31, 2009, as compared to \$2.18 billion as of December 31, 2008. As of March 31, 2009, the Trust's total debt had an average term maturity of 3 years with a weighted average interest rate of 4.77% and the debt-to-total enterprise value ratio was 61.1%.

The Trust projects that by May 14, 2009, it will have access to approximately \$367 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 March 31, 2009 was 2.18 times compared to 2.15 times in the same period last year.

For further detail, please refer to pages 16 and 20-21 of the MD&A.

#### OUTLOOK AND 2009 FINANCIAL GUIDANCE

We estimate that for fiscal 2009, we will report FFO on a per outstanding Trust Unit between \$2.45 - \$2.55 (DI between \$2.47 - \$2.57). We are not anticipating any new apartment acquisitions for 2009. The following table details our 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

As noted earlier, 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 prudently allocate capital to this area.

For further detail, please refer to page 24 of the MD&A.

#### SUPPLEMENTARY INFORMATION

Boardwalk produces the Quarterly Supplemental Information Package that provides detailed information regarding the Trust's activities during the quarter. The First Quarter 2009 Supplemental Information Package is available on our investor website at [www.boardwalkreit.com](http://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. Through their commitment to excellence, our Associates strive to provide the best possible service to our Customers and ensure Boardwalk's continued success as a provider of quality rental homes.

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,



Sam Kolias,  
Chairman and CEO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months Ended March 31, 2009

### 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 months ended March 31, 2009. 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, 2008 and 2007 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](http://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 2009 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 2008 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 first quarter of 2009, 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 89 units have been sold and closed as of March 31, 2009), totaling approximately 31 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.

## OUTLOOK

The global financial and real estate markets continue to experience dramatic change. These events continue to result 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 36 of the Annual Information Form dated February 13, 2009. 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 March 31, 2009, 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 - Q1 2008 VERSUS Q1 2009

FFO Reconciliation Per Trust Unit	
FFO March 31, 2008	\$ 0.50
NOI from Stabilized	\$ 0.10
NOI from Unstabilized	\$ -
Financing costs from excess liquidity	\$ (0.03)
Administration and other	\$ (0.02)
Unit Buyback	\$ 0.02
<b>FFO March 31, 2009</b>	<b>\$ 0.57</b>

## HEDGING ACTIVITIES

In 2008, the Trust entered into forward hedging arrangements with respect to some of its 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.

### 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 in 2008. 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. As at March 31, 2009, the unamortized amount of this effective hedge was \$253 thousand.

### 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 March 31, 2009, the interest rate swap agreement was assessed to be an effective hedge and, consistent with the assessment at December 31, 2008, 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

During the first quarter of 2009, the Trust acquired in the open market a total face value of \$7.6 million of its unsecured debentures for cancellation. These were purchased at a discount to the face value and the cost paid by the Trust was \$7.2 million of which \$55 thousand represented accrued interest. The remaining difference of \$408 thousand between the face value and the discounted price paid has been reported as "Other Income" on the financial statements.

The debenture holders, in a special meeting held July 30, 2008, approved an amendment to the Unsecured Debentures 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 1.50 to 1 and the rate of interest on the debenture was increased to 5.61% from 5.31% commencing July 30, 2008 until the maturity date of January 23, 2012.

## 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 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, on a very selective basis, 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.

## 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 pays 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 months ended March 31, 2009, the Trust declared distributions of \$24.0 million representing approximately 77.9% of the reported DI. The reader should note that the overall operating performance of the first quarter tends to generate the highest payout ratio mainly due to the high seasonality in operating expenses, In particular, the first quarter tends to be the highest demand period for natural gas, a major operational cost for the Trust. The reader should not simply annualize this first quarter operating results. 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

## MANAGEMENT'S DISCUSSION &amp; ANALYSIS

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 current period.

<b>FFO Reconciliation</b> <i>In \$000's, except per unit amounts</i>	<b>3 months</b> <b>March 2009</b>	3 months March 2008	% Change
Net earnings from continuing operations	\$ 17,725	\$ 3,365	
Adjustments			
Earnings (loss) from discontinued operations	\$ (56)	\$ 2,267	
Loss (gain) on dispositions	\$ 56	\$ (2,267)	
Other Income	(408)	(2,267)	
Future income taxes (recovery)	\$ (8,570)	\$ 2,381	
Future income taxes on discontinued operations	\$ -	\$ -	
Amortization of assets (capital and intangibles)	\$ 21,709	\$ 21,938	
Funds from operations	\$ 30,456	\$ 27,684	10.0%
Funds from operations - per unit	\$ 0.57	\$ 0.50	14.0%

<b>Distributable Income Reconciliation</b> <i>In \$000's, except per unit amounts</i>	<b>3 months</b> <b>March 2009</b>	3 months March 2008	% Change
Total operating cash flows	\$ 23,282	\$ 23,879	
Net change in operating working capital	\$ 8,377	\$ 5,273	
Deduct deferred financing costs amortization post May 2, 2004	\$ (877)	\$ (731)	
Mark-to-market debt adjustment post May 2004	\$ (25)	\$ (124)	
Distributable income	\$ 30,757	\$ 28,297	8.7%
Distributable income - per unit	\$ 0.58	\$ 0.51	13.7%

Overall, Boardwalk REIT earned \$30.5 million in FFO for the three months ended March 31, 2009 compared to \$27.7 million for the same period last year. FFO on a per unit basis for the current quarter ended March 31, 2009 increased approximately 14.0% compared to the same period in the prior year, from \$0.50 to \$0.57. DI for the three months ended March 31, 2009 was \$0.58 per Trust Unit, compared to \$0.51 for the same period last year, representing an increase of approximately 13.7%.

## REVIEW OF RENTAL OPERATIONS

<i>In 000's, except per apartment unit amounts</i>	<b>3 months</b> <b>March 2009</b>	3 months March 2008	% Change
Rental revenue	\$ 108,229	\$ 102,209	5.9%
Expenses			
Operating expenses	17,982	\$ 18,559	(3.1)%
Utilities	16,085	\$ 16,724	(3.8)%
Utility rebate	(378)	(1,258)	(70.0)%
Property taxes	8,572	\$ 7,679	11.6%
	42,261	\$ 41,704	1.3%
Net operating income	65,968	\$ 60,505	9.0%
Average rental revenue per unit per month	979	\$ 931	5.2%
Operating costs per unit per month	\$ 383	\$ 380	0.7%
Operating margins	61%	59%	

Overall, Boardwalk REIT's rental operations from continuing operations reported strong results. Of the reported increase in rental revenue of 5.9% for the three months ended March 31, 2009, approximately 4.9% 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 British Columbia, Alberta and Saskatchewan. Total rental expenses increased by 1.3% for the three months ended March 31, 2009. This increase is mainly the result of an increase in property tax expenses mostly offset by decreases in overall utility costs in the province of Alberta as a result of lower gas prices this quarter and lower overall operating costs. Property taxes increased 11.6% for the three months ended March 31, 2009 compared to the same period last year primarily due to increased property valuations, largely in the province of Alberta. The Trust is constantly reviewing property tax assessments and related charges and, where it feels appropriate, will appeal all or a part of the related assessment. It is not uncommon for the Trust to receive refunds; however, due to the uncertainty of the amount and timing of the related refunds, these amounts are only reported when they are received.

Overall, operating margins for the current quarter increased slightly at 61%, when compared to 59% for the same period in 2008.

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

<i>In \$000's</i>	3 months March 2009 (Unaudited)	3 months March 2008 (Unaudited)	Change
Rental revenue	3,103	\$ 2,966	4.6%
Rental Expenses:			
Operating expenses	212	\$ 620	(65.8%)
Utilities	461	\$ 497	(7.2%)
Property taxes	161	\$ 150	7.0%
	834	\$ 1,267	(34.2%)
Net operating income	2,269	\$ 1,699	33.5%
Operating margins	73.1%	57.3%	

Boardwalk REIT's British Columbia portfolio continued to report good results. Rental revenues increased slightly while overall operating expenses decreased, the combined result of an anticipated insurance refund on fire damage that occurred in fiscal 2008, as well as an adjustment to parts and supplies inventory levels. Operating margins for the first quarter of 2009 increased compared to the same period in the prior year as a result of both an increase in rental revenues of 4.6% over the same period last year and a decrease in overall rental expenses. Operating expenses decreased as a result of the Trust being able to make a claim against a third party on damages resulting from a fire that occurred in 2008.

#### ALBERTA RENTAL OPERATIONS

<i>In \$000's</i>	3 months March 2009 (Unaudited)	3 months March 2008 (Unaudited)	Change
Rental revenue	\$ 64,813	\$ 61,119	6.0%
Rental Expenses:			
Operating expenses	\$ 10,365	\$ 10,483	(1.1%)
Utilities	\$ 7,957	\$ 8,865	(10.2%)
Utilities rebate	\$ (376)	\$ (1,255)	(70.0%)
Property taxes	\$ 4,084	\$ 3,491	17.0%
	\$ 22,030	\$ 21,584	2.1%
Net operating income	\$ 42,783	\$ 39,535	8.2%
Operating margins	66.0%	64.7%	

## MANAGEMENT'S DISCUSSION &amp; ANALYSIS

Boardwalk REIT's Alberta operations for the three months ended March 31, 2009 have posted increased rental revenues when compared to the amounts reported in the same period during fiscal 2008. The reported increase in rental revenue is the combined effect of an increase to in-place occupied rents and higher overall occupancy levels compared to the same period in the prior year. Operating expenses have increased slightly, mainly the result of an increase in property taxes, partially offset by decreases in operating expenses and overall utility charges. The reported property tax increases were the result of an increase in property tax assessments on our Alberta properties.

## SASKATCHEWAN RENTAL OPERATIONS

<i>In \$000's</i>	<b>3 months March 2009 (Unaudited)</b>	<b>3 months March 2008 (Unaudited)</b>	<b>Change</b>
Rental revenue	\$ 12,563	\$ 10,682	17.6%
Rental Expenses:			
Operating expenses	\$ 1,796	\$ 1,664	8.0%
Utilities	\$ 2,091	\$ 2,363	(11.5%)
Property taxes	\$ 1,157	\$ 1,132	2.2%
	\$ 5,044	\$ 5,159	(2.2%)
Net operating income	\$ 7,519	\$ 5,523	36.1%
Operating margins	59.9%	51.7%	

Boardwalk REIT's Saskatchewan operations reported strong results for the three months ended March 31, 2009 compared to the same periods in fiscal 2008. Overall for the current quarter, rental revenue increased by 17.6%. The increase is mainly the result of strong rental market fundamentals in both Regina and Saskatoon. Rental expenses decreased by 2.2% for the three months ended March 31, 2009, compared to the same period in the prior year, mainly as a result of lower utility costs and, in particular, lower natural gas prices.

## ONTARIO RENTAL OPERATIONS

<i>In \$000's</i>	<b>3 months March 2009 (Unaudited)</b>	<b>3 months March 2008 (Unaudited)</b>	<b>Change</b>
Rental revenue	\$ 9,440	\$ 9,435	0.1%
Rental Expenses:			
Operating expenses	\$ 1,800	\$ 1,593	13.0%
Utilities	\$ 2,026	\$ 2,012	0.7%
Property taxes	\$ 1,338	\$ 1,573	(14.9%)
	\$ 5,164	\$ 5,178	(0.3%)
Net operating income	\$ 4,276	\$ 4,257	0.4%
Operating margins	45.3%	45.1%	

Boardwalk REIT's Ontario operations reported relatively stable rental revenue for the three months ended March 31, 2009 compared to the same period last year. Rental expenses decreased marginally for the three months ended March 31, 2009, compared to the same period in the prior year; increases in rental operating expense were more than offset by a reported decrease in property taxes as a result of rebates we received due to the successful appeal of property tax assessments on our Ontario properties. Utilities for the three months ended March 31, 2009 remained relatively flat compared to the same period in 2008.

## QUEBEC RENTAL OPERATIONS

<i>In \$000's</i>	3 months March 2009 (Unaudited)	3 months March 2008 (Unaudited)	Change
Rental revenue	\$ 17,921	\$ 17,470	2.6%
Rental Expenses:			
Operating expenses	\$ 2,631	\$ 3,563	(26.2%)
Utilities	\$ 3,253	\$ 2,892	12.5%
Property taxes	\$ 1,812	\$ 1,303	39.1%
	\$ 7,696	\$ 7,758	(0.8%)
Net operating income	\$ 10,225	\$ 9,712	5.3%
Operating margins	57.1%	55.6%	

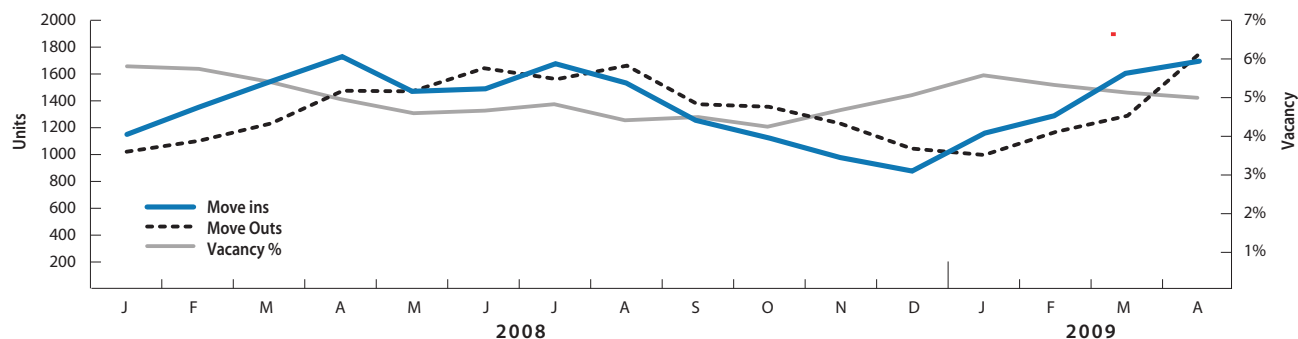
Boardwalk REIT's Quebec operations reported an increase in rental revenues of 2.6% for the three months ended March 31, 2009 compared to the same period in the prior year, due to improving results on existing, stabilized properties. Reported rental expenses are down from the same period in the prior year. Utilities were higher for the first quarter of 2009 compared to the same period in the prior year due to higher consumption in the first quarter of the year and property taxes increased by 39.1% compared to the same period in the prior year. The significant increase in property taxes is mainly due to a property tax rebate included in the amount reported in 2008 of approximately \$600 thousand dollars as a result of property tax rebates received on our Nuns' Island Portfolio. If we were to exclude these rebates from 2008 property taxes, property taxes for the current period would be consistent with those reported in the first quarter of 2008.

## BOARDWALK REIT'S PORTFOLIO VACANCY

City	Q1 2009	Q1 2008
Calgary	5.69%	6.32%
Edmonton	5.59%	7.02%
Gatineau	2.19%	1.67%
Kitchener	2.43%	2.03%
London	4.51%	4.16%
Montreal	3.81%	5.72%
Other Alberta	6.72%	6.04%
Quebec City	2.42%	3.82%
Regina	3.81%	5.42%
Saskatoon	6.47%	1.64%
Windsor	10.86%	7.95%
Vancouver	4.78%	4.34%
Verdun	4.00%	3.55%
Victoria	4.93%	2.98%
Grand Total	5.34%	5.65%

The first quarter of fiscal 2009 saw the portfolio's overall vacancy rate decrease to 5.34% from 5.65% for the same period in the prior year. At this time in the rental cycle, Boardwalk REIT is much more focused on decreasing vacancy as this will result in higher overall revenue being earned. The 6.72% vacancy rate for "Other Alberta" includes Grande Prairie, which experienced higher vacancies as a result of low rig utilization and increased unemployment in the oil and gas sector due to a past trend of low natural gas prices.

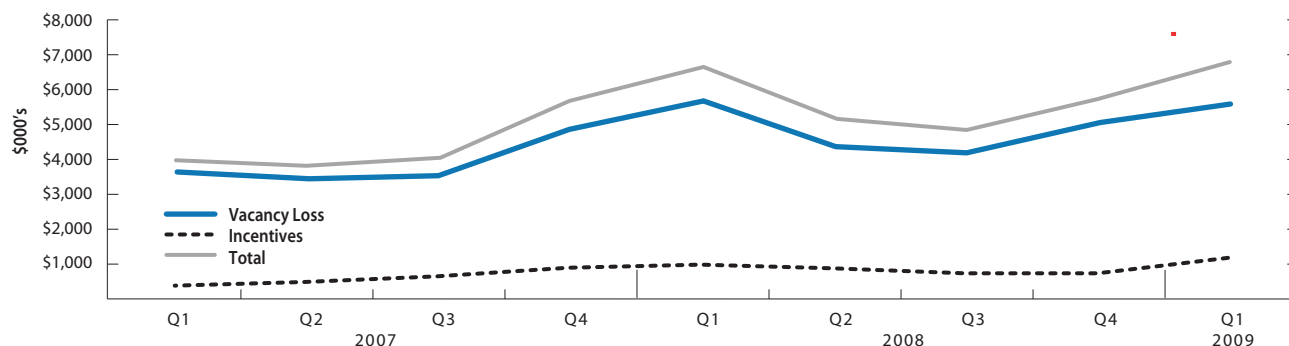
MANAGEMENT'S DISCUSSION & ANALYSIS



Supply vs Demand & Reported Vacancy By Month

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 relating to our portfolio. The cumulative impact of demand being greater than supply, or vice versa, is the primary driver in the reported vacancy rate. In the first quarter of fiscal 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 5.34% compared to the same period in the previous year, while still reporting strong overall rental revenues. Boardwalk REIT will continue with this strategy; however, the Trust is now in the position whereby we may see some upward rental adjustments in certain selective markets. 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 & 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 increase in vacancy loss and incentives during the first quarter of 2009 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.

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 the metric 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 96.8% of its total rental unit portfolio as at March 31, 2009, or a total of 35,609 units. The following compares the stabilized property results for the three months ended March 31, 2009 with the same period in the prior year.

March 31 2009 - 3 M	# of Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	4,973	2.0%	-2.0%	3.9%	18.5%
Edmonton	11,825	5.7%	0.9%	8.5%	37.7%
Other Alberta	2,043	1.0%	4.7%	-1.1%	6.1%
British Columbia	1,087	4.6%	-34.2%	33.6%	3.5%
Ontario	4,265	0.1%	-0.3%	0.4%	6.6%
Quebec	6,756	2.6%	-0.7%	5.2%	15.9%
Saskatchewan	4,660	17.6%	-2.2%	36.1%	11.7%
	35,609	4.9%	-1.3%	9.1%	100.0%

For the first quarter of 2009, same-store revenue increased by 4.9% compared to the same period in the prior year. When combined with operating expenses decreasing by 1.3%, net operating income growth improved overall by 9.1%. The increase in reported stabilized revenue was driven mainly by the Trust's Alberta and Saskatchewan operations, which account for approximately 74.0% of the Trust's reported stabilized net operating income. The majority of the reported decrease in rental operating expenses for the three months ended March 31, 2009 was due to lower repairs and maintenance expense 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.

On a sequential basis, stabilized revenues reported in the first quarter of 2009 were up 0.1% over Q4 2008, 0.1% over Q3 2008, 2.4% over Q2 2008 and 4.9% over Q1 2008. As we expected, the vacancy rates have decreased as a result of increased rental incentives and reduced market rents being offered. Controlling operating expenses, in addition to our revenue-maximization strategy, have contributed to an increase in Net Operating Income over the same period last year. Boardwalk REIT continues to experience growth in its reported stabilized revenue as occupied rent and occupancy levels continue to show upward trends.

### ESTIMATED LOSS-TO-LEASE CALCULATION

Boardwalk REIT's estimated loss-to-lease, representing the difference between estimated market rents and actual occupied rents on March 31, 2009, adjusted for current occupancy levels, totaled \$(3.1) million on an annualized basis, representing (\$0.06) per outstanding Trust Unit. The reported decrease is the direct result of Boardwalk's proactive strategy to reduce market rents in Alberta to increase its occupancy, resulting in stronger overall rental revenues. 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.

	March 2009 Occupied Rent	March 2009 Market Rent	Mark to Market Per Month	Annualized Mark to Market Adjusted for Vacancies (\$000's)	Weighted Average Units	% of Portfolio
Calgary	\$ 1,211	\$ 1,181	\$ (30)	\$ (1,859)	5,466	15%
Edmonton	\$ 1,119	\$ 1,085	\$ (35)	\$ (4,904)	12,584	34%
Other Alberta	\$ 1,109	\$ 1,099	\$ (11)	\$ (234)	1,967	5%
Alberta Portfolio	\$ 1,143	\$ 1,112	\$ (31)	\$ (6,997)	20,017	54%
Saskatchewan	\$ 949	\$ 984	\$ 36	\$ 1,865	4,660	13%
Ontario	\$ 787	\$ 791	\$ 4	\$ 197	4,265	12%
Quebec	\$ 917	\$ 934	\$ 17	\$ 1,285	6,756	18%
British Columbia	\$ 959	\$ 1,004	\$ 44	\$ 540	1,087	3%
Total Portfolio	\$ 1,030	\$ 1,023	\$ (7)	\$ (3,110)	36,785	100%

## MANAGEMENT'S DISCUSSION &amp; ANALYSIS

Below is a table that reconciles the change in estimated loss-to-lease at December 2008 compared to the amount at March 2009 for our Alberta portfolio.

The decrease in the loss-to-lease for our Alberta portfolio, from \$2.8 million at December 2008 to \$(7.0) million at March 2009, was due primarily to the Trust's focused strategy to reduce market rent prices in an attempt to lower overall vacancy and increase reported rental revenue. As with prior quarters, Boardwalk REIT continues to focus on the maximization of overall 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
December 2008 – Alberta	\$ 2,824,000	\$ 0.05
Increase in in-place rents	\$ (538,000)	\$ (0.01)
Vacancy Adjustment	\$ 584,000	\$ 0.01
Market Rent Adjustment	\$ (9,867,000)	\$ (0.18)
<b>March 2009 – Alberta</b>	<b>\$ (6,997,000)</b>	<b>\$ (0.13)</b>

## FINANCING COSTS

Financing costs for the first quarter of 2009 have increased from the same period in the prior year, due to the strategic decision to slightly increase overall debt leverage given the current historically low interest rates and raise additional cash to increase the Trust's overall liquidity and assist in purchasing our Trust Units on the public market. Boardwalk's overall liquidity currently is estimated to be approximately \$367 million; the details of this will be discussed later in this report. Of this, approximately \$90 million is represented by cash reported on its March 31, 2009 balance sheet.

As at March 31, 2009, the reported weighted average interest rate on its mortgage and debt portfolio was 4.77% compared to 4.83% reported at December 31, 2008, 4.91% at September 30, 2008 and June 30, 2008 and down from 5.02% reported at March 31, 2008. 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 mortgage lenders willing to assume or underwrite additional mortgages under this program.

At March 31, 2009, approximately 98% of Boardwalk REIT's mortgage secured debt was backed by this NHA insurance with a weighted average amortization period of approximately 31 years.

## ADMINISTRATION

Administration expenses were \$6.8 million for the three months ended March 31, 2009 compared to \$5.8, for the same period in the prior year. This represents an increase of 17.4% which is mainly due to higher wages and salaries and a shift in personnel from operations to corporate.

## 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 three months ended March 31, 2009, deferred financing costs of approximately \$55 thousand were written off due to mortgage refinancing, compared to \$295 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 months ended March 31, 2009 of \$21.7 million, have remained relatively consistent, with only a slight decrease by \$0.2 million from the \$21.9 million reported in the comparable period in 2008.

## REAL ESTATE ASSETS

### ACQUISITIONS

During the three months ended March 31, 2009, Boardwalk REIT did not acquire any rental units.

### DISPOSITIONS

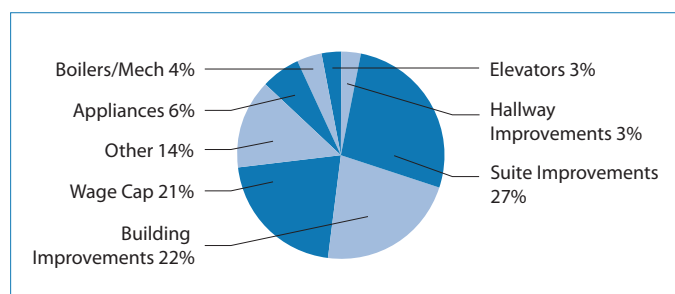
	3 months ended March 31, 2009	3 months ended March 31, 2008
Cash received	\$ -	\$ 8,381
Cost of dispositions	56	-
Total proceeds	(56)	8,381
Net book value	-	6,114
Gain (loss) on dispositions	\$ (56)	\$ 2,267
Multi-family units sold	-	24

No dispositions occurred for the first three months ended March 31, 2009. Dispositions in the first quarter 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, 89 units of the 90-unit property have been sold and closed in 2007 and 2008). The percentage of completion method is being used to record sales and cost of sales for the disposition of units in the condominium conversion.

## CAPITAL IMPROVEMENTS

For the first three months of fiscal 2009, Boardwalk REIT invested approximately \$15.7 million in its properties in the form of project enhancements, a decrease of \$0.6 million from the \$16.3 million invested in the same period in 2008. The decrease from the previous year is mainly the result of more selective capital investment undertaken due to current market conditions as compared to the same period in the prior year.

Included in these amounts is approximately \$3.3 million of capitalized on-site wages and salaries, compared to \$2.0 million for the same period last year. The increase is the direct result of the Trust continuing to internalize work that was previously contracted out to a third-party. This amount is an estimate of site personnel cost associated with the completion of capital projects, and is consistent with internal expectations since a significant portion of the improvements are now performed "in-house".



## MANAGEMENT'S DISCUSSION &amp; ANALYSIS

## 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 two capital expenditure categories.

<i>In \$000's except per suite amounts</i>	3 months March 2009	Per Suite
Maintenance Capital Expenditures	\$ 4,138	\$ 113
Stabilizing and Value Enhancing Capital Expenditures	\$ 11,562	\$ 314
	\$ 15,700	\$ 427

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 78.7% of reported FFO and 91.0% of AFFO for the current quarter ended March 31, 2009.

<i>(000's)</i>	3 months March 2009
Funds From Operations (FFO)	\$ 30,456
Maintenance Capital Expenditures	\$ 4,138
Adjusted Funds From Operations (AFFO)	\$ 26,318
Unitholder Distributions	\$ 23,955
Distribution as a % of FFO	78.7%
Distribution as a % of AFFO	91.0%

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, 2007	55,708,934	\$ 338,084
Units issued under distribution reinvestment plan	56,718	2,121
Deferred unit plan	-	1,162
Units issued for vested deferred units	23,390	819
Units purchased and cancelled	(2,312,000)	(85,413)
December 31, 2008	53,477,042	\$ 256,773
Deferred unit plan	-	229
Units issued for vested deferred units	7,044	184
Units purchased and cancelled	(305,000)	(7,887)
<b>March 31, 2009</b>	<b>53,179,086</b>	<b>\$ 249,299</b>

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, 951,000 REIT units (305,000 in the first quarter of 2009 and 646,000 in fiscal 2008), representing a total market value of approximately \$28.0 million (first quarter of 2009 - \$7.9 million and fiscal 2008 - \$20.1 million), or an average of \$29.45 per trust unit.

As is reported on the face of the balance sheet, the Trust has Unitholders' Equity of \$(16.3) 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 shown on this statement, there is a continued drawdown of reported cumulative income, which is the direct result of the Trust's distributions declared to its Unitholders. 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 tax basis, it is estimated that about 60% of Boardwalk REIT's distribution will be in the form of a return of capital with the remainder 40% 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 has been reviewed and adjusted quarterly, as necessary. As at the end of the 2008 fiscal year, the future tax liability as a result of Bill C-52 was \$100.2 million, and was \$92.0 million as at March 31, 2009.

As a result of Bill C-10, which passed Third Reading in the House of Commons on March 4, 2009, the technical amendments proposed in December 2007 have now been enacted. Based on analysis completed by the Trust and due to the ambiguity of interpreting these technical amendments, Boardwalk has determined that it may not qualify as a REIT in accordance with this legislation. As such, the previously recorded future income tax liability as a result of Bill C-52 will continue to be reported by the Trust until further clarity has been obtained on criteria defining a REIT. This topic will be discussed in more detail later in the MDA.

Boardwalk REIT, as was previously noted, calculates its distributions not on net earnings but rather on distributable income (DI). 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 generated from operations.

Boardwalk REIT has one class of voting securities known as "REIT Units". As at March 31, 2009, there were 48,704,086 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 53,179,086.

## MANAGEMENT'S DISCUSSION &amp; ANALYSIS

## 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, making the access to additional cost-effective debt capital more difficult. Although it is impossible to eliminate this risk, the Trust does significantly 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 March 31, 2009	\$ 90,116,000
Committed Additional Financing to May 14, 2009	\$ 79,123,000
	\$ 169,239,000
Committed Revolving Credit Facility	\$ 198,228,000
<b>Total Available Liquidity</b>	<b>\$ 367,467,000</b>

In addition to these amounts, the Trust anticipates that, assuming market conditions remain the same, an additional \$100 million of net new mortgage financing proceeds may be in place prior to the end of the second quarter of 2009.

Approximately 98% of boardwalk's secured 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 \$227.3 million of debt coming due in 2009 (as shown in the table below) all have NHA insurance and represent in aggregate approximately 40% of the current estimated values on those individually secured assets. Currently, interest rates for terms five years or less are well below the reported weighted average interest rates we have coming due in 2009 and 2010. 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 March 31, 2009	Weighted Average Interest Rate	% of Total
2009	227,265,273	5.33%	10.14%
2010	405,321,194	4.68%	18.08%
2011	211,769,771	4.97%	9.45%
2012	804,863,962	4.82%	35.91%
2013	271,536,024	4.55%	12.11%
2014	91,449,990	3.60%	4.08%
2015	183,947,365	4.52%	8.21%
2016	24,934,574	5.33%	1.11%
2018	6,439,498	6.18%	0.29%
2019	10,566,832	5.99%	0.47%
2020	3,453,083	7.24%	0.15%
<b>Total Principal Outstanding</b>	<b>2,241,547,565</b>	<b>4.77%</b>	<b>100.00%</b>

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 and 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, effec-

tive 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 61% of Gross Book Value ("GBV"). GBV is a non-GAAP term that is defined in the Trust's DOT. In general, it is determined by taking total reported assets of the Trust, adding back accumulated amortization and making a one-time adjustment in the amount of approximately \$641 million (\$231 million prior to May 13, 2008 – see NOTE 12 to the unaudited consolidated financial statements for the three months ended March 31, 2009). The following chart sets out the Trust's recomputed GBV:

Gross Book Value Calculation (\$000's)	March 2009	Dec 2008
Total reported assets	\$ 2,318,233	\$ 2,358,924
Reported amortization	617,058	596,107
Conversion adjustment	641,460	641,460
	<b>\$ 3,576,751</b>	<b>\$ 3,596,491</b>
Mortgages payable	\$ 2,057,036	\$ 2,057,314
Debentures	111,606	119,073
Market adjustment on mortgages (May 2004)	–	341
	<b>\$ 2,168,642</b>	<b>\$ 2,176,728</b>
Debt to GBV	61%	61%
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 \$335.1 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 March 31, 2009, no amount of the credit facility was owing and outstanding. For the first quarter of 2009, 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 2.18 as compared to 2.15 for the same period last year.

## CRITICAL ACCOUNTING POLICIES

Boardwalk REIT's accounting policies are described in Note 2 (on page 53 of Boardwalk REIT's 2008 Annual Report) to the consolidated financial statements for the year ended December 31, 2008. 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 ("GAAP"). A more detailed discussion of Boardwalk REIT's critical accounting policies can be found on page 33 of Boardwalk REIT's 2008 Annual Report.

Note 3 of Boardwalk REIT's unaudited interim consolidated financial statements for the three months ended March 31, 2009 provides an update to Boardwalk REIT's critical accounting policies. One new accounting standards came into effect for Boardwalk REIT as of January 1, 2009. This accounting section is CICA Handbook Section 3064-Goodwill and Intangible Assets.

## MANAGEMENT'S DISCUSSION &amp; ANALYSIS

**IMPACT OF ADOPTION OF SECTION 3064**

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. Section 1000 - Financial Statement Concepts, was also amended to provide consistency with this new standard.

There was no material impact on the consolidated financial statements upon adoption of Section 3064 by the Trust.

**EIC - 173**

The Trust also adopted EIC - 173 titled, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" issued by the CICA on January 20, 2009. EIC - 173 states that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivatives. EIC - 173 had no impact on the financial statements of the Trust.

**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 may not 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 was required to make an adjustment assuming these new rules were in effect on the substantively enacted date of June 22, 2007. This resulted in the Trust recording a future income tax liability at June 30, 2007 of \$111.1 million. This amount was downward on a quarterly basis to \$100.2 million at December 31, 2008 and adjusted downward by \$8.2 million to \$92.0 million at March 31, 2009. The reported downward adjustment of \$8.2 million 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 March 31, 2009 and in prior periods were significant, they were 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. On March 4, 2009, Bill C-10 passed Third Reading in the House of Commons and on March 12, 2009 received Royal Assent and is, therefore, considered substantively enacted under Canadian GAAP. This bill includes a provision to enact the technical amendments proposed by the Federal Government in December 2007, which clarifies the definition of and the criteria for being a REIT.

However, as a result of ambiguity with the interpretation of these technical amendments, the Trust has determined that it still does not qualify as a REIT under the SIFT rules. As a result, the Trust continues to report a future income tax liability until further clarity with the criteria of a REIT becomes available.

### FUTURE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Boardwalk REIT monitors new CICA accounting pronouncements to assess the applicability and impact, if any, these new pronouncements may have on the consolidated financial statements and note disclosures. During 2008, the CICA issued two new accounting standards that are effective for the Trust's fiscal year commencing January 1, 2011:

Section 1582 – Business Combinations will replace the current Section 1581 – Business Combinations while Sections 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests will replace the current Section 1600 – Consolidated Financial Statements. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners, members or participants. As such, transactions which are now typically accounted for as an asset acquisition will likely come within the scope of a business combination. Finally, acquisition costs are not part of the consideration and, with the exception of Trust Unit issue costs, acquisition-related costs are to be expensed when incurred. With the adoption of these standards, Boardwalk expects that more transactions will be considered a business combination and all acquisition related costs will be expensed through the income statement.

### 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 the Trust continues to develop its convergence and implementation 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 provided issuers with the option to early adopt IFRS effective January 1, 2009. Boardwalk REIT has chosen not to early adoption of IFRS standards as of January 1, 2009.

Additional disclosure on the Trust's transition to IFRS and its convergence plan is outlined in the 2008 Annual Report.

### DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO, President and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

The preparation of this information is supported by a set of disclosure controls and procedures implemented by management. In fiscal 2008, these controls and procedures were reviewed and the effectiveness of their design and operation was evaluated. This evaluation confirmed the effectiveness of the design and operation of disclosure controls and procedures as at December 31, 2008. The evaluation was performed in accordance with the COSO control framework adopted by the Trust and the requirements of Multilateral Instrument 52-109 of the Canadian Securities Administrators, Certification of Disclosure in Issuers' Annual and Interim Filings.

In 2009, we continue to review and document our disclosure controls and procedures, including our internal controls over financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business.

## MANAGEMENT'S DISCUSSION &amp; ANALYSIS

No changes were made in our internal controls over financial reporting during the quarter ended March 31, 2009, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## FINANCIAL OUTLOOK AND MARKET GUIDANCE

As is customary, the Trust on a quarterly basis reviews its key assumptions used in deriving its public financial guidance. Based on this review, we are confirming our previously reported 2009 Financial Guidance range. We estimate that for fiscal 2009, we will report FFO per Trust Unit of between \$2.45 to \$2.55 (DI of \$2.47 to \$2.57).

The following table summarizes our 2009 Financial Guidance:

Description	Original Guidance
Acquisitions	None
Stabilized Building NOI growth	4.0% to 6.0%
FFO per Trust Unit	\$ 2.45 to \$ 2.55
DI per Trust Unit	\$ 2.47 to \$ 2.57

In addition to the above financial guidance for 2009, the Trust has assumed the following capital will be invested back into its existing portfolio for the 2009 fiscal year.

Capital Budget	2009 Budget	Per Unit	Three months ended March 2009	Per Unit
Total Approved	\$ 79,700	\$ 2,167	\$ 15,700	\$ 427
Maintenance Capital	\$ 16,563	\$ 450	\$ 4,138	\$ 113
Stabilizing & Value Added Capital	\$ 63,137	\$ 1,717	\$ 11,562	\$ 314
	\$ 79,700	\$ 2,167	\$ 15,700	\$ 427

In total, Boardwalk REIT anticipates it will invest a total of \$79.7 million (or \$2,167 per apartment unit) in 2009 for capital improvements. For the first three months of 2009, Boardwalk REIT has incurred \$15.7 million (or \$427 per apartment unit) of capital improvements.

## ADDITIONAL INFORMATION

Additional information relating to Boardwalk REIT, including the Annual Information of Boardwalk REIT, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Respectfully,



Roberto A. Geremia  
President



William Wong  
Chief Financial Officer

## CONSOLIDATED BALANCE SHEETS

(Cdn\$ Thousands)  
(UNAUDITED)

As at	March 31, 2009	December 31, 2008
<b>ASSETS</b>		
Revenue producing properties (NOTE 4)	\$ 2,195,224	\$ 2,200,514
Other assets (NOTE 5)	14,813	13,806
Mortgages and accounts receivable	3,558	6,722
Segregated tenants' security deposits	14,191	14,301
Cash and cash equivalents	90,116	123,234
Discontinued operations (NOTE 6)	331	347
	<b>\$ 2,318,233</b>	<b>\$ 2,358,924</b>
<b>LIABILITIES</b>		
Mortgages payable	\$ 2,057,036	\$ 2,057,314
Debentures (NOTES 7 and 11)	111,606	119,073
Accounts payable and accrued liabilities	45,371	55,946
Refundable tenants' security deposits and other	17,446	17,496
	<b>2,231,459</b>	<b>2,249,829</b>
Future income taxes (NOTES 3 and 12)	92,032	100,602
	<b>2,323,491</b>	<b>2,350,431</b>
<b>UNITHOLDERS' EQUITY</b>		
Unitholders' equity	(5,258)	8,493
	<b>\$ 2,318,233</b>	<b>\$ 2,358,924</b>

Commitments and contingencies (NOTE 16)

Guarantees (NOTE 17)

*See accompanying notes to the consolidated financial statements*

On behalf of the Trust:



Sam Kolas  
Trustee



David V. Richards  
Trustee

## CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(Cdn\$ Thousands, except number of units and per unit amounts)  
(UNAUDITED)

	3 months ended March 31, 2009	3 months ended March 31, 2008
<b>REVENUE</b>		
Rental revenue	\$ 108,229	\$ 102,209
<b>EXPENSES</b>		
Revenue producing properties:		
Operating expenses	17,982	18,559
Utilities	16,085	16,724
Utility rebate and rebate adjustments (NOTE 16)	(378)	(1,258)
Property taxes	8,572	7,679
Administration	6,757	5,754
Financing costs	27,541	25,595
Amortization of deferred financing costs	1,203	1,468
Amortization of capital assets	21,336	19,999
Amortization of intangibles	373	1,939
	99,471	96,459
<b>Earnings from continuing operations before the following</b>	<b>8,758</b>	<b>5,750</b>
Other income (NOTE 11)	408	–
<b>Earnings from continuing operations before income taxes</b>	<b>9,166</b>	<b>5,750</b>
Current income taxes	11	4
Future income taxes (recovery) (NOTE 12)	(8,570)	2,381
<b>Earnings from continuing operations</b>	<b>17,725</b>	<b>3,365</b>
Earnings (loss) from discontinued operations, net of tax (NOTE 6)	(56)	2,267
<b>Net earnings</b>	<b>17,669</b>	<b>5,632</b>
Other comprehensive income (NOTE 15)	9	–
<b>Comprehensive income</b>	<b>\$ 17,678</b>	<b>\$ 5,632</b>
<b>Basic earnings per unit (NOTE 10)</b>		
- from continuing operations	\$ 0.33	\$ 0.06
- from discontinued operations	–	0.04
<b>Basic earnings per unit</b>	<b>\$ 0.33</b>	<b>\$ 0.10</b>
<b>Diluted earnings per unit (NOTE 10)</b>		
- from continuing operations	\$ 0.33	\$ 0.06
- from discontinued operations	–	0.04
<b>Diluted earnings per unit</b>	<b>\$ 0.33</b>	<b>\$ 0.10</b>
<b>Weighted average number of units</b>	<b>53,323,441</b>	<b>55,424,413</b>

See accompanying notes to the consolidated financial statements

## CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(Cdn\$ Thousands, except number of units)  
(UNAUDITED)

	3 months ended March 31, 2009	3 months ended March 31, 2008
<b>Trust units (NOTE 9)</b>		
Balance, beginning of period	\$ 256,773	\$ 338,084
Units issued under distribution reinvestment plan	-	2,121
Deferred unit plan (NOTE 8)	229	461
Units issued for vested deferred units (NOTE 8)	184	-
Units purchased and cancelled (NOTE 9)	(7,887)	(23,009)
Balance, end of period	\$ 249,299	\$ 317,657
<b>Cumulative earnings</b>		
Balance, beginning of period	\$ 141,276	\$ 95,591
Net earnings	17,669	5,632
Balance, end of period	\$ 158,945	\$ 101,223
<b>Cumulative distributions to Unitholders</b>		
Balance, beginning of period	\$ (389,294)	\$ (291,322)
Distributions declared to Unitholders (NOTE 10)	(23,955)	(24,958)
Balance, end of period	\$ (413,249)	\$ (316,280)
<b>Deficit</b>	\$ (254,304)	\$ (215,057)
<b>Accumulated other comprehensive income (loss)</b>		
Balance, beginning of period	\$ (262)	\$ -
Other comprehensive income (NOTE 15)	9	-
Balance, end of period	\$ (253)	\$ -
<b>Total Unitholders' equity</b>	\$ (5,258)	\$ 102,600
<b>Units issued and outstanding (NOTE 9)</b>	<b>53,179,086</b>	<b>55,144,852</b>

See accompanying notes to the consolidated financial statements

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(CDN\$ Thousands)

(UNAUDITED)

	3 months ended March 31, 2009	3 months ended March 31, 2008
<b>Operating activities</b>		
Net earnings	\$ 17,669	\$ 5,632
(Earnings) loss from discontinued operations, net of tax	56	(2,267)
Future income taxes (recovery)	(8,570)	2,381
Amortization of deferred financing costs	1,203	1,468
Amortization of capital assets	21,336	19,999
Amortization of intangibles	373	1,939
Other income (NOTE 11)	(408)	–
	31,659	29,152
Net change in operating working capital (see below)	(8,377)	(5,273)
Total operating cash flows	23,282	23,879
<b>Financing activities</b>		
Issuance of trust units (net of issue costs) (NOTE 9)	184	2,121
Distributions paid	(24,002)	(25,012)
Unit repurchase program (NOTE 9)	(7,887)	(23,009)
Financing of revenue producing properties	46,284	209,387
Repayment and maturity of debt on revenue producing properties	(45,973)	(81,362)
Repurchase of debenture (NOTE 11)	(7,187)	–
Deferred financing costs incurred	(1,820)	(7,022)
Bond forward settlement amortization (NOTE 15)	9	–
	(40,392)	75,103
<b>Investing activities</b>		
Improvements to properties	(15,700)	(16,325)
Net cash proceeds from sale of properties (NOTE 4)	–	8,381
Additions to corporate technology assets	(308)	(323)
	(16,008)	(8,267)
<b>Net increase (decrease) in cash and cash equivalents balance</b>	<b>(33,118)</b>	<b>90,715</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>123,234</b>	<b>960</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 90,116</b>	<b>\$ 91,675</b>
<b>Supplementary cash flow information:</b>		
Taxes paid	\$ 11	\$ 4
Interest paid	\$ 28,763	\$ 26,542
<b>Net change in operating working capital</b>		
Net change in mortgages and accounts receivable	\$ 3,164	\$ 4
Net change in other assets	(1,026)	(2,012)
Net change in tenants' security deposits	60	31
Net change in accounts payable and accrued liabilities	(10,575)	(3,296)
	\$ (8,377)	\$ (5,273)

See accompanying notes to the consolidated financial statements

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2009 AND 2008

(Tabular amounts in Cdn\$ thousands, except number of units and per unit amounts unless otherwise stated)

## 1. ORGANIZATION OF TRUST

Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") is an unincorporated, open-ended real estate investment trust created pursuant to the Declaration of Trust, dated January 9, 2004 and as amended and restated on May 3, 2004, May 10, 2006, 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, initially through the acquisition of operations of Boardwalk Equities Inc. (the "Corporation"), which was acquired on May 3, 2004.

## 2. SIGNIFICANT ACCOUNTING POLICIES

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, 2008, 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 months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2009 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, 2009, the Trust adopted one new accounting standard issued by the CICA.

### Section 3064 – Goodwill and Intangible Assets

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. Section 1000 - Financial Statement Concepts, was also amended to provide consistency with this new standard.

### Impact of Adoption of Section 3064

There was no material impact on the consolidated financial statements upon adoption of Section 3064 by the Trust.

### EIC - 173

The Trust also adopted EIC - 173 titled, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" issued by the CICA on January 20, 2009. EIC - 173 states that an entity's own credit risk and the credit risk of the counter party should be taken into account in determining the fair value of financial assets and financial liabilities, including derivatives. EIC - 173 had no impact on the financial statements of 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 may 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 at that time.

### Impact of Bill C-52 and Related Amendments

The Trust's interpretation of the impact of Bill C-52 on Boardwalk REIT was that, based on a detailed review of the legislation, it could be interpreted that the Trust may 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 June 30, 2007, and adjusted quarterly, if necessary, recognizing the probability that it would be subject to the tax prescribed by the SIFT rules on January 1, 2011. The Trust recorded a future income tax liability at December 31, 2007 of \$99.9 million, which was revised upward by \$0.3 million to \$100.2 million at December 31, 2008.

On March 4, 2009, Bill C-10 passed Third Reading in the House of Commons and on March 12, 2009 received Royal Assent, and therefore considered substantively enacted under Canadian GAAP. This Bill includes a provision to enact the technical amendments proposed by the Government in December 2007, which clarifies the definition of and criteria for being a REIT. Despite clarifying the definition of and criteria for being a REIT, significant ambiguity still remains within these definitions. As a result, the Trust determined that it still does not qualify as a REIT under the SIFT rules, and, as such, the previously recorded future income tax liability of \$100.2 million as at December 31, 2008 has decreased by \$8.2 million for the three months ended March 31, 2009 to \$92.0 million.

### Future Changes in Significant Accounting Policies

Boardwalk REIT monitors new CICA accounting pronouncements to assess the applicability and impact, if any, these new pronouncements may have on the consolidated financial statements and note disclosures. During 2008, the CICA issued two new accounting standards that are effective for the Trust's fiscal year commencing January 1, 2011:

Section 1582 – Business Combinations will replace the current Section 1581 – Business Combinations while Sections 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests will replace the current Section 1600 – Consolidated Financial Statements. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners, members or participants. As such, transactions which are now typically accounted for as an asset acquisition will likely come within the scope of a business combination. Finally, acquisition costs are not part of the consideration and, with the exception of trust unit issue costs, acquisition-related costs are to be expensed when incurred. With the adoption of these Standards, Boardwalk expects that more transactions will be considered a business combination and all acquisition related costs will be expensed through the income statement.

International Financial Reporting Standards ("IFRS") – On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed a changeover date of January 1, 2011 as the date in which all publicly accountable enterprises ("PAEs") will be required to adopt IFRS in the preparation of their financial disclosure. At that date, all PAEs, including Boardwalk REIT, will be required to report all interim and annual financial statement information in accordance with IFRS. The impact of the adoption of IFRS on the consolidated financial statements of the Trust 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 AcSB. It is not Boardwalk REIT's intention to early adopt IFRS prior to January 1, 2011.

**4. REVENUE PRODUCING PROPERTIES****Acquisitions**

During the three months ended March 31, 2009, the Trust did not acquire any rental units (March 31, 2008 – 0).

**Dispositions**

	3 months ended March 31, 2009	3 months ended March 31, 2008
Cash received	\$ –	\$ 8,381
Cost of dispositions	56	–
Total proceeds	(56)	8,381
Net book value	–	(6,114)
Gain (loss) on dispositions	\$ (56)	\$ 2,267
Multi-family units sold	–	24

There were no dispositions for the first quarter ended March 31, 2009 (March 31, 2008 – 24 units in a 90-unit property located in Calgary, Alberta that has been developed into condominium units for sale (see NOTE 6)). Under the percentage of completion method, sales of \$nil for the three months ended March 31, 2009 (March 31, 2008 - \$8.4 million) were recorded against cost of sales of \$56 thousand (March 31, 2008 - \$6.1 million).

**5. OTHER ASSETS**

	March 31, 2009	December 31, 2008
As at		
Corporate technology assets	\$ 18,304	\$ 17,996
Less: accumulated amortization	(15,120)	(14,830)
Head office building	4,372	4,306
Less: accumulated amortization	(1,323)	(1,270)
In-place lease and customer relationship intangibles	1,512	1,512
Less: accumulated amortization	(1,214)	(841)
Prepaid parts and supplies	2,637	2,632
Prepaid property taxes	2,589	999
Prepaid and other	3,056	3,302
	\$ 14,813	\$ 13,806

**6. DISCONTINUED OPERATIONS**

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 an aggregate price that is reasonable in relation to its current fair value. This Calgary property formed part of our Alberta segment in our segmented information disclosure.

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

	3 months ended March 31, 2009	3 months ended March 31, 2008
Gain (loss) on dispositions	(56)	2,267
<b>Earnings (loss) from discontinued operations</b>	<b>\$ (56)</b>	<b>\$ 2,267</b>

	March 31, 2009	December 31, 2008
As at		
<b>Discontinued Assets</b>		
Properties held for redevelopment and sale	\$ 331	\$ 347

## 7. DEBENTURES

On January 21, 2005, Boardwalk REIT completed the issuance of unsecured debentures in a public offering in the aggregate amount of \$120 million. The debentures are rated "BBB" with a stable trend by Dominion Bond Rating Services, carry a coupon rate of 5.31% to July 29, 2008 and 5.61% thereafter 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.

During the quarter ended March 31, 2009, the Trust acquired in the open market a total face value of \$7.6 million of these unsecured debentures for cancellation. These were purchased at a discount to the face value of the reported debenture (see NOTE 11).

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 13) 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 1.50 to 1 and the rate of interest on the debenture was increased to 5.61% from 5.31% commencing July 30, 2008 until the maturity date of January 23, 2012.

These covenants are discussed in NOTE 14(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 \$33.45 per unit at the grant date in 2008 (2007 - \$45.87). For the quarter ended March 31, 2009, total compensation costs of \$0.4 million were recognized (2008 - \$0.5 million) in income related to executive bonuses and trustee fees under the deferred unit plan.

The status of the outstanding deferred units is as follows:

Summary of Deferred Unit Plan	# of Units Outstanding	# of Units Vested
<b>December 31, 2007</b>	118,477	–
Deferred units granted	81,620	20,156
Additional deferred units earned on units	8,164	3,240
Deferred units converted to Trust Units or cash	(23,396)	(23,396)
<b>December 31, 2008</b>	184,865	–
Deferred units granted	13,897	8,514
Additional deferred units earned on units	3,300	1,318
Deferred units converted to Trust Units or cash	(7,048)	(7,048)
<b>March 31, 2009</b>	195,014	2,784

## 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 entitles 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
<b>December 31, 2007</b>	55,708,934	\$ 338,084
Units issued under distribution reinvestment plan	56,718	2,121
Deferred unit plan (NOTE 8)	–	1,162
Units issued for vested deferred units (NOTE 8)	23,390	819
Units purchased and cancelled	(2,312,000)	(85,413)
<b>December 31, 2008</b>	53,477,042	\$ 256,773
Deferred unit plan (NOTE 8)	–	229
Units issued for vested deferred units (NOTE 8)	7,044	184
Units purchased and cancelled (see below)	(305,000)	(7,887)
<b>March 31, 2009</b>	<b>53,179,086</b>	<b>\$ 249,299</b>

In August of 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 First Bid allowed 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 First Bid terminated 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 First Bid are complete.

Under the First Bid, the Trust purchased and cancelled, on a cumulative basis, 2,522,447 REIT Units (1,666,000 in fiscal 2008 and 856,447 in fiscal 2007), representing a total purchase cost of approximately \$103.9 million (fiscal 2008 - \$65.3 million and fiscal 2007 - \$38.6 million), or an average of \$41.18 per Trust Unit (fiscal 2008 - \$39.19 per Trust Unit and fiscal 2007 - \$45.07 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, 951,000 REIT Units (305,000 in the first quarter of 2009 and 646,000 in fiscal 2008), representing a total purchase cost of approximately \$28.0 million (first quarter of 2009 - \$7.9 million and fiscal 2008 - \$20.1 million), or an average of \$29.45 per Trust Unit (first quarter of 2009 - \$25.86 per Trust Unit and fiscal 2008 - \$31.11 per Trust Unit).

To date since August 17, 2007, the Trust has purchased and cancelled 3,473,447 REIT Units, representing a total purchase cost of approximately \$131.9 million, or an average of \$37.97 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:

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

100% of the "closing market price" of the REIT Units on the principal market on which the REIT Units are quoted for trading on the redemption date.

(b) *Special Voting Units*

The Declaration of Trust provides for the issuance of an unlimited number of Special Voting Units that will be used to provide voting rights to holders of LP Class B units or other securities that are, directly or indirectly, exchangeable for REIT Units.

Each Special Voting Unit entitles the holder to the number of votes at any meeting of unitholders, which is equal to the number of REIT Units that may be obtained upon surrender of the LP Class B unit to which the Special Voting Unit relates. The Special Voting Units do not entitle or give any rights to the holders to receive distributions or any amount upon liquidation, dissolution or winding-up of Boardwalk REIT.

The breakdown of trust units of Boardwalk REIT by class is as follows:

	Units	Amount
Boardwalk REIT Units	48,704,086	
Special Voting Units issued to holders of LP Class B units	4,475,000	
Total trust units	53,179,086	\$ 249,299

## 10. DISTRIBUTABLE INCOME AND PER UNIT INFORMATION

### Distributable income per unit

Boardwalk REIT makes distributions to Unitholders on a monthly basis on or about the 15th day of the following month. The reported distributable income is defined under the Trust's Declaration of Trust ("DOT"). Under 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 is defined in the Declaration of Trust for Boardwalk REIT. However, distributable income and the per unit information are non-GAAP measures that do not have any standardized meaning prescribed by Canadian GAAP and, therefore, unlikely to be comparable to similar measures presented by other real estate companies and trusts.

	3 months ended March 31, 2009	3 months ended March 31, 2008
Total operating cash flows	\$ 23,282	\$ 23,879
Net change in operating working capital	8,377	5,273
Deduct:		
Deferred financing costs amortization post May 2, 2004	(877)	(731)
Amortization of net premium on long-term debt assumed after May 2, 2004	(25)	(124)
Distributable income	\$ 30,757	\$ 28,297
Distribution declared to unitholders	\$ 23,955	\$ 24,958
Distributable income withheld	6,802	3,339
	\$ 30,757	\$ 28,297
Weighted average units outstanding – basic	53,323,311	55,424,413
Weighted average units outstanding – diluted	53,323,441	55,424,413
Distributable income earned per unit – basic and diluted	\$ 0.576	\$ 0.511
Actual distributions declared per unit – basic and diluted	\$ 0.449	\$ 0.450
Distributions declared as a % of distributable income	77.9%	88.2%

**Earnings per unit**

	3 months ended March 31, 2009	3 months ended March 31, 2008
<b>Numerator</b>		
Earnings from continuing operations	\$ 17,725	\$ 3,365
Earnings (loss) from discontinued operations	(56)	2,267
<b>Denominator</b>		
Denominator for basic earnings per unit – weighted average units	53,323,311	55,424,413
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion	53,323,441	55,424,413
<b>Earnings per unit from continuing operations</b>		
Basic	\$ 0.33	\$ 0.06
Diluted	\$ 0.33	\$ 0.06
<b>Earnings per unit from discontinued operations</b>		
Basic	\$ –	\$ 0.04
Diluted	\$ –	\$ 0.04

**11. OTHER INCOME**

During the first quarter of 2009, the Trust purchased and cancelled \$7.6 million of unsecured debentures at a discount to their face value. The cost paid by the Trust was \$7.2 million of which \$55 thousand was accrued interest. The remaining difference of \$408 thousand between the face value and the discounted purchase price has been included in other income.

**12. 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 taxable income is distributed to its unitholders. This exemption does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax.

	3 months ended March 31, 2009	3 months ended March 31, 2008
Continuing operations	\$ (8,570)	\$ 2,381
Total future income taxes (recovery)	\$ (8,570)	\$ 2,381

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Future income taxes consist of the following:

	3 months ended March 31, 2009	3 months ended March 31, 2008
Tax expense (recovery) based on expected rate	\$ (306)	\$ 60
Adjustment to future income tax liabilities	(8,264)	2,321
Future income taxes (recovery)	\$ (8,570)	\$ 2,381

The future income tax liability is calculated as follows:

As at	March 31, 2009	December 31, 2008
Tax asset related to operating losses	\$ 557	\$ 40
Tax liability related to differences in tax and book basis	(92,589)	(100,642)
Future income tax liability	\$ (92,032)	\$ (100,602)

### 13. CAPITAL MANAGEMENT

The Trust defines capital resources as the aggregate of Unitholders' equity, debt (both secured and unsecured), internally generated funds, amounts available under credit facilities 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 together with sufficient capital contingency. 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 ("GBV"), defined in the DOT as total assets plus accumulated amortization of income properties as recorded by the Trust (and calculated in accordance with Canadian GAAP) and to this amount an additional amount of \$231 million (the "Bump") is added as was previously approved by the Trust's Unitholders. On May 13, 2008, the Unitholders voted and approved an amendment to the definition of GBV to increase the Bump to its existing GBV calculation by an additional \$410 million, resulting in a total asset bump of \$641 million. 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	March 31, 2009	December 31, 2008
Total assets	\$ 2,318,233	\$ 2,358,924
Amortization	617,058	596,107
Exchange value bump	641,460	641,460
	\$ 3,576,751	\$ 3,596,491
Mortgages payable	\$ 2,057,036	\$ 2,057,314
Unsecured debentures	111,606	119,073
Adjustment to debt	-	341
	\$ 2,168,642	\$ 2,176,728
Adjusted Debt-to-GBV	61%	61%

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 \$335.1 million (2008 - \$340.8 million) to its existing portfolio.

Additionally, the Trust's DOT contains provisions that have the effect of limiting capital expended by the Trust.

As outlined in NOTE 14(d), Boardwalk REIT's debenture and committed revolving 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 amounts available under its committed revolving credit facility, totalled \$2.5 billion as at March 31, 2009 (December 31, 2008 - \$2.5 billion). Available liquidity as at March 31, 2009 included cash on hand of \$90.1 million (December 31, 2008 - \$123.2 million) as well as an unused committed revolving credit facility of \$198.2 million (December 31, 2008 - \$198.2 million). As at March 31, 2009 and 2008, the Trust was in compliance with all covenants in both its DOT and all existing debt facilities.

## 14. FINANCIAL INSTRUMENTS

### 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:

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.

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 December 31, 2008 are as follow:

As at	March 31, 2009	December 31, 2008
Mortgages and accounts receivable		
Carrying value	\$ 3,558	\$ 6,722
Fair market value	\$ 3,558	\$ 6,722
Mortgages payable and debentures		
Carrying value	\$ 2,168,642	\$ 2,176,387
Fair market value	\$ 2,266,742	\$ 2,253,307

The fair value of the Trust's mortgages payable and debentures exceeded the recorded value by approximately \$98.1 million at March 31, 2009 (December 31, 2008 - \$76.9 million), due to changes in interest rates since the dates on which the individual mortgages and debentures were assumed. The fair value of the mortgages payable and debentures have been estimated based on the current market rates for mortgages and debentures with similar terms and conditions. The fair value of the Trust's mortgages payable and debentures is an amount computed based on the interest rate environment prevailing at March 31, 2009 and December 31, 2008, respectively; the amount is subject to change and the future amounts will converge. There are no additional costs or penalties to Boardwalk REIT if the mortgages and debentures are held to maturity.

At January 1, 2009 and for the quarters ended March 31, 2009 and March 31, 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 committed revolving 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 March 31, 2009, the Trust had no amount outstanding on its committed revolving credit facility and, as such, of the Trust's total debt at March 31, 2009, 100% was fixed-rate debt and 0% was floating-rate debt. For the quarter ended March 31, 2009, all else being equal, the increase or decrease in net earnings for each 1% change in market interest rates would be \$0 (March 31, 2008 - \$0).

#### b) Credit risk

The Trust is exposed to credit risk as a result of its mortgages receivable and accounts receivable. This balance is comprised of mortgage holdbacks and refundable mortgage fees, accounts receivable from significant customers and tenant receivables. As at March 31, 2009, 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. Rent payments from tenants are due on the first of the month and tenants generally pay a security deposit – both of these actions mitigate against bad debts.

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 an existing committed revolving 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 and reviewed 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 Trust's Unsecured Debenture agreement contains three financial covenants as follows:

- i)* the Trust will maintain a Consolidated EBITDA, as defined, to Consolidated Interest Expense ratio of not less than 1.5 to 1. This covenant was amended to 1.75 to 1 on July 30, 2008. As at March 31, 2009, this ratio was 2.18 to 1 (March 31, 2008 – 2.10 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 13, as at March 31, 2009, this amount was 61% (December 31, 2008 – 61%) 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 March 31, 2009 (December 31, 2008 - \$1.2 billion).

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 committed 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 committed 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 March 31, 2009, this ratio was 1.69 (December 31, 2008 – 1.70) 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 December 31, 2008, this ratio was 1.56 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 13, as at March 31, 2009, this ratio was 61% (December 31, 2008 – 61%) based on the new definition of GBV and, as such, the Trust was in compliance.

As at March 31, 2009, 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 16, the Trust has commitments to certain utility contracts to reduce the risk of exposure to adverse changes in commodity prices.

**15. HEDGING TRANSACTIONS**

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. As at March 31, 2009 the unamortized balance is \$253 thousand (December 31, 2008 unamortized balance - \$262 thousand) as \$9 thousand was recognized in income under financing charges for the 3 months ended March 31, 2009.

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 has been 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 March 31, 2009, the interest rate swap agreement was assessed to be an effective hedge and, consistent with the previous periods, 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.

## 16. COMMITMENTS AND CONTINGENCIES

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 Alberta government has announced that they will not be extending this program. The rebate program becomes active when the natural gas consumer price charged by two of the three major gas companies in Alberta exceeds \$5.50/GJ for any individual winter usage month. For January through March 2009, Boardwalk REIT was eligible for estimated rebates totalling approximately \$0.4 million. For January through March 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.

## 17. GUARANTEES

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

In connection with the sales of properties, a mortgage assumed by the purchaser may 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 March 31, 2009 is approximately \$3.2 million (March 31, 2008 - \$4.9 million). In the event of default, Boardwalk REIT's recourse for recovery includes the sale of the respective building asset. Boardwalk REIT expects that the proceeds from the sale of the building asset will cover, and in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at December 31, 2008, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 18. SEGMENTED INFORMATION

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

Three months ended	March 31, 2009	March 31, 2008
<b>Alberta</b>		
Revenue	\$ 64,813	\$ 61,119
Expenses		
Operating	10,365	10,483
Utilities	7,957	8,865
Utility rebate	(376)	(1,255)
Property taxes	4,084	3,491
	22,030	21,584
Net operating income	\$ 42,783	\$ 39,535
<b>Saskatchewan</b>		
Revenue	\$ 12,563	\$ 10,682
Expenses		
Operating	1,796	1,664
Utilities	2,091	2,363
Property taxes	1,157	1,132
	5,044	5,159
Net operating income	\$ 7,519	\$ 5,523
<b>Ontario</b>		
Revenue	\$ 9,440	\$ 9,435
Expenses		
Operating	1,800	1,593
Utilities	2,026	2,012
Property taxes	1,338	1,573
	5,164	5,178
Net operating income	\$ 4,276	\$ 4,257
<b>British Columbia</b>		
Revenue	\$ 3,103	\$ 2,966
Expenses		
Operating	212	620
Utilities	461	497
Property taxes	161	150
	834	1,267
Net operating income	\$ 2,269	\$ 1,699
<b>Quebec</b>		
Revenue	\$ 17,921	\$ 17,470
Expenses		
Operating	2,631	3,563
Utilities	3,253	2,892
Property taxes	1,812	1,303
	7,696	7,758
Net operating income	\$ 10,225	\$ 9,712
<b>Total</b>		
Net operating income	\$ 67,072	\$ 60,726
Unallocated revenue*	389	537
Unallocated expenses**	(49,792)	(55,631)
Net earnings for the period	\$ 17,669	\$ 5,632

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at	March 31, 2009	December 31, 2008
<b>Alberta</b>		
Identifiable assets		
Revenue producing properties	\$ 1,298,991	\$ 1,300,722
Mortgages and accounts receivable	772	3,944
Tenants' security deposit	10,977	11,201
	\$ 1,310,740	\$ 1,315,867
<b>Saskatchewan</b>		
Identifiable assets		
Revenue producing properties	\$ 166,329	\$ 167,079
Mortgages and accounts receivable	714	651
Tenants' security deposits	2,715	2,610
	\$ 169,758	\$ 170,340
<b>Ontario</b>		
Identifiable assets		
Revenue producing properties	\$ 202,669	\$ 206,806
Mortgages and accounts receivable	90	44
	\$ 202,760	\$ 203,850
<b>Quebec</b>		
Identifiable assets		
Revenue producing properties	\$ 417,853	\$ 419,785
Mortgages and accounts receivable	994	973
	\$ 418,847	\$ 420,758
<b>British Columbia</b>		
Identifiable assets		
Revenue producing properties	\$ 104,381	\$ 104,483
Mortgages and accounts receivable	93	34
Tenants' security deposits	497	486
	\$ 104,971	\$ 105,003
<b>Total assets</b>		
Identifiable assets	\$ 2,207,076	\$ 2,215,818
Unallocated assets***	111,157	143,106
	\$ 2,318,233	\$ 2,358,924

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

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

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



## BOARDWALK REAL ESTATE INVESTMENT TRUST

### CORPORATE INFORMATION

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#### BOARD OF TRUSTEES

##### Sam Kolas

Chairman of the Board  
Calgary, Alberta

##### James Dewald <sup>(1)</sup> <sup>(2)</sup>

Calgary, Alberta

##### Art Havener <sup>(2)</sup> <sup>(3)</sup>

St. Louis, MO

##### Ernest Kapitza <sup>(3)</sup>

Calgary, Alberta

##### Al Mawani <sup>(2)</sup>

Thornhill, Ontario

##### David Richards <sup>(3)</sup>

Calgary, Alberta

<sup>(1)</sup> Lead Trustee

<sup>(2)</sup> Member of the Audit and Risk Management Committee

<sup>(3)</sup> Member of the Compensation, Governance and Nominations Committee

#### SENIOR MANAGEMENT

##### Jonathan Brimmell

Vice President, Operations  
Ontario and Quebec

##### Dean Burns

General Counsel and  
Secretary

##### William Chidley

Senior Vice President,  
Corporate Development

##### Jean Denis

Vice President, Acquisitions  
Eastern Canada

##### Ian Dingle

Vice President, Purchasing  
and Contracts

##### Roberto Geremia

President

##### Michael Guyette

Vice President, Technology

##### Sam Kolas

Chief Executive Officer and  
Chairman of the Board

##### Van Kolas

Senior Vice President,  
Quality Control

##### Kelly Mahajan

Vice President,  
Customer Service and  
Process Design

##### Helen Mix

Vice President,  
Human Resources

##### Lisa Russell

Vice President, Acquisitions  
Western Canada

##### Kevin Screpnechuk

Senior Vice President,  
Rental Operations

##### Lizaine Wheeler

Vice President, Operations  
Southern Alberta,  
British Columbia and  
Saskatchewan

##### William Wong

Chief Financial Officer