

NEWS RELEASE FOR IMMEDIATE DISTRIBUTION

BOARDWALK REIT ANNOUNCES RECORD THIRD QUARTER RESULTS

13% INCREASE IN FFO FROM CONTINUING OPERATIONS IN THIRD QUARTER

ANNOUNCES INCREASE IN NOVEMBER 2004 MONTHLY DISTRIBUTION

Calgary, Alberta – November 15, 2004 - Boardwalk Real Estate Investment Trust (“BEI.UN” – TSX)

Boardwalk Real Estate Investment Trust (“Boardwalk REIT” or the “Trust”) today announced its financial results for the three and nine-month periods ending September 30, 2004. These results reflect the activities of Boardwalk Equities Inc. (“BEI”) and Boardwalk REIT for the period January 1, 2004 to September 30, 2004. The financial results have been reported as a “Continuity of Interest” with specific financial results for the predecessor corporation of Boardwalk REIT, BEI, and the newly established Trust detailed in the notes to the financial statements which are included later in this press release.

For the third quarter ended September 30, 2004, the Trust reported funds from operations (“FFO”) from continuing operations of \$22.2 million and FFO per unit of \$0.42 on a diluted basis, compared to FFO of \$19.7 million and FFO per unit of \$0.39 for the same period last year. Distributable income (“DI”) was \$22.9 million and DI per unit was \$0.43 on a diluted basis, compared to DI of \$20.5 million and DI per unit of \$0.40 for the same period last year. FFO from continuing operations and DI are both key performance measurements for real estate investment trusts and companies.

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

Highlights for the three-month period ended September 30, 2004 include:

- Rental revenues of \$70.4 million, an increase of 2.5% compared to \$68.7 million for the three-month period ended September 30, 2003.
- Net operating income of \$48.0 million, a 3.2% increase from \$46.5 million in the same period last year.
- FFO from continuing operations, which excludes gains on property dispositions, of \$22.2 million, an increase of 12.7% compared to \$19.7 million for the three-month period ended September 30, 2003.
- FFO from continuing operations per unit of \$0.42 on a diluted basis, an increase of 7.7% compared to \$0.39 for the three-month period ended September 30, 2003.
- DI from continued operations was \$0.43 per unit, an increase of 7.5% compared to \$0.40 for the three months ended September 30, 2003.
- Net income of \$3.2 million, a 37.3% decrease compared to \$5.1 million in the same period last year. Earnings per unit from continuing operations of \$0.06 compared to \$0.10 in the third quarter of last year.



The decrease is the result of a prospective application of a change in accounting policy with respect to the depreciation of our building assets.

Highlights for the nine-month period ended September 30, 2004 include:

- Rental revenues of \$210.2 million, an increase of 4.5% compared to \$201.1 million for the nine-month period ended September 30, 2003.
- Net operating income of \$138.1 million, a 5.1% increase from \$131.4 million in the same period last year.
- FFO from continuing operations, which excludes gains on property dispositions, of \$59.6 million, an increase of 16.4% compared to \$51.2 million for the nine-month period ended September 30, 2003.
- FFO from continuing operations per unit of \$1.13 on a diluted basis, an increase of 11.9% compared to \$1.01 for the nine-month period ended September 30, 2003.
- DI from continued operations was \$1.17 per unit, an increase of 10.4% compared to \$1.06 for the nine months ended September 30, 2003.
- Net income of \$5.0 million, a 45.7% decrease compared to \$9.2 million in the same period last year. Earnings per unit from continuing operations of \$0.09 compared to \$0.17 in the first nine months of last year. The decrease is the result of a prospective application of a change in accounting policy with respect to the depreciation of our building assets.

Sam Kalias, Boardwalk REIT's President and Chief Executive Officer, stated, "We are pleased to deliver another record quarter despite challenging yet recovering multi-family market fundamentals. With interest rates still low and the new supply of homes and condominiums still high, we believe it is a reflection of our team's continued high performance. Recent reports from CMHC and other financial agencies indicate that the housing market will continue to move towards a balanced state into 2005 and beyond. Historically high new housing starts and resale activity will moderate in the coming quarters as increasing construction, mortgage and carrying costs will further erode affordability for home-buying consumers. On the demand side, further job creation and in-migration for Alberta, our largest market, will continue its positive trend as the province leads the country in economic growth into 2005."

"As shown in our latest results, we have made substantial gains on our month-to-month portfolio occupancy levels. October 2004 occupancy was recorded at 96.1% compared to 94.2% in August 2004, an increase of 190 bps. Overall average monthly turnover is decreasing. This decrease in turnover can be seen in Calgary and in our smaller Alberta markets such as Fort McMurray and Grande Prairie, and reflects the ongoing positive economic growth in the province. Our record quarter includes a significant increase in property taxes in Edmonton, approximately \$1.1M or \$0.02 per unit, as was anticipated and discussed in prior conference calls. Our Edmonton portfolio continues to face competition from a heavy supply of new condominiums and homes. Revenue in Edmonton was down approximately 2.2% for the quarter and down 0.3% for the nine-month period. Saskatchewan markets continue to be stable with Saskatoon showing some signs of weakness from the oversupply of condos and Regina remaining firm. In Ontario, rental revenues from our London properties continue to improve while Windsor is down slightly as a result of the oversupply of new condominiums and homes. Our Quebec markets are continuing to show strength, albeit at a slower pace due to new competition from new condominiums and homes."

"Overall, our diversity continues to deliver firm revenues from our entire portfolio. We remain committed to delivering sustainable long-term value for our unitholders now and into the New Year."



Operational Highlights

The average vacancy rate across Boardwalk REIT's portfolio for the period ended September 30, 2004 was 5.48%, down from 5.67% in the second quarter of 2004 and up from 3.66% in the third quarter of last year.

The average monthly rent realized in the first nine months of 2004 was \$737 per unit, up \$8, or 1.1%, from \$729 per unit for the nine-month period ended September 30, 2003. Management estimates that market rents for its properties at the end of September 2004 averaged \$801 per unit per month which compares to an average in-place monthly rent per occupied unit of \$779 for the nine-month period ended September 30, 2004. This translates into an estimated "loss-to-lease" of approximately \$8.1 million, or \$0.15 per trust unit, maintaining existing occupancy rate levels.

Same-Property Results

The "same-property" results for Boardwalk REIT's stabilized properties (defined as properties owned for a period of over 24 months) for the three-month period ended September 30, 2004 showed flat rental growth, a decrease in operating expenses of 2.0% and an increase in NOI of 1.0% compared to the same period last year. The "same-property" results for the nine-month period ended September 30, 2004 showed rental growth of 1.0%, a decrease in operating expenses of 3.5% and an increase in NOI of 3.4% compared to the same period last year.

Included in these reported amounts are utility rebates received from the Provincial Government of Alberta. These rebates are part of a current government program that is scheduled to continue until March of 2006.

A total of 28,927 units, representing approximately 91% of Boardwalk REIT's total portfolio, were classified as stabilized as at September 30, 2004.

Same-Property Results - Stabilized Portfolio

Three Months Ended September 30, 2004 vs. Three Months Ended September 30, 2003

	Rental Revenues	Total Expenses	NOI	% of NOI
Calgary	-1.2%	-7.8%	1.3%	20%
Edmonton	-2.3%	2.4%	-4.3%	35%
Other Alberta	5.5%	-21.5%	18.5%	6%
Saskatchewan	0.5%	-11.8%	7.3%	13%
Ontario	3.0%	1.7%	3.9%	12%
Quebec	2.5%	8.4%	0.0%	14%
Total	0.0%	-2.0%	1.0%	100%

Same-Property Results - Stabilized Portfolio

Nine Months Ended September 30, 2004 vs. Nine Months Ended September 30, 2003



	Rental Revenues	Total Expenses	NOI	% of NOI
Calgary	-0.5%	-4.7%	1.2%	20%
Edmonton	-0.6%	-1.8%	-0.1%	36%
Other Alberta	4.7%	-12.7%	13.4%	6%
Saskatchewan	1.2%	-2.2%	3.3%	12%
Ontario	3.5%	-4.1%	10.2%	12%
Quebec	3.7%	-3.3%	7.1%	14%
Total	1.0%	-3.5%	3.4%	100%

Acquisition Activity

Subsequent to September 30, 2004, Boardwalk REIT added to its Quebec and Ontario portfolio by purchasing an additional 266 units. A total of 168 of these units are located in the Montreal market place, with 98 units located in Windsor, Ontario.

- **Le Bienville – Montreal (Longueuil), QC** – a 168 unit apartment property consisting of two walk-up style wood-frame buildings with brick exterior. The property was purchased at an acquisition price of \$7.1 million using cash on hand. The purchase price equates to approximately \$42,300 per unit and approximately \$61.4 per rentable square foot. The transaction had a going-in cap rate of 8.31% and closed on October 14, 2004.
- **Tecumseh Eastview Apartments – Windsor (Tecumseh), ON** – a 7-storey concrete high-rise property consisting of 26 one-bedrooms and 72 two-bedrooms for a total of 98 apartment units. The property was purchased for \$6.6 million, which equates to approximately \$67,300 per unit and approximately \$92.1 per rentable square foot. The purchase was funded by a combination of cash on hand and the assumption of an existing mortgage of \$2.0 million with a fixed interest rate of 6.28% due in December 2005. The going-in cap rate on the acquisition was approximately 8.08%, and the transaction closed on October 29, 2004.

Further information on these properties can be found in the Supplemental Information Package located on Boardwalk REIT's website (www.boardwalkREIT.com).

Continued Financial Strength

Boardwalk REIT maintained its solid financial position in the quarter. Boardwalk REIT's mortgage debt totaled \$1.41 billion as at September 30, 2004, up from \$1.39 billion for BEI at December 31, 2003. The increase is largely attributable to the additional debt related to property acquisitions that Boardwalk REIT completed during the first nine months of the year. As of September 30, 2004, Boardwalk REIT's debt had an average maturity of 3.8 years with a weighted average interest rate of 5.49%. Boardwalk REIT's debt-to-total-market-capitalization ratio was 60.9% as at September 30, 2004, which compares to 64.1% for BEI at the same time last year.

Boardwalk REIT's interest coverage ratio, excluding gains, for the three-month period ended September 30, 2004 was 2.2 times compared to 2.1 times in the same period last year.

2004 Earnings Guidance

Commenting on the Trust's outlook, Rob Geremia, Senior Vice President, Finance and CFO, stated, "Although we have reported slightly better than expected operating results for the first nine months of 2004, we continue to



be cautious for the remainder of the year. However, given the new results, we are narrowing our 2004 guidance for FFO and distributable income to \$1.40 to \$1.44 and \$1.46 to \$1.49 respectively, from the previous forecast of FFO and distributable income of \$1.37 to \$1.44 and \$1.43 to 1.49, respectively. The forecast assumptions for 2004 are based on new acquisitions at slightly below the targeted range of between 1,000 to 2,000 units and stabilized NOI growth of between 1.0% and 2.0%.”

2005 Earnings Guidance

“For 2005, we are introducing our guidance for FFO and distributable income of between \$1.42 to \$1.49 and \$1.46 to \$1.53, respectively. These forecasts are based on the assumptions of approximately 0.0% to 1.0% stabilized NOI growth and new acquisitions of between 1,000 to 2,000 new units for the year.”

November 2004 Monthly Distribution

Boardwalk REIT announces that it has increased its monthly cash distributions by 1.6%, to \$0.105 per trust unit, or \$1.26 per trust unit per year (up from \$1.24 per trust unit per year). The Trust has declared a cash distribution of \$0.105 per trust unit for the month of November, 2004. The November distribution will be payable on December 15, 2004 to unitholders of record on November 30, 2004.

To encourage participation and reward unitholders, investors registered in the Distribution Reinvestment Plan (“DRIP”) will continue to receive a “bonus” distribution of additional Trust Units representing 3% of the amount of their cash distributions reinvested pursuant to the Plan. A full copy of the DRIP can be found on Trust’s website at www.boardwalkREIT.com.

Supplementary Information

Boardwalk REIT produces quarterly supplemental information that provides detailed information regarding its activities during the quarter. The third quarter supplemental information is available on our website (www.boardwalkreit.com).

Financial Results Teleconference

We invite you to participate in the teleconference that will be held to discuss Boardwalk REIT’s financial results this morning at 11:00am ET. Senior management will speak to the financial results and provide an update. Presentation materials will be made available on our website (www.boardwalkreit.com) prior to the call.

Teleconference: The telephone numbers for the conference are: 416-640-4127 (within Toronto) or toll-free 1-800-814-4853 (outside Toronto).

Webcast: Investors will be able to listen to the call and view our slide presentation over the Internet by visiting <http://www.boardwalkreit.com/> 15 min. prior to the start of the call. An information page will be provided for any software needed and system requirements. The live audiocast will also be available at <http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=927300>.

Replay: An audio recording of the teleconference will be available from 1:00pm ET on November 15, 2004 until 11:59pm ET on November 22, 2004. You can access it by dialing 416-640-1917 and using the passcode 21097043 followed by the pound sign. An audio archive will also be available on our website (<http://www.boardwalkreit.com/>) approximately two hours after the conference call.



Corporate Profile

Boardwalk REIT is an open-ended real estate investment trust formed to acquire all of the assets and undertakings of Boardwalk Equities Inc. Boardwalk REIT's principal objectives are to provide its unitholders with monthly cash distributions, partially on a Canadian income tax-deferred basis, and to increase the value of its trust units through the effective management of its residential multi-family revenue producing properties and the acquisition of additional properties. Boardwalk REIT currently owns and operates in excess of 250 properties with over 32,000 units totaling approximately 27 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, Saskatchewan, Ontario and Quebec.

For further information please contact:

Boardwalk REIT

Sam Kolia, President and CEO, (403) 531-9255;

Roberto Geremia, Senior Vice-President, Finance and Chief Financial Officer, (403) 531-9255;

Paul Moon, Director of Corporate Communications, (403) 531-9255.



CONSOLIDATED BALANCE SHEETS

(CDN\$ THOUSANDS)

(Unaudited)

AS AT

	September 30, 2004	December 31, 2003
Assets		
Revenue producing properties	\$1,721,196	\$1,713,171
Properties held for resale	7,800	7,493
Deferred financing costs	38,779	38,044
Other assets	16,566	14,652
Future income taxes (NOTE 9)	461	-
Mortgages and accounts receivable	5,809	13,126
Segregated tenants' security deposits	6,709	6,771
Cash and cash equivalents	17,148	10,123
	\$1,814,468	\$1,803,380
Liabilities		
Mortgages payable	\$1,408,082	\$1,387,067
Accounts payable and accrued liabilities	23,569	19,801
Refundable tenants' security deposits and other	9,848	9,730
Capital lease obligations	145	3,515
Future income taxes (NOTE 9)	-	74,765
	\$1,441,644	\$1,494,878
Unitholders' Equity		
Unitholders' capital (NOTE 7)	293,992	275,509
Accumulated earnings	78,832	32,993
	\$372,824	\$308,502
	\$1,814,468	\$1,803,380

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



CONSOLIDATED STATEMENTS OF EARNINGS

INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 COMBINES INFORMATION FROM BOARDWALK REAL ESTATE INVESTMENT TRUST AND ITS PREDECESSOR (NOTES 2 AND 4)

(CDN\$ THOUSANDS, EXCEPT PER UNIT AMOUNTS)
(Unaudited)

	3 months ended September 30, 2004	3 months ended September 30, 2003	9 months ended September 30, 2004	9 months ended September 30, 2003
	NOTES 2 and 4			
Revenue				
Rental income	\$70,369	\$68,717	\$210,234	\$201,099
Expenses				
Revenue producing properties:				
Operating expenses	8,214	8,624	24,516	25,003
Utilities	6,025	6,851	26,712	25,145
Utility rebate (NOTE 10)	-	-	(812)	-
Property taxes	8,170	6,702	21,699	19,591
Administration	5,715	5,857	17,678	17,535
Financing costs	19,062	19,391	57,217	57,366
Deferred financing costs amortization	683	732	2,208	2,565
Amortization (NOTE 3)	19,256	12,973	56,194	37,590
	67,125	61,130	205,412	184,795
Earnings from continuing operations before income taxes	3,244	7,587	4,822	16,304
Large corporations taxes	255	828	1,455	2,668
Future income taxes (recovery) (NOTE 9)	(237)	1,614	(1,613)	5,169
Earnings from continuing operations	3,226	5,145	4,980	8,467
Earnings from discontinued operations, net of tax	-	-	-	751
Net earnings for the period	\$3,226	\$5,145	\$4,980	\$9,218
Basic earnings per unit (NOTE 8)				
- from continuing operations	\$0.06	\$0.10	\$0.09	\$0.17
- from discontinued operations	-	-	-	0.01
Basic earnings per unit	\$0.06	\$0.10	\$0.09	\$0.18
Diluted earnings per unit (NOTE 8)				
- from continuing operations	\$0.06	\$0.10	\$0.09	\$0.17
- from discontinued operations	-	-	-	0.01
Diluted earnings per unit	\$0.06	\$0.10	\$0.09	\$0.18

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



CONSOLIDATED STATEMENTS OF ACCUMULATED EARNINGS

(CDN\$ THOUSANDS)

(Unaudited)

	9 months ended September 30, 2004	9 months ended September 30, 2003
Accumulated earnings, beginning of period	\$32,993	\$35,229
Net earnings for the period	4,980	9,218
Distributions on units	(31,297)	(5,795)
Premium on unit repurchases (stock repurchases pre May 3, 2004)	(1,397)	(392)
Elimination of future income taxes on conversion to trust (NOTE 2)	73,553	-
Accumulated earnings, end of period	<u>\$78,832</u>	<u>\$38,260</u>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



CONSOLIDATED STATEMENT OF CASH FLOWS

INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 COMBINES INFORMATION FROM BOARDWALK REAL ESTATE INVESTMENT TRUST AND ITS PREDECESSOR (NOTES 2 AND 4)

(CDN\$ THOUSANDS)
(Unaudited)

	3 months ended September 30, 2004	3 months ended September 30, 2003	9 months ended September 30, 2004	9 months ended September 30, 2003
NOTES 2 and 4				
Operating activities				
Net earnings for the period	\$3,226	\$5,145	\$4,980	\$9,218
Earnings from discontinued operations, net of tax	-	-	-	(751)
Future income taxes (recovery)	(237)	1,614	(1,613)	5,169
Amortization	19,256	12,973	56,194	37,590
Funds from continuing operations	22,245	19,732	59,561	51,226
Funds from discontinued operations	-	-	-	33
Net change in operating working capital	1,089	592	7,330	916
Net change in properties held for resale	(105)	(123)	(307)	1,549
Total operating cash flows	23,229	20,201	66,584	53,724
Financing activities				
Issue of trust units (net of issue costs) (NOTE 7)	127	601	28,769	4,614
Restructuring costs	(1,020)	-	(9,520)	-
Unit repurchase program (stock repurchase program pre May 3, 2004)	(156)	-	(766)	(628)
Distributions paid	(16,419)	(3,785)	(31,297)	(5,795)
Financing of revenue producing properties	25,485	60,954	95,340	149,818
Repayment of debt on revenue producing properties	(26,173)	(39,578)	(92,646)	(115,364)
Capital lease obligations	(2,786)	(274)	(3,370)	(803)
Deferred financing costs incurred (net of amortization)	1,827	(1,808)	(1,140)	(2,745)
	(19,115)	16,110	(14,630)	29,097
Investing activities				
Purchases of revenue producing properties (NOTE 5)	-	(22,296)	(22,263)	(68,831)
Project improvements to revenue producing properties	(10,101)	(15,427)	(22,126)	(38,726)
Net cash proceeds from sale of properties	-	-	-	1,223
Technology for real estate operations	(258)	323	(540)	(86)
	(10,359)	(37,400)	(44,929)	(106,420)
Net increase (decrease) in cash and cash equivalents balance during period	(6,245)	(1,089)	7,025	(23,599)
Cash and cash equivalents, beginning of period	23,393	1,121	10,123	23,631
Cash and cash equivalents, end of period	\$17,148	\$32	\$17,148	\$32
Supplementary cash flow information:				
Taxes paid	\$425	\$832	\$1,667	\$2,566
Interest paid	\$18,934	\$18,928	\$57,225	\$57,016

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2004

(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") 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.

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 of Boardwalk Equities Inc. as at and for the year ended December 31, 2003, 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, should be read in conjunction with the Corporation's audited consolidated financial statements.

Boardwalk REIT is considered to be a continuation of Boardwalk Equities Inc. following the continuity of interest method of accounting. 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. Future income tax liabilities in the amount of \$73.6 million were eliminated, except the portion related to tax and accounting base differences in corporate subsidiaries of Boardwalk REIT.

The statements of earnings and cash flows for the three months ended September 30, 2004 reflect the activities of Boardwalk REIT. The statements of earnings and cash flows for the nine months ended September 30, 2004 reflect the activities of Boardwalk Equities Inc. for the period from January 1, 2004 to May 2, 2004 combined with the activities of Boardwalk REIT for the period from May 3, 2004 to September 30, 2004 (see Note 4). The comparative figures represent the activities of Boardwalk Equities Inc.

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

Due to seasonality, the operating results for the three and nine months ended September 30, 2004 are not necessarily indicative of the results that may be expected for the full fiscal year.

3. ACCOUNTING POLICY CHANGES

Amortization of revenue producing buildings

Effective January 1, 2004, the straight-line method was adopted to compute amortization of its revenue producing buildings. The adoption of the straight-line method from the sinking-fund method has been applied prospectively in accordance with the transitional provision of CICA Handbook Section 1100. Had the change not been made, the effect on the financial statements would have been a decrease to amortization of \$14.8 million and an increase to net earnings of approximately \$9.8 million for the nine-month period ended September 30, 2004.

Accounting for operating leases

In accordance with EIC-140, Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination, an enterprise that acquires real estate, such as an office building, retail centre, or apartment complex in either an asset acquisition or business combination, should allocate a portion of the purchase price to in-place operating leases that the enterprise acquires in connection with the real estate property. Application of EIC-140 has been applied prospectively to real estate acquisitions initiated subsequent to the date of issue of EIC-140.

Impairment of long-lived assets

Effective January 1, 2003, the provisions of CICA Handbook Section 3063, Impairment of Long-lived Assets, was adopted. With the adoption of this section, an impairment loss will be recognized in the period when the carrying amount of the revenue producing properties exceeds the net recoverable amount represented by the undiscounted estimated future cash flows expected to be received from the ongoing use of the properties plus their residual value. If it is determined that an impairment exists, the carrying value of the revenue



producing properties will be reduced to their estimated fair value. The adoption of this section has had no impact on the financial statements of the current and prior periods.

Comparative figures

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

4. RESULTS OF BOARDWALK REIT AND ITS PREDECESSOR

The following statements of earnings and cash flows reflect the activities of Boardwalk REIT for the nine-month period ended September 30, 2004, separated to show the results of Boardwalk Equities Inc. prior to May 3, 2004 and the results of Boardwalk REIT subsequent to May 2, 2004.

STATEMENT OF EARNINGS	January 1, 2004 to May 2, 2004	May 3, 2004 to September 30, 2004	9 months ended September 30, 2004
Revenue			
Rental income	\$93,108	\$117,126	\$210,234
Expenses			
Revenue producing properties:			
Operating expenses	11,429	13,087	24,516
Utilities	15,965	10,747	26,712
Utility rebate	(812)	-	(812)
Property taxes	9,000	12,699	21,699
Administration	7,720	9,958	17,678
Financing costs	24,856	32,361	57,217
Deferred financing costs amortization	1,051	1,157	2,208
Amortization	23,273	32,921	56,194
	92,482	112,930	205,412
Earnings from continuing operations before income taxes	626	4,196	4,822
Large corporations taxes	1,032	423	1,455
Future income tax recovery	(1,291)	(322)	(1,613)
Earnings from continuing operations	885	4,095	4,980
Earnings from discontinued operations, net of tax	-	-	-
Net earnings for the period	\$885	\$4,095	\$4,980
Basic earnings per unit			
- from continuing operations	\$0.02	\$0.07	\$0.09
- from discontinued operations	-	-	-
Basic earnings per unit	\$0.02	\$0.07	\$0.09
Diluted earnings per unit			
- from continuing operations	\$0.02	\$0.07	\$0.09
- from discontinued operations	-	-	-
Diluted earnings per unit	\$0.02	\$0.07	\$0.09



STATEMENT OF CASH FLOWS	January 1, 2004 to May 2, 2004	May 3, 2004 to September 30, 2004	9 months ended September 30, 2004
Operating activities			
Net earnings for the period	\$885	\$4,095	\$4,980
Future income tax recovery	(1,291)	(322)	(1,613)
Amortization	23,273	32,921	56,194
Funds from continuing operations	22,867	36,694	59,561
Net change in operating working capital	4,075	3,255	7,330
Net change in properties held for resale	(141)	(166)	(307)
Total operating cash flows	<u>26,801</u>	<u>39,783</u>	<u>66,584</u>
Financing activities			
Issue of trust units (net of issue costs)	28,372	397	28,769
Restructuring costs	(8,500)	(1,020)	(9,520)
Unit repurchase program (stock repurchase program pre May 3, 2004)	-	(766)	(766)
Distributions paid	(3,938)	(27,359)	(31,297)
Financing of revenue producing properties	47,718	47,622	95,340
Repayment of debt on revenue producing properties	(47,414)	(45,232)	(92,646)
Capital lease obligations	(407)	(2,963)	(3,370)
Deferred financing costs incurred (net of amortization)	(1,969)	829	(1,140)
	<u>13,862</u>	<u>(28,492)</u>	<u>(14,630)</u>
Investing activities			
Purchases of revenue producing properties	(9,174)	(13,089)	(22,263)
Project improvements to revenue producing properties	(7,303)	(14,823)	(22,126)
Technology for real estate operations	(461)	(79)	(540)
	<u>(16,938)</u>	<u>(27,991)</u>	<u>(44,929)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$23,725</u>	<u>\$(16,700)</u>	<u>\$7,025</u>

5. **REVENUE PRODUCING PROPERTIES**

Acquisitions

	January 1, 2004 to May 2, 2004	May 3, 2004 to September 30, 2004	9 months ended September 30, 2004	9 months ended September 30, 2003
Cash paid	\$9,174	\$13,089	\$22,263	\$68,831
Debt assumed	7,912	10,409	18,321	38,834
Total purchase price	17,086	23,498	40,584	107,665
Fair value adjustments to debt	560	774	1,334	2,137
Book value	<u>\$17,646</u>	<u>\$24,272</u>	<u>\$41,918</u>	<u>\$109,802</u>
Allocation of book value to revenue producing properties	\$16,910	\$23,235	\$40,145	\$109,802
Allocation of book value to other assets (NOTE 2 - Accounting for Operating Leases)	736	1,037	1,773	-
	<u>\$17,646</u>	<u>\$24,272</u>	<u>\$41,918</u>	<u>\$109,802</u>
Units acquired	<u>183</u>	<u>354</u>	<u>537</u>	<u>1,956</u>

Dispositions

	January 1, 2004 to May 2, 2004	May 3, 2004 to September 30, 2004	9 months ended September 30, 2004	9 months ended September 30, 2003



Cash received	\$-	\$-	\$-	\$1,385
Debt assumed	-	-	-	1,655
<hr/>				
Total proceeds	-	-	-	3,040
Net book value	-	-	-	1,993
<hr/>				
Gain on sales	\$-	\$-	\$-	\$1,047
<hr/>				
Units sold	-	-	-	40
<hr/>				

6. DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS

During the first quarter of 2003, a \$3.0 million unsolicited offer was received to purchase a 40-unit property located in Edmonton, Alberta. The sale was completed by the end of the first quarter of 2003. There were no dispositions in the first nine months of 2004. Note 5 discloses the carrying amounts of the major assets and liabilities included in the disposition. The following table sets forth the results of operations associated with the long-lived asset, separately reported as discontinued operations.

	January 1, 2004 to May 2, 2004	May 3, 2004 to September 30, 2004	9 months ended September 30, 2004	9 months ended September 30, 2003
Revenue				
Rental income	\$-	\$-	\$-	\$86
Expenses				
Revenue producing properties:				
Operating expenses	-	-	-	4
Utilities	-	-	-	17
Property taxes	-	-	-	6
Administration	-	-	-	2
Financing costs	-	-	-	24
	-	-	-	53
Operating earnings from discontinued operations before income taxes	-	-	-	33
Future income taxes	-	-	-	12
Operating earnings from discontinued operations	-	-	-	21
Gain on disposition	-	-	-	1,047
Future income taxes	-	-	-	(317)
Earnings from discontinued operations	\$-	\$-	\$-	\$751

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, Boardwalk Equities Inc. incurred \$9.5 million in restructuring costs. Under the Arrangement, the former shareholders of Boardwalk Equities Inc. received Boardwalk REIT units or Class B Limited Partnership ("LP Class B") units of a controlled limited partnership of Boardwalk REIT, Boardwalk REIT Limited Partnership.

The LP Class B units are exchangeable, on a one-for-one basis, into Boardwalk REIT units at any time at the option of the holder. Prior to such exchange, distributions will be made on the exchangeable units in an amount equivalent to the distributions which would have been made had the units of Boardwalk REIT been issued. Each LP Class B unit was accompanied by a Special Voting unit, which 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 change in unitholders' capital contribution for 2004 are as follows:

	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 dividend reinvestment plan	7,929	127
Restructuring cost	-	(9,520)
Total unitholders' capital contribution	53,097,803	\$293,992

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 which 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	48,622,803	
Special Voting Units issued to holders of LP Class B units	4,475,000	
Total trust units	53,097,803	\$293,992

Stock Options (Pre May 3, 2004)

The following table illustrates the impact on net earnings and earnings per unit if compensation expense had been recorded in the current and prior periods based on the fair value of all options granted on or after January 1, 2002:

9 months ended	9 months ended
-------------------	-------------------



	September 30, 2004	September 30, 2003
Compensation costs	\$(2,278)	\$(1,555)
Net earnings		
As reported	\$4,980	\$9,218
Pro forma	\$2,702	\$7,663
Net earnings per unit		
Basic		
As reported	\$0.09	\$0.18
Pro forma	\$0.05	\$0.15
Diluted		
As reported	\$0.09	\$0.18
Pro forma	\$0.05	\$0.15

As a result Boardwalk REIT's conversion, all previously granted security options vested prior to May 3, 2004. Of the total of 2,398,828 security options outstanding at December 31, 2003, a total of 2,345,155 security options were exercised and the balance of 53,673 security options were cancelled. Consequently, net earnings and earnings per unit shown above for the current period reflect all remaining compensation costs not previously recognized in prior periods.

The fair value of each option granted in 2002 was estimated to be \$6.74 on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

Risk free interest rate	5.33%
Expected lives (years)	7 – 10 years
Expected volatility	42.56%
Dividend per unit	\$0.05

No security options were granted subsequent to December 31, 2002.

8. DISTRIBUTABLE INCOME AND PER UNIT INFORMATION

Distributable cash 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 GAAP and, therefore, unlikely to be comparable to similar measures presented by other real estate companies and trusts.

Net earnings, subsequent to Boardwalk REIT conversion	\$4,095
Add:	
Amortization	32,921
Amortization of deferred financing costs incurred prior to May 3, 2004	1,131
Deduct:	
Future income tax recovery	(322)
Amortization of net premium on long-term debt assumed after May 2, 2004	(52)
<hr/>	
Distributable income	\$37,773
Distribution paid to unitholders	\$27,359
<hr/>	
Weighted average units outstanding – basic and diluted	53,122,763
Distributable income earned per unit	\$0.711
Actual distributions declared per unit	\$0.515

Earnings per unit

	9 months ended September 30, 2004	9 months ended September 30, 2003
Numerator		
Earnings from continuing operations	\$4,980	\$8,467
Earnings from discontinued operations	-	\$751
<hr/>		
Denominator		
Denominator for basic earnings per unit – weighted average	52,632	



units (THOUSANDS)		50,304
Effect of dilutive units		
Units issued in respect of long-term incentive plan (THOUSANDS)	-	544
Denominator for diluted earnings per unit adjusted for weighted average shares and assumed conversion (THOUSANDS)	52,632	50,848
Earnings per unit from continuing operations		
Basic	\$0.09	\$0.17
Diluted	\$0.09	\$0.17
Earnings per unit from discontinued operations		
Basic	\$0.00	\$0.01
Diluted	\$0.00	\$0.01

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 nine-month ended September 30, 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.

	January 1, 2004 to May 2, 2004	May 3, 2004 to September 30, 2004	9 months ended September 30, 2004	9 months ended September 30, 2003
Continuing operations	\$(1,291)	\$(322)	\$(1,613)	\$5,169
Discontinued operations	-	-	-	329
Total future income taxes (recovery)	\$(1,291)	\$(322)	\$(1,613)	\$5,498

Future income taxes (recovery) consists of the following:

	9 months ended September 30, 2004	9 months ended September 30, 2003
Tax (recovery) expense based on expected rate	\$(36)	\$6,451
Non-taxable portion of capital gains	-	(223)
Adjustment to future income tax liabilities	(26)	772
Adjustment for change in effective tax rate	(1,551)	(1,502)
Future income taxes (recovery)	\$(1,613)	\$5,498

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

AS AT	September 30, 2004	December 31, 2003
Tax assets related to operating losses	\$1,143	\$77,354
Tax liabilities related to differences in tax and book basis	(682)	(152,119)
Future income tax asset (liability)	\$461	\$(74,765)

10. COMMITMENTS AND CONTINGENCIES

At September 30, 2004, Boardwalk REIT has long-term physical supply arrangements with two electrical utility companies to supply it with its electrical power needs for Alberta for the next fifteen to twenty-seven months at a blended rate of approximately \$0.066/kwh. These agreements provide that Boardwalk REIT purchase its power for all Alberta properties under contract for the upcoming months.

Boardwalk REIT also has a physical settlement fixed-price supply contracts for Alberta natural gas requirements. This contract fixes the price of natural gas for 37.5% of its 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, Boardwalk REIT has a physical supply agreement to supply 100% of its 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.

Beginning in November 2003, the Alberta government implemented a natural gas rebate program covering the winter usage months of November thru March. This program will be in effect for a remaining eighteen-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. There was no rebate for November and December 2003. For January to March 2004, Boardwalk REIT's predecessor was eligible for an estimated rebate of \$812,000.

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 September 30, 2004 is approximately \$6.0 million. In the event of default, Boardwalk REIT's recourse for recovery includes the sale of the respective building asset. Boardwalk REIT expects that the proceeds from the sale of the building asset will cover, and in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at September 30, 2004, 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, and reflects the activities of Boardwalk Equities Inc. for the period from January 1, 2004 to May 2, 2004 combined with the activities of Boardwalk REIT for the period from May 3, 2004 to September 30, 2004. The segmented financial information for the three-month period ended September 30, 2004 reflects the activities of Boardwalk REIT. The comparative figures represent the activities of Boardwalk Equities Inc.

	3 months ended September 30, 2004	3 months ended September 30, 2003	9 months ended September 30, 2004	9 months ended September 30, 2003
Alberta				
Revenue	\$38,025	\$38,505	\$113,901	\$114,033
Expenses				
Operating	4,084	4,783	12,281	14,151
Utilities	3,092	3,924	14,121	13,750
Utility rebates		-	(812)	-
Property taxes	3,860	2,658	9,295	8,301
	11,036	11,365	34,885	36,202
Net operating income	\$26,989	\$27,140	\$79,016	\$77,831
Saskatchewan				
Revenue	\$8,553	\$8,510	\$25,663	\$25,353
Expenses				
Operating	998	1,165	3,114	3,327
Utilities	568	643	2,993	2,716
Property taxes	1,103	1,217	3,338	3,616
	2,669	3,025	9,445	9,659
Net operating income	\$5,884	\$5,485	\$16,218	\$15,694
Ontario				
Revenue	\$8,959	\$8,699	\$26,824	\$25,919
Expenses				
Operating	985	1,136	3,050	3,582
Utilities	1,242	1,077	4,168	4,421
Property taxes	1,518	1,470	4,465	4,174
	3,745	3,683	11,683	12,177
Net operating income	\$5,214	\$5,016	\$15,141	\$13,742
Quebec				
Revenue	\$14,634	\$12,767	\$43,093	\$34,771



Expenses				
Operating	1,638	1,488	4,662	3,812
Utilities	865	1,177	5,076	4,136
Property taxes	1,668	1,295	4,561	3,425
	4,171	3,960	14,299	11,373
Net operating income	\$10,463	\$8,807	\$28,794	\$23,398
Total				
Net operating income	\$48,550	\$46,448	\$139,169	\$130,665
Unallocated revenue*	198	236	753	4,149
Unallocated expenses**	(45,522)	(41,539)	(134,942)	(125,596)
Net earnings for the period	\$3,226	\$5,145	\$4,980	\$9,218

AS AT	September 30, 2004	December 31, 2003
Alberta		
Identifiable assets		
Revenue producing properties	\$944,735	\$969,196
Mortgages and accounts receivable	-	8,338
Deferred financing costs	24,526	26,621
Tenants' security deposit	5,468	5,674
	\$974,729	\$1,009,829
Saskatchewan		
Identifiable assets		
Revenue producing properties	\$174,794	\$178,867
Mortgages and accounts receivable	-	11
Deferred financing costs	4,534	4,585
Tenants' security deposits	1,241	1,097
	\$180,569	\$184,560
Ontario		
Identifiable assets		
Revenue producing properties	\$212,938	\$215,428
Mortgages and accounts receivable	132	250
Deferred financing costs	2,960	2,709
	\$216,030	\$218,387
Quebec		
Identifiable assets		
Revenue producing properties	\$377,873	\$342,364
Mortgages and accounts receivable	4,661	4,425
Deferred financing costs	5,256	4,102
	\$387,790	\$350,891
Total assets		
Identifiable assets	\$1,759,118	\$1,763,667
Unallocated assets***	55,350	39,713
	\$1,814,468	\$1,803,380

* 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 development, cash, short-term investments and other assets.

13. SUBSEQUENT EVENTS

Subsequent to September 30, 2004, Boardwalk REIT contracted to acquire 266 residential units from unrelated third parties for an aggregate purchase price of \$13.7 million. The acquisitions will be financed through the assumption of existing mortgages and cash.