

NEWS RELEASE FOR IMMEDIATE DISTRIBUTION

Boardwalk REIT Announces Solid Third Quarter 2006 Financial Results; FFO Per Unit Up 17.1% Over Same Period Last Year; Further Upward Revision in Guidance; and Increase in Annual Distributions by 17.5% to \$1.48 Per Year.

CALGARY, November 13, 2006 - Boardwalk Real Estate Investment Trust ("BEI.UN" - TSX)

Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") today announced solid financial results for the third quarter of 2006, FFO per unit up 17.1% over same period last year; further upward revision in guidance; and an increase in annual distributions by 17.5% to \$1.48 per year.

For the third quarter ended September 30, 2006, the Trust reported Funds From Operations ("FFO") of \$26.9 million and FFO per unit of \$0.48 on a diluted basis, compared to FFO of \$21.8 million and FFO per unit of \$0.41 for the same period last year. Distributable income ("DI") for the quarter was \$27.3 million and DI per unit was \$0.49 on a diluted basis, compared to \$22.3 million and \$0.42 per unit for the same period last year.

Funds From Operations ("FFO") is a generally accepted measure of operating performance of real estate investment trusts and companies; however, it is a non-GAAP measure. The Trust calculates FFO by taking net earnings after discontinued operations, adjusting for gains or losses on disposal of discontinued operation assets and extraordinary items, and adding non-cash expenses including future income taxes and amortization. The determination of this amount may differ from that of other real estate investment trusts and companies. Distributable Income ("DI") is calculated based on the definition as set out in the Trust's declaration of trust and is computed by taking FFO and adding back amortization on any deferred financing charges incurred prior to May 3, 2004 as well as adjusting for any discounts or premiums relating to the amortization of mark-to-market debt adjustment incurred subsequent to the real estate investment trust conversion date of May 3, 2004.

Highlights of the Trust's third quarter 2006 financial results include:

- Rental revenues of \$81.1 million, an increase of 8.9%, compared to \$74.5 million for the three-month period ended September 30, 2005.
- Net operating income of \$51.6 million, representing a 10.3% increase, from \$46.8 million in the same period last year.
- FFO of \$26.9 million, an increase of 23.4%, compared to \$21.8 million for the three-month period ended September 30, 2005.
- FFO per unit was \$0.48 on a diluted basis, up 17.1%, compared to \$0.41 for the three-month period ended September 30, 2005.
- DI was \$0.49 per unit, up 16.7%, from \$0.42 for the three months ended September 30, 2005.

Commenting on the Trust's Q3 2006 results, Sam Kolas, President and C.E.O., said

"We are pleased to report a strong third quarter for our Trust. Excellent market fundamentals aligned to produce positive effects on the Alberta rental market. After the strong summer we just enjoyed, our Trust is positioned to end 2006 on a high note. We anticipate a solid winter and remain confident in meeting or exceeding the majority of objectives detailed in our 2005 Annual Report.

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“The rental market remains robust in Alberta, as substantial net provincial in-migration, high home prices, exceptional industry growth and record low unemployment combine to generate solid demand. Our Alberta market, which makes up in excess of 50% of our total portfolio, saw its already low vacancy decrease still further through the third quarter.”

“Current average monthly market rents in Alberta increased by approximately \$328 in the first nine months of 2006, from \$817 as at December 31, 2005, to \$1,145 at September 30, 2006. Even as rents increase, however, the gap between home and condominium ownership costs versus the cost of renting continues to widen still further, pricing many would-be homeowners out of the market. Given the 45% gains in house purchase prices seen across Alberta in the past year, rental rate increases prove to be substantially more affordable than home purchase. In fact, increasing home purchase prices make renting the best value in accommodation available in Alberta today. These market fundamentals continue to bode well for Boardwalk’s future.”

“At all times, we remember that our customers are the cornerstone of our business. We are committed to pursuing a balance between profitability and customer relationship. Developing long-term, positive associations with our customers ensures corporate sustainability into the future. While we are certainly pleased to benefit from the Alberta market’s increased rental rate capacity, we stand by our internal, customer-focused rental rate policies. However, given that approximately 50% of our suites turn over each year and new leases are signed at market rents, revenues are on a solid foundation for continued growth.”

“This quarter’s positive results can be attributed to our superior operating platform; our on-going focus on developing a sustainable portfolio; and the continued strength and improvement in many of our major rental markets across the country. Our diversification into 18 markets across five provinces strengthens our long-term viability and market resiliency. Currently, our Alberta markets are receiving the bulk of stakeholder interest due to their exceptionally positive financial and operating results. However, the remaining 49% of our units, which continue to perform as per expectations, are equally important as they provide necessary diversification and strength to greatly enhance the Trust’s viability over the long-term.”

Operational Highlights

The average vacancy rate across the Trust's portfolio for the third quarter of 2006 was 3.73%, down from 3.87% in the second quarter of 2006, and down from 4.57% compared to the same period last year.

The average monthly rent on our entire portfolio realized in the third quarter of 2006 was \$797 per rental unit, up \$46 from \$751 per rental unit for the same period last year.

The average market rent for the Trust's properties at the end of September 2006 was an estimated \$985 per rental unit per month, which compares to an average in-place monthly rent per occupied unit of \$832 for the quarter ended September 30, 2006.

At the end of September 2006, the potential between occupied rents and market rents (mark-to-market) totaled \$57 million, or \$1.01 per unit, up from \$43 million or \$.79 at the end of June 2006.

More detail on our operations will be found in our conference call presentation to be posted on our web site today at www.boardwalkreit.com/FinancialReports/r2006/. The conference call audio for this

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presentation can also be found on our web site at www.boardwalkreit.com/FinancialReports/r2006/ following the call.

Same-Property Results

Boardwalk continued to show solid performance in its stabilized properties (defined as properties owned for over 24 months). The "same-property" results for the Trust's stabilized portfolio for the three-month period ended September 30, 2006 showed rental revenue growth of 6.1% on a year over year basis. Operating expenses increased 5.2%, resulting in an increase in NOI of 6.6% compared to the same period last year. The "same-property" results for the nine-month period ended September 30, 2006 showed rental revenue growth of 4.2%, and an increase in total operating expenses of 2.5%, resulting in an increase in NOI of 5.3% compared to the same period last year. A total of 31,401 units, representing approximately 93% of Boardwalk's total portfolio, were classified as stabilized as at September 30, 2006.

Same-Property Results - Stabilized Portfolio

3 Months	Revenue	Operating Expenses	NOI	% of NOI
Calgary	14.3%	2.6%	19.0%	20%
Edmonton	7.4%	-0.6%	11.4%	34%
Other Alberta	14.3%	-0.1%	21.1%	6%
Saskatchewan	3.0%	9.8%	-1.0%	11%
Ontario	1.7%	10.4%	-6.1%	9%
Quebec	0.2%	9.4%	-4.5%	20%
	6.1%	5.2%	6.6%	100%
9 Months	Revenue	Operating Expenses	NOI	% NOI
Calgary	9.0%	-3.3%	15.2%	19%
Edmonton	5.2%	-1.5%	9.2%	34%
Other Alberta	10.7%	-4.6%	19.3%	6%
Saskatchewan	2.3%	4.6%	0.5%	11%
Ontario	1.6%	3.2%	-0.2%	10%
Quebec	0.1%	11.7%	-7.6%	20%
	4.2%	2.5%	5.3%	100%

Commenting on Boardwalk's same-property results, President and CEO, Sam Koliass, said,

"In the third quarter, we were pleased to see revenue growth accelerating more quickly than expense increases on a same store basis for the fourth straight quarter. Across our portfolio, expenses continued to rise. However, increasing expenses were somewhat tempered by savings in natural gas expenditures, and property taxes were flat after the massive increases of the past couple years."

Acquisition/Disposition Activity

There were no acquisition or disposition activities in the third quarter of 2006 for Boardwalk. At the end of the third quarter of 2006, one property, consisting of 90 units located in Calgary, Alberta, was

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reclassified as properties held for redevelopment as a result of Boardwalk's plan to convert these suites to condominium units for sale.

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

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

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

Commenting on the Trust's property acquisitions and dispositions, Bill Chidley, Senior Vice President, Corporate Development, said: "The acquisitions completed to date in 2006 add quality assets in traditionally strong rental markets to our overall portfolio. We remain on track with our guidance of acquiring approximately 1,000 new units during 2006."

"The acquisition market for multi-family rentals in Canada continues to be a highly competitive 'seller's market'. We are in discussion on a number of possible acquisitions; however, we cannot be certain of closing on any of these transactions. While market forces are making acquisitions more difficult, Cap Rate compression continues to positively impact our portfolio's overall value. This compression is expected to continue, further increasing our portfolio's value as we look forward. Our key growth over the short term will be based on internal growth, enhanced through external acquisition."

Continued Financial Strength

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

Outlook and 2006 Earnings Guidance

Commenting on the outlook for the Trust, Rob Geremia, Senior Vice President, Finance and CFO, said, "Given the continued improvement in our Alberta Portfolio, we again feel it reasonable to increase

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guidance from the amounts originally estimated. Our fiscal 2006 guidance for FFO on a per unit basis has been revised from the initial guidance of \$1.37 - \$1.46, to \$1.55 - \$1.62. Our fiscal 2006 guidance for Distributable Income on a per unit basis has been similarly increased from the initial guidance of \$1.41 - \$1.51, to \$1.57 to \$1.64. We have increased our estimated stabilized NOI growth to 5.0%, up from the previously forecasted expectation of 0.0% as at December 31, 2005. In revising these estimates, we have taken into account the March 2006 issuance of 2.9 million trust units. These forecasts are further based on the expectation of new property acquisitions of approximately 1,000 new residential units for the year.”

Increasing Distributions

Boardwalk’s Trustees have approved an increase in the Trust’s Distributions to \$1.48 on an annualized basis, an increase of 17.5% from the \$1.26 currently distributed. On a monthly basis, the Trust will distribute \$.123 per outstanding trust unit as compared to the current monthly distribution of \$.105. The monthly distribution change will be effective to Unitholders of record on November 30, 2006 and payable on December 15, 2006.

2007 Guidance

Boardwalk traditionally provides the next fiscal year financial performance objectives during the third quarter. Based on our internal review, we are introducing fiscal 2007 guidance for FFO and DI on a per Trust unit basis of between \$1.85 to \$2.00 and \$1.87 to \$2.02, respectively. These forecasts are based on the assumptions of an 8.0% increase in stabilized NOI growth, and new property acquisitions of between 1,000 to 2,000 residential units for the year. Commenting on the Trust’s 2007 guidance, Rob Geremia said, “Given Alberta’s strong rental market fundamentals, we expect strong internal rental revenue growth through 2007. This growth will be tempered slightly by increasing turn-over and operating expenses, particularly due to inflationary pressures on wage and supply costs in our Alberta markets. The 2007 guidance assumes that the existing Alberta Natural Gas Rebate program will be extended, in its current form. It is management’s intention to update the market on a quarterly basis regarding our guidance estimates.”

Supplementary Information

Boardwalk produces Quarterly Supplemental Information that provides detailed information regarding the Trust’s activities during the quarter. The Third Quarter 2006 Supplemental Information is available on our investor website at www.boardwalkreit.com.

Teleconference on Third Quarter Financial Results

We invite you to participate in the teleconference that will be held to discuss these results this same morning at 11:00 am EST. Senior management will speak to the third quarter financial results and provide a corporate update. Presentation materials will be made available on our investor website at www.boardwalkreit.com prior to the call.

Participation & Registration: Please RSVP to Investor Relations at 403-531-9255 or by email to investor@bwalk.com.

Teleconference: The telephone numbers for the conference are: 416-644-3416 (within Toronto) or toll-free 1-800-814-4890 (outside Toronto).

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Webcast: Investors will be able to listen to the call and view our slide presentation over the Internet by visiting <http://www.boardwalkreit.com> 15 min. prior to the start of the call. An information page will be provided for any software needed and system requirements. The live audiocast will also be available at <http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=1626680>

Replay: An audio recording of the teleconference will be available from 1:00 pm ET on Monday, November 13, 2006 until 11:59 pm ET on Monday, November 20, 2006. You can access it by dialing 416-640-1917 and using the passcode 21205778 followed by the pound (#) sign. An audio archive will also be available on our website (<http://www.boardwalkreit.com/>) approximately two hours after the conference call.

Corporate Profile

Boardwalk REIT is an open-ended real estate investment trust formed to acquire all of the assets and undertakings of Boardwalk Equities Inc. Boardwalk REIT's principal objectives are to provide its unitholders with monthly cash distributions, partially on a Canadian income tax-deferred basis, and to increase the value of its units through the effective management of its residential multi-family revenue producing properties and the acquisition of additional properties. Boardwalk REIT currently owns and operates in excess of 260 properties with over 34,000 units totalling approximately 28 million net rentable square feet, and is Canada's largest owner/operator of multifamily rental communities. Boardwalk REIT's portfolio is concentrated in the provinces of Alberta, British Columbia, Saskatchewan, Ontario and Quebec.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This news release contains forward-looking statements relating to our operations and the environment in which we operate, which are based on our expectations, estimates, forecast and projections, which we believe are reasonable as of the current date . These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. For more exhaustive information on these risks and uncertainties you should refer to our most recently filed annual information form which is available at www.sedar.com. Actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made and should not be relied upon as of any other date. While we may elect to, we undertake no obligation to publicly update any such statement to reflect new information or the occurrence of future events or circumstances at any particular time.

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CONSOLIDATED BALANCE SHEETS

(CDN\$ THOUSANDS)

As at	September 30, 2006 (Unaudited)	December 31, 2005 (Audited)
Assets		
Revenue producing properties (NOTE 4)	\$1,818,876	\$1,782,648
Deferred financing costs	43,237	42,853
Other assets (NOTE 5)	13,951	11,328
Future income taxes (NOTE 11)	708	929
Mortgages and accounts receivable	6,193	9,039
Segregated tenants' security deposits	9,586	7,280
Cash and cash equivalents	2,018	11,145
Discontinued operations (NOTE 6)	5,280	18,164
	<u>\$1,899,849</u>	<u>\$1,883,386</u>
Liabilities		
Mortgages payable	\$1,404,556	\$1,409,375
Debentures (NOTE 7)	120,000	120,000
Accounts payable and accrued liabilities	32,322	32,196
Refundable tenants' security deposits and other	12,856	10,486
Discontinued operations (NOTE 6)	-	15,587
	<u>\$1,569,734</u>	<u>\$1,587,644</u>
Unitholders' Equity		
Unitholders' equity	\$330,115	\$295,742
	<u>\$1,899,849</u>	<u>\$1,883,386</u>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BOARDWALK REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF EARNINGS

(CDN\$ THOUSANDS, EXCEPT PER UNIT AMOUNTS)

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

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SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(CDN\$ THOUSANDS, EXCEPT NUMBER OF UNITS)

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

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(CDN\$ THOUSANDS)

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

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BOARDWALK REAL ESTATE INVESTMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 30, 2006

(TABULAR AMOUNTS IN CDN\$ THOUSANDS, EXCEPT NUMBER OF UNITS AND PER UNIT AMOUNTS UNLESS OTHERWISE STATED)
(UNAUDITED)

1. ORGANIZATION OF TRUST

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

2. BASIS OF PRESENTATION

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

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

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

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

3. ACCOUNTING CHANGES

DEFERRED UNIT PLAN

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

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4. REVENUE PRODUCING PROPERTIES

Acquisitions

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

Dispositions

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

5. OTHER ASSETS

As at	September 30, 2006	December 31, 2005
Corporate technology assets (net of amortization)	\$3,456	\$3,502
Head office building (net of amortization)	2,281	2,350
Deposits on potential property acquisitions	115	200
Prepaid parts and supplies	1,950	2,037

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Lease goodwill and customer relationship intangibles, net of accumulated amortization	1,158	125
Prepaid property taxes	2,967	1,151
Prepaid and other	2,024	1,963
	\$13,951	\$11,328

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

6. DISCONTINUED OPERATIONS

During the first quarter of 2006, the Trust completed the sale of a 156-unit and a 40-unit rental property, both located in Calgary, Alberta. During the third quarter of 2006, a revenue producing property in Calgary was classified as discontinued operations as a result of the Trust initiating an active program to dispose of this property. This property is being developed into condominium units for sale at a price that is reasonable in relation to its current fair value. These three properties formed part of our Alberta segment in our segmented information disclosure. The following tables set forth the results of operations as well as the assets and liabilities associated with the discontinued operations.

	3 months ended September 30, 2006	3 months ended September 30, 2005	9 months ended September 30, 2006	9 months ended September 30, 2005
Revenue				
Rental income	\$273	\$906	\$1,011	\$3,348
Expenses				
Revenue producing properties:				
Operating expenses	30	79	168	378
Utilities	25	78	130	410
Utility rebate	-	-	(12)	(18)
Property taxes	19	79	82	250
Administration	6	23	28	94
Financing costs	81	256	228	992
Deferred financing cost amortization	1	11	4	32
Amortization of capital assets	47	164	142	492
	209	690	770	2,630
	64	216	241	718
Gain on dispositions (NOTE 4)	-	-	7,527	1,507
Operating earnings from discontinued operations before income taxes	64	216	7,768	2,225
Future income taxes	-	-	-	12
Earnings from discontinued operations	\$64	\$216	\$7,768	\$2,213
Discontinued Assets				
Revenue producing properties held for sale			\$-	\$12,490
Properties held for redevelopment			5,109	5,230
Other assets on properties held for sale			-	268

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Other assets on properties held for redevelopment	171	176
Total	<u>\$5,280</u>	<u>\$18,164</u>
Discontinued Liabilities		
Mortgages payable on properties held for sale	\$-	\$9,562
Mortgages payable on properties held for redevelopment	-	6,025
Total	<u>\$-</u>	<u>\$15,587</u>

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7. DEBENTURES

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

8. DEFERRED UNIT PLAN

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

The status of the outstanding deferred units is as follows:

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

9. UNITHOLDERS' CAPITAL

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

The LP Class B units may only be transferred subject to applicable securities laws, regulations and orders, and subject to the terms and conditions of the limited partnership agreement creating Boardwalk REIT Limited Partnership, dated January 1, 2003, as amended and restated on May 3, 2004. The LP Class B units 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 Boardwalk REIT unitholders. There is no value assigned to the Special Voting units. The LP Class B units issued are included in the Boardwalk REIT unitholders' capital contributions on the balance sheet. The changes in unitholders' capital contribution are as follows:

Summary of Unitholders' Capital Contributions	Units	Amount
December 31, 2004	53,107,567	\$293,503
Units issued under distribution reinvestment plan	116,627	2,202
Restructuring costs	-	(9)
December 31, 2005	53,224,194	\$295,696
Units issued under equity financing	2,915,000	63,594

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Units issued under distribution reinvestment plan	164,537	4,008
Restructuring costs	-	(165)
Deferred unit plan (NOTE 8)	-	597

September 30, 2006	56,303,731	\$363,730
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The Declaration of Trust authorizes Boardwalk REIT to issue an unlimited number of units for the consideration and on terms and conditions established by the Trustees without the approval of any unitholders. The interests in Boardwalk REIT are represented by two classes of units: a class described and designated as “REIT Units” and a class described and designated as “Special Voting Units”. The beneficial interest of the two classes of units is as follows:

(a) REIT Units

REIT Units represent an undivided beneficial interest in Boardwalk REIT and in distributions made by Boardwalk REIT. The REIT Units are freely transferable, subject to applicable securities regulatory requirements. Each REIT Unit entitles the holder to one vote at all meetings of unitholders. Except as set out under the redemption rights below, the REIT Units have no conversion, retraction, redemption or pre-emptive rights.

REIT Units are redeemable at any time, in whole or in part, on demand by the holders. Upon receipt by Boardwalk REIT of a written redemption notice and other documents that may be required, all rights to and under the REIT Units tendered for redemption shall be surrendered and the holder shall be entitled to receive a price per REIT Unit equal to the lesser of:

- i) 90% of the “market price” of the REIT Units on the principal market on which the REIT Units are quoted for trading during the twenty-day period ending on the trading day prior to the day on which the REIT Units were surrendered to Boardwalk REIT for redemption; and
- ii) 100% of the “closing market price” of the REIT Units on the principal market on which the REIT Units are quoted for trading on the redemption date.

(b) Special Voting Units

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

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

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

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

10. DISTRIBUTABLE INCOME AND PER UNIT INFORMATION

Distributable income per unit

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

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

Earnings per unit

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

11. INCOME TAXES

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

BOARDWALK REAL ESTATE INVESTMENT TRUST

	3 months ended September 30, 2006	3 months ended September 30, 2005	9 months ended September 30, 2006	9 months ended September 30, 2005
Continuing operations	\$446	\$28	\$222	\$(804)
Discontinued operations	-	-	-	12
	\$446	\$28	\$222	\$(792)

Future income taxes (recovery) consist of the following:

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

The future income tax asset is calculated as follows:

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

12. COMMITMENTS AND CONTINGENCIES

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

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

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

The Trust has also entered into three natural gas supply contracts, which provide a degree of price certainty for natural gas usage in the provinces of Saskatchewan, Ontario and Quebec. The contracts cover between 75 - 100% of the Trust's natural gas requirements for each of the provinces. The physical supply agreement for Saskatchewan runs from November 1, 2006 to October 31, 2007 and provides the commodity at a price of \$8.48/GJ. The physical supply agreements for Ontario and Quebec run from June 1, 2006 to June 1, 2007 and provide the commodity near \$8.00/GJ.

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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 current or pending legal and other claims filed against the Trust or its predecessor will not be material to Boardwalk REIT.

13. GUARANTEES

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

In connection with the sales of properties, a mortgage assumed by the purchaser will have an indirect guarantee provided to the lender until the mortgage is refinanced by the purchaser. In the event of default by the purchaser, the seller would be liable for the outstanding mortgage balance. Boardwalk REIT's maximum exposure at September 30, 2006 is approximately \$5.5 million (September 30, 2005 - \$5.7 million). In the event of default, Boardwalk REIT's recourse for recovery includes the sale of the respective building asset. Boardwalk REIT expects that the proceeds from the sale of the building asset will cover, and in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at September 30, 2006, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

14. SEGMENTED INFORMATION

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

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

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

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

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

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

15. SUBSEQUENT EVENTS

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