

NEWS RELEASE FOR IMMEDIATE DISTRIBUTION

Boardwalk REIT Reports Solid Third Quarter 2007 Financial Results with Funds From Operations per Unit Up 27.1% and DI per Unit up 24.5% YOY; Further Upward Revision in Guidance; and an Increase in Annual Distributions by 13.0% to \$1.80 Per Year.

CALGARY, November 09, 2007 - 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 2007 with FFO per Unit up **27.1%** and DI per Unit up **24.5%** YOY; **further upward revision in guidance for 2007; and an increase in annual distributions by 13% to \$1.80 per unit, per year.**

For the third quarter ended September 30, 2007, the Trust reported Funds From Operations¹ ("FFO") of \$34.1 million and FFO per unit of \$0.61 on a diluted basis, compared to FFO of \$26.9 million and FFO per unit of \$0.48 for the same period last year. Distributable Income ("DI") for the quarter was \$34.3 million and DI per Unit was \$0.61 on a diluted basis, compared to \$27.3 million and \$0.49 per unit, respectively, for the same period last year.

Highlights of the Trust's Third Quarter 2007 financial results include:

- Rental revenues of \$95.7 million, an increase of 18.0%, compared to \$81.1 million for the three-month period ended September 30, 2006.
- Net operating income of \$64.1 million, representing a 24.3% increase from \$51.6 million in the same period last year.
- FFO of \$34.1 million, an increase of 26.7%, compared to \$26.9 million for the three-month period ended September 30, 2006.
- FFO per unit was \$0.61 on a diluted basis, up 27.1%, compared to \$0.48 for the three-month period ended September 30, 2006.
- DI was \$0.61 per unit, up 24.5% from \$0.49 for the three months ended September 30, 2006.
- Net earnings of \$13.1 million, an increase of \$5.6 million for the three-month period ended September 30 2007 compared to the same period in the prior year. For the nine-month period ended September 30, 2007, net earnings were \$(80.8) million compared to \$18.9 million for the same period as last year as a direct result of a one-time non-cash deferred tax charge of \$113 million relating to the Royal Assent of Bill C-52 on June 22, 2007.

Commenting on the Trust's Q3 2007 results, Sam Koliass, C.E.O., said: "We are pleased to report on another successful quarter for the Trust. Economic expansion continued in our Western Canadian markets this quarter, delivering continued positive revenue growth. Though our primary gains this quarter were achieved by our Western markets, our geographic diversity across both Eastern and Western markets remains a key asset."

"Our Saskatchewan markets, which make up 13% of our portfolio, had a particularly positive quarter. Positive job creation, wage growth and migration resulted in an increase in demand of rental units pushing occupancy and market rents higher. Average market rents were up approximately \$178 in Saskatoon; and \$156 in Regina at the end of Q3 over Q2 2007."

"Our Alberta portfolio, which makes up approximately 53% of our total portfolio, continued to produce significant revenue growth this quarter. In Edmonton, average market rents were up approximately \$60 at the end of Q3 over Q2. Market rents continued their upward trend in Calgary, posting a slight increase of \$4 at the end of

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Q3 over Q2. Although Calgary market rents increased slightly at the end of September, this market is now experiencing a more typical seasonality in market rents. Calgary rental market fundamentals are moving towards a balance between supply and demand as vacancy rose from 3.14% in Q2 to 3.34% in Q3.”

Roberto Geremia, President, added: “The tempering in Calgary market rents demonstrates the effectiveness of the free market. Free market pricing allows for levels of supply and demand to adjust, increasing apartment alternatives for consumers as vacancy rises. Our Calgary market fundamentals reflect how well the free market works and we stand firm in our stance against legislated rent controls.”

“Our mark-to-market lease differential- the difference between the in-place rental revenue (based on actual rental rates obtained) and potential rental revenue (based on market rental rates) – continued to grow this quarter. We continue to strive to close the mark-to-market gap while maintaining our Customer-focused policies. Our Customer-centric policies increase Customer loyalty and satisfaction, lowers turnovers and expenses associated with turnovers, maximizes revenues and increases the sustainability of our financial performance.”

Operational Highlights

- The average vacancy rate across the Trust’s portfolio for the third quarter of 2007 was 3.93%, down from 4.16% in the second quarter of 2007, but up from 3.73% for the third quarter of 2006.
- The average monthly rent realized in the third quarter of 2007 was \$879 per unit, up \$78 from \$801 per unit in the same period last year.
- The average market rent for the Trust’s properties at the end of September 2007 was an estimated \$1096 per rental unit per month, which compares to an average in-place monthly rent per occupied unit of \$907 as at September 30, 2007. This translates to an estimated ‘loss-to-lease’ of approximately \$78.5 million on an annualized basis, or \$1.39 per outstanding Trust Unit, given existing occupancy levels.

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

Same-Property Results

Boardwalk REIT 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, 2007 showed rental revenue growth of 11.4% on a year-over-year basis. Operating expenses increased 2.3%, resulting in an increase in NOI of 16.2% compared to the same period last year. A total of 33,014 units, representing approximately 90% of Boardwalk REIT's total portfolio, were classified as stabilized as at September 30, 2007.

Same-Property Results - Stabilized Portfolio

Sep 30 2007 - 3 M	# of Units	Revenue Growth	Operating Expense Growth	Net Operating Income Growth	% of Stabilized NOI
Calgary	4,973	16.3%	-2.9%	23.2%	21%
Edmonton	10,369	18.8%	14.6%	20.7%	34%
Other Alberta	1,680	10.2%	19.7%	6.6%	6%
British Columbia	633	12.3%	-21.3%	27.3%	2%

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Saskatchewan	4,660	11.3%	5.3%	15.2%	10%
Quebec	6,434	3.6%	-7.0%	9.7%	19%
Ontario	4,265	-0.9%	-6.4%	4.8%	8%
	33,014	11.4%	2.3%	16.2%	100%

Sep 30 2007 - 9 M	# of Units	Operating		Net Operating Income Growth	% of Stabilized NOI
		Revenue Growth	Expense Growth		
Calgary	4,973	20.4%	3.9%	27.4%	21%
Edmonton	10,369	17.8%	10.5%	21.7%	34%
Other Alberta	1,680	14.4%	12.2%	15.4%	6%
British Columbia	633	9.7%	-1.7%	15.5%	2%
Saskatchewan	4,660	8.4%	0.5%	14.8%	10%
Quebec	6,434	2.7%	-3.3%	7.0%	18%
Ontario	4,265	-0.2%	-1.9%	1.6%	8%
	33,014	11.5%	3.0%	16.8%	100%

Commenting on Boardwalk REIT's same-property results, Sam Koliass, CEO, said, "In the third quarter, we are pleased to see revenue growth accelerating more quickly than expense increases on a stabilized property basis for the eighth straight quarter. The increase in reported stabilized revenue was driven mainly by the Trust's Alberta operations, which accounts for approximately 61% of the Trust's reported stabilized net operating income."

Sequential Revenue Analysis

Stabilized Revenue Growth Q3 2007 Vs...

	# Units	Q1 2007	Q2 2007
Calgary	4,973	5.34%	1.05%
Edmonton	10,369	8.65%	4.01%
Other Alberta	1,680	0.50%	0.86%
British Columbia	633	4.41%	2.61%
Ontario	4,265	-1.06%	-1.44%
Quebec	6,434	2.86%	2.27%
Saskatchewan	4,660	7.92%	5.52%
	33,014	5.17%	2.48%

Commenting on Boardwalk REIT's stabilized revenue growth, Sam Koliass, CEO, said, "Stabilized revenues reported for the current quarter were up 5.17% comparing Q3 over Q1 2007, and 2.48% comparing Q3 over Q2 2007. Although stabilized revenue growth tempered slightly through the third quarter, we estimate that growth will again increase in the first half of 2008 when annual rental increases in Alberta are realized. Rental legislation enacted in May of this year (retroactive to the beginning of 2007) limits rental increases to once per year in Alberta, our largest market, resulting in larger rental increases given less often."

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Real Estate Acquisition/Disposition Activity

Closed - 2007

Building Name	City	# of Units	Type	Price	Year 1 Cap Rate	Year 2 Cap Rate	\$/unit	\$/sq ft	Date Closed
Prairie Sunrise Portfolio	Grande Prairie	275	High Rise & Walk up	\$ 40,000,000	4.74%	6.30%	\$ 145,455	\$ 175	March 14, 2007
West Edmonton Village	Edmonton	1176	High Rise, Walk up, Town	\$ 143,500,000	5.47%	6.61%	\$ 122,024	\$ 126	February 28, 2007
Ridgemont Apartments	Coquitlam	41	Walk up	\$ 3,700,000	5.03%	5.66%	\$ 90,244	\$ 142	January 25, 2007
St. Charles Place & Parkview Manor	Edmonton	51	Walk up	\$ 4,150,000	4.52%	5.52%	\$ 81,373	\$ 104	January 26, 2007
Springwood Place Apartments	Spruce Grove	160	Low Rise	\$ 16,000,000	5.25%	5.76%	\$ 100,000	\$ 130	May 28, 2007
Lakeview Apartments	Calgary	120	Walk Up	\$ 21,850,000	4.80%	5.86%	\$ 182,083	\$ 203	September 20, 2007
Whitehall Square	Edmonton	598	High Rise & Walk Up	\$ 111,250,000	5.12%	5.53%	\$ 186,037	\$ 204	September 24, 2007
Total		2,421		\$ 340,450,000	5.20%	6.11%	\$ 147,673	\$ 162	

Dispositions

Building Name	City	# of Units	Type	Price	Year 1 Cap Rate	Year 2 Cap Rate	\$/unit	\$/sq ft	Date Closed
St. Charles Place & Parkview Manor	Edmonton	51	Walk Up	\$ 5,900,000	3.20%	3.67%	\$ 115,686	\$ 148	April 30, 2007

The Trust also sold and closed 45 units of a 90-unit property located in Calgary, Alberta that is being developed into condominium units for sale.

Commenting on the Trust's property acquisitions and dispositions, Bill Chidley, Senior Vice President, Corporate Development, said: "To date, we have completed acquisitions of 2421 apartment units in 2007. All of these acquisitions are located in strong Western markets. We confirm our acquisition guidance of 2,000 – 3,000 residential units for the 2007 fiscal year."

"Our highly skilled Acquisitions department continues to work proactively to find, underwrite and negotiate superior acquisition opportunities across the country. Currently, our primary focus is in the strong Western Canadian market, most particularly the Lower Mainland and Victoria areas in British Columbia, the entire Province of Alberta, and the major centres in Saskatchewan. Despite this predominantly Western focus, we also remain, as always, poised to act quickly on any particularly attractive one-time deals in the East. As we have mentioned in the past, we believe it is still too early in the market cycle to consider the Greater Toronto Area in a meaningful way. Boardwalk REIT looks for meaningful rental growth rates in addition to initial accretion in its acquisitions."

"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."

New Apartment Development

Boardwalk continues to explore the possibility of developing new multi-family product in select markets in Western Canada. At this time, we are focusing on selected properties that feature excess density in Calgary and Edmonton. We remain committed to continue to explore new accretive multi-family development and are currently in the process of density intensification and financial feasibility studies, as well as the design and permitting stages.

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Over the third quarter, the Trust completed a preliminary densification study on Calgary. The planning consultants estimate that in Calgary an additional density of seven to fourteen thousand units could be achieved with re-zoning, the vast majority on eleven sites. We are in the early stages of this process with the earliest completion of any new development 2.5 to 4 years away. As part of this investigation, we are considering a number of ways to surface this densification value, including direct development, joint venture with an experienced developer and the sale of excess density. The Edmonton densification study is in progress and is focusing on two Edmonton properties, West Edmonton Village and Viking Arms.

Though we are excited by this potential, it is important to note that to obtain the estimated maximum density, it will be necessary to demolish existing rental units. It is our belief that the key to this development is to find the optimal trade-off between maximizing density and retaining as much of the existing rental stock as possible.

Continued Financial Strength

The Trust built upon its solid financial position through the third quarter of 2007. Boardwalk REIT's total principal mortgage and debt outstanding was \$1.81 billion as at September 30, 2007, as compared to \$1.52 billion as at September 30, 2006. As at September 30, 2007, the Trust's total debt had an average maturity of 3 years with a weighted average interest rate of 5.22%. The Trust's debt-to-total enterprise value was 40.0%.

The Trust currently has a \$200 million, secured, undrawn acquisition and operating facility available for future investment opportunities. In addition, the Trust has been proactive in managing its debt portfolio and, as such, has already locked in over \$132 million in mortgages maturing in the last quarter of the 2007 fiscal year at rates well below both the maturing and existing market rates.

The Trust's interest coverage ratio, excluding gains, for the three-month period ended September 30, 2007 was 2.48 times, compared to 2.36 times in the same period last year.

Alberta Royalty Review

On October 25, 2007, the Alberta Government announced changes to the existing oil and gas royalty program. The new program is more heavily based on a sliding scale that is responsive to the market price of the underlying commodity. This new scale increases the top end of the royalty rates from approximately 35% to a maximum of 50%. It is the government's belief that this new system strikes a balance between the needs of both the province and the producers of these commodities. The new program will commence in January 2009. For more details on this new program, please visit the Government of Alberta website - www.energy.gov.ab.ca

It is too early to know what effect this new program will have on the Alberta oil and gas industry; however, this program will result in an increased tax on oil and gas producers and may result in some of these producers revisiting the assumptions they have used in the determination of investment in the province of Alberta. It is our current belief that the high price of oil will continue to encourage further investment, in particular in the Alberta Tar Sands. We are pleased that the market uncertainty that

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preceded the release of the details of this new program has been put to rest and that a thorough analysis and better-educated decisions can now be made.

Normal Course Issuer Bid

In the second quarter, we announced that we would be commencing with a Normal Course Issuer Bid as a response to the recent volatility in the public markets. In the third quarter, we obtained approval from the Board of Trustees and public securities bodies to purchase up to 10% of our existing outstanding float or approximately 4.1 million shares. To date, we have purchased approximately \$627 thousand trust units on the public market with a total of approximately \$28.6 million, or for an average price of \$45.69 per trust unit. We continue to believe that one of the best investments we can make is purchasing our trust units at current levels.

Outlook and 2007 Financial Guidance

Commenting on the outlook for the Trust, Roberto Geremia, President, said, "After reporting on three strong quarters, and after reviewing our key assumptions, we are revising our Guidance upward for fiscal 2007. For 2007, we are expecting a FFO range of between \$2.00 to \$2.05 as compared to the \$1.95 to \$2.04 previously announced and for DI the revised range is between \$2.02 to \$2.06 as compared to the previously announced \$1.97 to \$2.05. We are also revising upward our expectations of Stabilized Properties NOI (or NOI on properties we have held for at least 24 months) performance to an expected growth of 15% from the previous 10% while maintaining our target apartment acquisition range of 2,000 to 3,000 apartment units."

2008 Financial Guidance

As is customary in the third quarter, we would like to introduce fiscal 2008 guidance for FFO and DI on a per trust unit basis of between \$2.35 to \$2.50 and \$2.37 to \$2.52, respectively. In computing these estimates, we have assumed the acquisition of between 1,000 and 2,000 apartments, as well as stabilized properties reporting NOI growth of approximately 8% to 14%.

Distribution Increase

Commenting on the distribution increase, Roberto Geremia, President, said, "After a detailed review of our year to date results and estimates of both our year end and 2008 results, the Board of Trustees has initiated an increase in the monthly distribution. Effective for unitholders on record at November 30, 2007, Boardwalk will increase its monthly trust unit distribution paid out to its unitholders from \$0.1333 (\$1.60 annualized) to \$0.1500 (\$1.80 annualized). In times when many Trusts are reviewing and considering decreases in distributions, we are very thankful to be in a financial position that warrants an increase in distributions of approximately 13%."

November 2007 Monthly Distribution

The Trust has declared its November 2007 distribution in the amount of 15.00 cents per unit (\$1.80 annualized). The November distribution will be payable on December 17, 2007 to Unitholders of Record on November 30, 2007. To encourage participation and reward unitholders, investors registered in the Distribution Reinvestment Plan ("DRIP") will continue to receive a "bonus" distribution of

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additional Trust Units representing 3% of the amount of their cash distributions reinvested pursuant to the Plan. A full copy of the DRIP can be found on Trust's website at www.boardwalkREIT.com.

Supplementary Information

Boardwalk REIT produces Quarterly Supplemental Information that provides detailed information regarding the Trust's activities during the quarter. The third quarter 2007 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 416-644-3415 (within Toronto) or toll-free 1-800-732-9303 (outside Toronto).

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=2027960>

Replay: An audio recording of the teleconference will be available from 1:00 pm ET on Friday, November 09 2007 until 11:59 pm ET on Friday, November 16, 2007. You can access it by dialing 416-640-1917 and using the passcode 21248968# 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 stable and growing monthly cash distributions, partially on a Canadian income tax-deferred basis, and to increase the value of its units through the effective management of its residential multi-family revenue producing properties and the acquisition of additional properties. Boardwalk REIT currently owns and operates in excess of 260 properties with approximately 36,500 units totalling approximately 30 million net rentable square feet, and is Canada's largest owner/operator of multi-family rental communities. Boardwalk REIT's portfolio is concentrated in the provinces of Alberta, British Columbia, Saskatchewan, Ontario and Quebec.

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¹ 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.

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, 2007 (Unaudited)	December 31, 2006 (Audited)
Assets		
Revenue producing properties (NOTE 4)	\$2,149,318	\$1,836,429
Other assets (NOTE 5)	19,960	13,873
Future income taxes (NOTE 11)	-	316
Mortgages and accounts receivable	4,623	4,388
Segregated tenants' security deposits	13,402	9,998
Discontinued operations (NOTE 6)	4,589	5,456
	\$2,191,892	\$1,870,460
Liabilities		
Mortgages payable (NOTE 3)	\$1,646,844	\$1,380,578
Debentures (NOTES 3 and 7)	118,677	118,448
Accounts payable and accrued liabilities	41,606	35,423
Refundable tenants' security deposits and other	16,255	13,102
Bank indebtedness	101,346	4,042
	1,924,728	1,551,593
Future income taxes (NOTES 3 and 11)	113,143	-
	\$2,037,871	\$1,551,593
Unitholders' Equity		
Unitholders' equity	\$154,021	\$318,867
	\$2,191,892	\$1,870,460

Commitments and contingencies (NOTE 12)

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(CDN\$ THOUSANDS, EXCEPT PER UNIT AMOUNTS)

	3 months ended September 30, 2007 (Unaudited)	3 months ended September 30, 2006 (Unaudited)	9 months ended September 30, 2007 (Unaudited)	9 months ended September 30, 2006 (Unaudited)
Revenue				
Rental income	\$95,702	\$81,083	\$275,983	\$235,805
Expenses				
Revenue producing properties:				
Operating expenses	14,768	14,003	46,513	42,107
Utilities	8,472	7,464	31,629	29,346
Utility rebate (NOTE 12)	-	(39)	(933)	(1,427)
Property taxes	8,317	8,041	24,888	24,201
Administration	5,264	3,867	15,862	12,712
Financing costs	23,734	20,209	67,973	60,691
Deferred financing costs amortization (NOTE 3)	1,081	767	3,460	2,233
Amortization of capital assets	21,838	18,887	61,605	54,620
	83,474	73,199	250,997	224,483
Earnings from continuing operations before income taxes	12,228	7,884	24,986	11,322
Large corporations taxes	15	-	15	8
Future income taxes (NOTE 11)	2,055	446	113,453	222
Earnings (loss) from continuing operations	10,158	7,438	(88,482)	11,092
Earnings from discontinued operations, net of tax (NOTE 6)	2,900	64	7,670	7,768
Net earnings (loss)	13,058	7,502	(80,812)	18,860
Other comprehensive income	-	-	-	-
Comprehensive income (loss)	\$13,058	\$7,502	\$(80,812)	\$18,860
Basic earnings (loss) per unit (NOTE 10)				
- from continuing operations	\$0.18	\$0.13	\$(1.58)	\$0.20
- from discontinued operations	0.05	0.00	0.14	0.14
Basic earnings (loss) per unit	\$0.23	\$0.13	\$(1.44)	\$0.34
Diluted earnings (loss) per unit (NOTE 10)				
- from continuing operations	\$0.18	\$0.13	\$(1.58)	\$0.20
- from discontinued operations	0.05	0.00	0.14	0.14
Diluted earnings (loss) per unit	\$0.23	\$0.13	\$(1.44)	\$0.34

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, 2007	9 months ended September 30, 2006
	(Unaudited)	(Unaudited)
Trust units (NOTE 9)		
Balance, beginning of period	\$365,744	\$295,696
Units issued under equity financing, net of issue costs	(151)	63,594
Units issued under distribution reinvestment plan	6,194	4,008
Restructuring costs	-	(165)
Deferred unit plan (NOTE 8)	1,275	597
Units issued for vested deferred units (NOTE 8)	400	-
Unit purchased and cancelled (NOTE 9)	(26,361)	-
Balance, end of period	<u>\$347,101</u>	<u>\$363,730</u>
Cumulative earnings		
Balance, beginning of period	\$154,917	\$129,530
Net earnings (loss) for the period	(80,812)	18,860
Balance, end of period	<u>\$74,105</u>	<u>\$148,390</u>
Accumulated other comprehensive income		
Balance, beginning of period	\$-	\$-
Other comprehensive income for the period	-	-
Balance, end of period	<u>\$-</u>	<u>\$-</u>
Cumulative distributions to unitholders		
Balance, beginning of period	\$(201,794)	\$(129,483)
Distributions declared to unitholders (NOTE 10)	(65,391)	(52,522)
Balance, end of period	<u>\$(267,185)</u>	<u>\$(182,005)</u>
Total unitholders' equity	<u>\$154,021</u>	<u>\$330,115</u>
Units issued and outstanding	<u>55,928,929</u>	<u>56,303,731</u>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BOARDWALK REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

(CDN\$ THOUSANDS)

	3 months ended September 30, 2007	3 months ended September 30, 2006	9 months ended September 30, 2007	9 months ended September 30, 2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating activities				
Net earnings (loss)	\$13,058	\$7,502	\$(80,812)	\$18,860
Earnings from discontinued operations, net of tax	(2,900)	(64)	(7,670)	(7,768)
Future income taxes	2,055	446	113,453	222
Amortization of capital assets	21,838	18,887	61,605	54,620
	34,051	26,771	86,576	65,934
Cash from discontinued operations	-	111	(7)	383
Net change in operating working capital	(4,302)	2,316	4,098	612
Total operating cash flows	29,749	29,198	90,667	66,929
Financing activities				
Issue of trust units (net of issue costs) (NOTE 9)	1,948	1,499	6,043	67,437
Distributions paid	(22,010)	(17,725)	(64,869)	(52,199)
Unit repurchase program (NOTE 9)	(26,361)	-	(26,361)	-
Financing of revenue producing properties	68,933	7,293	387,618	20,039
Repayment of debt on revenue producing properties	(12,883)	(14,177)	(145,120)	(39,803)
Deferred financing costs incurred (net of amortization)	(1,444)	(180)	(6,687)	(379)
	8,183	(23,290)	150,624	(4,905)
Investing activities				
Purchases of revenue producing properties (NOTE 4)	(133,100)	-	(309,313)	(60,795)
Improvements to revenue producing properties	(15,238)	(11,051)	(48,732)	(29,623)
Net cash proceeds from sale of properties	8,031	-	20,306	20,274
Additions to corporate technology assets	(163)	(379)	(856)	(1,007)
	(140,470)	(11,430)	(338,595)	(71,151)
Net decrease in cash and cash equivalents balance	(102,538)	(5,522)	(97,304)	(9,127)
Cash and cash equivalents (bank indebtedness), beginning of period	1,192	7,540	(4,042)	11,145
Cash and cash equivalents (bank indebtedness), end of period	\$(101,346)	\$2,018	\$(101,346)	\$2,018
Supplementary cash flow information:				
Capital taxes received	\$-	\$(676)	\$-	\$(326)
Interest paid	\$24,615	\$21,876	\$55,906	\$62,534

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, 2007

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

1. ORGANIZATION OF TRUST

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

2. BASIS OF PRESENTATION

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

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

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

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

3. ACCOUNTING CHANGES

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

- a) Section 1506 - Accounting Changes
- b) Section 1530 - Comprehensive Income
- c) Section 3855 - Financial Instruments-Recognition and Measurement
- d) Section 3861 - Financial Instruments-Disclosure and Presentation
- e) Section 3865 - Hedges

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

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

BOARDWALK REAL ESTATE INVESTMENT TRUST

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

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

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

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

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

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

BOARDWALK REAL ESTATE INVESTMENT TRUST

	September 30, 2007	December 31, 2006
Mortgages Payable		
Principal outstanding	\$1,694,405	\$1,420,701
Unamortized deferred financing costs	(48,769)	(41,853)
Unamortized mark-to-market adjustment	1,208	1,730
	\$1,646,844	\$1,380,578
Debentures		
Principal outstanding	\$120,000	\$120,000
Unamortized deferred financing costs	(1,323)	(1,552)
	\$118,677	\$118,448

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

Bill C-52

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

Impact of Bill C-52

The impact of our interpretation of Bill C-52 on Boardwalk REIT was that, based on a detailed review of the legislation, at this time it may be interpreted that the Trust does not qualify as a REIT, which would be exempt from the specified investment flow-through ("SIFT") rules, and as such has recorded an estimate of its the future income tax liability at June 30, 2007 and subsequently updated at September 30, 2007 based on it being subject to the tax prescribed by the SIFT rules on January 1, 2011. The result is that the Trust recorded a future income tax liability at June 30, 2007 of \$111.1 million, which was revised upward by \$1.7 million to \$112.8 million at September 30, 2007. At a future time, once it has been deemed that the Trust would be in compliance with the SIFT rules, the amount of the adjustment will be reversed. Although the adjustment to earnings and cumulative earnings at September 30, 2007 is significant, it is not large enough to affect any existing debt covenants currently in place, including those stipulated for Boardwalk REIT's unsecured debentures. At this time, it is the belief of the Trust that it will be in compliance with the existing and or amended legislation prior to the effective date of January 1, 2011.

Future Changes in Significant Accounting Policies

Boardwalk REIT monitored the recently issued CICA accounting pronouncements to assess the applicability and impact, if any, of these new pronouncements on our consolidated financial statements and note disclosures. The CICA issued three new accounting standards that are effective for the Trust's fiscal year commencing January 1, 2008:

- a) Section 1535 - Capital Disclosures
- b) Section 3862 - Financial Instruments-Disclosure
- c) Section 3863 - Financial Instruments-Presentation

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

Section 3862 - Financial Instruments-Disclosure and Section 3863 - Financial Instruments-Presentation, which will replace Section 3861 - Financial Instruments Presentation and Disclosure, revise and enhance the disclosure requirements for financial instruments and carry forward unchanged the presentation requirements for financial instruments.

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

BOARDWALK REAL ESTATE INVESTMENT TRUST

4. REVENUE PRODUCING PROPERTIES

Acquisitions

	3 months ended September 30, 2007	3 months ended September 30, 2006	9 months ended September 30, 2007	9 months ended September 30, 2006
Cash paid	\$133,100	\$-	\$309,313	\$60,795
Debt assumed	-	-	31,209	-
Total purchase price	133,100	-	340,522	60,795
Fair value adjustments to debt	-	-	376	-
Book value	\$133,100	\$-	\$340,898	\$60,795
Allocation of book value to revenue producing properties	\$129,635	\$-	\$331,035	\$58,562
Allocation of book value to other assets	3,465	-	9,863	2,233
	\$133,100	\$-	\$340,898	\$60,795
Multi-family units acquired	718	-	2,421	840

Dispositions

	3 months ended September 30, 2007	3 months ended September 30, 2006	9 months ended September 30, 2007	9 months ended September 30, 2006
Cash received	\$8,031	\$-	\$20,306	\$20,274
Cost of dispositions	-	-	125	426
Total proceeds	8,031	-	20,431	20,700
Net book value	5,131	-	12,721	13,173
Gain on dispositions	\$2,900	\$-	\$7,710	\$7,527
Multi-family units sold	24	-	96	194

5. OTHER ASSETS

As at	September 30, 2007	December 31, 2006
Corporate technology assets (net of accumulated amortization)	\$3,278	\$3,436
Head office building (net of accumulated amortization)	2,330	2,329
Deposits on potential property acquisitions	-	814
Prepaid parts and supplies	2,790	2,097
Lease goodwill and customer relationship intangibles (net of accumulated amortization)	6,233	1,271
Prepaid property taxes	2,823	1,193
Prepaid and other	2,506	2,733
	\$19,960	\$13,873

Accumulated amortization for corporate technology assets and head office building at September 30, 2007 were \$13.1 million and \$1.1 million, respectively (December 31, 2006 - \$12.1 million and \$1.0 million, respectively). Accumulated amortization for lease goodwill and customer relationship intangibles at September 30, 2007 was \$12.7 million (December 31, 2006 - \$7.9 million)

BOARDWALK REAL ESTATE INVESTMENT TRUST

6. DISCONTINUED OPERATIONS

During the third quarter of 2007, it was determined that the plan to sell a 108-unit property in Edmonton, Alberta would not proceed. As a result, this building was reclassified as part of continuing operations. This Edmonton property is part of our Alberta segment in our segmented information disclosure.

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

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

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

	3 months ended September 30, 2007	3 months ended September 30, 2006	9 months ended September 30, 2007	9 months ended September 30, 2006
Revenue				
Rental income	\$-	\$273	\$219	\$1,011
Expenses				
Revenue producing properties:				
Operating expenses	-	30	99	168
Utilities	-	25	41	130
Utility rebate	-	-	(5)	(12)
Property taxes	-	19	25	82
Administration	-	6	54	28
Financing costs	-	81	13	228
Deferred financing cost amortization	-	1	-	4
Amortization of capital assets	-	47	32	142
	-	209	259	770
Gain on dispositions	2,900	64	(40)	241
	2,900	-	7,710	7,527
Earnings from discontinued operations	\$2,900	\$64	\$7,670	\$7,768
Discontinued Assets				
Properties held for redevelopment			\$4,589	\$5,456

7. DEBENTURES

On January 21, 2005, Boardwalk REIT completed the issuance of unsecured debentures in a public offering in the aggregate amount of \$120 million. The debentures are rated "BBB" with a stable trend by Dominion Bond Rating Services, carry a coupon rate of 5.31% and will mature on January 23, 2012. Net proceeds of approximately \$119 million were used to fund acquisitions, repay operating lines of credit and for general trust purposes. In conjunction with the debenture issue, the Trust also entered into a bond forward contract to hedge the risk of interest rate fluctuations prior to the final pricing of the debenture. The bond forward contract was settled when the debentures were issued for the settlement amount of \$0.7 million. The settlement amount will be amortized over the term of the unsecured debentures. At September 30, 2007, the Trust was in compliance with all the covenants reported in the debenture.

BOARDWALK REAL ESTATE INVESTMENT TRUST

8. DEFERRED UNIT PLAN

During 2006, the Trust implemented a deferred unit plan. The plan entitles trustees and officers, at the participant's option, to receive deferred units in consideration for trustee fees or executive bonuses, respectively, with the Trust matching the number of units received. The deferred units vest 50% on the third anniversary and 25% on each of the fourth and fifth anniversaries, subject to provisions for earlier vesting in certain events. The deferred units earn additional deferred units for the distributions that would otherwise have been paid on the deferred units (i.e., had they instead been issued as Trust Units on the date of grant). Once vested, participants are entitled, at their option, to receive an equivalent number of Trust Units or the equivalent value in cash of the vested deferred units and the corresponding additional deferred units. The deferred unit plan was approved by unitholders on May 10, 2006. At the end of September 30, 2007, total compensation costs of \$2.1 million were recognized in income related to employee awards under the deferred unit plan.

The status of the outstanding deferred units is as follows:

Summary of Deferred Unit Plan	Outstanding	Vested
Deferred units granted	72,746	-
Additional deferred units earned on unvested units	1,000	-
December 31, 2006	73,746	-
Deferred units granted	39,860	-
Additional deferred units earned on unvested units	2,454	-
Deferred units cancelled	(10,478)	-
September 30, 2007	105,582	-

In the third quarter of 2007, a total of 8,413 deferred units vested as a result of the retirement of one trustee and the resignation of one executive. These deferred units were exchanged for an equivalent number of Trust Units and cancelled.

9. UNITHOLDERS' CAPITAL

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

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

BOARDWALK REAL ESTATE INVESTMENT TRUST

Summary of Unitholders' Capital Contributions	Units	Amount
December 31, 2005	53,224,194	\$295,696
Units issued under equity financing, net of issue costs	2,915,000	63,583
Units issued under distribution reinvestment plan	212,589	5,784
Restructuring costs	-	(140)
Deferred unit plan	-	821
	<hr/>	
December 31, 2006	56,351,783	\$365,744
Units issued under distribution reinvestment plan	142,625	6,194
Issue costs	-	(151)
Deferred unit plan	-	1,275
Units issued for vested deferred units	8,413	400
Units purchased and cancelled	(573,892)	(26,361)
	<hr/>	
September 30, 2007	55,928,929	\$347,101

Subsequent to June 30, 2007, Boardwalk REIT filed an application for a normal course issuer bid (the "Bid"), which received regulatory approval from the Toronto Stock Exchange on August 10, 2007. The Bid allows Boardwalk REIT to purchase and cancel up to 4,267,048 trust units, representing 10% of the public float of its trust units at the time of the TSX approval. The Bid will terminate on the earlier of one year from the date of commencement of the Bid on August 17, 2007 or at such time as purchases under the Bid are complete.

Under the Bid, the Trust has purchased and cancelled 573,892 REIT units in the third quarter of 2007 representing a total market value of approximately \$26.4 million.

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.

BOARDWALK REAL ESTATE INVESTMENT TRUST

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

	Units	Amount
Boardwalk REIT Units	51,453,929	
Special Voting Units issued to holders of LP Class B units	4,475,000	
Total trust units	55,928,929	\$347,101

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 as defined in the Declaration of Trust for Boardwalk REIT. However, distributable income and the per unit information are non-GAAP measures that do not have any standardized meaning prescribed by Canadian GAAP and, therefore, unlikely to be comparable to similar measures presented by other real estate companies and trusts.

	3 months ended September 30, 2007	3 months ended September 30, 2006	9 months ended September 30, 2007	9 months ended September 30, 2006
Total operating cash flows	\$29,749	\$29,198	\$90,667	\$66,929
Net change in operating working capital	4,302	(2,316)	(4,098)	(612)
Add:				
Deferred financing costs amortization	1,081	768	3,460	2,237
Deduct:				
Deferred financing costs amortization post May 2, 2004	(642)	(317)	(1,591)	(824)
Amortization of net premium on long-term debt assumed after May 2, 2004	(208)	(11)	(551)	(34)
Distributable income	\$34,282	\$27,322	\$87,887	\$67,696
Distribution declared to unitholders	\$22,525	\$17,730	\$65,391	\$52,522
Weighted average units outstanding – basic and diluted	55,900,390	56,277,684	55,856,690	55,279,021
Distributable income earned per unit	\$0.61	\$0.485	\$1.57	\$1.225
Actual distributions declared per unit	\$0.40	\$0.315	\$1.17	\$0.950

Earnings per unit

	3 months ended September 30, 2007	3 months ended September 30, 2006	9 months ended September 30, 2007	9 months ended September 30, 2006
Numerator				
Earnings (loss) from continuing operations	\$10,158	\$7,438	\$(88,482)	\$11,092
Earnings from discontinued operations	\$2,900	\$64	\$7,670	\$7,768
Denominator				
Denominator for basic earnings per unit - weighted average units	55,900,390	56,277,684	55,856,690	55,279,021
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion	55,900,390	56,277,684	55,856,690	55,279,021
Earnings (loss) per unit from continuing operations				
Basic	\$0.18	\$0.13	\$(1.58)	\$0.20
Diluted	\$0.18	\$0.13	\$(1.58)	\$0.20
Earnings per unit from discontinued operations				
Basic	\$0.05	\$0.00	\$0.14	\$0.14
Diluted	\$0.05	\$0.00	\$0.14	\$0.14

BOARDWALK REAL ESTATE INVESTMENT TRUST

11. INCOME TAXES

Although Boardwalk REIT is a “mutual fund trust” as defined under the Income Tax Act (Canada) and accordingly is not taxable on its income to the extent that its income is distributed to its unitholders. This exemption does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax. The adjustment for change in effective tax rate reflects the reduction of the current combined federal and provincial substantively enacted rate in the province of Alberta. On June 22, 2007, Bill C-52 received Royal Assent (see NOTE 3 for further details). As such, the Trust, to be in compliance with Canadian GAAP, is required to estimate what the impact of the reported tax amount would be on January 1, 2011.

	3 months ended September 30, 2007	3 months ended September 30, 2006	9 months ended September 30, 2007	9 months ended September 30, 2006
Continuing operations	\$2,055	\$446	\$113,453	\$222
Discontinued operations	-	-	-	-
Total future income taxes	<u>\$2,055</u>	<u>\$446</u>	<u>\$113,453</u>	<u>\$222</u>

Future income taxes consist of the following:

	3 months ended September 30, 2007	3 months ended September 30, 2006	9 months ended September 30, 2007	9 months ended September 30, 2006
Tax expense based on expected rate	\$345	\$280	\$494	\$50
Adjustment to future income tax liabilities	1,710	166	112,959	172
Future income taxes	<u>\$2,055</u>	<u>\$446</u>	<u>\$113,453</u>	<u>\$222</u>

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

As at	September 30, 2007	December 31, 2006
Tax asset related to operating losses	\$6	\$294
Tax liability related to differences in tax and book basis	\$(113,149)	22
Future income tax asset (liability)	<u>\$(113,143)</u>	<u>\$316</u>

12. COMMITMENTS AND CONTINGENCIES

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

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

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

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

BOARDWALK REAL ESTATE INVESTMENT TRUST

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

14. SEGMENTED INFORMATION

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

BOARDWALK REAL ESTATE INVESTMENT TRUST

	3 months ended September 30, 2007	3 months ended September 30, 2006	9 months ended September 30, 2007	9 months ended September 30, 2006
Alberta				
Revenue	\$55,679	\$43,600	\$158,687	\$124,712
Expenses				
Operating	7,745	6,823	24,011	19,904
Utilities	4,929	3,498	16,693	14,224
Utility rebates	-	-	(930)	(1,384)
Property taxes	3,379	2,967	9,961	9,399
	16,053	13,288	49,735	42,143
Net operating income	\$39,626	\$30,312	\$108,952	\$82,569
Saskatchewan				
Revenue	\$9,941	\$8,933	\$28,573	\$26,347
Expenses				
Operating	1,795	1,579	5,264	4,758
Utilities	898	886	3,420	3,646
Property taxes	1,126	1,187	3,454	3,625
	3,819	3,652	12,138	12,029
Net operating income	\$6,122	\$5,281	\$16,435	\$14,318
Ontario				
Revenue	\$9,276	\$9,363	\$28,064	\$28,130
Expenses				
Operating	1,418	1,540	4,455	4,657
Utilities	1,364	1,460	4,742	4,739
Property taxes	1,753	1,846	5,275	5,373
	4,535	4,846	14,472	14,769
Net operating income	\$4,741	\$4,517	\$13,592	\$13,361
British Columbia				
Revenue	\$2,902	\$2,151	\$8,527	\$5,939
Expenses				
Operating	495	429	1,777	1,178
Utilities	219	235	1,058	684
Property taxes	151	120	451	342
	865	784	3,286	2,204
Net operating income	\$2,037	\$1,367	\$5,241	\$3,735
Quebec				
Revenue	\$17,475	\$16,927	\$51,588	\$50,225
Expenses				
Operating	3,141	3,196	9,978	10,116
Utilities	1,011	1,345	5,615	5,944
Property taxes	1,869	1,906	5,651	5,397
	6,021	6,447	21,244	21,457
Net operating income	\$11,454	\$10,480	\$30,344	\$28,768
Total				
Net operating income	\$63,980	\$51,957	\$174,564	\$142,751
Unallocated revenue*	430	382	544	22,163
Unallocated expenses**	(51,352)	(44,837)	(255,920)	(146,054)
Net earnings (loss) for the period	\$13,058	\$7,502	\$(80,812)	\$18,860

BOARDWALK REAL ESTATE INVESTMENT TRUST

As at	September 30, 2007	December 31, 2006
Alberta		
Identifiable assets		
Revenue producing properties	\$1,245,671	\$933,212
Mortgages and accounts receivable	710	1,249
Tenants' security deposit	10,581	7,988
	\$1,256,962	\$942,449
Saskatchewan		
Identifiable assets		
Revenue producing properties	\$169,794	\$172,269
Mortgages and accounts receivable	194	216
Tenants' security deposits	1,975	1,491
	\$171,963	\$173,976
Ontario		
Identifiable assets		
Revenue producing properties	\$206,546	\$208,927
Mortgages and accounts receivable	95	124
	\$206,641	\$209,051
British Columbia		
Identifiable assets		
Revenue producing properties	\$103,440	\$98,111
Mortgages and accounts receivable	1,296	37
Tenants' security deposits	441	408
	\$105,177	\$98,556
Quebec		
Identifiable assets		
Revenue producing properties	\$419,750	\$419,962
Mortgages and accounts receivable	1,075	859
	\$420,825	\$420,821
Total assets		
Identifiable assets	\$2,161,568	\$1,844,853
Unallocated assets***	30,324	25,607
	\$2,191,892	\$1,870,460

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

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

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

15. SUBSEQUENT EVENTS

Subsequent to September 30, 2007, effective for unitholders on record at and subsequent to November 30, 2007, Boardwalk REIT increased its monthly trust unit distribution paid out to its unitholders from \$0.1333 (or \$1.60 on an annualized basis) to \$0.1500 (or \$1.80 on an annualized basis).