

## **NEWS RELEASE FOR IMMEDIATE DISTRIBUTION**

### **BOARDWALK ANNOUNCES SECOND QUARTER FINANCIAL RESULTS**

**Calgary, Alberta – August 11, 2005** - Boardwalk Real Estate Investment Trust (“BEI.UN” - TSX)

Boardwalk Real Estate Investment Trust (“Boardwalk REIT” or the “Trust”) today announced solid financial results for the three-month and six-month periods ending June 30, 2005.

For the three-month period, the Trust reported Funds From Operations (“FFO”) of \$18.7 million and FFO per unit of \$0.35 on a diluted basis, compared to FFO of \$18.6 million and FFO per unit of \$0.35 for the same period last year. Distributable Income (“DI”) for the quarter was \$19.4 million and DI per unit was \$0.37 on a diluted basis, compared to \$19.4 million and \$0.37 per unit for the same period last year.

*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, adjusting for gains or losses on disposal of discontinued operation assets and extraordinary items, 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 and adding back amortization on any deferred financing charges incurred prior to May 3, 2004 as well as adjusting for any discounts or premiums relating to the amortization of mark-to-market debt adjustment incurred subsequent to the real estate investment trust conversion date of May 3, 2004.*

Highlights of the Trust’s second quarter 2005 financial results include:

- Rental revenues of \$74.6 million, an increase of 7.2% compared to \$69.6 million for the three-month period ended June 30, 2004.
- Net operating income of \$47.5 million, representing a 6.3% increase from \$44.7 million in the same period last year.
- FFO of \$18.7 million, an increase of 0.5% compared to \$18.6 million for the three-month period ended June 30, 2004.
- FFO per unit was \$0.35 on a diluted basis, unchanged compared to \$0.35 for the three-month period ended June 30, 2004.
- DI was \$0.37 per unit, unchanged from \$0.37 for the three months ended June 30, 2004.

Highlights of the Trust’s first half 2005 financial results include:

- Rental revenues of \$147.9 million, an increase of 6.4% compared to \$139.0 million for the six-month period ended June 30, 2004.
- Net operating income of \$92.1 million, representing a 4.9% increase from \$87.8 million in the same period last year.
- FFO of \$35.2 million, an increase of 0.3% compared to \$35.1 million for the six-month period ended June 30, 2004.



- FFO per unit was \$0.66 on a diluted basis, down 1.5% compared to \$0.67 for the six-month period ended June 30, 2004.
- DI was \$0.69 per unit, down 1.4% from \$0.70 for the six months ended June 30, 2004.

Commenting on the Trust's second quarter results, Sam Koliass, President and C.E.O., said, "We are pleased to continue to deliver solid second quarter results on the heels of an exceptional springtime, which is typically a seasonally soft period for landlords. The summer and fall months are shaping up to be another well performing period for many of our markets, as leading rental fundamentals continue to support an improving trend for landlords going forward.

Our internal rental revenue strategy is a three-pronged approach involving the management of rental prices, incentives and vacancies. Overall we are starting to gain momentum into the summer with vacancies and rental revenues improving on a sequential quarter and year-over-year basis. Traditionally, the months of July and August are our strongest rental months. Of special note, Edmonton, our largest market representing 31% of the portfolio, has seen its stabilized rental revenue numbers improve from negative 0.7% in Q1 to positive 1.2% in the latest quarter."

### **Operational Highlights**

The average vacancy rate across the Trust's portfolio for the second quarter of 2005 was 5.04%, down from 5.19% in the first quarter of 2005, and down from 5.67% compared to the same period last year.

The average monthly rent realized in the first six months of 2005 was \$748 per unit, an increase of \$9 from \$739 per unit for the six-month period ended June 30, 2004. Management estimates that market rents for its properties at the end of June, 2005 averaged \$798 per unit per month, which compares to an average in-place monthly rent per occupied unit of \$790 for the same period. This translates into an estimated "loss-to-lease" of approximately \$3.3 million, maintaining existing occupancy rates.

### **Same-Property Results**

The "same-property" results for the Trust's stabilized portfolio (defined as properties owned for over 24 months) for the three-month period ended June 30, 2005 had rental revenue growth of 1.2%, an increase in total operating expenses by 3.6%, resulting in NOI being unchanged compared to the same period last year. The "same-property" results for the six-month period ended June 30, 2005 showed rental revenue growth of 0.8%, an increase in total operating expenses by 4.8%, resulting in a decrease in NOI of 1.5% compared to the same period last year. A total of 30,597 units, representing approximately 92% of Boardwalk's total portfolio, were classified as stabilized as at June 30, 2005.



**Same-Property Results - Stabilized Portfolio**  
**Three Months Ended June 30, 2005 vs. Three Months Ended June 30, 2004**

	Rental Revenues	Total Expenses	NOI	% of NOI
<b>Calgary</b>	2.0%	10.1%	-1.3%	19%
<b>Edmonton</b>	1.2%	8.5%	-2.4%	33%
<b>Other Alberta</b>	4.7%	6.2%	4.1%	6%
<b>Saskatchewan</b>	0.6%	-3.7%	3.6%	12%
<b>Ontario</b>	0.9%	-2.7%	4.1%	11%
<b>Quebec</b>	0.3%	1.5%	-0.3%	19%
<b>Total</b>	1.2%	3.6%	0.0%	100%

**Same-Property Results - Stabilized Portfolio**  
**Six Months Ended June 30, 2005 vs. Six Months Ended June 30, 2004**

	Rental Revenues	Total Expenses	NOI	% of NOI
<b>Calgary</b>	1.5%	4.9%	0.1%	19%
<b>Edmonton</b>	0.3%	4.0%	-1.7%	34%
<b>Other Alberta</b>	4.6%	10.7%	1.7%	6%
<b>Saskatchewan</b>	-0.2%	2.0%	-1.8%	12%
<b>Ontario</b>	0.2%	6.8%	-5.5%	11%
<b>Quebec</b>	0.8%	5.0%	-1.3%	18%
<b>Total</b>	0.8%	4.8%	-1.5%	100%

As with the prior year, the Trust was the recipient of an Alberta natural gas rebate based on usage and price in the first quarter of 2005. If we were to exclude these rebates from the analysis, NOI for the six-month period ended June 30, 2005 would only have decreased by 1.3%.

**Acquisition/Disposition Activity**

There were no acquisitions announced in Q2 2005. The Trust completed the previously announced sale of one property located in Edmonton, Alberta, which closed on June 30, 2005. The property sold was Village Acres, a 186-unit, 2½-storey wood-frame project in the northeast area of Edmonton. The sale price was \$9.5 million, or \$51,250 per door, with a cap rate of 5.78%.

To date in 2005, the Trust has closed on 1,325 rental units, in a series acquisitions spanning the provinces of Alberta, British Columbia and Quebec. These previously announced acquisitions had a total purchase price of \$115.2 million, and in aggregate, a going-in cap rate of 6.97%. Further details on the Trust's acquisition and disposition activities can be found in the supplemental information package available on Boardwalk REIT's website.

Commenting on the Trust's future property acquisitions, Bill Chidley, Senior Vice President, Corporate Development, said, "The acquisition market for multi-family rentals in Canada continues to be highly



competitive, with most markets experiencing declining cap-rates and aggressive vendor expectations. In spite of this, we are in various stages of discussion regarding a number of potential acquisitions, but cannot be certain of closing any of these transactions.”

### **Continued Financial Strength**

The Trust maintained its solid financial position in the second quarter of 2005. Boardwalk's total mortgage and long-term debt was \$1.55 billion as at June 30, 2005. This is up from \$1.41 billion at June 30, 2004 reflecting the additional debt on acquisitions completed during the year, and also includes the issuance of unsecured debentures, which the Trust completed on January 21, 2005, in the aggregate amount of \$120 million. The debentures are rated “BBB” with a stable trend by Dominion Bond Rating Services, carry a coupon rate of 5.31% and will mature on January 23, 2012. Net proceeds of approximately \$119 million were used to fund acquisitions, repay operating lines of credit and for general trust purposes.

As at June 30, 2005, the Trust's total debt had an average maturity of 3.8 years with a weighted average interest rate of 5.41%, and the Trust's total debt-to-total-market-capitalization ratio was 59.8%.

The Trust's interest coverage ratio, excluding gains, for the three-month period ended June 30, 2005 was 1.92 times compared to 2.06 times in the same period last year.

### **Outlook and 2005 Earnings Guidance**

Commenting on the outlook for the Trust, Rob Geremia, Senior Vice President, Finance and CFO, said, “We are reaffirming our fiscal 2005 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 property acquisitions of between 1,000 to 2,000 new residential units for the year.”

### **Supplementary Information**

Boardwalk produces Quarterly Supplemental Information that provides detailed information regarding the Trust's activities during the quarter. The Second Quarter 2005 Supplemental Information is available on the INVESTOR section of our website ([www.bwalk.com](http://www.bwalk.com)).

### **Teleconference on the Second Quarter Financial Results**

We invite you to participate in the teleconference that will be held to discuss these results today at 12:00 noon ET. Senior management will speak to the financial results and provide an update. Presentation materials will be made available on our website (<http://www.boardwalkreit.com/>) prior to the call.

Participation & Registration: Please RSVP to Investor Relations at 403-531-9255 or by email to [investor@bwalk.com](mailto:investor@bwalk.com).

Teleconference: The telephone numbers for the conference are: 416-640-4127 (within Toronto) or toll-free 1-800-814-4859 (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=1191740>.



**Replay:** An audio recording of the teleconference will be available from 2:00 pm ET on August 11<sup>th</sup>, 2005 until 11:59 pm ET on August 18<sup>th</sup>, 2005. You can access it by dialing 416-640-1917 and using the passcode 21132198 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 Canada's largest owner/operator of multi-family rental communities. Boardwalk REIT currently owns and operates in excess of 260 properties with over 33,000 rental units totalling approximately 28 million net rentable square feet. The Trust's portfolio is concentrated in the provinces of Alberta, British Columbia, Saskatchewan, Ontario and Quebec. Boardwalk REIT's Trust units are listed on the Toronto Stock Exchange, trading under the symbol BEI.UN. The Trust's total market capitalization at June 30, 2005 was \$2.6 billion.

## **Forward Looking Information**

*This press release may contain forward looking statements. These statements relate, but are not limited to, Boardwalk REIT's expectations, intentions, plans and beliefs. These forward looking statements can generally be identified by the use of words "anticipated", "expected" or the negative thereof or other comparable terminology. You should be aware that these statements are subject to known and unknown risks, uncertainties and other factors, including the risks discussed under the heading "Risk Factors" in the Annual Information Form of Boardwalk REIT available on [www.sedar.com](http://www.sedar.com). Actual events or results may differ materially from those suggested by any forward-looking statements. You should not place undue reliance on any forward-looking statements contained in this press release.*

*By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Although management of Boardwalk REIT believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurances that future results, levels of activity, performance or achievements will occur as anticipated. None of Boardwalk REIT nor any other person assumes responsibility for the accuracy and completeness of any forward-looking statements, and no one has any obligations to update or revise any forward-looking statement, whether as a result of new information, future events or such other factors which affect this information, except as required by law.*

## **For further information please contact:**

### **Boardwalk REIT**

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

As at	June 30, 2005 (Unaudited)	December 31, 2004 (Audited)
<b>Assets</b>		
Revenue producing properties (NOTES 3 and 5)	\$1,818,243	\$1,740,932
Deferred financing costs	43,317	39,056
Other assets	13,058	14,125
Future income taxes (NOTE 9)	1,366	547
Mortgages and accounts receivable	7,856	8,019
Segregated tenants' security deposits	6,948	6,460
Cash and cash equivalents	18,292	-
Discontinued operations (NOTE 5)	7,124	-
	<u>\$1,916,204</u>	<u>\$1,809,139</u>
<b>Liabilities</b>		
Mortgages payable (NOTE 5)	\$1,429,913	\$1,414,122
Debentures (NOTE 6)	120,000	-
Accounts payable and accrued liabilities	27,592	27,151
Refundable tenants' security deposits and other	10,071	9,543
Capital lease obligations	-	84
Bank indebtedness	-	2,723
Discontinued operations (NOTE 5)	4,459	-
	<u>\$1,592,035</u>	<u>\$1,453,623</u>
<b>Unitholders' Equity</b>		
Unitholders' capital (NOTE 7)	294,735	293,503
Accumulated earnings	29,434	62,013
	<u>\$324,169</u>	<u>\$355,516</u>
	<u>\$1,916,204</u>	<u>\$1,809,139</u>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## CONSOLIDATED STATEMENTS OF EARNINGS

(CDN\$ THOUSANDS, EXCEPT PER UNIT AMOUNTS)

	<b>3 months ended June 30, 2005</b>	<b>3 months ended June 30, 2004</b>	<b>6 months ended June 30, 2005</b>	<b>6 months ended June 30, 2004</b>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenue</b>				
Rental income	\$74,608	\$69,580	\$147,885	\$138,956
<b>Expenses</b>				
Revenue producing properties:				
Operating expenses	10,005	8,707	19,304	17,175
Utilities	8,988	9,455	21,130	21,311
Utility rebate (NOTE 10)	15	-	(621)	(812)
Property taxes	8,069	6,761	15,990	13,476
Administration	7,160	6,253	14,063	12,302
Financing costs	20,898	18,615	41,119	37,765
Deferred financing costs amortization	934	818	1,863	1,519
Amortization of capital assets	18,802	17,799	37,339	35,047
	<u>74,871</u>	<u>68,408</u>	<u>150,187</u>	<u>137,783</u>
	(263)	1,172	(2,302)	1,173
Recovery of write-down on technology business unit	(739)	-	(739)	-
<b>Earnings (loss) from continuing operations before income taxes</b>	476	1,172	(1,563)	1,173
Large corporations taxes	(126)	408	119	1,200
Future income taxes (recovery) (NOTE 9)	(744)	(1,697)	(832)	(1,343)
<b>Earnings (loss) from continuing operations</b>	1,346	2,461	(850)	1,316
Earnings (loss) from discontinued operations, net of tax (NOTE 5)	1,583	(46)	1,748	(128)
<b>Net earnings</b>	<u>\$2,929</u>	<u>\$2,415</u>	<u>\$898</u>	<u>\$1,188</u>
<b>Basic earnings (loss) per unit (NOTE 8)</b>				
- from continuing operations	\$0.02	\$0.05	\$(0.01)	\$0.02
- from discontinued operations	\$0.03	-	\$0.03	-
<b>Basic earnings per unit</b>	<u>\$0.05</u>	<u>\$0.05</u>	<u>\$0.02</u>	<u>\$0.02</u>
<b>Diluted earnings (loss) per unit (NOTE 8)</b>				
- from continuing operations	\$0.02	\$0.05	\$(0.01)	\$0.02
- from discontinued operations	\$0.03	-	\$0.03	-
<b>Diluted earnings per unit</b>	<u>\$0.05</u>	<u>\$0.05</u>	<u>\$0.02</u>	<u>\$0.02</u>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



**CONSOLIDATED STATEMENTS OF ACCUMULATED EARNINGS**  
 (CDN\$ THOUSANDS)

	<b>6 months ended June 30, 2005</b>	<b>6 months ended June 30, 2004</b>
	(Unaudited)	(Unaudited)
Accumulated earnings, beginning of period	\$62,013	\$32,993
Net earnings	898	1,188
Distributions declared on units	(33,477)	(14,878)
Premium on unit repurchases	-	(1,023)
Elimination of future income taxes on conversion to trust	-	73,553
Accumulated earnings, end of period	<u>\$29,434</u>	<u>\$91,833</u>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## CONSOLIDATED STATEMENTS OF CASH FLOWS

(CDN\$ THOUSANDS)

	<b>3 months ended June 30, 2005</b>	<b>3 months ended June 30, 2004</b>	<b>6 months ended June 30, 2005</b>	<b>6 months ended June 30, 2004</b>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Operating activities</b>				
Net earnings	\$2,929	\$2,415	\$898	\$1,188
Loss (earnings) from discontinued operations, net of tax	(1,583)	46	(1,748)	128
Future income taxes (recovery)	(744)	(1,697)	(832)	(1,343)
Amortization of capital assets	18,802	17,799	37,339	35,047
Recovery of write-down on technology business unit	(739)	-	(739)	-
<b>Funds from continuing operations</b>	<b>18,665</b>	<b>18,563</b>	<b>34,918</b>	<b>35,020</b>
Funds from discontinued operations	49	59	253	90
Net change in operating working capital	(1,500)	12,618	3,149	10,204
Total operating cash flows	<u>17,214</u>	<u>31,240</u>	<u>38,320</u>	<u>45,314</u>
<b>Financing activities</b>				
Issue of trust units (net of issue costs) (NOTE 7)	840	6,165	1,197	28,642
Unit repurchase program	-	(1,633)	-	(1,633)
Restructuring costs	(46)	(8,500)	35	(8,500)
Distributions paid	(16,744)	(10,940)	(33,481)	(14,878)
Issue of debentures (NOTE 6)	-	-	120,000	-
Financing of revenue producing properties	66,494	34,656	112,962	69,855
Repayment of debt on revenue producing properties	(76,430)	(29,978)	(106,244)	(66,473)
Capital lease obligations	(21)	(274)	(84)	(584)
Deferred financing costs incurred (net of amortization)	(1,736)	(1,504)	(4,561)	(2,967)
	<u>(27,643)</u>	<u>(12,008)</u>	<u>89,824</u>	<u>3,462</u>
<b>Investing activities</b>				
Purchases of revenue producing properties (NOTE 4)	-	(13,089)	(103,289)	(22,263)
Project improvements to revenue producing properties	(6,233)	(6,766)	(12,313)	(12,961)
Net cash proceeds from sale of properties	9,405	-	9,405	-
Technology for real estate operations	(537)	165	(932)	(282)
	<u>2,635</u>	<u>(19,690)</u>	<u>(107,129)</u>	<u>(35,506)</u>
<b>Net increase (decrease) in cash and cash equivalents balance</b>	<b>(7,794)</b>	<b>(458)</b>	<b>21,015</b>	<b>13,270</b>
<b>Cash and cash equivalents (bank indebtedness), beginning of period</b>	<b>26,086</b>	<b>23,851</b>	<b>(2,723)</b>	<b>10,123</b>
<b>Cash and cash equivalents, end of period</b>	<b><u>\$18,292</u></b>	<b><u>\$23,393</u></b>	<b><u>\$18,292</u></b>	<b><u>\$23,393</u></b>
<b>Supplementary cash flow information:</b>				
Taxes paid	\$668	\$336	\$658	\$1,242
Interest paid	\$19,341	\$18,901	\$38,343	\$38,291

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended June 30, 2005

(TABULAR AMOUNTS IN CDNS\$ 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, 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 of Boardwalk Real Estate Investment Trust (the "Trust") have been prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and are consistent with those used in the audited consolidated financial statements as at and for the year ended December 31, 2004, except as described in Note 3 below. These interim financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles ("Canadian GAAP") applicable to annual financial statements and, therefore, they should be read in conjunction with the audited consolidated financial statements.

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

Due to seasonality, the operating results for the three and six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2005.

The comparative figures for the three months ended June 30, 2004 represent the activities of Boardwalk Equities Inc. for the period from April 1, 2004 to May 2, 2004 combined with the activities of Boardwalk REIT for the period from May 3, 2004 to June 30, 2004. The comparative figures for the six months ended June 30, 2004 represent the activities of the 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 June 30, 2004. Certain comparative figures have been reclassified to conform to the presentation of the current period, or as a result of accounting changes.

### 3. ACCOUNTING CHANGES

#### a) ACCOUNTING POLICY CHANGES

##### (i) HEDGE ACCOUNTING

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

##### (ii) CONSOLIDATION OF VARIABLE INTEREST ENTITIES

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

#### b) RECLASSIFICATION OF PROPERTIES HELD FOR RESALE

Prior to the commencement of the second quarter of 2005, certain excess land located in the province of Saskatchewan that was being developed and made ready for sale was classified as "Properties Held for Resale". The Trust capitalized all direct costs, including financing and property tax costs, net of related revenue, associated with the land. Capitalization of costs continued to the end of the first quarter of 2005, when the development was substantially completed. Capitalized financing and property tax costs totalled \$0.1 million for the three months ended March 31, 2005 (\$0.4 million for the year ended December 31, 2004).



Commencing in the second quarter of 2005, the excess land in the amount of \$8.0 million (December 31, 2004 - \$7.9 million) was reclassified as a component of revenue producing properties.

#### 4. REVENUE PRODUCING PROPERTIES

##### Acquisitions

	3 months ended June 30, 2005	3 months ended June 30, 2004	6 months ended June 30, 2005	6 months ended June 30, 2004
Cash paid	\$-	\$13,089	\$103,289	\$22,263
Debt assumed	-	10,409	13,144	18,321
Total purchase price	\$-	23,498	\$116,433	40,584
Fair value adjustments to debt	-	774	(207)	1,334
Book value	\$-	\$24,272	\$116,226	\$41,918
Allocation of book value to revenue producing properties	\$-	\$23,235	\$112,569	\$40,145
Allocation of book value to other assets	-	1,037	3,657	1,773
	\$-	\$24,272	\$116,226	\$41,918
Units acquired	-	354	1,325	537

##### Dispositions

	3 months ended June 30, 2005	3 months ended June 30, 2004	6 months ended June 30, 2005	6 months ended June 30, 2004
Cash received	\$9,405	\$-	\$9,405	\$-
Cost of dispositions	127	-	127	-
Total proceeds	9,532	-	9,532	-
Net book value	8,025	-	8,025	-
Gain on sale	\$1,507	\$-	\$1,507	\$-
Units sold	186	-	186	-

#### 5. DISCONTINUED OPERATIONS

During the first quarter of 2005, a commercial building in Calgary was classified as discontinued operations as a result of the Trust initiating an active program to dispose of this property. This property is available for immediate sale and is being marketed for sale at a price that is reasonable in relation to its current fair value. During the second quarter of 2005, the Trust completed the sale of a 186-unit rental property located in Edmonton, Alberta. This rental property formed part of our Alberta segment in our segmented information disclosure.



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

	<b>3 months ended June 30, 2005</b>	<b>3 months ended June 30, 2004</b>	<b>6 months ended June 30, 2005</b>	<b>6 months ended June 30, 2004</b>
<b>Revenue</b>				
Rental income	\$514	\$460	\$1,036	\$909
<b>Expenses</b>				
Revenue producing properties:				
Operating expenses	53	62	113	133
Utilities	66	100	179	198
Utility rebate	(8)	-	(8)	-
Property taxes	42	23	67	53
Administration	18	15	36	39
Financing costs	293	195	394	390
Deferred financing cost amortization	1	6	2	6
Amortization of capital assets	-	126	-	251
	<u>465</u>	<u>527</u>	<u>783</u>	<u>1,070</u>
Gain on disposition	1,507	(67)	1,507	(161)
	<u>1,556</u>	<u>(67)</u>	<u>1,760</u>	<u>(161)</u>
<b>Operating earnings (loss) from discontinued operations before income taxes</b>				
Future income taxes (recovery)	(27)	(21)	12	(33)
<b>Earnings (loss) from discontinued operations</b>	<u>\$1,583</u>	<u>\$(46)</u>	<u>\$1,748</u>	<u>\$(128)</u>
				<b>June 30, 2005</b>
<b>Discontinued Assets</b>				
Revenue producing properties				\$6,761
Other assets				363
Total				<u>\$7,124</u>
<b>Discontinued Liabilities</b>				
Mortgages payable				\$4,459
Total				<u>\$4,459</u>

## 6. DEBENTURES

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

## 7. UNITHOLDERS’ CAPITAL

The Plan of Arrangement (the “Arrangement”) to convert Boardwalk Equities Inc. from a share corporation to a real estate investment trust was completed on May 3, 2004. On conversion of Boardwalk Equities Inc. to a trust, \$10.1 million 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:

	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
<b>Summary of Unitholders' Capital Contributions</b>		
	Units	Amount
Units issued in exchange for Boardwalk Equities Inc. shares	53,213,274	\$303,881
Issuance of 15,000 units for cash at \$18.00 per unit on May 3, 2004	15,000	270
Unit repurchases, recorded at book value of units	(138,400)	(766)
Units issued under distribution reinvestment plan	17,693	292
Restructuring costs	-	(10,174)
December 31, 2004	53,107,567	\$293,503
Units issued under distribution reinvestment plan	64,862	1,197
Restructuring cost recovery	-	35
June 30, 2005	53,172,429	\$294,735

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

**(a) REIT Units**

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

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

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

**(b) Special Voting Units**

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

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



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

	Units	Amount
Boardwalk REIT Units	48,697,429	
Special Voting Units issued to holders of LP Class B units	4,475,000	
Total trust units	53,172,429	\$294,735

## 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 15<sup>th</sup> day of the following month. The reconciliation of distributable income and per unit information begins with net earnings calculated in accordance with Canadian generally accepted accounting principles and as defined in the Declaration of Trust for Boardwalk REIT. However, distributable income and the per unit information are non-GAAP measures that do not have any standardized meaning prescribed by Canadian GAAP and, therefore, unlikely to be comparable to similar measures presented by other real estate companies and trusts.

	6 months ended June 30, 2005
Net earnings	\$898
Add:	
Amortization of capital assets	37,339
Amortization of deferred financing costs incurred prior to May 3, 2004	1,549
Amortization of net discount on long-term debt assumed after May 2, 2004	1
Deduct:	
Future income tax recovery	(820)
Gain on disposal	(1,507)
Recovery of write-down on technology business unit	(739)
Distributable income	\$36,721
Distribution to unitholders	\$33,477
Weighted average units outstanding – basic and diluted	53,133,122
Distributable income earned per unit	\$0.691
Actual distributions declared per unit	\$0.630

### Earnings per unit

	3 months ended June 30, 2005	3 months ended June 30, 2004	6 months ended June 30, 2005	6 months ended June 30, 2004
<b>Numerator</b>				
Earnings (loss) from continuing operations	\$1,346	\$2,461	\$(850)	\$1,316
Earnings (loss) from discontinued operations	\$1,583	\$(46)	\$1,748	\$(128)
<b>Denominator</b>				
Denominator for basic earnings per unit – weighted average units (THOUSANDS)	53,150	53,091	53,133	52,395
Effect of dilutive units				
Units issued (stock options before May 3, 2004) in respect of long-term incentive plan (THOUSANDS)	-	-	-	-
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion (THOUSANDS)	53,150	53,091	53,133	52,395
<b>Earnings (loss) per unit from continuing operations</b>				
Basic	\$0.02	\$0.05	\$(0.01)	\$0.02
Diluted	\$0.02	\$0.05	\$(0.01)	\$0.02
<b>Earnings (loss) per unit from discontinued operations</b>				
Basic	\$0.03	\$0.00	\$0.03	\$0.00
Diluted	\$0.03	\$0.00	\$0.03	\$0.00



## 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 three and six months ended June 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.

	3 months ended June 30, 2005	3 months ended June 30, 2004	6 months ended June 30, 2005	6 months ended June 30, 2004
Continuing operations	\$(744)	\$(1,697)	\$(832)	\$(1,343)
Discontinued operations	(27)	(21)	12	(33)
Total future income taxes (recovery)	\$(771)	\$(1,718)	\$(820)	\$(1,376)

Future income taxes (recovery) consist of the following:

	3 months ended June 30, 2005	3 months ended June 30, 2004	6 months ended June 30, 2005	6 months ended June 30, 2004
Tax (recovery) expense based on expected rate	\$(90)	\$233	\$(139)	\$201
Adjustment to future income tax liabilities	(601)	(188)	(601)	(26)
Adjustment for change in effective tax rate	(80)	(1,763)	(80)	(1,551)
Future income taxes (recovery)	\$(771)	\$(1,718)	\$(820)	\$(1,376)

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

As at	June 30, 2005	December 31, 2004
Tax assets related to operating losses	\$1,055	\$1,034
Tax liabilities related to differences in tax and book basis	311	(487)
Future income tax asset (liability)	1,366	\$547

## 10. COMMITMENTS AND CONTINGENCIES

At June 30, 2005, the Trust had long-term supply arrangements with two electrical utility companies to supply the Trust with its electrical power needs for Alberta for the next six to eighteen months at a blended rate of approximately \$0.066/kwh. These agreements provide that the Trust purchase its power for all Alberta properties under contract for the upcoming months.

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

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

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

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

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



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

## 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, 2005 is approximately \$5.8 million. In the event of default, Boardwalk REIT's recourse for recovery includes the sale of the respective building asset. Boardwalk REIT expects that the proceeds from the sale of the building asset will cover, and in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at June 30, 2005, 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. The comparative figures represent the activities of Boardwalk Equities Inc.

	3 months ended June 30, 2005	3 months ended June 30, 2004	6 months ended June 30, 2005	6 months ended June 30, 2004
<b>Alberta</b>				
Revenue	\$39,116	\$37,472	\$77,805	\$75,244
Expenses				
Operating	5,314	4,249	9,970	9,078
Utilities	4,914	4,853	10,555	10,876
Utility rebates	9	-	(627)	(812)
Property taxes	3,301	2,720	6,552	5,396
	<u>13,538</u>	<u>11,822</u>	<u>26,450</u>	<u>24,538</u>
Net operating income	<u>\$25,578</u>	<u>\$25,650</u>	<u>\$51,356</u>	<u>\$50,706</u>
<b>Saskatchewan</b>				
Revenue	\$8,531	\$8,482	\$17,082	\$17,110
Expenses				
Operating	1,319	1,167	2,476	2,241
Utilities	826	1,271	2,432	2,787
Property taxes	1,276	1,118	2,502	2,235
	<u>3,421</u>	<u>3,556</u>	<u>7,410</u>	<u>7,263</u>
Net operating income	<u>\$5,110</u>	<u>\$4,926</u>	<u>\$9,672</u>	<u>\$9,847</u>
<b>Ontario</b>				
Revenue	\$9,206	\$8,891	\$18,455	\$17,865
Expenses				
Operating	1,230	1,073	2,549	2,156
Utilities	1,431	1,719	3,457	3,408
Property taxes	1,649	1,445	3,326	2,947
	<u>4,310</u>	<u>4,237</u>	<u>9,332</u>	<u>8,511</u>
Net operating income	<u>\$4,896</u>	<u>\$4,654</u>	<u>\$9,123</u>	<u>\$9,354</u>
<b>British Columbia</b>				
Revenue	\$1,483	\$-	\$2,415	\$-
Expenses				
Operating	283	-	298	-
Utilities	106	-	213	-
Property taxes	66	-	88	-
	<u>455</u>	<u>-</u>	<u>599</u>	<u>-</u>



Net operating income	\$1,028	\$-	\$1,816	\$-
<b>Quebec</b>				
Revenue	\$16,063	\$14,620	\$31,731	\$28,459
Expenses				
Operating	1,737	1,430	3,471	2,875
Utilities	1,673	1,580	4,279	4,211
Property taxes	1,764	1,474	3,497	2,893
	5,174	4,484	11,247	9,979
Net operating income	\$10,889	\$10,136	\$20,484	\$18,480
<b>Total</b>				
Net operating income	\$47,501	\$45,366	\$92,450	\$88,387
Unallocated revenue*	10,255	575	10,965	1,187
Unallocated expenses**	(54,827)	(43,526)	(102,517)	(88,386)
Net earnings for the period	\$2,929	\$2,415	\$898	\$1,188

As at	June 30, 2005	December 31, 2004
<b>Alberta</b>		
Identifiable assets		
Revenue producing properties	\$960,503	\$939,735
Mortgages and accounts receivable	969	297
Deferred financing costs	26,045	24,392
Tenants' security deposit	5,432	5,243
	\$992,949	\$967,667
<b>Saskatchewan</b>		
Identifiable assets		
Revenue producing properties	\$178,812	\$181,230
Mortgages and accounts receivable	90	102
Deferred financing costs	4,411	4,467
Tenants' security deposits	1,292	1,216
	\$184,605	\$187,015
<b>Ontario</b>		
Identifiable assets		
Revenue producing properties	\$216,155	\$218,740
Mortgages and accounts receivable	179	246
Deferred financing costs	3,578	3,329
	\$219,912	\$222,315
<b>British Columbia</b>		
Identifiable assets		
Revenue producing properties	\$61,670	\$-
Mortgages and accounts receivable	7	-
Tenants' security deposits	228	-
	\$61,905	\$-
<b>Quebec</b>		
Identifiable assets		
Revenue producing properties	\$397,364	\$389,866
Mortgages and accounts receivable	4,687	4,465
Deferred financing costs	6,135	5,417
	\$408,186	\$399,748
<b>Total assets</b>		
Identifiable assets	\$1,867,557	\$1,778,745
Unallocated assets***	48,647	37,334
	\$1,916,204	\$1,809,139

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

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

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