

Letter To Unitholders

Q1 2005 Financial and Operating Highlights

We are pleased to report a solid start to 2005. Following a successful but very competitive year in 2004, 2005 is also expected to present various challenges going forward. We are confident we can continue to generate solid results as leading fundamentals point to an improving year for landlords. We are very pleased to see a continuing trend of lower resident turnovers into the spring accompanied with solid rentals. Springtime is typically a seasonally soft period for landlords; however, this spring has been the exception.

Demand for our rental units remained strong during the first quarter. Total rentals versus move-outs for the three-month period were 3,569 and 3,123, respectively, for total positive absorption of 446 rental units. This compares to an absorption figure of 157 rental units during this same period last year, a very positive increase further pointing to improving fundamentals going forward.

Highlights of the Trust's first quarter 2005 financial results include:

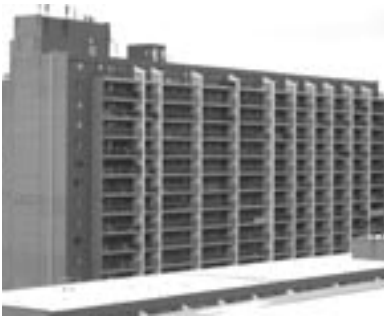
- Rental revenues of \$73.6 million, an increase of 5.6% compared to \$69.7 million for the three-month period ended March 31, 2004.
- Net operating income of \$44.6 million, representing a 3.2% increase from \$43.2 million in the same period last year.
- FFO from continuing operations of \$16.4 million, a decrease of 0.6% compared to \$16.5 million for the three-month period ended March 31, 2004.
- FFO from continuing operations per unit was \$0.31 on a diluted basis, down 3.1% compared to \$0.32 for the three-month period ended March 31, 2004.
- DI was \$0.33 per unit, unchanged compared to the three months ended March 31, 2004.

Boardwalk Real Estate Investment Trust ("Boardwalk REIT", "Boardwalk" or the "Trust") is Canada's largest owner/operator of multi-family rental communities. Boardwalk REIT currently owns and operates in excess of 260 properties with over 33,000 rental units totalling approximately 28 million net rentable square feet (as of March 31, 2005). The Trust's portfolio is concentrated in the provinces of Alberta, British Columbia, Saskatchewan, Ontario and Quebec.

Boardwalk REIT's Trust units are listed on the Toronto Stock Exchange, trading under the symbol BEI.UN. The Trust's total market capitalization at December 31, 2004 was 2.4 billion.

Building on a Solid Foundation





Sarcee Trail Place
Calgary, AB



Horizon Towers
Vancouver (Burnaby), BC

Some portfolio highlights for the third quarter include:

- The average vacancy rate across the Trust's portfolio for the first quarter of 2005 was 5.19%, up from 4.22% in the fourth quarter of 2004, and up from 4.32% in the first quarter of last year.
- The average monthly rent realized in the first three months of 2005 was \$746 per rental unit, up \$5 from \$741 per rental unit for the same period last year.
- The average market rent for the Trust's properties at the end of March 2005 was an estimated \$808 per rental unit per month which compares to an average in-place monthly rent per occupied unit of \$785 for the three-month period ended March 31, 2005. This translates into an estimated "loss-to-lease" of approximately \$8.7 million, maintaining existing occupancy rate levels.
- For the first quarter, "same-property" rental revenue grew slightly by 0.3% compared to last year. And with overall operating costs increasing by 5.8%, total NOI decreased by 3.1%. A total of 30,417 units, representing approximately 91% of Boardwalk's total portfolio, were classified as stabilized as at March 31, 2005.

Internal Growth Opportunities

Internal growth is expected to come in the form of improved vacancy rates and reduced tenant inducements in many of our dynamic markets across the country. Although vacancy rates, according to CMHC, are expected to rise slightly to 3.0% nation wide in 2005, this rate still remains below the historical average of 3.3% over the period from 1992 to 2003.

An annualized decrease in vacancy rates in our portfolio by 100 basis points would impact overall rental revenue by approximately \$2.9 million, or \$0.05 per unit on a diluted basis. Further rental revenue increases can be achieved as the use of customer incentives are scaled back as occupancy improves over time. This opportunity currently sits at approximately \$4.6 million, or \$0.09 per unit.

Our largest competition continues to come in the form of new construction and home ownership. The current low interest rate environment has certainly been the cause of many of our customers moving out to purchase homes and condominiums over the past few years. We continue to see some signs of a slow-down in new housing activity as demand has been satisfied in many markets across the country. Single-detached and multi-family housing construction starts across the country are expected to decline in 2005 by 8.3% and 6.2%, respectively. In a recent release by CMHC, our second largest market of Calgary showed multi-family housing starts declining by 41% in February and a further decline of 22% in March compared to last year. Multi-family starts in Edmonton, our largest market, declined by 12% in the first quarter of 2005 compared to 2004. Furthermore, three years of significant price increases in most parts of the country have pushed up the cost of home-ownership. The increasing carrying costs will have the greatest impact on first-time home buyers.

Supply is also linked to Demand. We continue to see solid employment and in-migration growth in our key markets. In the province of Alberta, where 52% of our assets are located, recent labour force data confirms that for March 2005, on a seasonally adjusted basis, the unemployment rate was the tightest in the country at 3.5%. This compares to a Canada-wide unemployment rate of 6.9% over the same time period. Alberta also continues to beckon new migrants from other provinces, although at a more measured pace after 10 years of strong gains.



*Surrey Village
Vancouver (Surrey), BC*



*Varsity Place Apartments
Calgary, AB*

Supply and Demand are linked to price. Posted mortgage rates are forecast to continue rising. These increases will continue to erode affordability for those considering home-ownership. The maximum lease term we have is one year. As interest rates and home ownership costs continue their upward trend, our rents can quickly be adjusted to reflect the natural increasing demand for our more affordable housing product. Currently, the spread between renting and owning a home is on average over \$800 per month comparing rents for a 2-bedroom apartment versus costs of ownership for a condominium.

With respect to our mortgage portfolio with a weighted average interest rate of 5.43% and an average maturity of just under 4 years, we have an approximate 140 basis point cushion compared to current financing rates before any rate increases would impact us. Marking our debt to market given current rates would save us an additional \$14 million or \$0.26 per unit on interest expense.

Continued Portfolio Expansion

During the first quarter of 2005, the Trust has closed on an additional 1,325 rental units, at a total purchase price of \$115.2 million, in a series of new acquisitions spanning the provinces of Alberta, British Columbia and Quebec. The properties acquired were:

- ❑ Alberta and British Columbia portfolio - This 848 unit portfolio had an acquisition price of approximately \$83.1 million, which equates to approximately \$97,900 per unit and approximately \$137.9 per rentable square foot. The acquisition price, per door and per rentable square foot, includes commercial space within the Surrey property described below consisting of 40,137 square feet of rentable area at a price of approximately \$98.62 per square foot. This transaction closed on February 1, 2005 and the acquisition had a going in cap rate of 6.39%. Further information on this transaction, including how the purchase of this portfolio was funded, is detailed in Boardwalk REIT's January 10, 2005 press release. The properties in the portfolio are:
 - ❑ Sarcee Trail Place – Calgary, AB – a property consisting of two high-rise buildings and one mid-rise building with a total of 376 units. There are 188 one-bedroom and 188 two-bedroom unit types within the property.
 - ❑ Horizon Towers – Vancouver (Burnaby), BC - Horizon Towers has two 13-storey high-rise buildings with a total of 206 units. There are 153 one-bedroom and 53 two-bedroom unit types within the property.
 - ❑ Surrey Village – Vancouver (Surrey), BC - Surrey Village consists of one 18-storey high-rise building with a total of 266 apartment units. There are 60 bachelor, 163 one-bedroom and 43 two-bedroom unit types within the property. The property also includes a 3-storey stand-alone commercial property with 40,137 sq. feet of rentable area.
 - ❑ Varsity Place Apartments – Calgary, AB - Varsity Place is a 3-storey walk-up wood frame property consisting of 30 one-bedrooms and 40 two-bedrooms for a total of 70 apartment units. The property had a purchase price of \$5.3 million, which equates to approximately \$75,000 per unit and approximately \$111.4 per rentable square foot. The purchase was funded using cash on hand. The going-in cap rate on the acquisition was approximately 6.86%, and the transaction closed on February 1, 2005.
 - ❑ Christie Point Apartments - Victoria, B.C. - The Christie Point property consists of nine 2-storey townhouse and apartment style complexes with either two or three-bedroom



*Christie Point Apartments
Victoria, B.C.*

types, for a total of 161 rental units. The property had a purchase price of \$16.8 million, which equates to approximately \$104,000 per unit and approximately \$107.8 per rentable square foot. The purchase was funded using cash on hand. The going-in cap rate on the acquisition was approximately 6.39%, and the transaction closed on February 16, 2005. Christie Point is located on an ocean front peninsula providing an extraordinary setting for apartment and townhouse living.

- Place Chamonix / Place Sully – Quebec City (Charlesbourg), QC - These two properties consist of 2-storey townhouse units with either two or three bedroom types for a total of 246 rental units. These properties had a purchase price of \$10.2 million, which equates to approximately \$41,400 per unit and approximately \$43.0 per rentable square foot. The purchase was funded by a combination of cash on hand and the assumption of a \$5.35 million first mortgage with a fixed interest rate of 6.1% due on January 1, 2009. The going-in cap rate on the acquisition was 9.38%, and the transaction closed on March 10, 2005.

Maintaining Financial Strength

The Trust maintained its solid financial position in the first quarter of 2005. Boardwalk's total mortgage debt was \$1.44 billion as at March 31, 2005, up from \$1.39 billion at March 31, 2004, reflecting the additional debt on acquisitions completed during the year. 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 was used to fund acquisitions, repay operating lines of credit and for general trust purposes.

As at March 31, 2005, the Trust's total debt had an average maturity of 3.8 years with a weighted average interest rate of 5.42%, and the Trust's total debt-to-total-market-capitalization ratio was 61.4%. The Trust's interest coverage ratio, excluding gains, for the three-month period ended March 31, 2005 was 1.86 times compared to 1.93 times in the same period last year.

Summary and Outlook

We remain cautiously optimistic regarding the outlook of our business as leading rental market fundamentals continue to show improvement.

With the geographic diversification of our rental assets, our strong operating platform, and long-term focus on our relationships with all stakeholders, we look forward to the next successful chapter in Boardwalk's history as Canada's premier multi-family real estate investment trust.

We remain committed to delivering sustainable long-term value for our unitholders now and into 2005.

Sincerely,

Sam Koliaş
President and C.E.O.

Management's Discussion and Analysis

For Three Months Ended March 31, 2005

Certain statements in this report may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of Boardwalk Equities Inc. ("Boardwalk" or the "Corporation") and Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The following should also be read in conjunction with the Management's Discussion and Analysis included in Boardwalk REIT's December 31, 2004 Financial Statements and the Notes thereto, along with all other publicly posted information on the Corporation and Boardwalk REIT.

Business Overview

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

On May 3, 2004, the Corporation sold all of its assets and undertakings to Boardwalk REIT. Boardwalk REIT units trade on the Toronto Stock Exchange under the symbol "BEI.UN". Boardwalk REIT's principal objectives are to provide its unitholders ("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, accretive properties. As at the end of the first quarter of 2005, Boardwalk REIT currently owned and operated in excess of 260 properties, comprised of 33,484 units, totalling over 28 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 British Columbia, Alberta, Saskatchewan, Ontario and Quebec.

FINANCIAL REPORTING REVIEW

With the change in legal entity status from a corporation to a trust, we have reviewed the required financial reporting requirements. We have determined that Boardwalk REIT is a continuation of its predecessor, despite Boardwalk Equities Inc. and Boardwalk REIT having different legal forms, and should follow

the continuity of interest method of accounting in accordance with section 3.2 of Proposed National Policy 41-201, entitled "Income Trusts and Other Indirect Offerings". Under the continuity of interest method of accounting, Boardwalk REIT's acquisition of the operations of Boardwalk Equities Inc. is recorded at the net book value of the Corporation's assets and liabilities on May 3, 2004, and the unitholders' capital to Boardwalk REIT represents the shareholders' equity of the Corporation at that date.

The financial information, discussion and analysis for the three months ended March 31, 2005 reflect the activities of Boardwalk REIT. The comparative figures represent the activities of Boardwalk Equities Inc. for the same period in 2004.

PERFORMANCE REVIEW

Boardwalk REIT generates revenues, cash flows and earnings from two separate sources - from rental operations and from the sale of real estate properties.

Boardwalk REIT's most consistent and largest source of income comes from its rental operations. Income from this source is derived from leasing individual apartment units to customers who have varying lease terms ranging from month-to-month to twelve-month leases.

Boardwalk REIT also generates additional income from the periodic sale of selective real estate properties. The sale of these properties is part of Boardwalk REIT's overall operating strategy whereby the equity generated through the sale is then utilized by Boardwalk REIT for the acquisition of new rental properties, to assist in its property value enhancement program or for the acquisition of Boardwalk REIT's trust units in the public market.

PERFORMANCE MEASURES

Boardwalk REIT assesses and measures segment operating results based on performance measures referred to as "Funds From Operations" ("FFO") and Distributable Income ("DI"). Both DI and FFO are widely accepted supplemental measures on the performance of a Canadian real estate investment trust; however, they are not measures defined by generally accepted accounting principles ("GAAP"). The GAAP measurement most directly comparable to DI and FFO is net earnings. DI and FFO should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP as indicators of Boardwalk REIT's performance. In addition, Boardwalk REIT's calculation methodology for FFO and DI may differ from that of other real estate companies and trusts.

DI is computed as outlined in the Trust's Declaration of Trust. The DOT also indicates that the Trust is required to pay out all taxable income to Unitholders in the form of monthly distributions. It is the current policy of the Trust to distribute to its unitholders 85% of DI on an annualized basis. The Trust has indicated that, on an annualized basis, it will distribute \$1.26 per outstanding unit (or \$.105 per trust unit on a monthly basis) for 2005. For the first quarter of 2005, a total of \$16.7 million was declared in DI. The Trust has also implemented a Distribution Reinvestment Plan ("DRIP"). The essence of this plan is that the Unitholder has the option, in lieu of receiving monthly distributions, to receive trust units from treasury. The DRIP allows participants to accept all or part of their monthly distributions in additional units. To promote this plan, the Trust offers a 3% premium on the units distributed under the plan. This plan is relatively new and, to date, not a significant number of Unitholders have elected to participate in this option.

In the table below, Boardwalk REIT provides a reconciliation of net earnings in accordance with GAAP to FFO and DI for the period.

Distributable Income / FFO In \$000's, except per unit amounts	3 Months Mar-05	3 Months Mar-04	%
Net earnings from continuing operations	\$ (2,095)	\$ (1,192)	
Add			
Earnings from discontinued operations	\$ 64	\$ (35)	
Deferred income taxes	\$ (88)	\$ 354	
Gain on settlement of debt	\$ -	\$ -	
Deferred income taxes on discontinued operations	\$ 39	\$ (12)	
Amortization	\$ 18,537	\$ 17,373	
Total funds from operations	\$ 16,457	\$ 16,488	0.2%
Add Deferred financing costs	\$ 930	\$ 701	
Deduct deferred financing costs amortization after May 3, 2004	\$ (66)	\$ -	
Deduct mark-to-market adjustment after May 3, 2004	\$ (4)	\$ -	
Distributable Income	\$ 17,317	\$ 17,189	0.6%
Total funds from operations – per unit	\$ 0.31	\$ 0.32	3.1%
Distributable income – per unit	\$ 0.33	\$ 0.33	

Overall, for the first quarter of fiscal 2005, Boardwalk REIT earned \$16.5 million in total FFO, consistent with the amount reported for the same reporting period in 2004. DI for the first quarter of 2005 of \$0.33 per unit was consistent with the amount reported for the same fiscal period in 2004.

Declaration of Trust

The investment policies of the Trust are outlined in the Trust's DOT and a copy of this is available on request to all Unitholders. Further information of the DOT can also be located beginning on page 28 of our Annual Information Form dated March 31, 2005.

Some of the main financial and operating guidelines as set out in the DOT are as follow:

INVESTMENT GUIDELINES

1. Acquire and operate multi-family residential property;
2. No single asset shall be acquired if the cost of this asset, net of debt secured by such asset, will exceed 15% of the Trust's "Gross Book Value" (as such term is defined in the DOT); and
3. Investments in joint ventures must include a minimum investment of 25%.

OPERATING POLICIES

1. Maximum debt capacity is 70% of Gross Book Value;
2. Maximum leverage on any specific asset may not be greater than 75% of the market value of noted asset;
3. No guaranteeing of third party debt outside its existing structure and potential joint venture partner structures;
4. Both structural and environmental third party surveys are required prior to the acquisition of a multi-family asset; and
5. Commitment to expending at least 8.5% of its gross consolidated annual rental revenues generated from properties that have been insured by Canada Mortgage and Housing ("CMHC").

At March 31, 2005, the Trust was in material compliance with all investment and operating policies stipulated in the DOT. More detail will be provided later in this document with respect to certain detailed calculations.

	3 Months
FFO per unit – March 31, 2004	\$ 0.32
Stabilized properties	\$ (0.02)
New acquisitions (under 24 months)	\$ 0.05
Dilution effect on prior year's FFO	\$ (0.01)
Non-recurring administration	\$ (0.02)
Finance and LCT	\$ (0.01)
FFO per unit – March 31, 2005	\$ 0.31

ACCOUNTING POLICIES

Note 2 of page 45 of Boardwalk REIT's 2004 annual report summarizes Boardwalk REIT's significant accounting policies. Note 3 of the March 31, 2005 unaudited interim financial statements provide an update to any significant changes to these accounting policies. The only additional accounting policy change relates to the treatment of an interest cash flow hedge the Trust entered as part of the process of issuing an unsecured debenture in January of 2005. This hedge was accounted in accordance with the standards as set out in the new Canadian Accounting Standard section 3865 and the reported amount will be amortized through financing costs over the life of the debenture that being seven years from issuance.

Review of Rental Operations

In 000's, except per unit amounts	3 Months 2005	3 Months 2004	% Change
Rental revenue	\$ 73,586	\$ 69,689	5.6%
Expenses			
Operating expenses	\$ 9,404	\$ 8,383	12.2%
Utilities	\$ 12,250	\$ 12,229	0.2%
Utility rebate	\$ (636)	\$ (812)	-21.7%
Property taxes	\$ 7,946	\$ 6,732	18.0%
	\$ 28,964	\$ 26,532	9.2%
Net operating income	\$ 44,622	\$ 43,157	3.4%
Average rent per unit per month	\$ 746	\$ 741	0.7%
Operating costs per unit per month	\$ 294	\$ 282	4.3%
Operating margins	61%	62%	

Overall, Boardwalk REIT's rental operations reported strong results. The reported increase of 6% for the current quarter in rental revenue is mainly the effect of new revenue generated through the acquisition of apartment units during the period and the impact of those properties acquired during the last three quarters of fiscal 2004. Total rental expenses increased by 9% for the current quarter. In addition to the fact that Boardwalk REIT had additional units during the first quarter of 2005, operating expenses, which include repairs and maintenance, advertising and insurance, were up 12% compared to last year, mainly as a result of increased repair and maintenance costs.

Property taxes were also up significantly from the prior year, mainly the result of increased property tax assessments in Alberta and Saskatchewan. It is the Trust's policy to review all property tax assessments in detail and, where warranted, appeal the reported assessment. At this time, the Trust is in the process of appealing a number of these assessments and is optimistic that it will be successful in this process. However, due to the uncertainty of the amount and timing of any refund, we have not adjusted the reported numbers for these potential refunds.

Boardwalk REIT's estimated loss-to-lease, representing the difference between estimated market rents and actual occupied rents on March 31, 2005, adjusted for current occupancy levels, totalled \$8.7 million on an annualized basis. The reader should note that estimated loss-to-lease is a non-GAAP measure and that reported market rents can be very seasonal and, as such, will vary from quarter to quarter. The significance of this change could materially affect Boardwalk REIT's "estimated loss-to-lease" amount. The importance of this estimate, however, is that it can be an indicator of future rental performance assuming consistent economic conditions and trends.

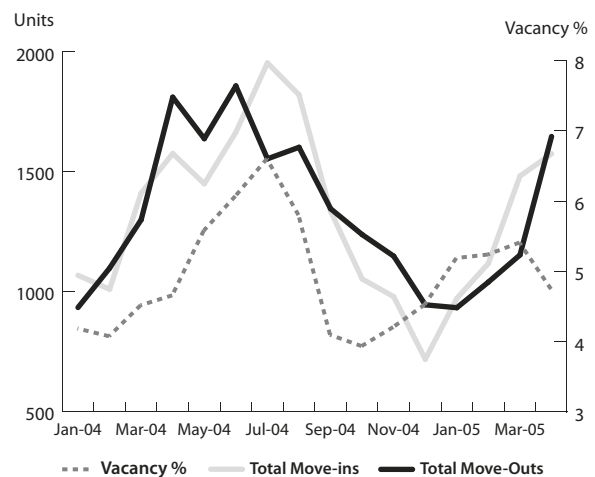
PORTFOLIO OCCUPANCY PERFORMANCE

City	Q1 2005	2004
Calgary	5.19%	4.29%
Edmonton	5.71%	4.65%
Kitchener	4.76%	2.23%
London	3.95%	3.05%
Montreal	1.97%	2.68%
Other Alberta	2.41%	2.56%
Quebec City	5.05%	4.38%
Regina	4.60%	3.48%
Vancouver	5.08%	-
Victoria	2.48%	-
Saskatoon	6.15%	5.9%
Windsor	9.03%	6.39%
Grand Total	5.19%	4.22%

BOARDWALK REIT'S PORTFOLIO VACANCY

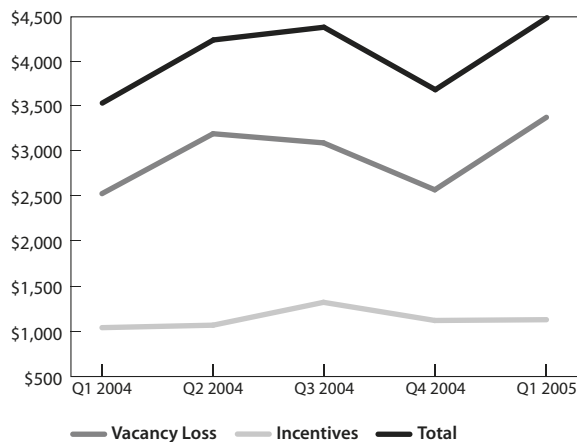
The first quarter of fiscal 2005 saw the portfolio's overall vacancy rate increase to 5.19% compared to 4.22% for the fourth quarter in the prior year. The increase is mainly the result of increasing vacancy in almost all markets with the major exception of Calgary and other Alberta. Management attributes the vacancy rate increase of 1% compared to the prior year primarily to a higher proportion of tenants who took advantage of record low interest rates to purchase houses or condominiums, and continues to focus efforts on attracting and retaining tenants.

DEMAND, SUPPLY & VACANCY



The issue of demand and supply, as with other industries, is an important performance indicator for multi-family real estate. The above chart attempts to show the total move-outs (supply) compared to total move-ins (demand) and the resulting impact on reported vacancy. The cumulative impact of supply being greater than demand is the primary driver in the reported vacancy rate.

VACANCY LOSS AND INCENTIVES



Vacancy loss and rental incentives offered are strong indicators of current and future revenue performance. Depending on specific market conditions, the correct balance is important to maintain to best manage overall economic rental revenue. The above chart details, on a quarterly basis, rental incentives offered versus vacancy loss and the impact of the two on overall rental revenue.

SAME-PROPERTY RESULTS

With significant acquisitions in Quebec over the last several quarters, most notably the acquisition of the 3,100 unit Nun's Island portfolio in May 2002, Boardwalk REIT's overall percentage of stabilized properties was 91% of its total rental unit portfolio as at March 31 2005, or a total of 30,417 units. The following compares the "same-store" results for the three months ended March 31, 2005 with the same period in the prior year.

	Units	Rental Revenue	Rental Expenses	NOI	% of NOI
Calgary	4,887	1.1%	-0.1%	1.6%	20%
Edmonton	10,555	-0.6%	-0.4%	-0.7%	35%
Other Alberta	1,604	4.4%	14.9%	-0.8%	6%
Saskatchewan	4,660	-0.9%	7.5%	-7.2%	11%
Ontario	4,136	-0.4%	16.0%	-14.5%	10%
Quebec	4,575	1.3%	9.1%	-3.3%	18%
	30,417	0.3%	5.8%	-3.1%	100%

For the first quarter 2005, same-store revenue increased slightly as compared to the prior period. Overall rental expenses have also increased, primarily in other Alberta and Ontario. An increase in turnover costs drove the increase in costs in Other Alberta, whereas the increase in Ontario was caused by higher utility charges as well as some one-time charges related to damage done to particular suites that were at amounts below our current insurance deductible and, as such, must be absorbed by the Trust. Overall, net operating income decreased by 3.1%.

The Trust continues to be in the process of appealing recent increases to property values in various cities across the portfolio; however, at this time we are not able to reasonably estimate any potential future savings, if any.

As with the prior year, the Trust was the recipient of a provincial natural gas rebate based on usage and price in its Alberta portfolio. The amount of the rebate for 2005 was \$636 thousand as compared to \$812 thousand for the same period last year. The decrease is the result of lower overall usage and lower market resource prices. If we were to exclude these rebates from our analysis, NOI would only have decreased by 2.7%

Boardwalk REIT closely monitors and manages individually the performance of each of its rental properties. For the reader's convenience, we have provided a summary of our operating results on a province-by-province basis.

Alberta Rental Operations

In \$000's	3 Months Mar-05	3 Months Mar-04	% Change
	(Unaudited)	(Unaudited)	
Rental revenue	\$ 38,998	\$ 38,084	2.4%
Rental Expenses:			
Operating expenses	\$ 4,663	\$ 4,645	0.4%
Utilities	\$ 5,749	\$ 6,395	-10.1%
Utilities rebate	\$ (636)	\$ (812)	-21.7%
Property taxes	\$ 3,277	\$ 2,694	21.6%
	\$ 13,053	\$ 12,922	1.0%
Net operating income	\$ 25,945	\$ 25,162	3.1%
Operating margins	66.5%	66.1%	

Boardwalk REIT's Alberta operations for the three months ended March 31, 2005 have increased from those reported for the same period in fiscal 2004. The increase is partially due to the recent acquisition of a 246-unit complex in Calgary in January of 2005. Overall, operating expenditures increased slightly from that reported during the first quarter of fiscal 2004. Increases in property taxes and operating costs were offset by lower expenses in utilities and, in particular, natural gas charges. This decrease was the combined effect of overall lower natural gas prices and a lower consumption rate as a result of a mild winter in Alberta. As was previously discussed, we are in the process of appealing selective property tax assessments in both Calgary and Edmonton. However, at this time we are not able to make reasonable estimates on the property tax rebate, if any, we may receive and, as such, no provision for this rebate has been made.

Saskatchewan Rental Operations

In \$000's	3 Months Mar-05	3 Months Mar-04	% Change
	(Unaudited)	(Unaudited)	
Rental revenue	\$ 8,551	\$ 8,628	-0.9%
Rental Expenses:			
Operating expenses	\$ 1,154	\$ 1,076	7.2%
Utilities	\$ 1,606	\$ 1,516	5.9%
Property taxes	\$ 1,226	\$ 1,117	9.8%
	\$ 3,986	\$ 3,709	7.5%
Net operating income	\$ 4,565	\$ 4,919	-7.2%
Operating margins	53.4%	57.0%	

Boardwalk REIT's Saskatchewan operations reported results lower than those reported during fiscal 2004. Overall rental revenue decreased slightly, mainly the result of an increase in vacancy, particularly in Regina. Operating costs increased by 7.5%, with all reported areas posting increases. Operating costs increased as a result of increased repairs and maintenance. Utilities were up, the result of an increase in gas prices in our fixed gas contracts in Saskatchewan, and property taxes increased on higher property assessments.

Ontario Rental Operations

In \$000's	3 Months Mar-05	3 Months Mar-04	% Change
	(Unaudited)	(Unaudited)	
Rental revenue	\$ 9,249	\$ 8,974	3.1%
Rental Expenses:			
Operating expenses	\$ 1,328	\$ 1,101	20.6%
Utilities	\$ 2,026	\$ 1,689	20.0%
Utilities rebate			
Property taxes	\$ 1,677	\$ 1,502	11.7%
	\$ 5,031	\$ 4,292	17.2%
Net operating income	\$ 4,218	\$ 4,682	-9.9%
Operating margins	45.6%	52.2%	
Average rent per unit			

Boardwalk REIT's Ontario operations reported a rental revenue increase of 3.0% for the current quarter compared to the same period last year, which was mainly the result of increasing market rents despite the fact that there was a significant increase in vacancies, particularly in Windsor. The increase in vacancy had a material impact on the increase in reported operating expenses. When combined with the fact that we had fire damage to one unit in this portfolio, where restoration costs were below our deductible of \$100 thousand dollars, operating expenses increased 20.6% compared to the same period last year. Utility costs were up 20.0%, the result of an increased fixed contract gas price and increased consumption due to the colder temperatures reported in Eastern Canada. Property taxes also increased, the result of increased property tax assessments.

Quebec Rental Operations

In \$000's	3 Months Mar-05	3 Months Mar-04	% Change
	(Unaudited)	(Unaudited)	
Rental revenue	\$ 15,668	\$ 13,839	13.2%
Rental Expenses:			
Operating expenses	\$ 1,766	\$ 1,520	16.2%
Utilities	\$ 2,606	\$ 2,631	-1.0%
Property taxes	\$ 1,733	\$ 1,419	11.7%
	\$ 6,105	\$ 5,570	7.0%
Net operating income	\$ 9,563	\$ 8,269	17.5%
Operating margins	61.4%	59.2%	
Average rent per unit			

The majority of Boardwalk REIT's external growth over the last few fiscal years has come from the province of Quebec. Boardwalk REIT's Quebec operations reported strong gains in both revenue and net operating income. Reported revenue has increased by 13.2% for the quarter on the combined effect of improving results on existing properties and the addition of new units in this market. Rental expenses, accordingly, have increased but have been somewhat offset by a decrease in utility charges for the current quarter.

FINANCING COSTS

Financing costs for the current quarter have increased slightly from prior years. This increase is the combined effect of an increase in overall leverage, offset by lower overall reported weighted average interest rates, and the issuance of unsecured debentures in the aggregate amount of \$120 million. A more detailed discussion on the issuance of this debenture will be provided later in this document.

Boardwalk REIT continues to take advantage of the current low interest environment to refinance and renew certain mortgages, resulting in a lower overall weighted average mortgage rate. The average maturity of the mortgage portfolio is approximately four years.

Boardwalk REIT's acquisition strategy involves locating and acquiring accretive properties at prices that are below replacement value. Once acquired, these properties undergo various value enhancing upgrades as part of Boardwalk REIT's stabilization program. Boardwalk REIT utilizes external financing to leverage these properties up to, in accordance with the DOT, a maximum of 75% of the purchase price and, where appropriate, Boardwalk REIT adds additional financing for all upgrades performed.

Boardwalk REIT concentrates on multi-family residential real estate; thus, it is eligible to obtain government-backed insurance through the National Housing Act ("NHA"), which is administered by the Canadian Mortgage and Housing Corporation ("CMHC"). The benefits of purchasing this insurance are twofold.

The first benefit of using CMHC insurance is that Boardwalk REIT can normally obtain lower interest rate spreads on its property financing. Although the amount of the interest rate spreads will vary, they are currently between 40 and 60 basis points above the respective Government of Canada Bonds. This compares favourably to the spreads on conventional financing, which currently range from 120 to 175 basis points above such bonds.

The second benefit of the CMHC insurance relates to the lowering of Boardwalk REIT's overall renewal risk. Once insurance is obtained on the related mortgage, the insurance is transferable and follows the mortgage for the complete amortization period, typically between 25 and 40 years depending on the type of asset being insured. With the insurance being transferable between approved lenders, it lowers the overall risk of Boardwalk REIT not being able to refinance the asset on maturity.

At March 31, 2005, approximately 96% of Boardwalk REIT's mortgage debt was backed by this NHA insurance with a weighted average term of approximately 23 years.

DEFERRED FINANCING COSTS AMORTIZATION

The amounts reported here relate primarily to the amortization of CMHC premiums, which are paid as part of first mortgage financing. Under current reporting requirements, if Boardwalk REIT replaces an existing mortgage with a new mortgage, all costs associated with the original mortgage, including the unamortized balance of the CMHC premium, are required to be charged to income in the period that this occurs. As a result of this, and due to the variable timing and strategy of each mortgage at maturity, the amounts reported will vary. In the current quarter, Boardwalk REIT continued to take advantage of CMHC's new product to increase its leverage rather than refinance the entire mortgage.

AMORTIZATION

The amount reported as amortization of capital assets of \$18.5 million has increased from the \$17.3 million reported in the comparable period last year. The increase is the result of the increase in the depreciable asset base, particularly the acquisition of new rental apartment complexes.

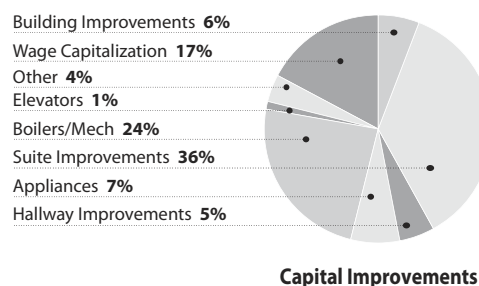
Real Estate Assets

ACQUISITIONS

During the three months of 2005, Boardwalk REIT acquired a total of 1,325 rental units for a total acquisition cost of \$116.4 million, or \$87.8 thousand per residential unit, excluding a fair value adjustment to assumed debt of approximately \$(0.2) million. A portion (approximately \$3.7 million) of the purchase price has been allocated to the value of the in-place operating leases as is now required under EIC-140.

CAPITAL IMPROVEMENTS

For the first quarter fiscal 2005, Boardwalk REIT invested approximately \$6.0 million in its properties in the form of project enhancements. The following chart details which areas these funds were expended.



The amount expended is down from the \$6.1 million invested in the first quarter of fiscal 2004. The decrease was expected as Boardwalk REIT begins to leverage off the approximately \$300 million its predecessor spent on upgrading its assets over the past five fiscal years.

Included in these amounts is approximately \$1.0 million of capitalized on-site wages and salaries, representing approximately 17% of total capital expenditures for the current period. This amount is an estimate of site personnel cost associated with the completion of these capital projects, and is consistent with internal expectations since a significant portion of the improvements are now performed "in-house".

LIQUIDITY AND CAPITAL RESOURCES

Boardwalk REIT's financial position continues to be strong, with the overall debt level reported at 64% of Gross Book Value ("GBV"). GBV is a non-GAAP term that is defined in the Trust's DOT. In general, it is determined by taking total reported assets of the Trust, adding back accumulated amortization and making a one-time adjustment in the amount of approximately \$231 million. The following chart sets out the Trust's recomputed GBV:

	Mar-05	Dec-04
Total Reported Assets	\$ 1,938,533	\$ 1,809,139
Reported Amortization	\$ 321,296	\$ 304,489
	\$ 2,259,829	\$ 2,113,628
Conversion Adjustment (May 2004)	\$ 231,460	\$ 231,460
	\$ 2,491,289	\$ 2,345,088
Mortgages payable	\$ 1,443,616	\$ 1,414,122
Debentures	\$ 120,000	
Market Adjustment on Mortgages (May 2004)	\$ 38,663	\$ 39,750
	\$ 1,602,279	\$ 1,453,872
Debt to GBV	64%	62%
DOT Limit	70%	70%

With a DOT limit of 70% on Debt-to-Gross Book Value, Boardwalk REIT has the ability to add additional leverage on its existing portfolio to assist with future investment in new assets.

Currently, Boardwalk REIT has an operating facility with a major financial institution with excess available of approximately \$95 million. In addition, at the date of writing, Boardwalk REIT has approximately \$26 million of cash available for investment. For the first quarter of 2005, Boardwalk REIT's overall interest coverage ratio of adjusted EBITDA (i.e. earnings before interest, taxes, depreciation and amortization) to interest expense after excluding gains was 1.86 as compared to 1.93 for the same period last year.

MORTGAGE AND DEBT SCHEDULE

Fiscal Year	Mortgage Balance as at Mar 31, 2005	Average by year
2005	161,853	4.50%
2006	195,900	4.77%
2007	246,206	5.27%
2008	248,764	6.08%
2009	210,128	5.73%
2010	174,208	5.30%
2011	108,826	5.94%
2012	150,048	5.49%
2013	36,268	5.46%
2014	4,609	5.91%
Subsequent	26,806	6.59%
Grand Total	1,563,616	5.42%

UNSECURED 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 was 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 were 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.

OUTSTANDING SHARE DATA

Boardwalk REIT has one class of voting securities known as "REIT Units". As at March 31, 2005, there were 48,651,948 REIT units issued and outstanding. In addition, there are currently 4,475,000 Class "B" special voting units of Boardwalk REIT Limited Partnership ("LP B Units"). Each LP B Unit is exchangeable for REIT units on a one-for-one basis at the option of the holder. Each LP B Unit entitles the holder to one vote at any meeting of Unitholders. Accordingly, if all of the LP B Units were exchanged for REIT units, the total issued and outstanding REIT units would be 53,126,948.

Critical Accounting Policies

Boardwalk REIT's accounting policies are described in Note 2 to the consolidated financial statements for the year ended December 31, 2004. These statements were prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and with the recommendations of the Real Property Association of Canada ("RealPac"). In applying these policies, in certain cases, it is necessary to use estimates. In determining estimates, management uses the information available to the Trust at the time. Management reviews key estimates on a quarterly basis to determine their appropriateness. Any change to these estimates is applied prospectively in compliance with Canadian generally accepted accounting principles. A more detailed discussion of Boardwalk REIT's critical accounting policies can be found on page 36 of Boardwalk REIT's 2004 annual report, and any new or changes to these policies can be found in Note 3 to the consolidated financial statements for the quarter ended March 31, 2005

Financial Outlook and Market Guidance

In its 2004 annual report, Boardwalk REIT outlined specific targets for its fiscal 2005 overall financial performance. These targets, and any revisions, are outlined below:

2005 GUIDANCE

The reported results for the first quarter are in line with our internal estimates and, as such, we are reconfirming our 2005 market guidance. The following chart reiterates the Trust's 2005 full year guidance:

	2005 Objectives	2004 Actuals
FFO Rental Operations	\$1.42 to \$1.49	\$1.43
Distributable Income	\$1.46 to \$1.53	\$1.49
New Unit Acquisitions	1,000 to 2,000	917
Stabilized Buildings NOI growth	1.0% to 2.0%	0.3%

FORWARD-LOOKING STATEMENTS

This discussion contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. The forward-looking statements are statements that involve risks and uncertainties, including, but not limited to, changes in the demand for apartment and townhome rentals, the effects of economic conditions, the impact of competition and competitive pricing, the effects of Boardwalk REIT's accounting policies and other matters detailed in Boardwalk REIT's and Boardwalk Equities Inc.'s filings with Canadian and United States securities regulators available on SEDAR in Canada and by request through the Securities and Exchange Commission in the United States, including matters set forth in Boardwalk REIT's Annual Report to Unitholders for the year ended December 31, 2004, under the heading "Management's Discussion and Analysis". Because of these risks and uncertainties, the results, expectations, achievements, or performance described in this release may be different from those currently anticipated by Boardwalk REIT.

ADDITIONAL INFORMATION

Additional information relating to Boardwalk REIT and Boardwalk, including the Annual Information of Boardwalk REIT, is available on SEDAR at www.sedar.com.

Respectfully,

Roberto A. Geremia
Senior Vice President, Finance and Chief Financial Officer

CONSOLIDATED BALANCE SHEETS

(Cdn\$ Thousands)

As at	March 31, 2005	December 31, 2004
	(Unaudited)	(Audited)
ASSETS		
Revenue producing properties (NOTES 4 and 5)	\$ 1,834,640	\$ 1,733,026
Properties held for resale	8,025	7,906
Deferred financing costs	41,747	39,056
Other assets	13,419	14,125
Future income taxes (NOTE 9)	596	547
Mortgages and accounts receivable	7,179	8,019
Segregated tenants' security deposits	6,841	6,460
Cash and cash equivalents	26,086	-
	\$ 1,938,533	\$ 1,809,139
LIABILITIES		
Mortgages payable (NOTE 5)	\$ 1,443,616	\$ 1,414,122
Debentures (NOTE 6)	120,000	-
Accounts payable and accrued liabilities	27,619	27,151
Refundable tenants' security deposits and other	10,087	9,543
Capital lease obligations	21	84
Bank indebtedness	-	2,723
	\$ 1,601,343	\$ 1,453,623
UNITHOLDERS' EQUITY		
Unitholders' capital (NOTE 7)	293,941	293,503
Accumulated earnings	43,249	62,013
	\$ 337,190	\$ 355,516
	\$ 1,938,533	\$ 1,809,139

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF EARNINGS

(Cdn\$ Thousands, except per UNIT amounts)

	3 months ended March 31, 2005	3 months ended March 31, 2004
	(Unaudited)	(Unaudited)
REVENUE		
Rental income	\$ 73,586	\$ 69,689
EXPENSES		
Revenue producing properties:		
Operating expenses	9,404	8,383
Utilities	12,250	12,229
Utility rebate (NOTE 10)	(636)	(812)
Property taxes	7,946	6,732
Administration	6,860	5,915
Financing costs	20,234	19,255
Deferred financing costs amortization	929	701
Amortization of capital assets	18,537	17,332
	75,524	69,735
Loss from continuing operations before income taxes	(1,938)	(46)
Large corporations taxes	245	792
Future income taxes (recovery) (NOTE 9)	(88)	354
Loss from continuing operations	(2,095)	(1,192)
Earnings (loss) from discontinued operations, net of tax (NOTE 5)	64	(35)
Net loss	\$ (2,031)	\$ (1,227)
Basic earnings (loss) per unit (NOTE 8)		
– from continuing operations	\$ (0.04)	\$ (0.02)
– from discontinued operations	–	–
Basic earnings (loss) per unit	\$ (0.04)	\$ (0.02)
Diluted earnings (loss) per unit (NOTE 8)		
– from continuing operations	\$ (0.04)	\$ (0.02)
– from discontinued operations	–	–
Diluted earnings (loss) per unit	\$ (0.04)	\$ (0.02)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF ACCUMULATED EARNINGS

(Cdn\$ Thousands)

	3 months ended March 31, 2005	3 months ended March 31, 2004
	(Unaudited)	(Unaudited)
Accumulated earnings, beginning of period	\$ 62,013	\$ 32,993
Net loss	(2,031)	(1,227)
Distributions declared on units	(16,733)	(3,938)
Accumulated earnings, end of period	\$ 43,249	\$ 27,828

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Cdn\$ Thousands)

	3 months ended March 31, 2005	3 months ended March 31, 2004
	(Unaudited)	(Unaudited)
Operating activities		
Net loss	\$ (2,031)	\$ (1,227)
Loss (earnings) from discontinued operations, net of tax	(64)	35
Future income taxes (recovery)	(88)	354
Amortization of capital assets	18,537	17,332
Funds from continuing operations	16,354	16,494
Funds from discontinued operations	103	(6)
Net change in operating working capital	4,649	(2,414)
Net change in properties held for resale	(119)	(108)
Total operating cash flows	20,987	13,966
Financing activities		
Issue of trust units (net of issue costs) (NOTE 7)	357	22,477
Restructuring costs	81	-
Distributions paid	(16,737)	(3,938)
Issue of debentures (NOTE 6)	120,000	-
Financing of revenue producing properties	46,468	35,199
Repayment of debt on revenue producing properties	(29,814)	(36,495)
Capital lease obligations	(63)	(310)
Deferred financing costs incurred (net of amortization)	(2,825)	(1,463)
	117,467	15,470
Investing activities		
Purchases of revenue producing properties (NOTE 4)	(103,289)	(9,174)
Project improvements to revenue producing properties	(5,961)	(6,087)
Technology for real estate operations	(395)	(447)
	(109,645)	(15,708)
Net increase (decrease) in cash and cash equivalents balance	28,809	(13,728)
Cash and cash equivalents (bank indebtedness), beginning of period	(2,723)	10,123
Cash and cash equivalents, end of period	\$ 26,086	\$ 23,851
Supplementary cash flow information:		
Taxes paid (received)	\$ (10)	\$ 906
Interest paid	\$ 19,001	\$ 19,390

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2005

(Tabular amounts in Cdn\$ thousands, except number of units and per unit amounts UNLESS OTHERWISE STATED)

(unaudited)

NOTE 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, 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.

NOTE 2 BASIS OF PRESENTATION

These unaudited interim consolidated financial statements of Boardwalk Real Estate Investment Trust (the "Trust") 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, 2004, except as described 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 months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2005.

The comparative figures for the three months ended March 31, 2004 represent the activities of Boardwalk Equities Inc.

NOTE 3 ACCOUNTING POLICY CHANGES

Hedge accounting

Beginning January 1, 2005, the Trust adopted hedge accounting in accordance with the transitional provisions of CICA Handbook Section 3865. Hedge accounting was applied to a bond forward contract (see NOTE 6) entered into by the Trust to mitigate future cash interest payments associated with our unsecured debentures, which was completed on January 21, 2005.

Consolidation of variable interest entities

These consolidated financial statements include the accounts of Boardwalk REIT and its wholly-owned subsidiaries, as well as variable interest entities over which it exercises control on a basis other than ownership of voting interests in accordance with CICA Handbook Accounting Guideline 15 (AcG-15), Consolidation of Variable Interest Entities. All inter-company transactions have been eliminated.

NOTE 4**REVENUE PRODUCING PROPERTIES****Acquisitions**

	3 months ended March 31, 2005	3 months ended March 31, 2004
Cash paid	\$ 103,289	\$ 9,174
Debt assumed	13,144	7,912
Total purchase price	\$ 116,433	\$ 17,086
Fair value adjustments to debt	(207)	560
Book value	\$ 116,226	\$ 17,646
Allocation of book value to revenue producing properties	\$ 112,569	\$ 16,910
Allocation of book value to other assets	3,657	736
	\$ 116,226	\$ 17,646
Units acquired	1,325	183

Dispositions

There were no dispositions for the three months ended March 31, 2005 and March 31, 2004.

NOTE 5**DISCONTINUED OPERATIONS**

During the first quarter of 2005, a commercial building 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 available for immediate sale and is being marketed for sale at a price that is reasonable in relation to its current fair value. The following tables set forth the results of operations as well as the assets and liabilities associated with the discontinued operations.

	3 months ended March 31, 2005	3 months ended March 31, 2004
Revenue		
Rental income	\$ 213	\$ 136
Expenses		
Revenue producing properties:		
Operating expenses	3	11
Utilities	5	20
Property taxes	-	13
Administration	13	8
Financing costs	88	90
Deferred financing cost amortization	1	-
Amortization of capital assets	-	41
	110	183
Operating earnings (loss) from discontinued operations before income taxes	103	(47)
Future income taxes (recovery)	39	(12)
Earnings (loss) from discontinued operations	\$ 64	\$ (35)

March 31, 2005

Discontinued Assets	
Revenue producing properties	\$ 6,759
Other assets	22
Total	\$ 6,781
Discontinued Liabilities	
Mortgages payable	\$ 4,484
Total	\$ 4,484

NOTE 6

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 was be 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 were 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.

NOTE 7

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, \$10.1 million were incurred for restructuring costs. Under the Arrangement, the former shareholders of Boardwalk Equities Inc. received Boardwalk REIT units or Class B Limited Partnership ("LP Class B") units of a controlled limited partnership of the Trust, Boardwalk REIT Limited Partnership.

The LP Class B units 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 follow:

	Shares	Amount
Share capital of Boardwalk Equities Inc. at December 31, 2003	50,868,119	\$ 275,509
Options exercised	2,345,155	28,372
Share capital of Boardwalk Equities Inc. at May 2, 2004		
exchanged for trust units	53,213,274	\$ 303,881
Summary of Unitholders' Capital Contributions		
	Units	Amount
Units issued in exchange for Boardwalk Equities Inc. shares	53,213,274	\$ 303,881
Issuance of 15,000 units for cash at \$18.00 per unit on May 3, 2004	15,000	270
Unit repurchases, recorded at book value of units	(138,400)	(766)
Units issued under distribution reinvestment plan	17,693	292
Restructuring costs	-	(10,174)
December 31, 2004	53,107,567	\$ 293,503
Units issued under dividend reinvestment plan	19,381	357
Restructuring cost recovery	-	81
March 31, 2005	53,126,948	\$ 293,941

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

(a) REIT Units

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

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

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

(b) Special Voting Units

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

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

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

	Units	Amount
Boardwalk REIT Units	48,651,948	
Special Voting Units issued to holders of LP Class B units	4,475,000	
Total trust units	53,126,948	\$ 293,941

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 reconciliation of distributable income and per unit information begins with net earnings 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.

Net loss	\$ (2,031)
Add:	
Amortization of capital assets	18,537
Amortization of deferred financing costs incurred prior to May 3, 2004	863
Deduct:	
Future income tax recovery	(49)
Amortization of net premium on long-term debt assumed after May 2, 2004	(4)
Distributable income	\$ 17,316
Distribution to unitholders	\$ 16,733
Weighted average units outstanding – basic and diluted	53,116,533
Distributable income earned per unit	\$ 0.326
Actual distributions declared per unit	\$ 0.315

Earnings per unit

	3 months ended March 31, 2005	3 months ended March 31, 2004
Numerator		
Loss from continuing operations	\$ (2,095)	\$ (1,192)
Earnings (loss) from discontinued operations	\$ 64	\$ (35)
Denominator		
Denominator for basic earnings per unit – weighted average units (THOUSANDS)	53,117	51,699
Effect of dilutive units		
Units issued (stock options before May 3, 2004) in respect of long-term incentive plan (THOUSANDS)	–	151
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion (THOUSANDS)	53,117	51,850
Loss per unit from continuing operations		
Basic	\$ (0.04)	\$ (0.02)
Diluted	\$ (0.04)	\$ (0.02)
Earnings (loss) per unit from discontinued operations		
Basic	\$ 0.00	\$ 0.00
Diluted	\$ 0.00	\$ 0.00

NOTE 9

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. Total future income tax recovery for the year ended December 31, 2004 combines the results of Boardwalk Equities Inc. prior to May 3, 2004 with the results of Boardwalk REIT subsequent to May 2, 2004. The adjustment for change in effective tax rate reflects the reduction of the current combined federal and provincial substantially enacted rate in the province of Alberta.

	3 months ended March 31, 2005	3 months ended March 31, 2004
Continuing operations	\$ (88)	\$ 354
Discontinued operations	39	(12)
Total future income taxes (recovery)	<u>\$ (49)</u>	<u>\$ 342</u>

Future income taxes (recovery) consist of the following:

	3 months ended March 31, 2005	3 months ended March 31, 2004
Tax (recovery) expense based on expected rate	\$ (49)	\$ (32)
Adjustment to future income tax liabilities	-	162
Adjustment for change in effective tax rate	-	212
Future income taxes (recovery)	<u>\$ (49)</u>	<u>\$ 342</u>

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

As at	March 31, 2005	December 31, 2004
Tax assets related to operating losses	\$ 1,083	\$ 1,034
Tax liabilities related to differences in tax and book basis	(487)	(487)
Future income tax asset (liability)	<u>\$ 596</u>	<u>\$ 547</u>

NOTE 10

COMMITMENTS AND CONTINGENCIES

At March 31, 2005, the Trust had long-term supply arrangements with two electrical utility companies to supply the Trust with its electrical power needs for Alberta for the next nine to twenty-one months at a blended rate of approximately \$0.066/kwh. These agreements provide that the Trust purchase its power for all Alberta properties under contract for the upcoming months.

The Trust also has a physical settlement fixed-price supply contract for Alberta natural gas requirements. This contract fixes the price of natural gas for 37.5% of the Trust's requirements in Alberta. The contract is for physical settlement, runs from October 1, 2003 to September 30, 2005, and provides the commodity at a price of \$6.16/GJ.

In Saskatchewan, the Trust has a physical supply agreement to supply 100% of the Trust's natural gas requirements for that province. The agreement extends until October 31, 2005 at a fixed price of \$5.20/GJ.

In Eastern Canada, Boardwalk REIT has procured approximately 37% of its gas usage requirements under a physical fixed-price supply contract until August 2005, priced near \$6.00/GJ.

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

Beginning in November 2003, the Alberta government implemented a natural gas rebate program covering the winter usage months of November through March. This program will be in effect for a remaining twelve-month term ending March 31, 2006. The rebate program becomes active when the natural gas consumer price exceeds \$5.50/GJ for any individual winter usage month. For January to March 2005, Boardwalk REIT was eligible for rebates totalling approximately \$0.6 million. For January to March 2004, Boardwalk REIT's predecessor was eligible for rebates totalling approximately \$0.8 million.

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.

NOTE 11

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 March 31, 2005 is approximately \$5.8 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 March 31, 2005, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

Boardwalk REIT specializes in multi-family residential housing and operates primarily within one business segment in four provinces located in Canada. The following summary presents segmented financial information for Boardwalk REIT's business by geographic location. The comparative figures represent the activities of Boardwalk Equities Inc.

	3 months ended March 31, 2005	3 months ended March 31, 2004
Alberta		
Revenue	\$ 38,998	\$ 38,084
Expenses		
Operating	4,663	4,645
Utilities	5,749	6,395
Utility rebates	(636)	(812)
Property taxes	3,277	2,694
	13,053	12,922
Net operating income	\$ 25,945	\$ 25,162
Saskatchewan		
Revenue	\$ 8,551	\$ 8,628
Expenses		
Operating	1,154	1,076
Utilities	1,606	1,516
Property taxes	1,226	1,117
	3,986	3,709
Net operating income	\$ 4,565	\$ 4,919
Ontario		
Revenue	\$ 9,249	\$ 8,974
Expenses		
Operating	1,328	1,101
Utilities	2,026	1,689
Property taxes	1,677	1,502
	5,031	4,292
Net operating income	\$ 4,218	\$ 4,682
British Columbia		
Revenue	\$ 932	\$ -
Expenses		
Operating	16	-
Utilities	107	-
Property taxes	22	-
	145	-
Net operating income	\$ 787	\$ -
Quebec		
Revenue	\$ 15,668	\$ 13,839
Expenses		
Operating	1,766	1,520
Utilities	2,606	2,631
Property taxes	1,733	1,419
	6,105	5,570
Net operating income	\$ 9,563	\$ 8,269
Total		
Net operating income	\$ 45,078	\$ 43,032
Unallocated revenue*	401	300
Unallocated expenses**	(47,510)	(44,559)
Net earnings for the period	\$ (2,031)	\$ (1,227)

As at	March 31, 2005	December 31, 2004
Alberta		
Identifiable assets		
Revenue producing properties	\$ 974,722	\$ 939,735
Mortgages and accounts receivable	724	297
Deferred financing costs	24,521	24,392
Tenants' security deposit	5,449	5,243
	\$ 1,005,416	\$ 967,667
Saskatchewan		
Identifiable assets		
Revenue producing properties	\$ 172,184	\$ 173,324
Mortgages and accounts receivable	134	102
Deferred financing costs	4,479	4,467
Tenants' security deposits	1,242	1,216
	\$ 178,039	\$ 179,109
Ontario		
Identifiable assets		
Revenue producing properties	\$ 217,503	\$ 218,740
Mortgages and accounts receivable	226	246
Deferred financing costs	3,572	3,329
	\$ 221,301	\$ 222,315
British Columbia		
Identifiable assets		
Revenue producing properties	\$ 61,018	\$ -
Mortgages and accounts receivable	1	-
Tenants security deposits	149	-
	\$ 61,168	\$ -
Quebec		
Identifiable assets		
Revenue producing properties	\$ 398,309	\$ 389,866
Mortgages and accounts receivable	4,912	4,465
Deferred financing costs	5,960	5,417
	\$ 409,181	\$ 399,748
Total assets		
Identifiable assets	\$ 1,875,105	\$ 1,770,839
Unallocated assets***	63,428	38,300
	\$ 1,938,533	\$ 1,809,139

* 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, administration, financing costs, amortization, income taxes and other provisions.

*** Unallocated assets include properties held for resale, discontinued assets, cash, short-term investments and other assets.

Subsequent to March 31, 2005, Boardwalk REIT unconditionally contracted to sell one rental property consisting of 186 units located in Edmonton, Alberta. The property was deemed to be sold on an opportunistic basis only, with such condition lifted subsequent to the end of the quarter. The property has a selling price of \$9.5 million, a net book value of \$6.7 million as at March 31, 2005, and is scheduled to close in the second quarter of fiscal 2005. The property is part of the Alberta segment in our segmented information disclosure.

CORPORATE INFORMATION

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Calgary, Alberta

Sam Koliass
Calgary, Alberta

Al W. Mawani ⁽¹⁾⁽²⁾
Thornhill, Ontario

David V. Richards ⁽¹⁾
Calgary, Alberta

Michael D. Young ⁽²⁾
Dallas, Texas

⁽¹⁾ Member of the Audit and
Risk Management Committee

⁽²⁾ Member of the Compensation,
Governance and Nominations Committee

SENIOR MANAGEMENT

Dean Burns
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William Chidley
Senior Vice President,
Corporate Development

Jean Denis
Vice President, Acquisitions,
Quebec and Atlantic Canada

Roberto A. Geremia
Senior Vice President, Finance
and Chief Financial Officer

Michael Guyette
Vice President, Technology

Sam Koliass
President & Chief Executive Officer

Van Koliass
Senior Vice President, Quality Control

Helen Mix
Vice President, Human Resources

Kim O'Brien
Vice President, Investments

Shaun Renneberg
Vice President, Capital Projects

Lisa Russell
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Kelly Mahajan
Vice President,
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Kevin P. Screpnechuk
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William Wong
Vice President and Controller



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