

Letter to Unitholders

We are pleased to report on Boardwalk's strong results in the second quarter of 2006. Alberta's robust economy continues to drive increased housing demand, resulting in positive revenue growth for our Trust. Funds from operations (FFO) was up approximately 18.8% over last year's second quarter, while FFO per unit increased more than 14% over last year's second quarter. With approximately 51% of our portfolio situated in Alberta, Boardwalk is well positioned to benefit from the current boom in Canada's 'province of plenty'. Though expenses continued to rise, our overall operating and financial results reflect strong rental market fundamentals.

As predicted, demand for our rental units remained hot through the second quarter of 2006. Alberta's significant net in-migration continues to place upward pressure on the rental market, resulting in a year over year drop in vacancy in each of our markets in the province. Our high absorption (a function of move-ins versus move-outs) during the first quarter of this year led to lower vacancies in the second quarter and continued to push market rents higher across Alberta. Average market rent across our Alberta market rose more than \$200 in the first half of 2006, from \$814 at the end of Q4 2005, to \$1036 at the end of Q2 2006. Because the absorption of suites in the first quarter of 2006 was so high, there were far fewer suites available in the second quarter of 2006. Therefore, total absorption in the second quarter was lower than the absorptions noted in Q1 2006 and Q2 2005. As described in the previous quarter, the absorption noted in the first quarter of 2006 was an extremely positive leading indicator, suggesting a strong trend of increasing demand.

Though expenses are up approximately 3% over last year, operating margins grew as revenues increased on an

accelerated basis. As anticipated, rental market fundamentals continued to improve, particularly in the Alberta markets. Vacancy decreased, incentives have been virtually eliminated, and the market is bearing increased capacity for rental increases, all of which are significantly contributing to improvement in our overall revenue. Market rents continue to be much higher than in place rents. With resident turnovers of approximately 50% per year and lease renewals at market rents, revenues are on a solid foundation for continued growth.

At all times, we remember that our customers are the cornerstone of our business. We are committed to pursuing a balance between profitability and customer relationship. Developing long-term, positive associations with our customers ensures corporate sustainability into the future. While we are certainly pleased to benefit from the Alberta market's increased rental rate capacity, we stand by our internal, customer-focused rental rate policies. In order to develop customer loyalty and long-term retention, we allow customers to benefit from the Trust's self imposed rental rate increase maximum at rates below existing market rates, when they choose a month to month lease at the end of their lease term. Further, we provide internal rental subsidies in the form of rental increase forgiveness to customers who can prove financial need.

Highlights of the Trust's Second Quarter 2006 Financial Results include:

- ▲ Rental revenues of \$78.7 million, an increase of 6.2% compared to \$74.1 million for the three-month period ended June 30, 2005.
- ▲ Net operating income (NOI) of \$47.5 million, representing a 8.2% increase from \$43.9 million in the same period last year.

- ▲ Funds from operations (FFO) of \$22.2 million, an increase of 18.8% compared to \$18.7 million for the three-month period ended June 30, 2005.
- ▲ FFO per unit was \$0.40 on a diluted basis, up 14.3% compared to \$0.35 in the same period last year.
- ▲ Distributable Income (DI) was \$0.40 per unit, up 8.1% from \$0.37 for the three months ended June 30, 2005

Some Portfolio Highlights for the Second Quarter include:

- ▲ The average vacancy rate across the Trust's portfolio for the second quarter of 2006 was 3.87%, down from 4.17% in the first quarter of 2006, and down from 5.04% for the second quarter of 2005.
- ▲ The average monthly rent realized in the second quarter of 2006 was \$776 per rental unit, up \$27 from \$749 per rental unit for the same period last year.
- ▲ The average market rent for the Trust's properties at the end of June 2006, was an estimated \$926 per rental unit per month, which compares to an average in-place monthly rent per occupied unit of \$810 for the three-month period ended June 30, 2006. This translates to an estimated 'loss-to-lease' of approximately \$43.1 million on an annualized basis, given existing occupancy levels.
- ▲ For the second quarter, 'same-property' rental revenue grew by 3.8% compared to the same period last year. Though overall operating costs increasing by 2.9%, total NOI increased by 4.3%. A total of 31,921 units, representing approximately 94% of Boardwalk's total portfolio, were classified as stabilized as of June 30, 2006.

Improving Market Fundamentals

We are pleased to continue to gain traction in our Alberta markets, which make up approximately of 51% of our portfolio. As the Alberta economy continues to boom, dramatic increases in home prices, record low unemployment, and substantial inter-provincial in-migration have resulted in significant improvements to rental market fundamentals across the province.

Boardwalk's Alberta market is currently benefiting from very low vacancy, a substantially decreased need for incentives, and market capacity for rental increases. Today's strong rental market allows the Trust to make up ground lost

between 2001 and 2005 when the rental market was weak, incentives and expenses increased, rents were lower, and overall same store net income was flat to negative. Though rental rate increases have been substantial of late, we are only now catching up in terms of operating expenses that have continued to increase over the last several years.

Demand for rental housing continues to increase across Alberta. The promise of employment and superior wages is spurring an unprecedented level of net in-migration to the province. In fact, Alberta was the only province that recorded net positive in-migration in 2005, and, according to Statistics Canada, an additional 80,000 people are expected to migrate to Alberta over 2006 and 2007. As the majority of new residents initially choose rental housing, net in-migration to the province is strongly affecting demand on the rental market. Further, home prices in Alberta's major centres have continued to increase substantially, pricing many would-be owners out of the market. For example, in the first five months of 2006, the average resale price for a condominium in Edmonton increased 16%. As the gap between costs of renting and home ownership increases, the demand for rental housing also increases. According to the CMHC, owning a home in Calgary in 2006 will cost an additional \$1,090 per month over the cost of renting (assuming 10% down payment, 5 year fixed discounted mortgage rate), up from the \$646 gap calculated in 2005. In Edmonton, the gap is projected to be \$867 in 2006, up from \$498 in 2005.

In direct opposition to the increasing demand, the supply of rental accommodations per capita continues to decrease. With the continued upward pressure in construction costs, it may be some time before rental levels reach a sufficient level to justify new rental construction. Since the early 1990's the number of rental units available per capita has trended downwards in both Calgary and Edmonton according to the CMHC. This downward trend is primarily due to the increasing populations of the cities in relation to the static/ slightly decreasing number of rental units. Currently, of the 15 largest cities in Canada, Calgary has the smallest rental market universe, at 39 units per 1,000 people. At 65 units per 1,000 people, Edmonton ranks eighth of the 15 largest centres, well behind major Quebec cities which boast an average of 120 units per 1,000 people, or nearly double Edmonton's per capita rental market universe. Though the decreased rental market universe in Alberta makes new acquisitions more difficult, it ensures long-term demand of our current units.

As of June 30, 2006, Calgary and Edmonton posted 1.8% and 3.3% vacancy respectively, in comparison to 5.3% and 5.5% vacancy respectively last year. As last year's 12-month leases roll over in the coming months, rental incentives, which last the entire lease term, will continue to be removed. Given that customer turnover, and consequently customer lease expiries, occur most frequently during the summer months, the third quarter of this year will see the largest number of rental increases. As increased turnover occurs in conjunction with lease expiries, customer turnover will allow in place rents to jump up to market rent, thereby further increasing revenues. Notices of rental increase, which must be given three months prior to the end of a lease term but do not take effect until the lease term is complete, were issued to the majority of rental units with leases that rolled over during the last quarter. Additional rental increases will be issued over the coming quarters as leases continue to expire.

Our primary focus remains long-term and sustainability focused. Our diversification into 17 markets across five provinces strengthens our long-term viability and market resiliency. Currently, our Alberta markets are receiving the bulk of stakeholder interest due to their exceptionally positive financial and operating results. However, the remaining 49% of our units, which continue to perform as per expectations, are equally important as they provide necessary diversification and strength to ensure the Trust's viability over the long-term. Our markets in British Columbia, Saskatchewan, Ontario and Quebec have yet to see significant improvement in rental market fundamentals. Quebec and Saskatchewan recorded slightly negative same store growth due to higher expenses than revenues. Ontario recorded slightly positive same store results, as per the table below:

Same Store Results Results:

(3 Months ended June 30, 2006)

City	Revenue	Operating Costs	NOI
Calgary	7.3%	0.5%	11.0%
Edmonton	5.0%	-2.2%	9.6%
Other Alberta	9.2%	-4.9%	17.1%
Saskatchewan	2.1%	10.7%	-4.5%
Ontario	2.0%	1.5%	2.4%
Quebec	-0.1%	9.9%	-6.1%
	3.8%	2.9%	4.3%

Continued Portfolio Expansion

During the first half of 2006, the Trust closed on 840 rental units in the provinces of Quebec, British Columbia and Alberta for a total combined purchase price of \$60.05 million. Of this total, 560 of the rental units, making up the Complexe Deguire and Jones portfolios, were acquired during the first quarter of the year. Further information on these portfolio acquisitions, including how the purchases of these portfolios were funded, is detailed in Boardwalk REIT's March 30, 2006 press release. The additional 280 units acquired in the first half of 2006 occurred in the second quarter with the purchase of Sturgeon Point Villas in St. Albert (Edmonton), Alberta. This acquisition is detailed as follows:

- ▲ Sturgeon Point Villas – A 280-unit, four-storey, wood-frame walkup building in St. Albert (Edmonton), Alberta built in 1978. Total purchase consideration of the transaction was \$18.5 million, which represents \$66,071 per residential unit, or \$65 per sq ft. The transaction has a first year cap rate of 7.0%. The project is situated on a 9.5 acre property along the Sturgeon River and consists of 68 one-bedroom, 60 two-bedroom, 38 two-bedroom plus den, and 114 three-bedroom residential units. The project has a total rentable square footage of 284,953 sq. ft, which equates to a sizeable, 1,018 sq. ft. average per residential unit. Closing date of the acquisition was May 17, 2006.

Maintaining Financial Strength

The Trust maintained its solid financial position through the second quarter of 2006. Boardwalk's total mortgage debt was \$1.41 billion as at June 30, 2006, equal to the amount owing March 31, 2006, but down from \$1.42 billion at December 31, 2005. As at June 30, 2006, the Trust's total debt had an average maturity of 3.5 years with a weighted average interest rate of 5.35%. The Trust's total debt-to-total-market-capitalization ratio was 51.5%.

The Trust's interest coverage ratio, excluding gains, for the three-month period ended June 30, 2006 was 2.13 times, compared to 1.92 times in the same period last year. Of note in the first half of 2006, the Trust sold a total of 2.9 million trust units into the public market on a bought deal basis through a group of underwriters led by National Bank Financial. This transaction was completed in March of 2006, with an issue price of \$22.80 per unit.

Summary and Outlook

Building on the strength of our Alberta markets, the geographic diversification of our quality rental assets, our strong operating platform, and our long-term, relationship focused approach to all stakeholders, we feel exceptionally well positioned for the future.

I would like to thank our Associates for their effort and dedication, which allow us to nimbly respond to the needs of our customers and to create value in changing market conditions. I would also like to thank our Board of Trustees for their indispensable guidance; and our unitholders, key financial community and operational partners for their continued support of the Trust. Finally, I would like to offer particular thanks to our Customers for trusting us with their homes.

We are pleased to continue to offer a superior work environment to our Associates, quality homes to our Customers, and sustainable, long-term value to our unitholders.

Sincerely,

Sam Kolas,
President and CEO

Management's Discussion and Analysis

for Three Months Ended June 30, 2006

FORWARD-LOOKING STATEMENTS

Caution regarding forward-looking statements

The terms "Boardwalk", "Boardwalk REIT", "the Trust", "we", "us" and "our" in the following Management's Discussion and Analysis ("MD&A") refer to Boardwalk Real Estate Investment Trust and its consolidated financial position and results of operations for the first quarter of the fiscal years of 2005 and 2006. Our MD&A should be read in conjunction with our interim financial statements along with MD&A and audited consolidated financial statements for the two years ended December 31, 2005 and 2004 and all other publicly posted information on the Trust including the most recently filed Annual Information Form. All these documents are located on SEDAR (www.sedar.com). Historical results and percentage relationships contained in our annual consolidated financial statements and MD&A, including trends which might appear, should not be taken as indicative of our future operations.

Advisory: Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our 2006 objectives, our strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties, including those described below in this MD&A under the heading Risks and Risk Management, which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. Those risks and uncertainties include risks associated with real property ownership, competition for real estate investments, financing and interest rates, governmental regulations, environmental matters as well as unitholder liability. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include that the general economy remains stable, interest rates are relatively stable; acquisition capitalization rates are stable; competition for acquisitions of residential apartments remains intense; and equity and debt markets continue to provide access to

capital. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

All forward-looking statements in this MD&A are qualified by these cautionary statements. Except as required by applicable law, Boardwalk undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Business Overview

Boardwalk Real Estate Investment Trust is an unincorporated, open-ended real estate investment trust created pursuant to a declaration of trust, dated January 9, 2004, as amended and restated on May 3, 2004 and further amended and restated May 10, 2006, (the "Declaration of Trust" or "DOT"), under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue producing multi-family residential properties and/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 stable and growing monthly cash distributions, partially on a Canadian income tax-deferred basis, and to increase the value of its units through the effective management of its residential multi-family revenue producing properties and the acquisition of additional, accretive properties. As at the end of the second quarter of 2006, Boardwalk REIT currently owned and operated in excess of 260 properties, comprised of 33,944 units, totaling 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 Alberta, British Columbia, 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.

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 strategic 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 in higher value added activities, including the acquisition of new rental properties, targeted property value enhancement, or the acquisition of Boardwalk REIT's trust units in the public market.

PERFORMANCE MEASURES

Boardwalk REIT assesses and measures segmented 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 comparable to DI and FFO is total cash flow from operating activities and net earnings. DI and FFO, however, should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP as indicators of Boardwalk REIT's performance. In addition, Boardwalk REIT's calculation methodology for FFO and DI may differ from that of other real estate companies and trusts.

DI is computed as outlined in the Trust's Declaration of Trust ("DOT"). The DOT also provides that the Trust is required to pay out all taxable income to Unitholders in the form of monthly distributions. The Trust has indicated that, on an annualized basis, it will distribute \$1.26 per outstanding unit (or \$0.105 per trust unit on a monthly basis) for 2006. For the second quarter of 2006, a total of \$17.7 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. 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 both FFO and DI, both non -GAAP measures to their closely related GAAP measure for the current period on a year to date basis.

FFO Reconciliation In \$000's, except per unit amounts	3 Months Jun-06	3 Months Jun-05	% Change	6 Months Jun-06	6 Months Jun-05	% Change
Net earnings from continuing operations	\$4,089	\$1,260		\$3,786	\$(1,035)	
Adjustments						
Earnings (loss) from discontinued operations	\$(28)	\$1,669		\$7,572	\$1,933	
Deduct gain on dispositions	\$-	\$(1,507)		\$(7,527)	\$(1,507)	
Recovery of write-down on technology business unit	\$-	\$(739)		\$-	\$(739)	
Future income taxes (recovery)	\$(122)	\$(744)		\$(224)	\$(832)	
Future income taxes (recovery) on discontinued operations	\$-	\$(27)		\$-	\$12	
Amortization of capital assets	\$18,295	\$18,802		\$35,829	\$37,339	
Funds from operations	\$22,234	\$18,714	18.8%	\$39,436	\$35,171	12.1%
Funds from operations - per unit	\$0.40	\$0.35	14.3%	\$0.72	\$0.66	9.1%

Distributable Income Reconciliation In \$000's, except per unit amounts	3 Months July-10	3 Months July-09	% Change	6 Months July-10	6 Months July-09	% Change
Total Operating Cash Flows	\$21,377	\$17,214		\$37,731	\$38,320	
Net change in operating working capital	\$857	\$1,500		\$1,705	\$(3,149)	
Add deferred financing costs amortization	\$693	\$935		\$1,469	\$1,865	
Deduct deferred financing costs amortization post May 2, 2004	\$(241)	\$(249)		\$(506)	\$(316)	
Mark-to-market debt adjustment post May 2004	\$(11)	\$4		\$(23)	\$1	
	\$22,675	\$19,404	16.9%	\$40,376	\$36,720	10.0%
Distributable income - per unit	\$0.40	\$0.37	8.1%	\$0.74	\$0.69	7.2%

Overall, Boardwalk REIT earned \$22.2 million and \$39.4 million in total FFO for the three and six months ended June 30, 2006, respectively, compared to \$18.7 and \$35.2 for the same periods last year. Reported DI for the three and six months ended June 30, 2006 were \$0.40 and \$0.74 per unit, respectively, compared to \$0.37 and \$0.69 for the same periods last year.

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 29 of the Annual Information Form dated February 24, 2006. Some of the main investment guidelines and operating policies as set out in the DOT are as follows:

Investment Guidelines

1. Acquire and operate multi-family residential 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. No guaranteeing of third party debt outside its existing structure and potential joint venture partner structures;
3. Both structural and environmental third party surveys are required prior to the acquisition of a multi-family asset; and
4. Commitment to expending at least 8.5% of its gross consolidated annual rental revenues generated from properties that have been insured by Canada Mortgage and Housing ("CMHC").

At June 30, 2006, the Trust was in material compliance with all investment guidelines and operating policies stipulated in the DOT. More details will be provided later with respect to certain detailed calculations.

FFO RECONCILIATION	3 Months Jun 30, 2006	6 Months Jun 30, 2006
FFO June 2005	\$ 0.35	\$ 0.66
NOI from Stabilized	\$ 0.03	\$ 0.08
NOI from Unstabilized	\$ 0.04	\$ 0.03
Financing costs	\$ (0.01)	\$ (0.01)
Administration and other	\$ 0.01	\$ (0.02)
Dilution	\$ (0.02)	\$ (0.02)
FFO June 2006	\$ 0.40	\$ 0.72

ACCOUNTING POLICIES

Note 2 of page 55 of Boardwalk REIT's 2005 annual report summarizes Boardwalk REIT's significant accounting policies.

REVIEW OF RENTAL OPERATIONS

In 000's, except per unit amounts	3 Months Jun-06	3 Months Jun-05	Change	6 Months Jun-06	6 Months Jun-05	Change
Rental revenue	\$ 78,738	\$ 74,140	6.2%	\$ 155,241	\$ 146,956	5.6%
Expenses						
Operating expenses	\$ 14,289	\$ 13,268	7.7%	\$ 28,162	\$ 26,182	7.6%
Utilities	\$ 9,128	\$ 8,941	2.1%	\$ 21,953	\$ 21,047	4.3%
Utility rebate	\$ (6)	\$ 20		\$ (1,397)	\$ (617)	126.4%
Property taxes	\$ 7,861	\$ 8,034	-2.2%	\$ 16,195	\$ 15,919	1.7%
	\$ 31,272	\$ 30,263	3.3%	\$ 64,913	\$ 62,531	3.8%
Net operating income	\$ 47,466	\$ 43,877	8.2%	\$ 90,328	\$ 84,425	7.0%
Average rent per unit per month	\$ 776	\$ 749	3.6%	\$ 769	\$ 747	2.9%
Operating costs per unit per month	\$ 273	\$ 270	1.1%	\$ 284	\$ 282	0.7%
Operating margins	60%	59%		58%	57%	

Overall, Boardwalk REIT's rental operations from continuing operations reported strong results. The reported increase in rental revenue of 6.2% and 5.6% for the three and six months ended June 30, 2006, respectively, is mainly the effect of revenue generated from our existing properties, or properties referred to as stabilized. Total rental expenses increased by 3.3% and 3.8% for the three and six months ended June 30, 2006, respectively, mainly the result of increased operating costs, particularly repairs and maintenance.

Property taxes were relatively flat compared to the prior year for the three and six months ended June 30, 2006. It remains the Trust's policy to review all property tax assessments in detail and, where warranted, appeal the reported assessments. At this time, the Trust is in the process of appealing a number of these assessments from the prior year 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.

For the current and prior comparative periods, Boardwalk REIT has reclassified certain administration costs from corporate and non-operating to rental operating expenses. The amounts reclassified relate to specific administrative costs associated with primarily operation-specific staff and related support initiatives. The total of these adjustments were \$3.3 million and \$6.8 million for the three and six months ended June 30, 2006, respectively, compared to \$3.3 million and \$7.0 million for the three and six months ended June 30, 2005, respectively.

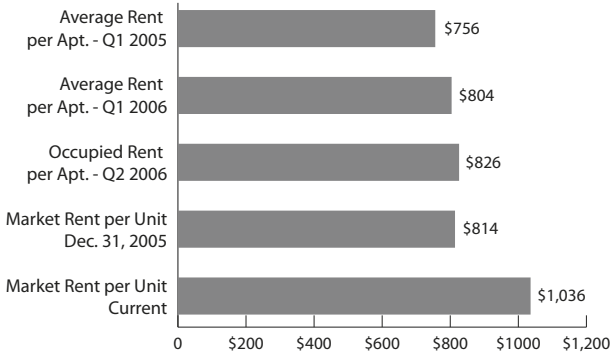
LOSS TO LEASE

Boardwalk REIT's estimated loss-to-lease, representing the difference between estimated market rents and actual occupied rents on June 30, 2006, adjusted for current occupancy levels, totalled \$43.1 million on an annualized basis. The vast majority of this amount can be attributed to the Trust's in excess of seventeen thousand apartment units located in the province of Alberta, where the mark-to-market on existing rents exceeds \$200 per apartment unit per month. 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. The reported increase in this amount as compared to amounts in prior periods was mainly attributable to Boardwalk's estimate that its Alberta portfolio has seen significant upward pressure in market based rents. Although this is a very positive trend for the Trust, the reader should note that it will take a significant amount of time for these market rents to be recognized by the Trust due to internal and external limitations on its ability to charge these new market based rents in the short term.

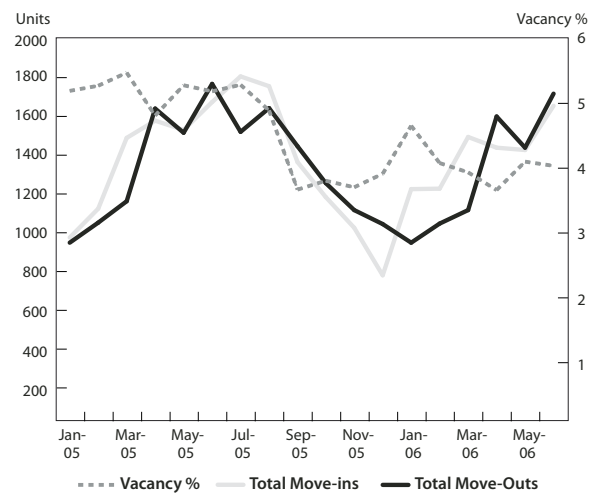
BOARDWALK REIT'S PORTFOLIO VACANCY

The second quarter of fiscal 2006 saw the portfolio's overall vacancy rate decreased to 3.87% compared to 4.17% for the first quarter of the current year, and 5.04% for the second quarter of the prior year. The reported decrease is mainly the result of a significant improvement in the reported vacancy rate in Alberta, and in particular, in Calgary and Edmonton. These reported improvements can be attributed to a significant increase in demand for rentals in Calgary and Edmonton, partially as a result of recent increases in reported sales prices of residential houses and apartments in these markets. The reported decrease in Alberta was slightly offset by reported increases in Regina and various cities in Quebec.

Alberta



Entire Portfolio

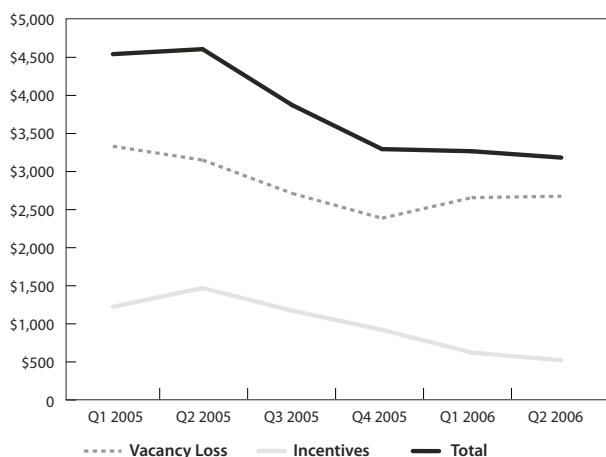


PORTFOLIO OCCUPANCY PERFORMANCE

City	Q2 2006	Q2 2005	Q1 2006	Q1 2005
Calgary	2.33%	5.99%	2.34%	5.19%
Edmonton	2.93%	5.40%	3.72%	5.68%
Gatineau	15.83%	12.71%	15.10%	13.29%
Kitchener	2.33%	1.62%	2.23%	4.76%
London	4.33%	4.33%	5.04%	3.95%
Montreal	2.81%	1.51%	2.39%	1.97%
Other Alberta	2.08%	3.43%	2.00%	2.41%
Quebec City	5.63%	4.60%	6.30%	5.16%
Regina	6.75%	4.47%	6.78%	5.45%
Saskatoon	2.15%	4.49%	1.79%	6.15%
Windsor	7.28%	9.49%	6.62%	9.03%
Vancouver	4.18%	6.92%	4.12%	5.10%
Victoria	3.52%	6.63%	2.48%	2.48%
Grand Total	3.87%	5.04%	4.17%	5.19%

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 demand being greater than supply 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.

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 Jun-06 (Unaudited)	3 Months Jun-05 (Unaudited)	% Change	6 Months Jun-06 (Unaudited)	6 Months Jun-05 (Unaudited)	% Change
Rental revenue	\$ 41,355	\$ 38,649	7.0%	\$ 81,632	\$ 76,877	6.2%
Rental Expenses:						
Operating expenses	\$ 6,807	\$ 6,807	0.0%	\$ 13,138	\$ 13,330	-1.4%
Utilities	\$ 4,255	\$ 4,865	-12.5%	\$ 10,796	\$ 10,471	3.1%
Utilities rebate	\$ (6)	\$ 11		\$ (1,393)	\$ (625)	122.9%
Property taxes	\$ 3,226	\$ 3,266	-1.2%	\$ 6,467	\$ 6,842	-5.5%
	\$ 14,282	\$ 14,949	-4.5%	\$ 29,008	\$ 30,018	-3.4%
Net operating income	\$ 27,073	\$ 23,700	14.2%	\$ 52,624	\$ 46,859	12.3%
Operating margins	65.5%	61.3%		64.5%	61.0%	

Boardwalk REIT's Alberta operations for the three and six months ended June 30, 2006 have increased from those reported for the same period in fiscal 2005. The reported increase in rental revenues are mainly the result of a significant decrease in the reported vacancy rate in Alberta, combined with the increased market pressure on in-place rents.

Overall, operating costs decreased by 4.5% and 3.4% for the three and six months, respectively, compared to those reported for the same periods in fiscal 2005. The reported decrease was mainly in utilities for the three-month period and in property taxes for the six-month period ended June 30, 2006.

Although not reported in these financial results, the Trust is continuing on the process of appealing the historically reported 2005 property tax assessments for selective properties in Edmonton. If successful in this effort, the reported impact may have a positive material change on future operating results.

SASKATCHEWAN RENTAL OPERATIONS

In \$000's	3 Months Jun-06	3 Months Jun-05	% Change	6 Months Jun-06	6 Months Jun-05	% Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Rental revenue	\$ 8,721	\$ 8,531	2.2%	\$ 17,414	\$ 17,082	1.9%
Rental Expenses:						
Operating expenses	\$ 1,614	\$ 1,692	-4.6%	\$ 3,179	\$ 3,264	-2.6%
Utilities	\$ 1,291	\$ 826	56.3%	\$ 2,760	\$ 2,432	13.5%
Property taxes	\$ 1,187	\$ 1,276	-7.0%	\$ 2,438	\$ 2,502	-2.6%
	\$ 4,092	\$ 3,794	7.9%	\$ 8,377	\$ 8,198	2.2%
Net operating income	\$ 4,629	\$ 4,737	-2.3%	\$ 9,037	\$ 8,884	1.7%
Operating margins	53.1%	55.5%		51.9%	52.0%	

Boardwalk REIT's Saskatchewan operations reported slightly lower results for the three months ended June 30, 2006 compare to the same period in fiscal 2005, but slightly higher results for the six-months ended June 30, 2006 compared to the prior year. Overall rental revenue increased slightly, mainly the result of a decrease in vacancy in Saskatoon. Operating costs increased by 7.9% and 2.2% for the three and six months ended June 30, 2006, respectively, mainly as a result of higher utility costs.

ONTARIO RENTAL OPERATIONS

In \$000's	3 Months Jun-06	3 Months Jun-05	% Change	6 Months Jun-06	6 Months Jun-05	% Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Rental revenue	\$ 9,389	\$ 9,206	2.0%	\$ 18,767	\$ 18,455	1.7%
Rental Expenses:						
Operating expenses	\$ 1,609	\$ 1,515	6.2%	\$ 3,117	\$ 3,243	-3.9%
Utilities	\$ 1,396	\$ 1,431	-2.4%	\$ 3,279	\$ 3,457	-5.1%
Property taxes	\$ 1,668	\$ 1,649	1.2%	\$ 3,527	\$ 3,326	6.0%
	\$ 4,673	\$ 4,595	1.7%	\$ 9,923	\$ 10,026	-1.0%
Net operating income	\$ 4,716	\$ 4,611	2.3%	\$ 8,844	\$ 8,429	4.9%
Operating margins	50.2%	50.1%		47.1%	45.7%	

Boardwalk REIT's Ontario operations reported rental revenue increases for the three and six months ended June 30, 2006 of approximately 2.0% and 1.7%, respectively, compared to the same periods last year, which was mainly the result of increasing market rents, despite the fact that there was an increase in vacancies, particularly in London in the first quarter and Kitchener in the second quarter. Operating expenses increased 1.7% for the three months ended June 30, 2006, but decreased 1.0% for the six months ended June 30, 2006 compared to the prior year. Utility costs were down 2.4% for the second quarter and down 5.1% for the six months compared to the same periods in fiscal 2005.

QUEBEC RENTAL OPERATIONS

In \$000's	3 Months Jun-06	3 Months Jun-05	% Change	6 Months Jun-06	6 Months Jun-05	% Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Rental revenue	\$ 16,900	\$ 16,063	5.2%	\$ 33,298	\$ 31,731	4.9%
Rental Expenses:						
Operating expenses	\$ 3,566	\$ 2,738	30.2%	\$ 6,920	\$ 5,316	30.2%
Utilities	\$ 1,788	\$ 1,673	6.9%	\$ 4,599	\$ 4,279	7.5%
Property taxes	\$ 1,731	\$ 1,764	-1.9%	\$ 3,491	\$ 3,497	-0.2%
	\$ 7,085	\$ 6,175	14.7%	\$ 15,010	\$ 13,092	14.7%
Net operating income	\$ 9,815	\$ 9,888	-0.7%	\$ 18,288	\$ 18,639	-1.9%
Operating margins	58.1%	61.6%		54.9%	58.7%	

The Trust continues to increase its portfolio in Quebec. Boardwalk REIT's Quebec operations reported strong gains in revenue. Reported revenue increased by 5.2% and 4.9% for the three and six months ended June 30, 2006, respectively, compared to the same periods in the prior year on the combined effect of improving results on existing properties and the addition of new units in this market. Reported rental expenses are up significantly from the same periods in the prior year, mainly the result of increased operating costs associated with Boardwalk REIT's 3,100-unit project in Montreal known as Nun's Island. The increase is the result of a stepped-up repairs and maintenance program designed to increase the curb appeal of the project.

STABILIZED PROPERTY RESULTS

Boardwalk defines a stabilized property as one that the Trust, or any predecessor companies, has owned for a period of at least two years. The definition is simply one of term of ownership, and the Trust believes to be the most useful on a comparative basis to the prior year. It is not the intent for the definition to indicate market maturity. Boardwalk REIT's overall percentage of stabilized properties was 94.0% of its total rental unit portfolio as at June 30 2006, or a total of 31,921 units. The following compares the "same-store" results for the three and six months ended June 30, 2006 with the same periods in the prior year.

3 Months	Rental revenue	Rental expenses	NOI	% of NOI
Calgary	7.3%	0.5%	11.0%	19%
Edmonton	5.0%	-2.2%	9.6%	34%
Other Alberta	9.2%	-4.9%	17.1%	6%
Saskatchewan	2.1%	10.7%	-4.5%	10%
Ontario	2.0%	1.5%	2.4%	11%
Quebec	-0.1%	9.9%	-6.1%	20%
	3.8%	2.9%	4.3%	100%

6 Months	Rental revenue	Rental expenses	NOI	% of NOI
Calgary	6.3%	-5.3%	12.6%	19%
Edmonton	4.1%	-2.6%	8.6%	34%
Other Alberta	8.9%	-7.0%	19.0%	6%
Saskatchewan	1.9%	2.3%	1.6%	11%
Ontario	1.7%	-1.1%	5.0%	10%
Quebec	0.0%	11.0%	-7.6%	20%
	3.2%	0.7%	5.1%	100%

For the second quarter 2006, same-store revenue increased by 3.8% compared to the prior period with rental expenses increasing by 2.9%, resulting in an overall improvement of 4.3%. The increase in reported stabilized revenue was driven mainly by the Trust's Alberta operations, which accounts for approximately 60% of the Trust's reported stabilized net operating income. The majority of the reported increase in rental operating expenses was due to higher utility costs in Saskatchewan and higher repair and maintenance expense in Quebec. For the six months ended June 30, 2006, same-store revenue increased by 3.2% compared to the same period last year while rental expenses increased slightly by 0.7%, resulting in an improvement of 5.1%. The increase in same-store revenue was driven primarily by the

Trust's Alberta operations. The increase in rental expenses was due primarily to increased repair and maintenance costs performed at the 3,100-unit Nun's Island portfolio in Quebec. This increase was partially offset by a significant increase in the reported Alberta provincial natural gas rebate in the first quarter of 2006 as compared to the first quarter of 2005. For further information on this Alberta Provincial Natural Gas Rebate program, please visit the following website: www.energy.gov.ab.ca. If we were to exclude this rebate from our analysis, stabilized property net operating income for the six months ended June 30, 2006 would have increased by 4.3% as compared to the reported 5.1%.

FINANCING COSTS

Financing costs for the current quarter and year-to-date have decreased slightly from the same periods in the prior year, due primarily to the Trust's lower overall interest rate on its mortgage portfolio. 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 3.5 years.

Boardwalk REIT's acquisition strategy involves locating and acquiring accretive properties at prices that are below replacement value. Once acquired, these properties undergo various value enhancing upgrades as part of Boardwalk REIT's stabilization program.

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

The first benefit of using CMHC insurance is that Boardwalk REIT can normally obtain lower interest rate spreads on its property financing. Although the amount of the interest rate spreads will vary, they are currently estimated to be between 30 and 50 basis points above the respective Government of Canada Bonds. This compares favourably to the spreads on conventional financing, which currently range from 120 to 150 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 June 30, 2006, approximately 99% of Boardwalk REIT's mortgage secured debt was backed by this NHA insurance with a weighted average amortization period 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 amounts reported as amortization of capital assets for the three and six months ended June 30, 2006 of \$18.3 million and \$35.8 million, respectively, has decreased from the \$18.7 million and \$37.1 million reported in the comparable periods last year. The reported decrease is mainly the result of the sale of selected properties in its Alberta portfolio and a decrease in lease goodwill amortization.

REAL ESTATE ASSETS

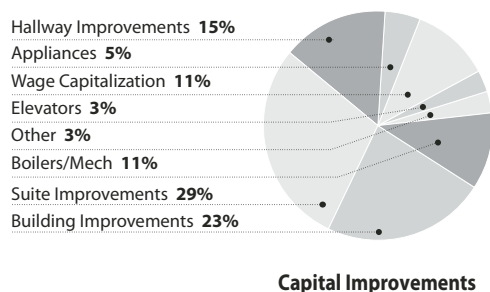
Acquisitions

During the six months of 2006, Boardwalk REIT acquired a total of 840 rental units for a total acquisition cost of \$61.1 million, or \$72.7 thousand per residential unit. A portion (approximately \$2.2 million) of the purchase price has been allocated to the value of the in-place operating leases as is now required under EIC-140. The following table details the asset acquisitions for the three and six months ended June 30, 2006 and 2005.

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Cash paid	\$ 18,500	\$ –	\$ 60,795	\$ 103,289
Debt assumed	–	–	–	13,144
Total purchase price	18,500	–	60,795	116,433
Fair value adjustments to debt	–	–	–	(207)
Book value	\$ 18,500	\$ –	\$ 60,795	\$ 116,226
Allocation of book value to revenue producing properties	\$ 17,797	\$ –	\$ 58,562	\$ 112,569
Allocation of book value to other assets	703	–	2,233	3,657
	\$ 18,500	\$ –	\$ 60,795	\$ 116,226
Multi-family units acquired	280	–	840	1,325

Capital Improvements

For the first six months fiscal 2006, Boardwalk REIT invested approximately \$18.6 million in its properties in the form of project enhancements, an increase of \$6.3 million from the \$12.3 million invest in the same period in 2005. The following chart details which areas these funds were expended.



Included in these amounts for 2006 is approximately \$1.9 million that has been invested in our recently converted apartment complex in Calgary. This project, known as the Brentwood Retirement Community, has been subject to an extensive renovation program (\$2.8 million to date) de-

signed to attract seniors and provide them with an assisted living lifestyle.

Included in these amounts is approximately \$2.0 million of capitalized on-site wages and salaries, representing approximately 11% of total capital expenditures for the current six-month 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".

UNITHOLDERS' EQUITY

At the end of the first quarter of 2006, the Trust issued equity to the public markets. The Trust issued a total of 2.9 million trust units at an issue price of \$22.80 prior to offering costs. The net proceeds of \$62.5 million were used to fund the acquisition of the 560 apartment units in the first quarter and 280 apartment units in the second quarter of 2006. The following chart discloses the changes in reported unitholders capital.

Summary of Unitholders' Capital Contributions	Units	Amount
December 31, 2004	53,107,567	\$ 293,503
Units issued under distribution reinvestment plan	116,627	2,202
Restructuring costs	–	(9)
December 31, 2005	53,224,194	\$ 295,696
Units issued under equity financing	2,915,000	63,594
Units issued under distribution reinvestment plan	109,155	2,485
Restructuring costs	–	(141)
June 30, 2006	56,248,349	\$ 361,634

As is reported on the face of the balance sheet, the Trust has unitholders' equity of \$338.2 million. To better allow the reader to review the details of this account, the Trust now includes a separate consolidated statement of unitholders' equity. As reported on this schedule, there is a continued drawdown of reported cumulative earnings, which is the direct result of the Trust's distributions declared to its unitholders. As the reported schedule shows, the Trust's monthly distribution has two components. The first relates to the distribution of income and the second relates to a return of capital. On an annualized basis, it is estimated that about 70% of Boardwalk's distribution will be in the form of a return of capital with the remainder 30% constituting regular income.

As these two components together determine the reported distributions, it was inevitable that the Trust would, over time, distribute amounts in excess of reported cumulative earnings. Boardwalk REIT, as was previously noted, calculates its distributions not on net earnings but rather on distributable income. As was previously noted, DI is a non-GAAP measure and we have provided a reconciliation from reported net earnings (which is a GAAP measurement). The basis for this is that, like most other real estate entities, the key determination for these distributions is available cash.

Boardwalk REIT has one class of voting securities known as "REIT Units". As at June 30, 2006, there were 51,773,349 REIT units issued and outstanding. In addition, there are currently 4,475,000 Class "B" special voting units of Boardwalk REIT Limited Partnership ("LP B Units") each of which also has a special voting unit in the REIT. Each LP B Unit through the special voting 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 56,248,349.

LIQUIDITY AND CAPITAL RESOURCES

Boardwalk REIT's financial position continues to be strong, with the overall debt level reported at 61% of Gross Book Value ("GBV"). GBV is a non-GAAP term that is defined in the Trust's DOT. In general, it is determined by taking total reported assets of the Trust, adding back accumulated amortization and making a one-time adjustment in the amount of approximately \$231 million. The following chart sets out the Trust's recomputed GBV:

	Jun-06	Dec-05
Total reported assets	\$ 1,911,835	\$ 1,883,386
Reported amortization	\$ 402,673	\$ 371,446
	\$ 2,314,508	\$ 2,254,832
Conversion adjustment (May 2004)	\$ 231,460	\$ 231,460
	\$ 2,545,968	\$ 2,486,292
Mortgages payable	\$ 1,411,637	\$ 1,424,962
Debentures	\$ 120,000	\$ 120,000
Market adjustment on mortgages (May 2004)	\$ 25,889	\$ 30,999
	\$ 1,557,526	\$ 1,575,961
Debt to GBV	61%	63%

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. The reported decrease in Debt-to-Gross book value is mainly the result of the previously noted equity offering.

Currently, Boardwalk REIT has an operating facility with a major financial institution with excess available of approximately \$100 million. In addition, at the date of writing, Boardwalk REIT has approximately \$7.5 million of cash available for investment. For the second quarter of 2006, Boardwalk REIT's overall interest coverage ratio of adjusted EBITDA (i.e. earnings before interest, taxes, depreciation and amortization) to interest expense after excluding gains was 2.13 as compared to 1.92 for the same period last year.

MORTGAGE AND DEBT SCHEDULE

Year	Mortgage Balance as at June 30, 2006	Weighted Average by Maturity
2006	124,367,466	4.87%
2007	248,726,249	5.21%
2008	233,380,186	6.00%
2009	203,169,631	5.72%
2010	253,496,369	4.81%
2011	114,683,718	5.84%
2012	219,495,549	5.10%
2013	55,314,059	5.14%
2014	4,439,806	5.91%
2015	30,647,912	4.68%
2016	21,367,111	5.55%
Subsequent	22,548,944	6.26%
Grand Total	1,531,637,000	5.35%

CRITICAL ACCOUNTING POLICIES

Boardwalk REIT's accounting policies are described in Note 2 to the consolidated financial statements for the year ended December 31, 2005. 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 55 of Boardwalk REIT's 2005 annual report.

FINANCIAL OUTLOOK AND MARKET GUIDANCE

In its 2005 annual report, Boardwalk REIT outlined specific targets for its fiscal 2006 overall financial performance. The financial targets, and any revisions, are outlined below:

REVISED 2006 GUIDANCE

It is customary for the Trust, on a quarterly basis to review its market guidance and in particular review the significant assumptions. In Q1 of 2006 the Trust felt that given the

reported strength of the Alberta market it would be reasonable to increase guidance from the amount originally estimated. A similar analysis was performed in Q2 and again for the same reasons as in Q1, mainly a stronger-than-expected Alberta market, we have revised financial guidance upward for fiscal 2006. In addition to the upward revision, we have narrowed the reported financial range. The narrowing of the range was warranted given half of the fiscal year has been completed. The revised guidance at the end of the first and second quarters are noted below:

	Original 2006 Objectives	Revised Q1 2006 2006 Objectives	Revised Q2 2006 2006 Objectives
FFO Rental Operations	\$1.37 to \$1.46	\$1.39 to \$1.48	\$1.45 to \$1.52
Distributable Income	\$1.41 to \$1.51	\$1.43 to \$1.53	\$1.48 to \$1.55
New Unit Acquisitions	1,000 to 2,000	1,000 to 2,000	1,000 to 2,000
Stabilized Buildings NOI growth	0.00%	2.00%	3.00%

The adjustment at the end of the first quarter of 2006 was made based on our review of our Alberta Portfolio, which to date has performed above expectations for 2006, and taking into account the issuance of 2.9 million Trust units at the end of the first quarter. We also reconfirmed at the end of the first quarter and continue to reconfirm at the end of the second quarter our new apartment unit acquisitions of between one to two thousand new units for the current year.

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	June 30, 2006	December 31, 2005
	(Unaudited)	(Audited)
ASSETS		
Revenue producing properties (NOTE 3)	\$ 1,830,726	\$ 1,787,878
Deferred financing costs	43,228	43,029
Other assets (NOTE 4)	13,935	11,328
Future income taxes (NOTE 9)	1,154	929
Mortgages and accounts receivable	6,591	9,039
Segregated tenants' security deposits	8,661	7,280
Cash and cash equivalents	7,540	11,145
Discontinued operations (NOTE 5)	-	12,758
	\$ 1,911,835	\$ 1,883,386
LIABILITIES		
Mortgages payable	\$ 1,411,637	\$ 1,415,400
Debentures (NOTE 6)	120,000	120,000
Accounts payable and accrued liabilities	29,894	32,196
Refundable tenants' security deposits and other	12,057	10,486
Discontinued operations (NOTE 5)	-	9,562
	\$ 1,573,588	\$ 1,587,644
UNITHOLDERS' EQUITY		
Unitholders' equity	\$ 338,247	\$ 295,742
	\$ 1,911,835	\$ 1,883,386

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF EARNINGS

(Cdn\$ Thousands, except per UNIT amounts)

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE				
Rental income	\$ 78,738	\$ 74,140	\$ 155,241	\$ 146,956
EXPENSES				
Revenue producing properties:				
Operating expenses	14,289	13,268	28,162	26,182
Utilities	9,128	8,941	21,953	21,047
Utility rebate (NOTE 10)	(6)	20	(1,397)	(617)
Property taxes	7,861	8,034	16,195	15,919
Administration	4,453	3,818	8,859	7,045
Financing costs	20,199	20,788	40,602	40,899
Deferred financing costs amortization	693	931	1,469	1,855
Amortization of capital assets	18,295	18,689	35,829	37,113
	74,912	74,489	151,671	149,443
	3,826	(349)	3,570	(2,487)
Recovery of write-down on technology business unit	-	(739)	-	(739)
Earnings (loss) from continuing operations before income taxes	3,826	390	3,570	(1,748)
Large corporations taxes	(141)	(126)	8	119
Future income taxes (recovery) (NOTE 9)	(122)	(744)	(224)	(832)
Earnings (loss) from continuing operations	4,089	1,260	3,786	(1,035)
Earnings (loss) from discontinued operations, net of tax (NOTE 5)	(28)	1,669	7,572	1,933
Net earnings	\$ 4,061	\$ 2,929	\$ 11,358	\$ 898
Basic earnings (loss) per unit (NOTE 8)				
- from continuing operations	\$ 0.07	\$ 0.02	\$ 0.07	\$ (0.02)
- from discontinued operations	0.00	0.04	0.14	0.04
Basic earnings per unit	\$ 0.07	\$ 0.06	\$ 0.21	\$ 0.02
Diluted earnings (loss) per unit (NOTE 8)				
- from continuing operations	\$ 0.07	\$ 0.02	\$ 0.07	\$ (0.02)
- from discontinued operations	0.00	0.04	0.14	0.04
Diluted earnings per unit	\$ 0.07	\$ 0.06	\$ 0.21	\$ 0.02

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(Cdn\$ Thousands, except number of units)

	6 months ended June 30, 2006	6 months ended June 30, 2005
	(Unaudited)	(Unaudited)
Trust units (NOTE 7)		
Balance, beginning of period	\$ 295,696	\$ 293,503
Unit issue proceeds under equity financing, net	63,594	-
Unit issue proceeds under distribution reinvestment plan	2,485	1,197
Restructuring costs	(141)	35
Balance, end of period	\$ 361,634	\$ 294,735
Cumulative earnings		
Balance, beginning of period	\$ 129,530	\$ 124,498
Net earnings	11,358	898
Balance, end of period	\$ 140,888	\$ 125,396
Cumulative distributions to unitholders		
Balance, beginning of period	\$ (129,483)	\$ (62,485)
Distributions declared to unitholders (NOTE 8)	(34,792)	(33,477)
Balance, end of period	\$ (164,275)	\$ (95,962)
Total unitholders' equity	\$ 338,247	\$ 324,169
Units issued and outstanding (NOTE 7)	56,248,349	53,172,429

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Cdn\$ Thousands)

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating activities				
Net earnings	\$ 4,061	\$ 2,929	\$ 11,358	\$ 898
Loss (earnings) from discontinued operations, net of tax	28	(1,669)	(7,572)	(1,933)
Future income taxes (recovery)	(122)	(744)	(224)	(832)
Amortization of capital assets	18,295	18,689	35,829	37,113
Recovery of write-down on technology business unit	-	(739)	-	(739)
Funds from continuing operations	22,262	18,466	39,391	34,507
Funds from discontinued operations	(28)	248	45	664
Net change in operating working capital	(857)	(1,500)	(1,705)	3,149
Total operating cash flows	21,377	17,214	37,731	38,320
Financing activities				
Issue of trust units (net of issue costs) (NOTE 7)	1,509	840	66,079	1,197
Restructuring costs	(29)	(46)	(141)	35
Distributions paid	(17,705)	(16,744)	(34,474)	(33,481)
Issue of debentures (NOTE 6)	-	-	-	120,000
Financing of revenue producing properties	9,458	66,494	12,746	112,962
Repayment of debt on revenue producing properties	(7,850)	(76,430)	(25,626)	(106,244)
Capital lease obligations	-	(21)	-	(84)
Deferred financing costs incurred (net of amortization)	(413)	(1,736)	(199)	(4,561)
	(15,030)	(27,643)	18,385	89,824
Investing activities				
Purchases of revenue producing properties (NOTE 3)	(18,500)	-	(60,795)	(103,289)
Improvements to revenue producing properties	(11,593)	(6,233)	(18,572)	(12,313)
Net cash proceeds from sale of properties	-	9,405	20,274	9,405
Additions to corporate technology assets	(321)	(537)	(628)	(932)
	(30,414)	2,635	(59,721)	(107,129)
Net increase (decrease) in cash and cash equivalents balance	(24,067)	(7,794)	(3,605)	21,015
Cash and cash equivalents (bank indebtedness), beginning of period	31,607	26,086	11,145	(2,723)
Cash and cash equivalents, end of period	\$ 7,540	\$ 18,292	\$ 7,540	\$ 18,292
Supplementary cash flow information:				
Capital taxes paid	\$ 140	\$ 668	\$ 350	\$ 658
Interest paid	\$ 18,668	\$ 19,341	\$ 40,658	\$ 38,343

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended June 30, 2006

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

(UNAUDITED)

1. ORGANIZATION OF TRUST

Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") is an unincorporated, open-ended real estate investment trust created pursuant to the Declaration of Trust, dated January 9, 2004 and as amended and restated on May 3, 2004 and May 10, 2006, under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue producing multi-family residential properties or interests within Canada, initially through the acquisition of 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, 2005. These interim financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles ("Canadian GAAP") applicable to annual financial statements and, therefore, they should be read in conjunction with the audited consolidated financial statements.

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

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

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

3. REVENUE PRODUCING PROPERTIES

Acquisitions

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Cash paid	\$ 18,500	\$ -	\$ 60,795	\$ 103,289
Debt assumed	-	-	-	13,144
Total purchase price	18,500	-	60,795	116,433
Fair value adjustments to debt	-	-	-	(207)
Book value	\$ 18,500	\$ -	\$ 60,795	\$ 116,226
Allocation of book value to revenue producing properties	\$ 17,797	\$ -	\$ 58,562	\$ 112,569
Allocation of book value to other assets	703	-	2,233	3,657
	\$ 18,500	\$ -	\$ 60,795	\$ 116,226
Multi-family units acquired	280	-	840	1,325

Dispositions

	3 months ended June, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Cash received	\$ -	\$ 9,405	\$ 20,274	\$ 9,405
Cost of dispositions	-	127	426	127
Total proceeds	-	9,532	20,700	9,532
Net book value	-	8,025	13,173	8,025
Gain on dispositions	\$ -	\$ 1,507	\$ 7,527	\$ 1,507
Multi-family units sold	-	186	194	186

4. OTHER ASSETS

As at	June 30, 2006	December 31, 2005
Corporate technology assets (net of amortization)	\$ 3,460	\$ 3,502
Head office building (net of amortization)	2,304	2,350
Deposits on potential property acquisitions	100	200
Prepaid parts and supplies	1,763	2,037
Lease goodwill and customer relationship intangibles, net of accumulated amortization	1,716	125
Prepaid and other	4,592	3,114
	\$ 13,935	\$ 11,328

Accumulated amortization for corporate technology assets and head office building at June 30, 2006 were \$11.4 million and \$0.9 million respectively. (December 31, 2005 - \$10.8 million and \$0.8 million, respectively).

5. DISCONTINUED OPERATIONS

During the first quarter of 2006, the Trust completed the sale of a 156-unit and a 38-unit rental property, both located in Calgary, Alberta. These two properties formed part of our Alberta segment in our segmented information disclosure. The following tables set forth the results of operations as well as the assets and liabilities associated with the discontinued operations.

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Revenue				
Rental income	\$ -	\$ 981	\$ 219	\$ 1,964
Expenses				
Revenue producing properties:				
Operating expenses	19	121	80	236
Utilities	9	113	34	262
Utility rebate	-	(13)	(3)	(13)
Property taxes	-	77	28	138
Administration	-	28	8	53
Financing costs	-	403	27	614
Deferred financing cost amortization	-	4	-	10
Amortization of capital assets	-	113	-	226
	28	846	174	1,526
	(28)	135	45	438
Gain on dispositions (NOTE 3)	-	1,507	7,527	1,507
Operating earnings (loss) from discontinued operations before income taxes	(28)	1,642	7,572	1,945
Future income taxes (recovery)	-	(27)	-	12
Earnings (loss) from discontinued operations	\$ (28)	\$ 1,669	\$ 7,572	\$ 1,933

	June 30, 2006	December 31, 2005
Discontinued Assets		
Revenue producing properties	\$ -	\$ 12,490
Other assets	-	268
Total	\$ -	\$ 12,758
Discontinued Liabilities		
Mortgages payable	\$ -	\$ 9,562
Total	\$ -	\$ 9,562

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 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.

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, \$10.3 million was incurred for restructuring costs. Under the Arrangement, the former shareholders of Boardwalk Equities Inc. received Boardwalk REIT units or Class B Limited Partnership ("LP Class B") units of a controlled limited partnership of the Trust, Boardwalk REIT Limited Partnership.

The LP Class B units 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:

Summary of Unitholders' Capital Contributions	Units	Amount
December 31, 2004	53,107,567	\$ 293,503
Units issued under distribution reinvestment plan	116,627	2,202
Restructuring costs	-	(9)
December 31, 2005	53,224,194	\$ 295,696
Units issued under equity financing	2,915,000	63,594
Units issued under distribution reinvestment plan	109,155	2,485
Restructuring costs	-	(141)
June 30, 2006	56,248,349	\$ 361,634

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

(a) REIT Units

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

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

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

(b) **Special Voting Units**

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

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

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

	Units	Amount
Boardwalk REIT Units	51,773,349	
Special Voting Units issued to holders of LP Class B units	4,475,000	
Total trust units	56,248,349	\$ 361,634

8. **DISTRIBUTABLE INCOME AND PER UNIT INFORMATION**

Distributable income per unit

Boardwalk REIT makes distributions to unitholders on a monthly basis on or about the 15th day of the following month. The reported distributable income is defined under the Trust's Declaration of Trust ("DOT"). Under this current DOT, the Trust is required to distribute, at a minimum, its reported taxable income. The reconciliation of distributable income and per unit information begins with 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.

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Net earnings	\$ 4,061	\$ 2,929	\$ 11,358	\$ 898
Add:				
Amortization of capital assets	18,295	18,802	35,829	37,339
Amortization of deferred financing costs incurred prior to May 3, 2004	452	686	963	1,549
Amortization of net discount on long-term debt assumed after May 2, 2004	(11)	4	(23)	1
Deduct:				
Gain on disposition (NOTE 3)	-	(1,507)	(7,527)	(1,507)
Future income taxes (recovery) (NOTE 9)	(122)	(771)	(224)	(820)
Amortization of net premium on long-term debt assumed after May 2, 2004				
Recovery of write-down on technology business unit	-	(739)	-	(739)
Distributable income	\$ 22,675	\$ 19,404	\$ 40,376	\$ 36,721
Distribution declared to unitholders	\$ 17,712	\$ 16,744	\$ 34,792	\$ 33,477
Weighted average units outstanding – basic and diluted	56,217,368	53,149,528	54,771,413	53,133,122
Distributable income earned per unit	\$ 0.403	\$ 0.365	\$ 0.737	\$ 0.691
Actual distributions declared per unit	\$ 0.315	\$ 0.315	\$ 0.630	\$ 0.630

Earnings per unit

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Numerator				
Earnings (loss) from continuing operations	\$ 4,089	\$ 1,260	\$ 3,786	\$ (1,035)
Earnings (loss) from discontinued operations	\$ (28)	\$ 1,669	\$ 7,572	\$ 1,933
Denominator				
Denominator for basic earnings per unit – weighted average units (THOUSANDS)	56,217	53,150	54,771	53,133
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion (THOUSANDS)	56,217	53,150	54,771	53,133
Earnings (loss) per unit from continuing operations				
Basic	\$ 0.07	\$ 0.02	\$ 0.07	\$ (0.02)
Diluted	\$ 0.07	\$ 0.02	\$ 0.07	\$ (0.02)
Earnings per unit from discontinued operations				
Basic	\$ 0.00	\$ 0.04	\$ 0.14	\$ 0.04
Diluted	\$ 0.00	\$ 0.04	\$ 0.14	\$ 0.04

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.

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Continuing operations	\$ (122)	\$ (744)	\$ (224)	\$ (832)
Discontinued operations	–	(27)	–	12
Total future income taxes (recovery)	\$ (122)	\$ (771)	\$ (224)	\$ (820)

Future income taxes (recovery) consist of the following:

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Tax (recovery) expense based on expected rate	\$ (166)	\$ (90)	\$ (321)	\$ (139)
Adjustment to future income tax liabilities	(47)	(601)	6	(601)
Adjustment for change in effective tax rate	91	(80)	91	(80)
Future income taxes (recovery)	\$ (122)	\$ (771)	\$ (224)	\$ (820)

The future income tax asset is calculated as follows:

As at	June 30, 2006	December 31, 2005
Tax asset related to operating losses	\$ 710	\$ 403
Tax asset related to differences in tax and book basis	444	526
Future income tax asset	\$ 1,154	\$ 929

10. COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

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 June 30, 2006 is approximately \$5.5 million (June 30, 2005 - \$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 June 30, 2006, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

12. SEGMENTED INFORMATION

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.

	3 months ended June 30, 2006	3 months ended June 30, 2005	6 months ended June 30, 2006	6 months ended June 30, 2005
Alberta				
Revenue	\$ 41,355	\$ 38,649	\$ 81,632	\$ 76,877
Expenses				
Operating	6,807	6,807	13,138	13,330
Utilities	4,255	4,865	10,796	10,471
Utility rebates	(6)	11	(1,393)	(625)
Property taxes	3,226	3,266	6,467	6,482
	14,282	14,949	29,008	29,658
Net operating income	\$ 27,073	\$ 23,700	\$ 52,624	\$ 47,219
Saskatchewan				
Revenue	\$ 8,721	\$ 8,531	\$ 17,414	\$ 17,082
Expenses				
Operating	1,614	1,692	3,179	3,264
Utilities	1,291	826	2,760	2,432
Property taxes	1,187	1,276	2,438	2,502
	4,092	3,794	8,377	8,198
Net operating income	\$ 4,629	\$ 4,737	\$ 9,037	\$ 8,884
Ontario				
Revenue	\$ 9,389	\$ 9,206	\$ 18,767	\$ 18,455
Expenses				
Operating	1,609	1,515	3,117	3,243
Utilities	1,396	1,431	3,279	3,457
Property taxes	1,668	1,649	3,527	3,326
	4,673	4,595	9,923	10,026
Net operating income	\$ 4,716	\$ 4,611	\$ 8,844	\$ 8,429
British Columbia				
Revenue	\$ 2,137	\$ 1,483	\$ 3,788	\$ 2,415
Expenses				
Operating	359	416	749	500
Utilities	310	106	449	213
Property taxes	33	66	222	88
	702	588	1,420	801
Net operating income	\$ 1,435	\$ 895	\$ 2,368	\$ 1,614
Quebec				
Revenue	\$ 16,900	\$ 16,063	\$ 33,298	\$ 31,731
Expenses				
Operating	3,566	2,738	6,920	5,316
Utilities	1,788	1,673	4,599	4,279
Property taxes	1,731	1,764	3,491	3,497
	7,085	6,175	15,010	13,092
Net operating income	\$ 9,815	\$ 9,888	\$ 18,288	\$ 18,639
Total				
Net operating income	\$ 47,668	\$ 43,831	\$ 91,161	\$ 84,785
Unallocated revenue*	236	10,722	21,261	11,892
Unallocated expenses**	(43,843)	(51,624)	(101,064)	(95,779)
Net earnings for the period	\$ 4,061	\$ 2,929	\$ 11,358	\$ 898

As at	June 30, 2006	December 31, 2005
Alberta		
Identifiable assets		
Revenue producing properties	\$ 941,548	\$ 934,503
Mortgages and accounts receivable	623	5,277
Deferred financing costs	26,576	26,083
Tenants' security deposit	6,854	5,688
	\$ 975,601	\$ 971,551
Saskatchewan		
Identifiable assets		
Revenue producing properties	\$ 173,946	\$ 176,116
Mortgages and accounts receivable	128	185
Deferred financing costs	4,361	4,320
Tenants' security deposits	1,459	1,341
	\$ 179,894	\$ 181,962
Ontario		
Identifiable assets		
Revenue producing properties	\$ 211,212	\$ 213,490
Mortgages and accounts receivable	206	236
Deferred financing costs	3,548	3,508
	\$ 214,966	\$ 217,234
British Columbia		
Identifiable assets		
Revenue producing properties	\$ 78,884	\$ 62,014
Mortgages and accounts receivable	40	285
Tenants' security deposits	348	250
	\$ 79,272	\$ 62,549
Quebec		
Identifiable assets		
Revenue producing properties	\$ 421,378	\$ 398,109
Mortgages and accounts receivable	497	5,032
Deferred financing costs	5,754	5,927
	\$ 427,629	\$ 409,068
Total assets		
Identifiable assets	\$ 1,877,362	\$ 1,842,364
Unallocated assets***	34,473	41,022
	\$ 1,911,835	\$ 1,883,386

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

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

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

CORPORATE INFORMATION

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BOARD OF TRUSTEES

Paul J. Hill,
Chairman of the Board
Regina, Saskatchewan

James Dewald ⁽²⁾
Calgary, Alberta

Ernest Kapitza ^{(1) (2)}
Calgary, Alberta

Sam Kolias
Calgary, Alberta

Al W. Mawani ^{(1) (2)}
Thornhill, Ontario

David V. Richards ⁽¹⁾
Calgary, Alberta

⁽¹⁾ Member of the Audit and
Risk Management Committee

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

SENIOR MANAGEMENT

Jonathan Brimmell
Vice President, Operations,
Ontario and Quebec

Dean Burns
Vice President, Legal Affairs

William Chidley
Senior Vice President,
Corporate Development

Jean Denis
Vice President, Acquisitions,
Quebec and Atlantic Canada

Ian Dingle
Vice President, Purchasing
and Contracts

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

Michael Guyette
Vice President, Technology

Sam Kolias
President & Chief Executive
Officer

Van Kolias
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
Vice President, Acquisitions,
Western Canada

Kelly Mahajan
Vice President,
Customer Service and
Process Design

Kevin P. Screpnechuk
Senior Vice President, Rental
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Lizaine Wheeler
Vice President, Operations,
Southern Alberta, British
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William Wong
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NOTES:



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