

BOARDWALK REAL ESTATE INVESTMENT TRUST

NEWS RELEASE FOR IMMEDIATE DISTRIBUTION

Boardwalk REIT Announces Solid Second Quarter 2008 Financial Results; FFO Per Unit Up 13.2% and DI Per Unit up 15.1% YOY; its August 2008 Distribution and its intention to renew its Normal Course Issuer Bid.

CALGARY, August 14, 2008 - 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 second quarter of 2008; FFO per unit up 13.2% and DI per unit up 15.1% YOY; its August 2008 Distribution and its intention to renew its Normal Course Issuer Bid. FFO and DI are non-GAAP measures; the reconciliation to Net Earnings and to Total Operating Cash Flows, respectively, can be found in Management's Discussion and Analysis (MD&A) for the second quarter ended June 30, 2008, under the section titled, "Performance Measures".

For the second quarter ended June 30, 2008, the Trust reported Funds From Operations ("FFO") of \$32.9 million and FFO per unit of \$0.60 on a diluted basis, compared to FFO of \$29.8 million and FFO per unit of \$0.53 for the same period last year. Distributable income ("DI") for the quarter was \$33.2 million and DI per unit was \$0.61 on a diluted basis, compared to \$30.0 million and \$0.53 per unit for the same period last year.

Highlights of the Trust's Second quarter 2008 financial results include:

- Rental revenues of \$105.5 million, an increase of 13.8%, compared to \$92.7 million for the three-month period ended June 30, 2007.
- Net operating income of \$66.7 million, representing a 13.6% increase, from \$58.7 million for the three-month period ended June 30, 2007.
- FFO of \$32.9 million, an increase of 10.6%, compared to \$29.8 million for the three-month period ended June 30, 2007.
- FFO per Unit was \$0.60 on a diluted basis, up 13.2%, compared to \$0.53 for the three-month period ended June 30, 2007.
- DI per Unit was \$0.61, up 15.1%, from the \$0.53 per Unit for the three months ended June 30, 2007.

Commenting on the Trust's Q2 2008 results, Sam Kalias, C.E.O. and Chairman of the Board, said: "We are pleased to report on a solid second quarter of 2008 for the Trust. Economic strength in Western Canada continued to support strong demand for rental accommodations in our largest markets this quarter, producing positive revenue growth for the Trust. Funds from Operations (FFO) and FFO per Unit increased approximately 10.6% and 13.2%, respectively, over last year's second quarter.

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

BOARDWALK REAL ESTATE INVESTMENT TRUST

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

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

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

Operational Highlights

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

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

Amendment to Declaration of Trust

On May 13, 2008 and July 30, 2008, respectively, Boardwalk REIT Unitholders and Debenture Holders voted to adopt the amendment to its Declaration of Trust and Trust Indenture to change the definition of "Gross Book Value" by increasing the asset bump by \$410 million, from \$231 million to \$641 million. We believe that the

BOARDWALK REAL ESTATE INVESTMENT TRUST

amendment to the definition of Gross Book Value will give the Trust increased flexibility to implement its strategic plan, which includes the purchase of accretive multi-family assets in the current competitive acquisition environment and, at the same time, execute its Trust Unit buy-back program.

Same-Property Results

Boardwalk continued to show solid performance in its stabilized properties (defined as properties owned for 24 months or longer). The "same-property" results for the Trust's stabilized portfolio for the three-month period ended June 30, 2008 showed rental revenue growth of 9.6% on a year-over-year basis. Operating expenses increased 12.0%, resulting in an increase in NOI of 8.2% compared to the same period last year. A total of 33,854 units, representing approximately 92.0% of Boardwalk's total portfolio, were classified as stabilized as at June 30, 2008.

Same-Property Results - Stabilized Portfolio

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

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

Commenting on Boardwalk REIT's same-property results, William Wong, Chief Financial Officer, said: "For the second quarter 2008, same-store revenue increased by 9.6% compared to the same period in the prior year. Despite rental expenses increasing by 12.0%, net operating income growth improved overall by 8.2%. The increase in reported stabilized revenue was driven mainly by the Trust's Alberta operations, which account for approximately 61.0% of the Trust's reported stabilized net operating income. The majority of the reported increase in rental operating expenses for the three months ended June 30, 2008 was due to higher utility costs, particularly the cost of natural gas.

BOARDWALK REAL ESTATE INVESTMENT TRUST

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

Sequential Revenue Analysis

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

Commenting on Boardwalk REIT’s sequential stabilized revenue growth, William Wong, Chief Financial Officer, said: “On a sequential basis, stabilized revenues grew 2.5% from Q1 2008 to Q2 2008, 2.9% from Q4 2007 to Q1 2008, 1.5% from Q3 2007 to Q4 2007 and 2.4% from Q2 2007 to Q3 2007.”

Real Estate Acquisition/Disposition Activity

Closed - 2008

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

Excluded from the table is one additional unit acquired in an Edmonton, Alberta property called, “Morningside”, of which Boardwalk REIT already owned 220 units. Dispositions to date for 2008 consisted solely of the sales and closings of 30 units in a 90-unit property converted into condominiums for sale.

Commenting on the Trust’s property acquisitions and dispositions, Bill Chidley, Senior Vice President, Corporate Development, said: “In the second quarter of 2008, the Trust closed on a previously announced acquisition of 297 rental units in Calgary, Alberta. The acquisition had a total purchase price of \$48.8 million and a year one cap rate of 5.86%.”

Unit Buyback

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

Intention to Renew Normal Course Issuer Bid

Boardwalk Real Estate Investment Trust (“Boardwalk”) wishes to announce its intention to renew its normal course issuer bid (the “Bid”) through the facilities, and subject to regulatory approval, of The Toronto Stock

BOARDWALK REAL ESTATE INVESTMENT TRUST

Exchange. Boardwalk's previous normal course issuer bid will expire on August 15, 2008.

As of July 31, 2008, Boardwalk has 49,712,541 issued and outstanding trust units. The Bid, if approved, would allow Boardwalk to purchase up to 4,040,192 trust units, representing 10% of the public float of its trust unit capital, through the facilities of The Toronto Stock Exchange. The average daily trading volume for the six calendar months prior to the date hereof was 170,393 trust units. The Bid, if approved, is expected to commence on August 18, 2008 and will terminate one year later, or at such earlier time as the Bid is complete.

Continued Financial Strength

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

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

Outlook and 2008 Financial Guidance

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

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

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

Change to Quarterly Reporting Format

Commencing with the third quarter of 2008, we will be significantly adjusting the format of our quarterly reporting to reduce redundancy. We believe the new format will be easier to read and provide a high-level overview of our quarterly results. A more detailed analysis will continue to be provided in the MD&A and quarterly presentation.

August 2008 Monthly Distribution

The Trust has declared its August 2008 distribution in the amount of 15.00 cents per Trust Unit (\$1.80 on an annualized basis). The August distribution will be payable on September 15, 2008 to Unitholders of record on August 29, 2008.

BOARDWALK REAL ESTATE INVESTMENT TRUST

Supplementary Information

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

Teleconference on Second Quarter 2008 Financial Results

We invite you to participate in the teleconference that will be held to discuss these results this same morning (August 14, 2008) at 11:00 am EST. Senior management will speak to the second 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 403-206-6758 or by email to investor@bwalk.com.

Teleconference: The telephone numbers for the conference are: 416-644-3414 (within Toronto) or toll-free 800-733-7560 (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=2317260>

Replay: An audio recording of the teleconference will be available from 1:00 pm ET on Thursday, August 14, 2008 until 11:59 pm ET on Thursday, August 21, 2008. You can access it by dialling 416-640-1917 and using the passcode 21275127# 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 36,785 units totalling approximately 40 million net rentable square feet, and is Canada's largest owner/operator of multi-family rental communities. Boardwalk REIT's portfolio is concentrated in the provinces of Alberta, British Columbia, Saskatchewan, Ontario and Quebec.

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

BOARDWALK REAL ESTATE INVESTMENT TRUST

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.

BOARDWALK REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS
(CDN\$ THOUSANDS)
(UNAUDITED)

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

Commitments and contingencies (NOTE 14)
Guarantees (NOTE 15)

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BOARDWALK REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(CDN\$ THOUSANDS, EXCEPT PER UNIT AMOUNTS)
(UNAUDITED)

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

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BOARDWALK REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY
(CDN\$ THOUSANDS, EXCEPT NUMBER OF UNITS)
(UNAUDITED)

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

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BOARDWALK REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS
(CDN\$ THOUSANDS)
(UNAUDITED)

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

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BOARDWALK REAL ESTATE INVESTMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended June 30, 2008

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

1. ORGANIZATION OF TRUST

Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") is an unincorporated, open-ended real estate investment trust created pursuant to the Declaration of Trust ("DOT"), dated January 9, 2004 and as amended and restated on May 3, 2004, May 10, 2006, May 10, 2007, and May 13, 2008 under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue producing multi-family residential properties or interests within Canada, initially through the acquisition of operations of Boardwalk Equities Inc. (the "Corporation"), which was acquired on May 3, 2004.

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and are consistent with those used in the audited consolidated financial statements as at and for the year ended December 31, 2007, except as disclosed in NOTE 3 below. These interim financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles ("Canadian GAAP") applicable to annual financial statements and, therefore, they should be read in conjunction with the audited consolidated financial statements.

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

The operating results for the three and six months ended June 30, 2008 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2008 due to seasonal variations in utility costs and other factors. Historically, Boardwalk REIT has experienced higher utility expenses in the first quarter as a result of the winter months, resulting in variations in the quarterly results.

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

3. ACCOUNTING CHANGES

On January 1, 2008, the Trust adopted four new accounting standards issued by the CICA as outlined below:

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

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

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

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

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

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

BOARDWALK REAL ESTATE INVESTMENT TRUST

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

Bill C-52

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

Impact of Bill C-52

Our interpretation of Bill C-52 on Boardwalk REIT was that, at this time, based on a detailed review of the legislation, it may be interpreted that the Trust does not qualify as a REIT, which would be exempt from the specified investment flow-through ("SIFT") rules, and as such the Trust recorded an estimate of its the future income tax liability at December 31, 2007 recognizing the probability that it would be subject to the tax prescribed by the SIFT rules on January 1, 2011. The result is that the Trust recorded a future income tax liability at December 31, 2007 of \$99.9 million, which was revised upward by \$2.8 million to \$102.7 million at March 31, 2008 and \$0.6 million to \$103.3 million at June 30, 2008. At a future time, if it has been deemed that the Trust would be in compliance with the SIFT rules, the amount of the adjustment will be reversed. Although the adjustment to earnings and cumulative earnings at June 30, 2008 is significant, it is not large enough to affect any existing debt covenants currently in place, including those stipulated for Boardwalk REIT's unsecured debentures. At this time, it is the belief of the Trust that it will be in compliance with the existing and or amended legislation prior to the effective date of January 1, 2011.

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

Hedging Relationships

In the beginning of 2008, the Trust entered into a forward bond transaction (the "Transaction") with a major Canadian financial institution. In total, the Transaction, which comprised of bond forward contracts on specific mortgages set to mature and be renewed in 2008, was for a total nominal amount of \$101.6 million with a weighted average term and interest rate of 7.2 years and 3.63%, respectively. Subsequent to entering into this Transaction, the Trust initiated changes to the terms of one of the contracts in the Transaction and negotiated a settlement loss of \$100 thousand related to the changes. This contract was assessed to be ineffective and the settlement loss of \$100 thousand was included in financing costs for the quarter ended March 31, 2008. During the second quarter ended June 30, 2008, the remaining bond forward contracts in the Transaction were settled. Except for one of the contracts, all remaining contracts were assessed to be ineffective and the net settlement loss of \$168 thousand was included in financing costs for the quarter. The bond forward contract assessed to be effective was settled for a loss of \$284 thousand, which will be amortized over the term of the new financing.

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

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

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

Future Changes in Significant Accounting Policies

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

Section 3064 – Goodwill and Intangible Assets, which replaces Section 3062 – Goodwill and Other Intangible Assets and Section 3450 – Research and Development Costs, establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The new section will be applicable to financial statements relating to

BOARDWALK REAL ESTATE INVESTMENT TRUST

fiscal years beginning on or after October 1, 2008. Section 1000 - Financial Statement Concepts, was also amended to provide consistency with this new standard.

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

4. REVENUE PRODUCING PROPERTIES

Acquisitions

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

Dispositions

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

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

5. OTHER ASSETS

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

BOARDWALK REAL ESTATE INVESTMENT TRUST

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

6. DISCONTINUED OPERATIONS

During the end of the third quarter of 2006, a revenue producing property consisting of 90 units in Calgary was classified as discontinued operations as a result of the Trust initiating an active program to dispose of this property. This property is being developed into condominium units for sale at a price that is reasonable in relation to its current fair value (See NOTE 4). This Calgary property formed part of our Alberta segment in our segmented information disclosure.

During the first quarter of 2007, the Trust acquired a property in Edmonton, Alberta, consisting of two buildings totalling 51 apartment units. Prior to the closing of the acquisition, the Trust received an unsolicited offer to sell this property to an unrelated third party, which the Trust accepted. This property was, therefore, classified as discontinued operations upon acquisition.

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

	3 months ended June 30, 2008	3 months ended June 30, 2007	6 months ended June 30, 2008	6 months ended June 30, 2007
Revenue				
Rental income	\$-	\$31	\$-	\$219
Expenses				
Revenue producing properties:				
Operating expenses	-	14	-	101
Utilities	-	(4)	-	41
Utility rebate	-	-	-	(5)
Property taxes	-	2	-	25
Administration	-	-	-	53
Financing costs	-	-	-	13
Amortization of capital assets	-	8	-	32
	-	20	-	260
Gain on dispositions	-	11	-	(41)
	1,355	4,810	3,622	4,810
Earnings from discontinued operations	\$1,355	\$4,821	\$3,622	\$4,769
Discontinued Assets				
Properties held for redevelopment and sale			\$1,564	\$6,293

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

8. DEFERRED UNIT PLAN

During 2006, the Trust implemented a deferred unit plan. The plan entitles trustees and officers, at the participant's option, to receive deferred units in consideration for trustee fees or executive bonuses, respectively, with the Trust matching the number of units received. The deferred units vest 50% on the third anniversary and 25% on each of the fourth and fifth anniversaries, subject to provisions for earlier vesting in certain events. The deferred units earn additional deferred units for the distributions that would otherwise have been paid on the deferred units (i.e., had they instead been issued as Trust Units on the date of grant). Once vested, participants are entitled, at their option, to receive an equivalent number of Trust Units or the equivalent value in cash of the vested deferred units and the corresponding additional deferred units. The deferred unit plan was approved by unitholders on May 10, 2006. The deferred units had a weighted average fair value of \$39.02 per unit at

BOARDWALK REAL ESTATE INVESTMENT TRUST

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

The status of the outstanding deferred units is as follows:

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

9. UNITHOLDERS' CAPITAL

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

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

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

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

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

The Declaration of Trust authorizes Boardwalk REIT to issue an unlimited number of units for the consideration and on terms and conditions established by the Trustees without the approval of any unitholders. The interests in Boardwalk REIT are represented by two classes of units: a class described and designated as "REIT Units" and a class described and designated as "Special Voting Units". The beneficial interest of the two classes of units is as follows:

BOARDWALK REAL ESTATE INVESTMENT TRUST

(a) REIT Units

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

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

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

(b) Special Voting Units

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

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

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

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

10. DISTRIBUTABLE INCOME AND PER UNIT INFORMATION

Distributable income per unit

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

	3 months ended June 30, 2008	3 months ended June 30, 2007	6 months ended June 30, 2008	6 months ended June 30, 2007
Total operating cash flows	\$33,079	\$39,416	\$56,958	\$63,297
Net change in operating working capital	937	(8,555)	6,210	(8,401)
Deduct:				
Deferred financing costs amortization post May 2, 2004	(707)	(622)	(1,438)	(948)
Amortization of net premium on long-term debt assumed after May 2, 2004	(92)	(254)	(216)	(343)
Distributable income	\$33,217	\$29,985	\$61,514	\$53,605
Distributions declared to unitholders	\$24,655	\$22,005	\$49,613	\$42,866
Distributable income withheld	\$8,562	\$7,980	\$11,901	\$10,739
	\$33,217	\$29,985	\$61,514	\$53,605

BOARDWALK REAL ESTATE INVESTMENT TRUST

Weighted average units outstanding – basic and diluted	54,691,272	56,429,362	55,057,843	56,408,370
Distributable income earned per unit	\$0.607	\$0.531	\$1.117	\$0.950
Actual distributions declared per unit	\$0.451	\$0.390	\$0.901	\$0.760
Distributions declared as a % of distributable income	74.3%	73.4%	80.7%	80.0%

Earnings per unit

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

11. INCOME TAXES

Boardwalk REIT is a “mutual fund trust” as defined under the Income Tax Act (Canada) and, accordingly, is not taxable on its income to the extent that its income is distributed to its unitholders. This exemption does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax. On June 22, 2007, Bill C-52 received royal assent (see NOTE 3 for further details). As such, the Trust, to be in compliance with Canadian GAAP, was required to estimate what the impact of the reported tax amount would be on January 1, 2011. This estimate is reviewed quarterly and adjusted, if necessary.

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

Future income taxes consist of the following:

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

The future income tax liability is calculated as follows:

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

BOARDWALK REAL ESTATE INVESTMENT TRUST

12. CAPITAL MANAGEMENT

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

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

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

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

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

13. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

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

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

As at	June 30, 2008
Mortgages and accounts receivable Carrying value	\$9,242

BOARDWALK REAL ESTATE INVESTMENT TRUST

Fair market value	\$9,242
Mortgages payable and debentures	
Carrying value	\$2,088,314
Fair market value	\$2,104,134

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

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

Risk Management

a) Interest rate risk

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

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

b) Credit risk

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

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

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

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

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

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

BOARDWALK REAL ESTATE INVESTMENT TRUST

c) Liquidity risk

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

d) Debt covenants

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

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

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

The debenture agreement contains three financial covenants as follows:

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

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

The credit facility contains three financial covenants as follows:

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

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

e) Utility risk

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

BOARDWALK REAL ESTATE INVESTMENT TRUST

14. COMMITMENTS AND CONTINGENCIES

At June 30, 2008, the Trust had a long-term supply arrangement with one electrical utility company to supply the Trust with its electrical power needs for its southern Alberta properties for the next six months at a blended rate of approximately \$0.068/kwh. The agreement provides that the Trust purchase its power for all southern Alberta properties under contract for the upcoming months.

Beginning in November 2003, the Alberta government implemented a natural gas rebate program covering the winter usage months of November through March. In October 2005, the natural gas rebate program was extended to cover the month of October. In January of 2006, the Alberta government announced a three-year extension to the program covering the winter months of October through March. The extension of the natural gas rebate program will end March 31, 2009. The rebate program becomes active when the natural gas consumer price charged by two of the three major gas companies in Alberta exceeds \$5.50/GJ for any individual winter usage month. For January through June 2007, Boardwalk REIT was eligible for estimated rebates totalling approximately \$0.9 million. For January to June 2008, Boardwalk REIT was eligible for rebates totalling approximately \$1.3 million.

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

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

15. GUARANTEES

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

In connection with the sales of properties, a mortgage assumed by the purchaser will have an indirect guarantee provided to the lender until the mortgage is refinanced by the purchaser. In the event of default by the purchaser, the seller would be liable for the outstanding mortgage balance. Boardwalk REIT's maximum exposure at June 30, 2008 is approximately \$4.9 million (June 30, 2007 - \$5.3 million). In the event of default, Boardwalk REIT's recourse for recovery includes the sale of the respective building asset. Boardwalk REIT expects that the proceeds from the sale of the building will cover, and in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at June 30, 2008, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

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

BOARDWALK REAL ESTATE INVESTMENT TRUST

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

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

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

*** Unallocated assets include discontinued assets, cash and cash equivalents and other assets.

17. SUBSEQUENT EVENTS

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