Boardwalk

Q1 2014

the value of Community

CORPORATE PROFILE

Boardwalk REIT is Canada's friendliest landlord and currently owns and operates more than 226 properties with 35,386 residential units (as at March 31, 2014) totaling approximately 30 million net rentable square feet. Boardwalk's principal objectives are to provide its Residents with the best quality communities and superior customer service, while providing Unitholders with sustainable monthly cash distributions, and increase the value of its Trust Units through selective acquisition, disposition, and effective management of its residential multi-family properties. Boardwalk REIT is vertically integrated and is Canada's leading owner/operator of Multi-Family Communities with over 1,500 associates bringing Customers home to properties located in Alberta, Saskatchewan, Ontario, Quebec, and British Columbia.

Letter to Unitholders

We are pleased to report on a solid first quarter of 2014 for Boardwalk Real Estate Investment Trust ("Boardwalk", "Boardwalk REIT", or the "Trust"). Funds from Operations (FFO) for the quarter totaled $40.0 million, or $0.76 per Trust Unit on a diluted basis, an increase of approximately 2.1% and 1.3%, respectively, over the same quarter last year. Adjusted Funds from Operations (AFFO) per Trust Unit increased 1.5% to $0.68 for the current quarter versus $0.67 for the same three-month period in 2013.

The increase in reported FFO was attributed to organic revenue growth driven by higher market and in-place rents while maintaining high occupancy levels and offering fewer incentives, resulting in a 5.0% increase in total rental revenue for the first quarter versus the same period in 2013. However, an increase in operating expenses tempered these gains as unusually cold weather across Canada during the first quarter coupled with increasing natural gas prices resulted in significant increases to the Trust's utilities costs. Utility costs for the current quarter were approximately $15.8 million, an increase of $3.4 million, or 27%, compared to $12.4 million for the same period last year. This translates into an increase to operating expense per Trust Unit on a diluted basis of $0.06 for the quarter. The continued low interest rate environment continues to benefit the Trust as lower overall financing costs in the renewal of its existing CMHC Insured Mortgages continues to reduce the Trust's interest expense.

FFO and AFFO are widely accepted supplemental measures of the performance of a Canadian Real Estate entity; however, they are not measures defined by International Financial Reporting Standards ("IFRS"). The reconciliation of FFO and other financial performance measures can be found in the Management Discussion and Analysis (MD&A) for the first quarter ended March 31, 2014, under the section titled, "Performance Measures".

HIGHLIGHTS OF THE TRUST'S FIRST QUARTER 2014 FINANCIAL RESULTS

$ millions, except per unit amounts	**Three Months Mar 2014**	Three Months Mar 2013	% Change
Total Rental Revenue	**$ 116.6**	$ 111.0	5.0%
Net Operating Income (NOI)	**$ 68.3**	$ 68.3	0.1%
Profit from Continuing Operations	**$ 109.4**	$ 92.2	18.7%
Funds From Operations (FFO)	**$ 40.0**	$ 39.2	2.1%
Adjusted Funds From Operations (AFFO)	**$ 35.8**	$ 35.0	2.3%
FFO Per Unit	**$ 0.76**	$ 0.75	1.3%
AFFO Per Unit	**$ 0.68**	$ 0.67	1.5%
Distributions Declared (Trust Units & LP B Units)	**$ 26.5**	$ 25.6	3.2%
Distributions Declared Per Unit (Trust Units & LP B Units) (2014 – $2.04 Per Unit – 2013 – $1.98 per Unit on an annualized basis)	**$ 0.505**	$ 0.490	3.1%
Excess of AFFO over Distributions Per Unit	**$ 0.175**	$ 0.180	-2.8%
Regular Payout as a % FFO	**66.1%**	65.4%	
Regular Payout as a % AFFO	**73.9%**	73.2%	
Excess of AFFO as a % of AFFO	**26.1%**	26.8%	
Interest Coverage Ratio (Rolling 4 quarters)	**3.19**	2.86	
Operating Margin	**58.6%**	61.5%	

The Fair Value under IFRS for the Trust's portfolio increased as a result of higher market rents as Capitalization Rates remained unchanged for multi-family assets (as compared to the previous quarter). Below is a summary of the Trust's per unit Net Asset Value with further discussion located in the 2014 First Quarter MD&A.

HIGHLIGHTS OF THE TRUST'S FAIR VALUE OF INVESTMENT PROPERTIES

	Mar 31, 2014	Mar 31, 2013
IFRS Asset Value Per Diluted Unit (Trust & LP B)	**$ 108.68**	$ 109.65
Debt Outstanding per Diluted Unit	**$ (43.29)**	$ (44.72)
Net Asset Value (NAV) Per Diluted Unit (Trust & LP B)	**$ 65.39**	$ 64.93
Cash Per Diluted Unit (Trust & LP B)	**$ 2.16**	$ 2.50
Assets Held for Sale, Net of Debt Per Diluted Unit	**$ 1.69**	$ –
Total Per Diluted Unit (Trust & LP B)	**$ 69.24**	$ 67.43

Weighted Average Capitalization Rate: 5.49% (excluding assets held for sale) at Mar 31, 2014 and 5.48% at Dec 31, 2013.

For further detail, please refer to page 28 of the MD&A.

Boardwalk's strategy of managing revenue while lowering turnover and other operating costs remains key to optimizing Net Operating Income ("NOI"). One component of Boardwalk's NOI Strategy is its rental revenue strategy, which involves the continuous active management of three key variables: occupancy levels, market rents, and suite-specific incentives and has allowed the Trust to report an increase in both average and occupied rents versus the last quarter and the same period a year ago while also maintaining high occupancy levels. Average monthly rents increased to $1,121 in March of 2014 from $1,071 in March of 2013 and average occupied rents for the period also increased to $1,138 versus $1,088 for the same period last year. Average market rents have increased to $1,173, up from $1,118 in March of 2013 and sequentially higher than the beginning of the year. In the first quarter of 2014, overall occupancy (excluding the recently developed Spruce Ridge Gardens) for Boardwalk's portfolio was 98.44%, a slight increase compared to the previous quarter, and higher than the same period last year.

In addition to the continued increase in average monthly and occupied rents the Trust has been able to achieve to date, market rents continue to increase, leaving a considerable mark-to-market opportunity for the Trust. Continued focus on product quality and customer service remains key to Boardwalk's NOI Optimization strategy and further sustainable improvement of financial performance.

The Trust's self-imposed rent control and rental increase forgiveness program for financially challenged Resident Members, which eliminates or reduces rental increases where appropriate, continues to build goodwill. Historically, by providing sustainable rental increases to our Resident Members, the Trust has experienced lower turnover, reduced operating expenses and higher occupancy levels, all of which have resulted in higher revenues and a positive benefit to all of the Trust's Stakeholders.

For further detail, please refer to page 14 of the MD&A.

PORTFOLIO HIGHLIGHTS FOR THE FIRST QUARTER OF 2014

	Mar-14	Dec-13	Mar-13
Average Occupancy (Period Average) (1)	**98.44%**	98.42%	98.37%
Average Monthly Rent (Period Ended) (1)	**$ 1,121**	$ 1,104	$ 1,071
Average Market Rent (Period Ended) (1)	**$ 1,173**	$ 1,157	$ 1,118
Average Occupied Rent (Period Ended) (1)	**$ 1,138**	$ 1,122	$ 1,088
Loss-to-Lease (Period Ended) ($ millions) (1)	**$ 14.6**	$ 14.8	$ 12.3
Loss-to-Lease Per Trust Unit (Period Ended) (1)	**$ 0.28**	$ 0.28	$ 0.24
Cash (Period Ended) ($ millions)	**$ 113.3**	$ 131.1	$ 128.0

Same Property Results	% Change Year-Over-Year 3 Months Mar 2014
Rental Revenue	4.6%
Operating Costs	11.2%
Net Operating Income (NOI)	0.6%

(1) Excludes 109-unit Spruce Ridge Gardens Development completed November 2013.

(2) All figures include Assets Classified as held for sale.

Stabilized Revenue Growth	# of Units	Q1 2014 vs Q4 2013	Q4 2013 vs Q3 2013	Q3 2013 vs Q2 2013	Q2 2013 vs Q1 2013
Calgary	5,310	1.0%	0.9%	1.4%	2.0%
Edmonton	12,497	1.2%	1.8%	1.5%	1.8%
Fort McMurray	352	-0.5%	1.8%	-0.1%	2.9%
Grande Prairie	645	1.3%	2.3%	1.0%	1.3%
Red Deer	939	1.7%	2.1%	2.3%	1.3%
British Columbia	633	0.0%	0.7%	0.4%	0.1%
Ontario	4,265	-0.3%	1.1%	-2.7%	4.0%
Quebec	6,000	-0.2%	0.8%	0.4%	1.0%
Saskatchewan	4,636	0.0%	0.9%	1.0%	1.1%
	35,277	0.6%	1.3%	0.8%	1.8%

(1) Includes Assets Held for Sale.

On a sequential basis, stabilized revenues for the first quarter of 2014 increased 0.6% when compared to the previous quarter, mainly the result of higher market rents coupled with continued high occupancy. It should be noted that historically Q1 vs Q4 comparatives tend to report a lower level of growth. Alberta, our largest market, posted positive sequential revenue growth this quarter with the strongest sequential gains in Calgary, Red Deer, Grande Prairie and Edmonton. Ontario and Quebec's sequential revenue decrease was mainly a result of higher vacancy levels, though moderated by higher in place rents. Continued high occupancy coupled with increasing occupied rents, reflects positively on the Trust's vertically integrated operating and NOI optimization strategies.

For further detail, please refer to page 22 of the MD&A.

ECONOMIC MARKET FUNDAMENTALS

Market Fundamentals	BC		Alberta		Saskatchewan		Ontario		Quebec	
	Mar-14	Mar-13	**Mar-14**	Mar-13	**Mar-14**	Mar-13	**Mar-14**	Mar-13	**Mar-14**	Mar-13
Unemployment Rate	**5.8%**	7.0%	**4.9%**	4.8%	**4.5%**	3.9%	**5.7%**	7.7%	**7.6%**	7.7%
	Q4 2013	Q4 2012	**Q4 2013**	Q4 2012	**Q4 2013**	Q4 2012	**Q4 2013**	Q4 2012	**Q4 2013**	Q4 2012
Net Interprovincial Migration	**-721**	-2,234	**5,663**	11,533	**-137**	-339	**-378**	-4,061	**-2,729**	-1,988
Net International Migration	**2,351**	-305	**8,749**	6,591	**2,332**	2,339	**2,206**	9,930	**1,181**	4,203
Total Net Migration	**1,630**	-2,539	**14,412**	18,124	**2,195**	2,000	**1,828**	5,869	**-1,548**	2,215
	Jan 2013 to Jan 2014	Jan 2012 to Jan 2013	**Jan 2013 to Jan 2014**	Jan 2012 to Jan 2013	**Jan 2013 to Jan 2014**	Jan 2012 to Jan 2013	**Jan 2013 to Jan 2014**	Jan 2012 to Jan 2013	**Jan 2013 to Jan 2014**	Jan 2012 to Jan 2013
Average Weekly Wages Growth	**2.5%**	2.8%	**5.1%**	3.6%	**3.5%**	1.6%	**2.4%**	2.5%	**1.9%**	4.3%

Source: Statistics Canada

Western Canada

Projected improvement in labour markets, population growth and consumer demand for goods and services, are expected to grow British Columbia's economy at a faster pace in 2014 and 2015 as compared to 2013. CMHC predicts real GDP in the province will increase 2.3% in 2014 and 2.8% in 2015, both an increase from 1.7% in 2013. The flood in southern Alberta slowed initial economic activity in 2013; however, the remediation efforts will provide a boost to the economy in 2014 and 2015. As a result of these efforts, as well as increased energy demand, continued population growth and rising incomes, CMHC predicts that Alberta's real GDP will increase by 3.1% in 2014 and 3.0% in 2015. CMHC expects Saskatchewan's real GDP to increase by 2.4% in 2014 and 2.6% in 2015 driven by increase in commodity exports, rising wages and expanding population, but may be moderated by potentially lower potash prices.

CMHC estimates the unemployment rate in British Columbia will increase to 6.7% in 2014 from 6.6% in 2013, driven by moderating employment growth. This is expected to improve in 2015 as higher employment growth driven by the resource sector will cause the unemployment rate to lower slightly to 6.4%. Alberta's expected economic activity is forecasted to create employment growth of 2.3% in 2014 and 2.2% in 2015, according to CMHC, and as a result of tight labour market conditions, Alberta's unemployment rate is expected to average 4.5% in 2014 and 4.4% in 2015. The increase in employment in 2013 in Saskatchewan resulted in the unemployment rate decreasing to 4.0%, however, CMHC expects that with investment in potash and uranium industries being affected by lower commodity prices, employment growth will slow, resulting in an unemployment rate of 4.2% in 2014 and 4.3% in 2015.

In 2013, British Columbia added approximately 41,000 people driven by international migration; however, CMHC expects this to stabilize over the next two years. Alberta's population saw a record level of net migration in 2013 at 100,000 people; however, CMHC expects this to moderate in the forecast period to 71,000 in 2014 and 63,000 in 2015. While CMHC forecasts that the migration flows to Saskatchewan will remain elevated at 12,700 people in 2014 and 10,800 people in 2015, it will be below the levels seen in 2012 and 2013.

Eastern Canada

CMHC anticipates that Ontario's economic growth will gradually increase from 1.6% in 2013 to 2.6% by 2015, mainly driven by an improving manufacturing and export sector. This may potentially be the first time in over a decade where Ontario's economy will match the national growth average. According to CMHC, Quebec's economy will gain momentum as the Canadian economy gains momentum. CMHC forecasts GDP growth of 1.7% in 2014 and 2.0% in 2015 for the province.

The improving Ontario economy will help increase job growth in the province, resulting in the estimated unemployment rate to lower to 7.3% in 2014 and 6.9% in 2015, according to CMHC. In relation to the growing economy in Quebec, CMHC estimates that employment will continue to grow at similar rates of 1.4% in 2014 and 1.5% in 2015, improving the unemployment rate to 7.5% and 7.3% respectively.

With Ontario's projected economic improvement, the migratory outflow that the province has been recently experiencing may moderate. CMHC predicts that net migration to Ontario will reach 87,600 in 2014 and 95,500 in 2015. Quebec is expected to have total net migration of 44,000 people in 2014 and 46,000 people in 2015, which, according to CMHC, is limited due to more attractive labour markets in other provinces.

MLS HOUSING PRICES

British Columbia	Vancouver CMA		Victoria CMA	
	Mar-14	Mar-13	**Mar-14**	Mar-13
Average Single Family	**NA**	NA	**$ 624,751**	$ 580,353
Average Condo	**NA**	NA	**$ 293,141**	$ 288,310
Average Overall	**$ 615,200**	$ 593,100	**NA**	NA
Alberta	Calgary CMA		Edmonton CMA	
	Mar-14	Mar-13	**Mar-14**	Mar-13
Average Single Family	**$ 556,498**	$ 518,467	**$ 432,458**	$ 419,882
Average Condo	**$ 311,063**	$ 301,358	**$ 247,005**	$ 247,042
Saskatchewan	Saskatoon CMA		Regina CMA	
	Mar-14	Mar-13	**Mar-14**	Mar-13
Average Overall	**$ 354,084**	$ 336,068	**$ 328,781**	$ 314,353
Ontario	London CMA		Windsor CMA	
	Mar-14	Mar-13	**Mar-14**	Mar-13
Average Overall	**$ 254,045**	$ 246,333	**$ 176,067**	$ 179,271
Quebec	Montreal CMA			
	Mar-14	Mar-13		
Average Overall*	**$ 316,809**	$ 312,488		

Internally generated, NA = Data not available, * Internally calculated based on volume of sales and total sales as provided by the Greater Montreal Real Estate Board. Source: Association of Regina REALTORS®, Calgary Real Estate Board, Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Edmonton Real Estate Board, Greater Montreal Real Estate Board, London and St. Thomas Association of REALTORS®, Real Estate Board of Greater Vancouver, Saskatoon Region Association of REALTORS®, Victoria Real Estate Board, Windsor-Essex County Real Estate Board.

Western Canada

British Columbia is expected to see a slight increase in single-detached starts, according to CMHC, with 9,100 units in 2014 and 9,400 units in 2015. Alternatively, multiple starts are projected to remain relatively stable with 18,532 units in 2013, 18,700 units in 2014 and 18,400 units in 2015.

In Alberta, due to the higher level of demand relative to supply in Alberta's major resale markets, single-detached starts are projected to increase to 19,100 units in 2014 and 18,800 units in 2015, according to CMHC. Multiple housing starts rose to 17,850 in 2013 and CMHC expects these starts to increase further to 18,000 in 2014 and moderate slightly to 17,600 in 2015.

Due to the increased supply and moderating net migration to Saskatchewan, CMHC predicts that single-detached starts will decrease from 4,184 units in 2013 to 3,900 units in 2014 and further to 3,800 units in 2015. Multiple housing starts in the province will follow a similar trend due to rising inventory and an increased number of units under construction at the end of 2013. CMHC forecasts that multiple starts will decrease to 3,800 units in 2014 and 3,700 units in 2015.

Eastern Canada

CMHC reports that Ontario's improving employment growth and tighter resale market conditions will support single-detached starts, amounting to 22,400 units in 2014 and 21,600 units in 2015. Multiple housing starts in Ontario are expected to slow to 37,800 units and

36,700 units in 2014 and 2015, respectively. CMHC notes that multiple housing starts remain high, as demand continues to be strong for affordable row type housing in Ontario's large municipalities.

CMHC estimates that following a decrease in single-detached starts in 2013, starts in 2014 and 2015 in Quebec will remain relatively stable at 13,200 units and 13,400 units, respectively. Additionally, multiple starts will follow a similar pattern of stabilizing throughout the forecast period; with total multiple starts in Quebec moderating to 24,800 units in 2014 and 25,400 units in 2015.

ACQUISITIONS, DISPOSITIONS AND DEVELOPMENT

There were no Investment Property acquisitions or dispositions completed in the first three months of 2014. A 102-unit property in Edmonton, Alberta and all three of the properties in the Trust's British Columbia Property Portfolio were reclassified as 'Assets Classified as Held for Sale' in the Trust's first quarter financial statements as contracts for their sale became unconditional. Details of the sale of these four assets are summarized below:

Building Name	City	# Units	Type	Price	$/unit	$/sq ft	Debt Assumed	Net Proceeds	Closing Date
Sold									
Westpark Ridge	Edmonton	102	Garden	$ 13,500,000 (1)	$ 132,353	$ 136	–	$ 13,500,000 (4)	May 5, 2014
Unconditional									
BC Portfolio Total	Burnaby, Surrey & Victoria	633	High Rise, Townhouse & Walkup	$ 140,000,000 (2)	$ 221,169	$ 274	$ 62,002,000	$ 76,498,000 (3)(4)	May 29, 2014

(1) We estimate the required cap ex to be between $5 million – $10 million; resulting in an adjusted cap rate based on 2013 actual NOI to be between 5.34% and 4.21%.

(2) The Purchase and Sale Agreement prohibits us from disclosing the name of the purchaser and the cap rate.

(3) Includes $1.5 million holdback to cover the cost of a fire hydrant waterline upgrade required by the fire department at the Victoria project.

(4) Excludes Transaction Costs.

Subsequent to March 31, 2014, the Trust also had an unconditional purchase and sale agreement with a third-party to purchase 1 unit in Edmonton, Alberta in the property known as 'Morningside Estates' for a purchase price of $175,000. The purchase is scheduled to close May 15, 2014, at which time, the Trust will own 222 of the 224 units in the property.

The Trust is continuing the process of marketing select non-core properties with the intent of high-grading its portfolio by re-deploying the equity from these assets towards value enhancing transactions for the Trust's Stakeholders, including development, capital improvements and the repurchase and cancellation of Trust Units under the Trust's Normal Course Issuer Bid. Between mid-2007 and the beginning of 2012, the Trust exercised a similar strategy of high-grading its portfolio through the sale of 1,578 Apartment Units, comprised of non-core assets, for total gross proceeds of $171.9 million. The Trust re-deployed this equity into the purchase and cancellation of Trust Units under similar Normal Course Issuer Bids, and, re-purchased and cancelled 4,542,747 Trust Units, representing a total investment of $170.5 million, or an average cost of $37.53 per Trust Unit.

The demand for Multi-Family Investment Properties in Canada continues to be strong. As a result, capitalization rates continue to remain low and high prices for Multi-Family assets continue to be the trend. The Trust continues to bid on higher quality assets; however, no new apartment acquisitions have been completed to date as the actual transaction prices on these assets would not prove to be in the best interest of the Trust on a risk-adjusted basis.

The Trust substantially completed and started leasing its first development project, Spruce Ridge Gardens, a 109-unit, wood frame, four storey, elevatored asset on existing excess land the Trust owns in Calgary, Alberta in December of 2013. The project was completed on time with a total cost of approximately $18.7 million, slightly below the Trust's original budget of approximately $19 million. Prior to construction, the Trust applied for a rent subsidy grant from the Province of Alberta's 'Housing Capital Initiatives' and received approximately $7.5 million to assist in the development of this property. In return, the Trust has agreed to provide 54 of the 109 units at rental rates 10% below average Calgary market rents for 20 years. The Trust estimates the stabilized capitalization rate of this project to be 6.5% to 7.0%, while also allowing the Trust to surface approximately $4.25 million ($39,000 per apartment unit) of land value. To date, the Trust has leased approximately 80% of its units, and continues to undertake a staggered approach to its leasing program to ensure Customer Service levels are maintained during the lease-up phase of the new project.

The Trust continues to explore other viable development opportunities for multi-family apartment buildings on excess land the Trust currently owns in Alberta and Saskatchewan. The increased demand for multi-family investment properties, which has resulted in continued low capitalization rates, presents a unique opportunity for the Trust to explore the viability of multi-family rental property development in order to improve the Trust's portfolio and enhance value for Unitholders.

For further detail, please refer to page 29 of the MD&A.

LIQUIDITY AND CONTINUED FINANCIAL STRENGTH

Including the net proceeds from Assets Classified as Held for Sale, the Trust currently has approximately $409 million of available liquidity with debt (net of cash) to reported investment properties value of approximately 38%. The Trust's interest coverage ratio, excluding gain or loss on sale of assets, for the most recent completed four quarters ended March 31, 2014 increased to 3.19 times compared to 2.86 times for the same period last year.

The Trust continues to explore all options in deploying capital, including the Trust's Normal Course Issuer Bid, which was accepted by the Toronto Stock Exchange in June of 2013 and allows the Trust to re-purchase and cancel up to 10% of its public float, or approximately 3.9 million Trust Units. The Trust believes that the current market prices of its Trust Units do not reflect their underlying value. Boardwalk's Management has initiated this program as it feels that there is a significant disparity between the prices being paid for multi-family assets in private markets and the implied value of its portfolio based on the current price of its Trust Units. At current market prices, an investment in Boardwalk's own high quality portfolio will deliver strong returns for Unitholders and represents an effective use of its capital.

2014 – Q1

In $000's

Cash Position – Mar 31, 2014	$ 113,000
Net Proceeds from Dispositions	$ 90,000 (2)
Subsequent Committed Up-Financing	$ 10,000
Line of Credit (1)	$ 196,000
Total Available Liquidity	$ 409,000
Liquidity as a % of Total Debt	18% (3)
Debt (net of cash) as a % of reported asset value	38% (3)

(1) The Trust's Undrawn Credit Facility has a Credit Limit of $200mm. The balance reflects the available balance net of outstanding Letters of Credit.

(2) Excludes Transaction Costs.

(3) Excludes Assets Classified as Held for Sale and its associated liabilities.

For further detail, please refer to page 30 of the MD&A.

INVESTING IN OUR PROPERTIES

Continued internalization of more maintenance and value-added capital expenditures has further enhanced curb appeal and the quality of our property portfolio. The Trust believes the quality of Boardwalk's Communities continues to drive long-term revenue growth and stability. The Trust continues to invest in its properties and expects to invest over $90 million during the 2014 fiscal year to further enhance the curb appeal and quality of the Trust's assets. In addition, the Trust has budgeted approximately $1 million to continue to explore its development opportunities on excess land the Trust currently owns. For the first three months of 2014, Boardwalk invested approximately $14.5 million in the form of project enhancements, equipment purchases, including upgrades to existing suites, common areas, mechanical systems, and building exteriors ($14.4 million), and development ($0.1 million).

Boardwalk's vertically integrated structure allows many repair and maintenance functions, including landscaping, to be internalized. A continued focus on completing more of these functions in-house has resulted in improved quality, productivity, effectiveness of resources, and overall execution of the Trust's capital improvement program, leading to sustainable value for our Resident Members and long-term growth for Unitholders.

For further detail, please refer to page 26 of the MD&A.

MORTGAGE FINANCING

Interest rates continue to remain low and have benefitted the Trust's mortgage program as the Trust has continued to renew existing CMHC Insured mortgages at interest rates well below the maturing rates. As of March 31, 2014, the Trust's total mortgage principal outstanding totaled $2.33 billion (including mortgages associated with Assets Classified as Held for Sale) at a weighted average interest rate of 3.45%, compared to $2.33 billion at a weighted average interest rate of 3.62% reported for March 31, 2013.

Over 99% of the Trust's mortgages are CMHC Insured, providing the benefit of lower interest rates and limiting the renewal risk of these mortgage loans for the entire amortization period, which can be up to 40 years. The Trust's total debt had an average term to maturity of approximately 4 years, with a remaining amortization of 31 years. The Trust's debt (net of cash) to reported asset value ratio was approximately 38% as of March 31, 2014.

To date, the Trust has renewed or forward locked the interest rates on 39% of its maturing mortgage principal for 2014. The weighted average interest rate on these mortgages is 2.90%, while extending the average term to 8 years.

The Trust continues to undertake a balanced strategy to its mortgage program. Current 5 and 10-year CMHC Mortgage Rates are estimated to be 2.50% and 3.30%, respectively. The Trust reviews each mortgage individually; however, presently, the Trust has a bias towards renewing its maturing mortgages for longer terms (7 to 10 years).

For further detail, please refer to page 30 of the MD&A.

2014 FINANCIAL GUIDANCE

The Trust reviews its financial guidance on a quarterly basis. Based on the performance of the Trust's first three months of 2014, the Trust is confirming its guidance range as follows:

Description	2014 Financial Guidance
Investment Properties	No new apartment acquisitions, dispositions or developments
Stabilized Building NOI Growth	1% to 4%
FFO Per Trust Unit	$3.25 to $3.45
AFFO per Trust Unit – based on $475/yr/apt	$2.93 to $3.13

In addition to the above financial guidance for 2014, the Trust provides guidance relating to its capital expenditure program, and is confirmed as follows:

Capital Budget *(in thousands $ except per Unit amounts)*	2014 Budget	Per Unit	2014 3 Month Actual	Per Unit
Maintenance Capital – $475/Apartment Unit/Year	$ 16,800	$ 475	$ 4,189	$ 119
Stablizing & Value Added Capital incl. Property, Plant and Equipment	$ 77,600	$ 2,200	$ 10,215	$ 289
Total Operational Capital	**$ 94,400**	**$ 2,675**	**$ 14,404**	**$ 408**
Total Operational Capital	$ 94,400		$ 14,404	
Development	$ 1,000		$ 123	
Total Capital Investment	**$ 95,400**		**$ 14,527**	

Management will continue to update the Financial Guidance on a quarterly basis. The reader is cautioned this information is forward-looking and actual results may vary materially from those reported.

For further detail, please refer to page 33 of the MD&A.

2014 DISTRIBUTION

Boardwalk's Board of Trustees has approved the next three month's distribution of $0.17 per Trust Unit per Month, or $2.04 per Trust Unit on an annualized basis. Since the beginning of 2012, the Trust has increased distributions by 13% from $1.80 per Trust Unit on an annualized basis.

Month	Per Unit	Annualized	Record Date	Distribution Date
May-14	$ 0.170	$ 2.04	30-May-14	16-Jun-14
Jun-14	$ 0.170	$ 2.04	30-Jun-14	15-Jul-14
Jul-14	$ 0.170	$ 2.04	31-Jul-14	15-Aug-14

The Board of Trustees will continue to review the distributions made on the Trust Units on a quarterly basis.

IN CONCLUSION

We are proud of the extra effort that our Team continues to contribute to delivering value for our Resident Members, which will continue to drive Boardwalk's long-term growth and sustainability. Thank you to our Team of over 1,500 Associates for their dedicated commitment and service to our Resident Members and Communities.

Thank you to our Board of Trustees for their indispensable guidance and continued focus on governance.

Thank you to our Unitholders, our operational partners, the financial community and CMHC for their continued support of the Trust.

And, as always, I would like to thank our Resident Members for calling Boardwalk home.

Sincerely,

(signed)

Sam Kolias,
Chairman and CEO

Management's Discussion and Analysis

For the Three Months Ended March 31, 2014 and 2013 (Unaudited)

FORWARD-LOOKING STATEMENTS

Caution regarding forward-looking statements:

The terms "Boardwalk", "Boardwalk REIT", the "Trust", "we", "us" and "our" in the following Management's Discussion and Analysis ("MD&A") refer to Boardwalk Real Estate Investment Trust, its consolidated financial position, and results of operations for the three months ended March 31, 2014 and 2013. Financial data provided has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and as required by all Publicly Accountable Enterprises to be adopted effective January 1, 2011. This MD&A is current as of May 14, 2014 unless otherwise stated, and should be read in conjunction with Boardwalk's audited annual consolidated financial statements for the years ended December 31, 2013 and 2012, which have been prepared in accordance with IFRS, together with the MD&A related thereto, copies of which have been filed electronically with securities regulators in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed through the SEDAR web site at www.sedar.com. Historical results and percentage relationships contained in the annual consolidated financial statements and MD&A related thereto, including trends, which might appear, should not be taken as indicative of future operations.

Unless otherwise indicated, all amounts are expressed in Canadian dollars.

Forward-Looking Statement Advisory:

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

These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on Boardwalk's current estimates and assumptions, which are subject to risks and uncertainties, including those described in the MD&A of Boardwalk REIT's 2013 Annual Report under the heading "Risks and Challenges", which could cause actual events or results to differ materially from the forward-looking statements contained in this MD&A. Those risks and uncertainties include, but are not limited to, those related to liquidity in the global marketplace associated with current economic conditions, tenant rental rate concessions, occupancy levels, access to debt and equity capital, changes to Canada Mortgage and Housing Corporation riles regarding mortgage insurance, interest rates, joint ventures/partnerships, the relative illiquidity of real property, unexpected costs or liabilities related to acquisitions, construction, environmental matters, uninsured perils, legal matters, reliance on key personnel, Unitholder liability, income taxes, and changes to income tax rules that impair the ability of Boardwalk to qualify for the REIT Exemption (as defined below). Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to, the rental environment compared to several years ago, relatively stable interest costs, access to equity and debt capital markets to fund (at acceptable costs), the future growth program to enable the Trust to refinance debts as they mature, the availability of purchase opportunities for growth in Canada, and the impact of accounting principles adopted by the Trust effective January 1, 2011 under IFRS. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance actual results will be consistent with these forward-looking statements. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A.

The Income Tax Act (Canada) (the "Act") contains legislation affecting the tax treatment of publicly traded trusts (the "SIFT Legislation"). The SIFT Legislation provides for a transition period until 2011 for publicly traded trusts, such as Boardwalk, which existed prior to November 1, 2006. In addition, the SIFT Legislation generally will not impose tax on a trust which qualifies under such legislation as a real estate investment trust (the "REIT Exemption") provided all of the Trust's taxable income each year is paid, or made payable to, its Unitholders. Boardwalk qualified for the REIT Exemption commencing January 1, 2011, and will continue to qualify for the REIT Exemption provided all of its taxable income continue to be distributed to its Unitholders. Further discussion of this is contained in this MD&A.

Except as required by applicable law, Boardwalk undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

EXECUTIVE SUMMARY

BUSINESS OVERVIEW

Boardwalk Real Estate Investment Trust ("Boardwalk REIT", "Boardwalk" or the "Trust") is an unincorporated, open-ended real estate investment trust created pursuant to a Declaration of Trust, dated January 9, 2004, and as amended and restated on May 3, 2004 and most recently on May 15, 2013 (the "Declaration of Trust" or "DOT"), under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue producing multi-family residential properties, or interests, initially through the acquisition of assets and operations of Boardwalk Equities Inc. (the "Corporation").

On May 3, 2004, the Corporation sold all of its assets and undertakings to Boardwalk REIT. Boardwalk REIT Units trade on the Toronto Stock Exchange ("TSX") under the trading symbol 'BEI.UN'. Boardwalk REIT's principal objectives are to provide its Unitholders ("Unitholders") with stable and growing monthly cash distributions, partially on a Canadian income tax-deferred basis, and to increase the value of its units through the effective management of its residential Multi-Family Investment Properties and the acquisition of additional, accretive properties. At the end of the first three months of 2014, Boardwalk REIT owned and operated in excess of 226 properties, comprised of 35,386 residential units and totaling approximately 30 million net rentable square feet. As of March 31, 2014, Boardwalk REIT's property portfolio was concentrated in the provinces of British Columbia, Alberta, Saskatchewan, Ontario and Quebec. As a result of an unconditional purchase and sale agreement to sell all of the Trust's real estate assets in British Columbia, earnings from these assets were reclassified as discontinued operations with restatement of prior period comparative earnings.

At March 31, 2014, the fair value of Boardwalk's Investment Property assets was approximately $5.7 billion, excluding assets reclassified as assets held for sale, which generated a profit of $35.7 million and $35.2 million for the three months ended March 31, 2014 and 2013 (before fair value gains, income tax (expense) recovery and profit from discontinued operations), respectively. During the first quarters of 2014 and 2013, the Trust earned $40.0 million and $39.2 million, respectively, of Funds From Operations ("FFO"), or $0.76 and $0.75 per Unit, on a diluted basis. Adjusted Funds From Operations ("AFFO") for the first quarters of 2014 and 2013 were $35.8 million and $35.0 million, respectively, or $0.68 and $0.67 per Unit on a diluted basis.

OUTLOOK

For the first quarter of 2014, Boardwalk continued to see strong demand for rental apartments across its major markets, particularly in natural resource-intensive provinces, like Alberta and Saskatchewan. Saskatchewan's economic growth, however, is expected to temper slightly from earlier forecasts as a result of a projected slowdown in mining output. Although the U.S. has continued to taper its bond purchases as a result of improving confidence in the U.S. economy, long-term Government of Canada benchmark yields remain low and stable. However, uncertainty still remains on how interest rates will play out for the remainder of the year. Recent property transactions continue to demonstrate that there is a demand to own apartment assets in major Canadian markets, to the extent that Capitalization Rates remain low and selling prices remain high for properties in this asset class. The Trust is continuously evaluating whether to sell non-core real estate assets and, during Q1 2014, committed to sell one project in Edmonton, Alberta and all of its British Columbia assets.

Although Boardwalk did not acquire any new apartment units during the first quarter of 2014 or in fiscal 2013, we remain active in the bidding process; however, Boardwalk has not been able to conclude that acquiring these assets at the offered selling prices would be in the best interest of the Trust on a risk-adjusted basis. Boardwalk continues to maintain a healthy liquidity position and has begun to allocate a portion of this to new development opportunities, yet is still well positioned to take advantage of future acquisitions or value-added opportunities.

The Canadian multi-family real estate sector continues to have access to a very low cost of debt through the use of Government of Canada-backed debt with the National Housing Act ("NHA") program, which is administered by Canada Mortgage and Housing Corporation ("CMHC"). With the continued turmoil in the world markets, Canada continues to be a country of high regard and, as a result, is experiencing historical low interest rates in the bond markets. This has translated into historically low interest rates for those who choose to use the NHA vehicle.

Boardwalk REIT believes the fundamentals of its asset class, and, in particular, its specific assets, generally remain strong, mainly due to the affordability of renting versus the cost of owning a home. This fact has kept overall occupancy at reasonable levels and, when combined with the non-exposure to any one or small group of Customers or Resident Members, has kept revenue stable and risks low. In the debt capital market, the fact that close to 100% of the Trust's secured debt carries NHA insurance, the benefits of which will be detailed later in this report, has significantly assisted in renewing and obtaining new financing on its assets at rates better than the maturing interest rates. The Trust continues to be well positioned, with a regular distribution payout ratio of approximately 66.1% of Funds From Operations ("FFO") for the three months ended March 31, 2014. This is slightly higher than the 65.4% for the three months ended March 31, 2013 due primarily to the previously announced monthly distribution increase from $0.165 per Trust Unit to $0.17, effective with the February 28, 2014 Unitholder record date. FFO per unit increased to $0.76 for the current quarter from $0.75 for the same period last year, or 1.3%, and can be attributed to stronger operating performance (tempered somewhat by higher utilities due to the colder weather experienced this past winter) and interest cost savings. The Trust continues to have access to low-rate Government of Canada-backed debt in the form of NHA insurance.

As the Trust moves forward, Boardwalk continues to look for ways to further enhance the returns provided to our stakeholders. The Trust continues to focus inward on our operations, continuously looking for ways to reduce costs while simultaneously focusing on our Resident Members. In addition, we continue to maintain a conservative balance sheet with a Debt-to-Enterprise Value at approximately 42%.

DECLARATION OF TRUST

The investment guidelines of the Trust are outlined in the Trust's DOT, a copy of which is available on request to all Unitholders. Further information of the DOT can also be located on page 36 of the AIF dated February 13, 2014. Some of the main financial guidelines and operating policies set out in the DOT are as follows:

Investment Guidelines

1. Acquire, develop, and operate multi-family residential property; and,
2. No investment will be made that would disqualify Boardwalk REIT as a "mutual fund trust" or a "registered investment" as defined in the Income Tax Act (Canada).

Operating Policies

1. Interest Coverage Ratio of at least 1.5 to 1;
2. No guaranteeing of third-party debt unless related to direct or indirect ownership or acquisition of real property, including potential joint venture partner structures;
3. Third-party surveys of structural and environmental conditions are required prior to the acquisition of a multi-family asset; and,
4. Commitment to expending at least 8.5% of its gross consolidated annual rental revenues generated from properties that have been insured by CMHC on on-site maintenance compensation to Associates, repairs and maintenance, as well as capital upgrades.

Distribution Policy

Boardwalk REIT may distribute to holders of REIT Units on or about each Distribution Date[1], respectively, such percentage of FFO for the calendar month then ended as the Trustees determine in their discretion. Distributions will not be less than Boardwalk REIT's taxable income, unless the Trustees, in their absolute discretion, determine another amount.

1 "Distribution Date" means with respect to a distribution by Boardwalk REIT, a business day determined by the Trustees for any calendar month to be on or about the 15th day of the following month.

Compliance with DOT

At March 31, 2014, the Trust was in material compliance with all investment guidelines and operating policies as stipulated in the DOT as amended. More details will be provided later in this document with respect to certain detailed calculations.

For the rolling twelve months ended March 31, 2014, Boardwalk REIT's overall interest coverage ratio of adjusted EBITDA (i.e. Earnings Before Interest, Taxes, Depreciation and Amortization) to interest expense, excluding distributions on LP B Units and fair value gains and losses, was 3.19 (December 31, 2013 - 3.15).

NON-GAAP FINANCIAL MEASURES

Boardwalk REIT assesses and measures operating results based on performance measures referred to as "Funds From Operations" ("FFO"), and Adjusted Funds From Operations ("AFFO"). FFO is a widely accepted supplemental measure of the performance of a Canadian real estate entity; however, it is not a measure defined by IFRS. In recent periods, additional attention has been given to AFFO as a supplemental measurement. FFO does not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other entities. The IFRS measurement most comparable to FFO is Profit. We define FFO, after the adoption of IFRS, as income before fair value adjustments, distributions on the LP B Units, gains (losses) on the sale of Investment Properties, depreciation, deferred income tax, and certain other non-cash adjustments, if any. The reconciliation from Profit under IFRS to FFO can be found below, under the section titled "Performance Measures". The reconciliation from FFO to AFFO can be found in the section titled "Maintenance of Productive Capacity". FFO and AFFO, however, should not be construed as an alternative to profit determined in accordance with IFRS as indicators of Boardwalk REIT's performance. In addition, Boardwalk REIT's calculation methodology for FFO and AFFO may differ from that of other real estate companies and trusts.

PERFORMANCE REVIEW

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

Boardwalk REIT's most consistent and largest source of income comes from its rental operations. Income from this source is derived from leasing individual apartment units to Customers (whom we refer to as "Resident Members") who have varying lease terms ranging from month-to-month to twelve-month leases.

In the past, Boardwalk REIT has generated additional income from the periodic sale of selective Non-Core real estate properties. The sale of these properties is part of Boardwalk REIT's overall operating strategy whereby the equity generated through the sale is then utilized by Boardwalk REIT for the acquisition and or development of new rental properties, to assist in its property value enhancement program, or for the acquisition of Boardwalk REIT's Trust Units in the public market. The Trust, however, will only proceed with the sale of Non-Core real estate properties if market conditions justify the dispositions and Boardwalk has an alternative use for the net proceeds generated. During the first quarter of 2014, a project in Edmonton, Alberta and all of its British Columbia real estate assets were reclassified as "Assets Classified as Held For Sale". The secured mortgages related to the British Columbia real estate assets were also reclassified as "Liabilities Associated with Assets Classified as Held For Sale".

Performance Measures

It continues to be the intention of the Trust to pay out, at a minimum, all taxable income to Unitholders in the form of monthly distributions, unless the Board of Trustees, in its absolute discretion, determines a different amount. Currently, the Trust is distributing $2.04 per outstanding Trust and LP B Unit on an annualized basis (or $0.17 per Trust and LP B Unit on a monthly basis).

For the three months ended March 31, 2014, the Trust declared regular distributions of $26.5 million (inclusive of distributions paid to the LP Class B Unitholders), representing approximately 66.1% of FFO. The reader should note the overall operating performance of the first and fourth quarters tend to generate the highest payout ratio, mainly due to the high seasonality in operating expenses.

In particular, these quarters tend to be the highest demand periods for natural gas, a major operational cost for the Trust. The reader should not simply annualize these quarterly reported results. On a quarterly basis, the Trust's Board of Trustees reviews the current level of distributions and determines if any adjustment to the distributed amount is warranted.

Although the Trust believes it is important to distribute a significant portion of its FFO, it also maintains it should withhold a portion of the available cash flow to assist with the execution of its business strategy. On an overall basis, the Trust aims to maintain a conservative payout ratio and reviews this with its Board of Trustees on a quarterly basis.

Over the past few years, AFFO has begun to surface as an additional performance measurement. AFFO is determined by taking the amounts reported as FFO and deducting what is commonly referred to as 'Maintenance Capital Expenditures'. Maintenance Capital Expenditures are referred to as expenditures that, by standard Accounting definitions, are accounted for as capital in that the expenditure itself has a useful life in excess of the current financial year and also adds or maintains the value of the related asset. A more detailed discussion of this topic will be provided in the Maintenance of Productive Capacity section later in this document.

FFO Reconciliation from 2013 to 2014

The following table shows a reconciliation of changes in FFO from March 31, 2013 to March 31, 2014. It should be noted that FFO, as disclosed in the table below, reflects FFO derived from the Trust's consolidated financial statements prepared in accordance with IFRS. As previously noted, we define the calculation of FFO, under IFRS, as net income before fair value adjustments, distributions on the LP Class B Units, gains (losses) on the sale of Investment Properties, depreciation, deferred income taxes, and certain other non-cash items. A more detailed disclosure of the calculation of FFO will be provided later in this report.

FFO Reconciliation	3 Months
FFO Opening – Mar 31, 2013	$ 0.75
NOI from Stabilized Properties	$ 0.01
Financing Costs (1)	$ 0.02
Administration and other	$ (0.02)
FFO Closing – Mar 31, 2014	**$ 0.76**

(1) Financing costs above exclude the distribution payments for LP Class B Units which are classified as financial liabilities under IFRS. Further discussion related to this can be found later in this report.

Liquidity

The access to liquidity is an important element of the Trust as it allows the Trust to implement its overall strategy. The current low interest rate environment has allowed Boardwalk to continue renewing its existing maturing mortgages at more favorable interest rates than the maturing interest rates. In addition, Boardwalk has been able to access additional capital from its properties through the continued use of the current NHA insurance program, which is being offered at attractive rates. Further interest savings, however, will become more limited as interest rates are projected to start reversing their declining trends seen over the past several years.

The Trust's cash position was $113.3 million at March 31, 2014, compared to $131.1 million reported on December 31, 2013.

FFO Reconciliations

In the following table, Boardwalk REIT provides a reconciliation of FFO (a non-IFRS measure) to profit for the period, its closely related financial statement measurement for the three months ended March 31, 2014 and March 31, 2013. Adjustments are explained in the notes below, as appropriate.

FFO Reconciliation *In $000's, except per unit amounts*	**3 Months 2014**	3 Months 2013	% Change
Profit from continuing operations for the period	**$ 109,382**	$ 92,162	
Adjustments			
Profit from discontinued operations, net of tax (1)	**12,997**	1,202	
Fair value gains (2)	**(85,606)**	(57,562)	
Add back distributions to LP Class B Units recorded as financing charges (3)	**2,260**	2,193	
Deferred income tax expense (recovery)	**(50)**	280	
Depreciation expense on PP&E	**1,032**	934	
Funds from operations	**$ 40,015**	$ 39,209	2.1%
Funds from operations – per unit	**$ 0.76**	$ 0.75	1.3%

(1) The Trust intends to dispose of all of its British Columbia real estate assets. As British Columbia represents an identifiable, geographic segment under IFRS, this disposition has been classified as a discontinued operation. The earnings from the discontinued operation prior to its sale, but not the gain or loss on disposition, are included in determining FFO.

(2) Under IFRS, the Trust has a number of Statement of Financial Position items, which are measured using a fair value model with fluctuations related to these fair value amounts from period to period flowing through the Statement of Comprehensive Income. These fair value adjustments are considered "non-cash items" and are added back in the calculation of FFO.

(3) Under IFRS, the LP Class B Units are considered financial instruments in accordance with IAS 32 – Financial Instruments: Presentation ("IAS 32"). As a result of this classification, their corresponding distribution amounts are considered "financing charges" under IFRS. The Trust believes these distribution payments do not truly represent "financing charges", as these amounts are only payable if the Trust declares distributions, and only for the amount of any distributions declared, both of which are at the discretion of the Board of Trustees as outlined in the DOT. Therefore, these distributions are excluded from the calculation of FFO, consistent with the treatment of distributions paid to all other Unitholders.

Overall, Boardwalk REIT earned FFO of $40.0 million for the three months ended March 31, 2014 compared to $39.2 million for the same period in 2013. FFO on a per unit fully diluted basis for the current quarter ended March 31, 2014, increased approximately 1.3%, compared to the same period in 2013, from $0.75 to $0.76. The increase was primarily driven by higher rental revenue, high occupancy levels and lower financing costs.

New Property Acquisitions and Dispositions

In 2013 and the first three months of 2014, there were no new investment property acquisitions or dispositions. During the first quarter of 2014, Boardwalk committed to sell a project in Edmonton, Alberta and all of its British Columbia real estate assets. These assets were reclassified as "Assets Classified as Held For Sale". The sale of the Edmonton project closed May 5, 2014 at a selling price of $13.5 million before selling costs. There was no secured mortgage encumbrance on the Edmonton property. The sale of the British Columbia real estate assets is expected to close May 29, 2014 at a selling price of approximately $140 million before selling costs and a holdback of $1.5 million to upgrade a fire hydrant waterline as required by the fire department of the city of Victoria. The purchaser of the British Columbia real estate assets will also be assuming the secured mortgages on these assets, with the Trust remaining as guarantor. The secured mortgages on the British Columbia real estate assets were reclassified as "Liabilities Associated with Assets Classified as Held For Sale" at March 31, 2014.

Subsequent to March 31, 2014, the Trust also had an unconditional purchase and sale agreement with a third-party to purchase 1 unit in Edmonton, Alberta in the property known as 'Morningside Estates' for a purchase price of $175 Thousand. The purchase is scheduled to close May 15, 2014, at which time, the Trust will own 222 of the 224 units in the property.

Development

On November 7, 2013, Boardwalk received the Occupancy Permit from the City of Calgary for the 109-unit development (Spruce Ridge Gardens) it started in July of 2012. Boardwalk is currently completing the "Lease-Up Phase" of this project, which began in December of 2013. The Trust defines "Stabilized Properties" as properties that have been owned by Boardwalk for a 24-month period or greater. As such, Spruce Ridge Gardens is not a stabilized property, and any reference to stabilized properties or same store properties does not include Spruce Ridge Gardens. We continue to explore development opportunities in Regina, Calgary and Edmonton. Each of these opportunities will be evaluated separately to determine the viability of these projects.

REVIEW OF RENTAL OPERATIONS

Boardwalk REIT's Net Operating Income Strategy includes a rental revenue strategy that focuses on enhancing overall rental revenues through the balance between market rents, rental incentives, turnovers, and occupancy losses. The application of this rental revenue strategy is ongoing, on a market-by-market analysis, again with the focus on obtaining the optimal balance of these variables given existing market conditions. For the three months ended March 31, 2014 and March 31, 2013, British Columbia has been excluded from continuing operations as it has been classified as discontinued operations.

In $000's, except number of suites	**3 Months 2014**	3 Months 2013	% Change
Total rental revenue	**$ 116,553**	$ 111,044	5.0%
Expenses			
Operating expenses	**$ 22,853**	$ 21,406	6.8%
Utilities	**$ 15,808**	$ 12,358	27.9%
Property taxes	**$ 9,593**	$ 9,020	6.4%
	$ 48,254	$ 42,784	12.8%
Net operating income, continuing operations	**$ 68,299**	$ 68,260	0.1%
Net operating income, discontinued operations	**$ 1,468**	$ 1,407	4.3%
Net operating income	**$ 69,767**	$ 69,667	0.1%
Operating margins	**58.6%**	61.5%	
Number of suites at March 31	**35,386**	35,277	

Overall, Boardwalk REIT's rental operations results were unchanged from the same period in the prior year. Although total rental revenue increased 5.0% for the three months ended March 31, 2014 compared to the same period in 2013, total rental expenses increased 12.8%, due primarily to higher utility costs associated with the colder winter weather this year. The increase in rental revenue is the combined effect of increases to market rents combined with decreases in both suite-specific rental incentives and occupancy losses.

Operating expenses increased 6.8%, due primarily to higher wages and salaries and repair and maintenance expense. The Trust continues to track, in detail, the actual work performed by our onsite Associates to assist in the operating effectiveness of its overall operations. This additional detail increased the accuracy of the amount allocated to its internal capital improvement program. Boardwalk continues to be committed to its internal capital program. This program results in overall lower costs while allowing the Trust greater control over the timing of its capital improvement projects, compared to contracting these same projects out to third parties. As with other estimates used by the Trust, key assumptions used in estimating the amount of salaries and wages to be capitalized are reviewed on a regular basis and, based on this review, Management will adjust the amount allocated to more accurately reflect how much internal resources were directed towards specific capital improvements. The Trust continues to work on improving the gathering of data in this area to further improve its operating efficiency and make the reported estimate even more accurate. Repair and maintenance expense was higher primarily due to higher building maintenance and alarm and intercom inspection costs.

Utility costs increased by 27.9% for the three months ended March 31, 2014 due to an increase in natural gas and electricity expenses. For the first quarter of 2014, across the country, Canada experienced an extreme winter, with record breaking cold temperatures, resulting in increased gas and electricity consumption. The increase in demand resulted in a significant increase to prices, particularly the price of natural gas. The Trust has fixed price physical commodity contracts for much of its Alberta electricity exposure, which helped mitigate some of the increased electricity costs. For natural gas, the cold weather resulted in increased costs for the Trust (through both an increase in consumption and price) for the current quarter compared to the same period in the prior year.

The reported increase in property taxes is mainly attributed to higher overall property tax assessments, particularly in Alberta. The Trust is constantly reviewing property tax assessments and related charges and, where it feels appropriate, will appeal all, or a part, of the related assessment. It is not uncommon for the Trust to receive property tax refunds and adjustments; however, due to the uncertainty of the amount and timing of the refunds and adjustments, these amounts are only reported when they are received.

Overall, the operating margin for the quarter decreased to 58.6% from the same period in 2013 at 61.5%. This decrease is largely attributable to the increase in utility costs.

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

SEGMENTED OPERATIONAL REVIEW

British Columbia Rental Operations

In $000's, except number of suites	**3 Months 2014**	3 Months 2013	% Change
Total rental revenue	**$ 2,126**	$ 2,101	1.2%
Expenses			
Operating expenses	**$ 292**	$ 342	(14.6)%
Utilities	**$ 243**	$ 233	4.3%
Property taxes	**$ 123**	$ 119	3.4%
	$ 658	$ 694	(5.2)%
Net operating income	**$ 1,468**	$ 1,407	4.3%
Operating margins	**69.0%**	67.0%	
Number of suites at March 31	**633**	633	

For the quarter ended March 31, 2014 with prior period restatement, earnings from Boardwalk's British Columbia portfolio is being presented as a discontinued operation as the Trust intends to sell these non-core assets in the current year. Boardwalk REIT's British Columbia portfolio continued to report good, stable results. Total rental revenue increased by 1.2% and expenses decreased by 5.2% for the three months ended March 31, 2014, compared to the same period in the prior year. The decrease in operating expenses is largely due to lower repairs and maintenance expenses incurred as compared to the same quarter in the prior year. Property taxes for the current period were higher due to higher assessment amounts for 2014 compared to 2013. Utilities increased due to increased electricity costs and higher water and sewer expense. Operating margins for the three months ended March 31, 2014 increased to 69.0%, compared to the 67.0% in 2013.

Alberta Rental Operations

In $000's, except number of suites	**3 Months 2014**	3 Months 2013	% Change
Total rental revenue	**$ 72,861**	$ 68,374	6.6%
Expenses			
Operating expenses	**$ 13,489**	$ 12,747	5.8%
Utilities	**$ 8,640**	$ 6,221	38.9%
Property taxes	**$ 5,387**	$ 4,923	9.4%
	$ 27,516	$ 23,891	15.2%
Net operating income	**$ 45,345**	$ 44,483	1.9%
Operating margins	**62.2%**	65.1%	
Number of suites at March 31	**19,852**	19,743	

Alberta is Boardwalk's largest operating segment, representing approximately 63% of total reported net operating income and 56.1% of total apartment units. Boardwalk REIT's Alberta operations for the three months ended March 31, 2014, reported a 6.6% increase in total rental revenue, when compared to the same period reported in 2013. The reported rental revenue change is the combined effect of changes to in-place occupied rents and a slight increase in overall same-store occupancy levels, compared to the prior year. Total rental expenses have increased 15.2% for the three months ended March 31, 2014, compared to the same period in the prior year due primarily to an increase in utilities.

Operating expenses increased 5.8% from the same period in 2013 due to an increase in repairs and maintenance, specifically building maintenance and alarm and intercom expenses. Property taxes increased 9.4% for the three months ended March 31, 2014, compared to the same period in the prior year mainly as a result of higher property tax assessments as many municipalities look to increase their property tax revenue base.

Reported utilities for the three months ended March 31, 2014 were up significantly at 38.9%. The reported increase is mainly the result of higher reported natural gas expense due to an increase in both consumption and price as a result of the extreme cold weather. During the quarter, the Trust did not have a fixed priced natural gas contract but rather we were paying a floating price during this period. The Trust had investigated a fixed price contract for its Alberta consumption however, found that the forward pricing was quite expensive. In hindsight, when comparing the actual price paid to the forward prices offered, no material saving would have been achieved. Currently, the Trust has two electricity contracts, one for Southern Alberta and the other for Northern Alberta, with two utility companies to supply the Trust with its electrical power needs commencing October 1, 2010 and ending September 30, 2017 for the former and September 30, 2015 for the latter. The blended rate of these electricity contracts is $0.06/kWh.

Alberta's operating margins for the three months ended March 31, 2014 decreased to 62.2%, compared to the 65.1% for the same period in 2013, due primarily to higher utility costs.

Saskatchewan Rental Operations

In $000's, except number of suites	**3 Months 2014**	3 Months 2013	% Change
Total rental revenue	**$ 15,436**	$ 14,978	3.1%
Expenses			
Operating expenses	**$ 2,472**	$ 2,472	0.0%
Utilities	**$ 1,687**	$ 1,572	7.3%
Property taxes	**$ 1,046**	$ 1,020	2.5%
	$ 5,205	$ 5,064	2.8%
Net operating income	**$ 10,231**	$ 9,914	3.2%
Operating margins	**66.3%**	66.2%	
Number of suites at March 31	**4,636**	4,636	

For the three months ended March 31, 2014, Boardwalk's Saskatchewan total rental revenue increased by 3.1%. The revenue increase is mainly the result of stable rental market fundamentals in both Regina and Saskatoon. Rental expenses increased by 2.8% for the three months ended March 31, 2014, compared to the same period in the prior year, primarily due to higher utilities and property taxes.

Utility costs for the current year increased from the previous year due primarily to higher electricity and gas expense during the current period. The Trust has a fixed price natural gas supply contract for its Saskatchewan natural gas consumption, which covers a two-year period commencing November 1, 2012, and fixes the commodity at a price of $3.74/GJ. Although natural gas prices were hedged in the province as a result of the fixed price contract, consumption was higher due to the colder weather in February for the current year.

Property taxes increased by 2.5% for the three months ended March 31, 2014, due to higher property tax assessments in both Saskatoon and Regina.

Reported operating margins for the three months ended March 31, 2014 increased slightly to 66.3%, compared to 66.2% reported for the same period in 2013.

Ontario Rental Operations

In $000's, except number of suites	**3 Months 2014**	3 Months 2013	% Change
Total rental revenue	**$ 10,362**	$ 10,164	1.9%
Expenses			
Operating expenses	**$ 1,801**	$ 1,691	6.5%
Utilities	**$ 2,633**	$ 2,114	24.6%
Property taxes	**$ 1,311**	$ 1,377	(4.8)%
	$ 5,745	$ 5,182	10.9%
Net operating income	**$ 4,617**	$ 4,982	(7.3)%
Operating margins	**44.6%**	49.0%	
Number of suites at March 31	**4,265**	4,265	

Boardwalk REIT's Ontario operations reported an increase in total rental revenue of 1.9% for the three months ended March 31, 2014, compared to the same period in the previous year, due to an increase in occupied rents and slightly higher occupancy levels. Total rental expenses increased by 10.9%, primarily as a result of increases in repairs and maintenance and utilities.

The reported increase in utilities was the result of higher natural gas and electricity costs. This increase was the result of both an increase in consumption and natural gas and electricity prices.

Property taxes decreased due to lower assessments overall in Ontario for 2014 as compared to 2013.

Reported operating margins for the three months ended March 31, 2014 decreased to 44.6%, compared to 49.0% reported for the same period in the prior year, due primarily to higher utility costs.

Quebec Rental Operations

In $000's, except number of suites	**3 Months 2014**	3 Months 2013	% Change
Total rental revenue	**$ 17,799**	$ 17,465	1.9%
Expenses			
Operating expenses	**$ 3,969**	$ 3,575	11.0%
Utilities	**$ 2,357**	$ 2,342	0.6%
Property taxes	**$ 1,820**	$ 1,676	8.6%
	$ 8,146	$ 7,593	7.3%
Net operating income	**$ 9,653**	$ 9,872	(2.2)%
Operating margins	**54.2%**	56.5%	
Number of suites at March 31	**6,000**	6,000	

Boardwalk REIT's Quebec operations reported a marginal total rental revenue increase of 1.9% for the three months ended March 31, 2014, compared to the same period in 2013.

Total rental expenses for the quarter increased by 7.3% compared to the same quarter in the prior year, mainly due to higher wages and salaries and property taxes.

Wages and salaries were higher mainly due the settling of a wage contract with existing unionized employees. The settlement included a retroactive catch up payment to those involved, along with a lower amount allocated to Boardwalk's internal capital program. Property taxes for the quarter increased 8.6% compared to the same quarter in the prior year due to slightly higher property tax assessments.

Reported operating margins for the three months ended March 31, 2014 decreased to 54.2%, compared to 56.5% reported for the same period in the prior year.

OPERATIONAL SENSITIVITIES

Boardwalk's Net Operating Income Optimization Strategy

Boardwalk's current strategy is to focus on optimizing net operating income. This focus requires us to manage not only revenues but also related operating costs, and takes both into consideration when determining a service and pricing model. Lowering overall turnover, maintaining reasonable increase in lease rates while continuing to focus on a high quality level of service continue to be the model that to date has delivered the most stable and growing income source. This strategy is region specific and these variables are in constant flux.

In a more competitive market, the Trust locks in rentals on selective suites for future months, but does not collect revenues for certain months in the immediate future. This means the Trust may decide to rent a suite in December with the Customer not moving in until the following year. Although the suite is rented, it will not generate revenue until the Customer actually moves in, for example, in January, which corresponds to the next fiscal period. The percentages reported as occupancy levels (see table below) represent those occupied units generating revenue for the period noted. The Trust closely monitors 'apartment availability', which represents unoccupied units not generating revenue for the period, after taking into account forward-committed leases. Although occupancy rates provide a good indication of current revenue, apartment availability provides the reader a more relevant indication of future potential revenue.

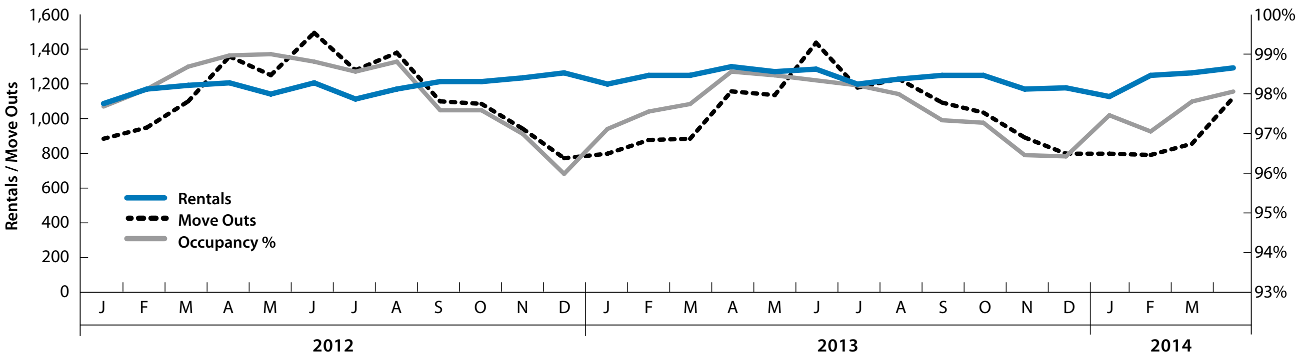
Boardwalk REIT's Portfolio Occupancy

City	**Q1 2014**	Q1 2013
Calgary (1)	**99.22%**	99.48%
Edmonton	**98.55%**	98.47%
Fort McMurray	**98.09%**	95.71%
Grande Prairie	**98.81%**	98.19%
Kitchener	**98.38%**	98.99%
London	**97.89%**	98.19%
Montreal	**98.04%**	95.74%
Quebec City	**96.58%**	97.90%
Red Deer	**99.28%**	99.50%
Regina	**97.66%**	98.27%
Saskatoon	**98.41%**	98.05%
Vancouver	**98.44%**	99.29%
Victoria	**95.86%**	98.55%
Verdun	**98.70%**	98.29%
Windsor	**98.28%**	97.59%
Total	**98.44%**	98.37%

(1) Excludes Spruce Ridge Gardens, Boardwalk's development project which began rental lease-up in December 2013.

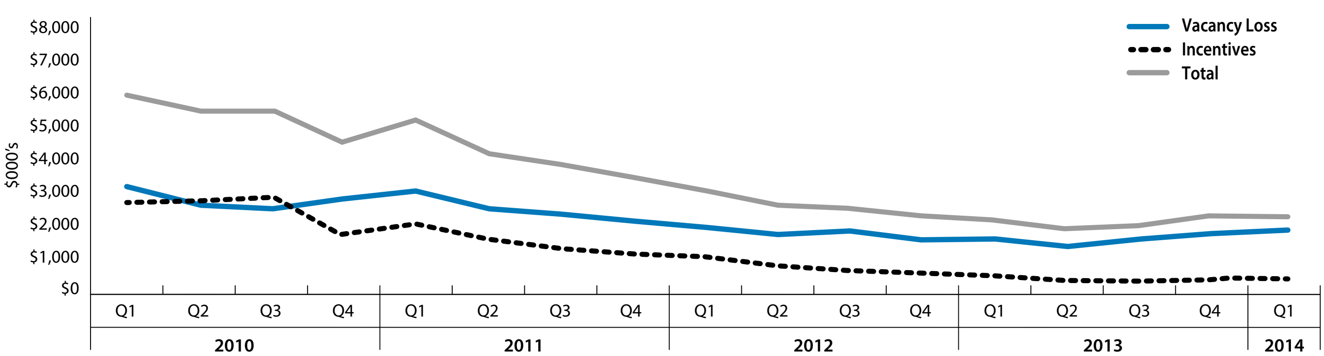
In the first quarter of 2014, the Trust reported an increase in overall occupancy rate to 98.44% from 98.37% for the same period in the prior year on its same store properties. Boardwalk's overall rental revenue strategy focuses on the Trust balancing the key inputs, including occupancy levels and existing rental market rates. As a strategy, the Trust is constantly adjusting market rents based on property-specific demand and supply.

Supply versus Demand & Impact on Reported Occupancy



The issue of demand and supply, as with any industry, is an important performance indicator for multi-family real estate. The above chart attempts to show the total move-outs (supply) compared to total move-ins (demand) and the resulting impact on reported occupancy relating to our portfolio. The cumulative impact of demand being greater than supply, or vice versa, is the primary driver in the reported occupancy rate. In recent years, Boardwalk focused on maintaining high occupancy levels by cautiously adjusting market rents upward only when warranted while optimizing turnover costs. As the chart shows, Boardwalk was successful with this strategy as overall occupancy rate was 98.44% for the quarter ended March 31, 2014, compared to the quarter ended March 31, 2013 when the occupancy rate was 98.37%. Boardwalk REIT will continue with this strategy; however, the Trust is now in the position where we may see some further upward rental adjustments in certain selective markets. The reader is cautioned that adjusting market rental rates is an ongoing process for the Trust and is consistent with its overall strategy of optimizing overall net operating income; consequently, it will adjust rents upward or downward when it is deemed necessary.

Vacancy Loss and Incentives



Vacancy loss and rental incentives are strong indicators of current and future revenue performance. Depending on specific market conditions, to best manage overall economic rental revenue, the correct balance between rental incentives and vacancy loss is important. On a quarterly basis, the chart details rental incentives versus vacancy loss. The reported overall stability of Boardwalk's vacancy loss for the first quarter of 2014 (and corresponding stability in occupancy levels) was mainly the result of Boardwalk REIT's continued strategy of managing overall revenues through three key revenue variables, notably, market rents, occupancy levels, and suite-selective incentives. All three key variables show continued stability of a strong rental market, particularly in Alberta and Saskatchewan. We continue to focus on maximizing overall revenues through the management of these key revenue variables.

Occupancy Sensitivity

As with all real estate rental operators, Boardwalk REIT's financial performance is sensitive to occupancy rates. Based on the current reported market rents, a 1% annualized change in reported occupancy is estimated to impact overall rental revenue by approximately $4.8 million, or $0.09 per Trust Unit on a diluted basis.

STABILIZED PROPERTY RESULTS

Boardwalk defines stabilized property as one that has been owned by the Trust for a period of 24 months or more from the reporting date. Boardwalk REIT's overall percentage of stabilized properties was 99.7% of its total rental unit portfolio as at March 31, 2014, or a total of 35,277 units. The table below provides a regional breakdown on these properties for the three months ended March 31, 2014, as compared to the same period in 2013.

Mar 31 2014 – 3 M	# of Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	5,310	5.4%	14.9%	1.0%	19.1%
Edmonton	12,497	6.4%	15.5%	1.2%	38.4%
Fort McMurray	352	4.2%	6.4%	3.2%	2.0%
Grande Prairie	645	6.0%	22.3%	(3.2%)	1.6%
Red Deer	939	7.6%	3.8%	10.4%	2.4%
British Columbia	633	1.2%	(5.3%)	4.3%	2.0%
Ontario	4,265	2.0%	10.9%	(7.3%)	6.5%
Quebec	6,000	1.9%	7.3%	(2.2%)	13.6%
Saskatchewan	4,636	3.1%	2.8%	3.2%	14.4%
	35,277	4.6%	11.2%	0.6%	100.0%

Stabilized revenue increased by 4.6% for the quarter ended March 31, 2014, compared to the same period in the prior year. Operating expenses reported for the year increased by 11.2% from Q1 2013, resulting in a NOI increase of 0.6% compared to the same period in the prior year. The increase in reported stabilized revenue was driven by an increase in occupancy levels and higher in-place occupied rents, particularly in Alberta, which accounts for approximately 63% of the Trust's reported stabilized Net Operating Income. Operating expenses increased primarily as a result of an increase in utilities and a decrease in wages and salaries being allocated to Boardwalk's internal capital program for the current quarter. The reader is cautioned that, due to seasonality and the timing of these related expenses, a better gauge of the performance of the stabilized properties is on a yearly rather than quarterly or monthly basis.

Stabilized Revenue Growth	# of Units	Q1 2014 vs. Q4 2013	Q1 2014 vs. Q3 2013	Q1 2014 vs. Q2 2013	Q1 2014 vs. Q1 2013
Calgary	5,310	1.0%	1.9%	3.3%	5.4%
Edmonton	12,497	1.2%	3.0%	4.5%	6.4%
Fort McMurray	352	(0.5%)	1.3%	1.2%	4.2%
Grande Prairie	645	1.3%	3.7%	4.7%	6.0%
Red Deer	939	1.7%	3.8%	6.3%	7.6%
British Columbia	633	0.0%	0.7%	1.1%	1.2%
Ontario	4,265	(0.3%)	0.8%	(1.9%)	2.0%
Quebec	6,000	(0.2%)	0.6%	0.9%	1.9%
Saskatchewan	4,636	0.0%	1.0%	1.9%	3.1%
	35,277	0.6%	1.9%	2.8%	4.6%

On a sequential basis, stabilized revenues reported in the first quarter of 2014 continued to increase by 0.6% compared to Q4 2013, increased by 1.9% compared to Q3 2013, increased 2.8% compared to Q2 2013 and increased by 4.6% compared to Q1 2013. The Trust strives toward balancing the optimum level of rental incentives and occupancy rates in order to achieve its net operating income optimization strategy.

Estimated Loss-to-Lease Calculation

Boardwalk REIT's estimated loss-to-lease, representing the difference between estimated market rents and actual occupied rents in March 2014 (excluding Spruce Ridge Gardens, the Trust's unstabilized project completed in November 2013), adjusted for current occupancy levels, totaled approximately $14.6 million on an annualized basis, representing $0.28 per Unit (Trust & LP B Units). For the most part, Boardwalk REIT's rental lease agreements last no longer than twelve months. On physical turnover, the rental units are then re-leased directly at current market rent. If market rents are increasing and a Boardwalk Resident Member wishes to renew and is able to demonstrate real financial hardship at the end of the lease agreement, the Trust's self-imposed rent control and Rental Increase Forgiveness program will reduce rental increases as appropriate, recognizing the long term benefits of such goodwill. By providing sustainable rental increases to our Resident Members, the Trust and all its Stakeholders have historically benefited from lower turnover, reduced expenses, and higher occupancy. The reader should note estimated loss-to-lease, measured at a point in time, is a non-GAAP measure, and that reported market rents can be very seasonal, and, as such, will vary from quarter to quarter. The significance of this change could materially affect Boardwalk REIT's "estimated loss-to-lease" amount. The importance of this estimate, however, is that it can be an indicator of future rental performance, assuming continuing economic conditions and trends. The reader should also note that it would take significant time for these market rents to be recognized by the Trust due to internal and external limitations on its ability to charge these new market-based rents in the short term.

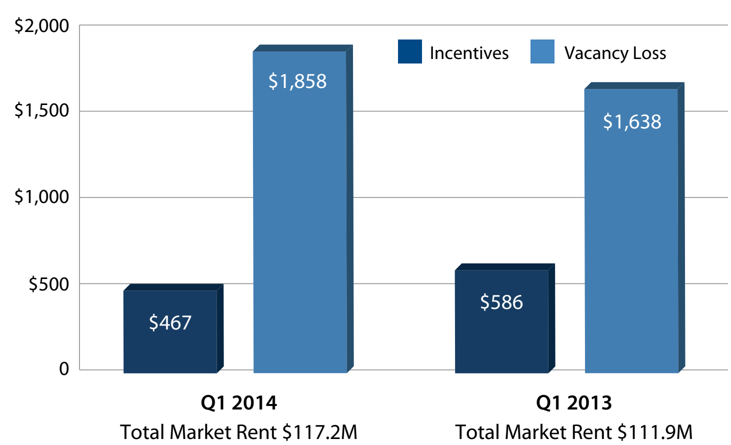
Same Store	March 2014 Occupied Rent [1]	March 2014 Market Rent [1]	Mark to Market Per Month	Annualized Mark to Market Adjusted for Current Occupancy levels ($000's)	Weighted Average Apartment Units	% of Portfolio
Calgary [2]	$ 1,323	$ 1,387	$ 64	$ 4,055	5,310	15%
Edmonton	1,220	1,263	43	6,355	12,497	35%
Fort McMurray	1,975	2,060	85	358	352	1%
Grande Prairie	1,009	1,037	28	212	645	2%
Red Deer	1,016	1,037	21	228	939	3%
Alberta Portfolio	$ 1,245	$ 1,293	$ 48	$ 11,208	19,743	56%
Saskatchewan	1,132	1,151	19	1,014	4,636	13%
Ontario	822	842	20	947	4,265	12%
Quebec	1,013	1,029	16	1,090	6,000	17%
British Columbia	1,051	1,100	49	363	633	2%
Total Portfolio	$ 1,138	$ 1,173	$ 35	$ 14,622	35,277	100%

(1) Ancillary rental revenue is included in the calculation of market and occupied rent

(2) Spruce Ridge Gardens is excluded.

The mark to market amount of $35 represents 3.1% of March 2014 occupied rent, an amount which is realistically attainable at lease maturity. The decrease in the loss-to-lease for our portfolio, from $14.8 million at December 2013 to $14.6 million at March 2014, was due primarily to increases in occupied rents, particularly in Calgary, thus decreasing the spread between occupied and market rents.

For the first quarter of 2014, the Trust was able to increase market rents on specific properties by reducing incentives while maintaining, and in some cases increasing, occupancy levels. As with prior periods, Boardwalk REIT continues to focus on the optimization of all rental revenue, with attention to appropriate levels of market rents and certain occupancy level targets, as well as suite-selective incentives, when warranted.



Boardwalk has also been able to increase market rents and or reduce suite-specific incentives in certain selective markets and on certain properties while maintaining occupancy levels.

Investing In Our Properties

Boardwalk is continually re-investing in its properties. A detailed analysis of this investment can be found later in the MD&A under the section titled, "Capital Improvements". The purpose of the "Capital Improvements" section is to provide the reader with a consolidated view of what the Trust spent on its real estate asset base.

FINANCING COSTS

Financing costs from continuing operations for the first quarter of 2014 decreased from the same period in the prior year, from $22.7 million to $21.8 million, due to the Trust being able to renew maturing mortgages at interest rates below the noted maturing rates. Financing costs from discontinued operations was $0.5 million for the quarters ended March 31, 2014 and 2013. At March 31, 2014, the reported weighted average interest rate of 3.45% was down from the weighted average interest rate of 3.46% at December 31, 2013, and down from the weighted average interest rate of 3.62% at March 31, 2013. Boardwalk REIT has continued to take advantage of historically low interest rates to refinance and renew certain mortgages, resulting in a lower overall weighted average interest rate. The average term to maturity of the Trust's mortgage portfolio is approximately 3.6 years.

Boardwalk REIT concentrates on multi-family residential real estate. It is therefore eligible to obtain government-backed insurance through the NHA program, administered by CMHC. The benefits of purchasing this insurance are two-fold.

The first benefit of using CMHC insurance is Boardwalk REIT can normally obtain lower interest rate spreads on its property financing as compared to other financing alternatives in either the residential or any other real estate class, leading to lower overall cost of debt, after including the cost of the NHA insurance.

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

Management cannot over-emphasize the importance of this Government-backed mortgage insurance program administered by Canada Mortgage and Housing Corporation. Despite past volatility in the overall credit markets, the Trust has been able to find a number of mortgage lenders willing to assume, or underwrite, additional mortgages under this program.

At March 31, 2014, approximately 99% of Boardwalk REIT's mortgages were backed by this NHA insurance, with a weighted average amortization period of approximately 31 years.

As was previously noted, the adoption of IFRS has also had an impact on the amount of financing costs reported on the Trust's Consolidated Statement of Comprehensive Income. As a result of the Trust's LP Class B Units being classified as financial liabilities in accordance with IAS 32, the corresponding distributions paid to the Unitholders are classified as financing costs under IFRS. The Trust believes these distribution payments do not truly represent "financing charges" as these amounts are only payable if the Trust declares distributions, and only for the amount of any distributions declared, both of which are at the discretion of the Board of Trustees as outlined in the DOT. The total amount of distributions paid to the LP Class B Unitholders for the three months ended March 31, 2014, which have been recorded as financing charges, was $2.3 million ($2.2 million – March 31, 2013). Based on this rational, these amounts have been added back in the calculation of FFO.

The reader should also note that under IFRS, financing charges are recorded net of interest income earned for the period. The total amount of interest income earned for the current quarter was $0.4 million, compared to $0.5 million in the same period in the prior year.

Interest Rate Sensitivity

Although Boardwalk REIT manages its financing risk in a variety of ways, as discussed later in the MD&A, it is important the reader understands how significant interest rate changes could impact the Trust as a whole. Due to the size of Boardwalk's overall mortgage portfolio, it has been prudent to spread out the maturity of these mortgages over a number of years. For the remainder of 2014, the Trust anticipates having approximately $394.1 million of secured mortgages maturing with a weighted average rate of 3.43%. If we were to renew these mortgages today with a new 5-year term, we estimate, based upon interactions with possible lenders, the new rate would be approximately 2.50% (as of May 14, 2014), resulting in an estimated $3.7 million potential annualized reduction in interest expense in our soon-to-mature mortgages.

ADMINISTRATION

Included in administration expenses are costs associated with Boardwalk REIT's centralized administrative functions. The amount reported for the three months ended March 31, 2014, which relates to corporate administration from continuing operations, was $7.7 million, compared to $7.6 million for the same period in the prior year, an increase of approximately 2.1%.

For the three months ended March 31, 2014 and prior comparative periods, Boardwalk REIT allocated certain administration costs between corporate and rental operating expenses. The administration costs allocated to rental operating expenses consist primarily of specific amounts associated with operation-specific staff and related support initiatives. Total administration costs, combining rental operating and corporate (including discontinued operations), were $13.6 million for the three months ended March 31, 2014, compared to $13.4 million for the same period in the prior year. The increase in total administration costs of approximately $0.2 million was primarily the result of higher wages and salaries. The allocation of administration expenses between corporate and operating general and administration costs, noted above, have not been materially impacted by the Trust's adoption of IFRS standards.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization recorded on the Condensed Consolidated Statements of Comprehensive Income is made up of the depreciation of property, plant and equipment, and the amortization of deferred financing costs.

Depreciation of property, plant and equipment

The Trust has elected to use the cost model under IAS 16 – Property, Plant and Equipment ("IAS 16") to value its property, plant and equipment, and, as a result of this method, depreciation expense is a charge taken against earnings to reflect the estimated depreciation that has occurred to these assets as a result of their use during the reporting period in question.

Amortization of Deferred Financing Costs

The amortization of deferred financing costs relates primarily to the amortization of CMHC premiums, which are paid as part of mortgage financing. If Boardwalk REIT replaces an existing mortgage with a new mortgage, all costs associated with the original mortgage, including the unamortized balance of the CMHC premium, are required to be charged to income in the period that this occurs. As a result, and due to the variable timing and strategy of each mortgage at maturity, the amounts reported will vary. Rather than refinance the entire mortgage on term maturity to a higher amount, Boardwalk REIT continues to take advantage of supplementing, rather than extinguishing, the original mortgage to increase its leverage.

For the three months ended March 31, 2014, no deferred financing costs were written off due to the term maturity and payout of mortgages in Boardwalk's secured debt portfolio.

Boardwalk reviews its key depreciation and amortization estimates on an ongoing basis and, if warranted, will adjust these estimates on a prospective basis.

The total amount reported as depreciation and amortization for the three months ended March 31, 2014, was $3.0 million, which was consistent with the $2.9 million recorded for the same period in the prior year.

OTHER INCOME AND EXPENSES

Income Tax Expense

Boardwalk REIT qualifies as a 'mutual fund trust' as defined in the Income Tax Act (Canada) (the "Tax Act"). The Tax Act also contains legislation affecting the tax treatment of publicly traded trusts (the "SIFT Legislation") and the criteria for qualifying for the real estate investment trust exemption (the "REIT Exemption"), which would exempt Boardwalk REIT from income tax under the SIFT Legislation. For fiscal 2013 and the first quarter of 2014, the Trust qualified for the REIT Exemption.

Although Boardwalk REIT is exempted from income taxes, provided it distributes all of its taxable income to its Unitholders, this exemption does not apply to its corporate subsidiaries, which are subject to income taxes.

LP Class B Units and the Deferred Unit Compensation Plan

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. The LP Class B Units and the deferred unit-based compensation plan are classified as financial liabilities in accordance with IFRS standards, and, as a result, are recorded at their fair value at each reporting date. As at March 31, 2014, the Trust used a closing price of $60.64 based on the closing price of the TSX-listed Boardwalk REIT Trust Units to determine the fair value of these financial liabilities at that date. The total fair value of these units recorded on the Condensed Consolidated Statements of Financial Position at March 31, 2014, was $271.4 million, and a corresponding fair value loss of $3.5 million (three months ended March 31, 2013 – fair value gain of $9.1 million) was recorded on the Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2014.

The deferred unit-based compensation plan had a fair value of $8.0 million, and a corresponding fair value loss of $0.3 million (three months ended March 31, 2013 – fair value loss of $0.1 million) was recorded on the Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2014.

Capital Improvements

Boardwalk has a continuous internal capital program with respect to its investment properties. The program is designed to extend their useful lives, improve operating efficiency, enhance appeal, maintain their earnings capacity and meet Resident Members' expectations, as well as meet health and safety regulations.

In the first quarter of 2014, Boardwalk REIT invested approximately $14.5 million (comprised of $12.5 million on its stabilized investment properties, $0.1 million on development properties and $1.9 million on property, plant and equipment) back into its properties in the form of equipment and project enhancements to upgrade existing suites, common areas, building exteriors, and systems, compared to the $17.6 million ($12.3 million on its stabilized investment properties, $2.8 million on development properties and $2.5 million property, plant and equipment) invested in the first quarter of 2013. The amount of this investment will vary from year-to-year.

A significant part of Boardwalk's capital improvement program relates to projects that are carried out by Boardwalk's Associates. This internal capital program was initiated in 1996 as a way to create more value for the Trust. The Trust recognizes that there are certain efficiencies and economies of scale available from having Boardwalk Associates performing certain capital projects ourselves, or "in-house". This results in the faster execution and greater control of these projects while at the same time eliminating the profit charged by third-party contractors. The Trust focuses on specific projects where there is the largest opportunity for value creation, like flooring and painting. Over the last few years, the Trust has intensified this focus of performing capital projects "in-house" rather than contracting such services. Included in capital improvements is approximately $4.2 million of on-site wages and salaries that have been incurred towards these projects for the first three months of 2014, compared to $4.9 million for the same period in 2013.

Maintenance of Productive Capacity

The Trust has two separate areas in which capital is invested back into its residential buildings. These are referred to as 'maintenance capital expenditures' and 'stabilizing and value enhancing capital expenditures'.

Maintenance capital expenditures are funded from operating cash flows. These expenditures are deducted from FFO in order to estimate a sustainable amount (AFFO) that can be distributed to Unitholders. Maintenance capital expenditures include those expenditures that are not considered betterments, and relate more to maintaining the existing earnings capacity of our property portfolio. In contrast, stabilizing and value enhancing capital expenditures are more discretionary in nature and focus on increasing the productivity of the property, with the goal of increasing the FFO generated at that location. In addition, the Trust invests funds in its portfolio in the form of ongoing repairs and maintenance as well as on-site maintenance Associates. Both of these expenditures are designed to maintain the operating capacity of our assets.

The following table provides management's estimate of these expenditure categories.

in $000's, except for per suite amounts	**3 Months Mar 31, 2014**	**Per Suite**	3 Months Mar 31, 2013	Per Suite
Maintenance Capital Expenditures	**$ 4,189**	**$ 119**	$ 4,189	$ 119
Stabilizing & Value Enhancing Capital (excluding Property, Plant & Equipment)	**$ 8,281**	**$ 234**	$ 8,175	$ 231
	$ 12,470	**$ 353**	$ 12,364	$ 350

Items reported as capital are determined as investments in assets that have a useful life longer than the current reporting period. Management has estimated that for the first quarter of fiscals 2014 and 2013, the amount allocated to maintenance capital was approximately $4.2 million, or $119 per apartment unit, with investment in value-enhancing expenditures to its stabilized investment properties totaling $8.3 million and $8.2 million, respectively, or $234 and $231 per apartment unit.

If we compare the funds generated by the Trust after adjusting for the required maintenance capital expenditures, we note the Trust is currently paying out an estimated 66.1% of reported FFO and 73.9% of AFFO for the three months ended March 31, 2014, compared to 65.4% and 73.2%, respectively, for the same period in the previous year.

(000's)	**3 months Mar 31, 2014**	3 months Mar 31, 2013
Funds From Operations (FFO)	**$ 40,015**	$ 39,209
Maintenance Capital Expenditures	**$ 4,189**	$ 4,189
Adjusted Funds From Operations (AFFO)	**$ 35,826**	$ 35,020
AFFO per unit (Trust and LP B Units)	**$ 0.68**	$ 0.67
Unitholder Distributions – Regular (Trust Units and LP B Units)	**$ 26,466**	$ 25,647
Distribution as a % of FFO	**66.1%**	65.4%
Distribution as a % of AFFO	**73.9%**	73.2%

Maintenance capital expenditures for our income-producing properties are dependent upon many factors, including, but not limited to, the number of suites, age and location of our properties, and the Trust's policy of ongoing investment, resulting in safe and desirable apartments for its Resident Members and Associates.

INVESTMENT PROPERTIES

The Trust has elected to use the fair value model in accordance with IAS 40, Investment Properties to report the value of its investment properties at each reporting date.

External valuations were obtained from third-party appraisers (the "Appraisers") based on a cross section of properties from different geographical locations and markets across the Trust's rental portfolio, as determined by management, to corroborate the Trust's internal fair value calculation for its entire investment property portfolio. External appraisals were obtained as follow:

Date	Number of properties	Aggregate fair value	Percentage of portfolio as of that date
March 31, 2014	4	$ 105,282	1.8%
December 31, 2013	7	$ 779,487	13.6%
September 30, 2013	7	$ 217,022	3.8%
June 30, 2013	6	$ 211,895	3.8%
March 31, 2013	7	$ 178,609	3.2%

The fair value of the Trust's investment property portfolio was determined internally by the Trust using the same assumptions and valuation techniques used by the external valuation professionals. In addition to performing a valuation on a selection of Trust's properties (and not performing a valuation on all of the Trust properties) to compare to the Trust's internal valuation, the Appraisers provided the Trust with a summary of the major assumptions and market data by city in order for the Trust to complete its internal valuations.

The key valuation metrics for the Trust's investment properties are set out in the following tables:

As at	**March 31, 2014**			December 31, 2013		
	Capitalization rate		**Forecasted total standardized net operating income**	Capitalization rate		Forecasted total standardized net operating income
	Minimum	**Maximum**		Minimum	Maximum	
Calgary	**4.50%**	**6.00%**	**$ 60,928**	4.75%	6.00%	$ 60,110
Edmonton	**5.00%**	**5.50%**	**123,962**	5.00%	5.50%	121,623
Other Alberta	**5.75%**	**7.25%**	**20,537**	5.75%	7.25%	20,497
Vancouver	**–%**	**–%**	**–**	4.75%	5.25%	6,195
Kitchener	**5.50%**	**5.50%**	**1,760**	5.50%	5.50%	1,754
London	**5.75%**	**6.00%**	**11,125**	5.75%	6.00%	11,145
Windsor	**6.50%**	**7.00%**	**7,157**	6.50%	7.00%	7,068
Montreal	**5.50%**	**6.25%**	**5,472**	5.50%	6.25%	5,348
Quebec City	**5.75%**	**6.25%**	**9,975**	5.75%	6.25%	9,980
Regina	**5.75%**	**6.00%**	**23,461**	5.75%	6.00%	23,156
Saskatoon	**5.75%**	**6.00%**	**19,800**	5.75%	6.00%	19,569
	4.50%	**7.25%**	**284,177**	4.75%	7.25%	286,445
Land Lease	**5.25%**	**13.49%**	**$ 28,505**	5.25%	13.49%	$ 28,337

Overall portfolio weighted average capitalization rate was 5.49% as at March 31, 2014, and 5.48% as at December 31, 2013.

The "Overall Capitalization Rate" method requires a forecasted stabilized net operating income ("NOI") be divided by a capitalization rate ("cap rate") to determine a fair value. NOI is calculated as a one-year income forecast based on rental income from current leases and key assumptions about rental income, vacancies and inflation rates, among other factors, less property operating costs. As such, fluctuations in both NOI and cap rates could significantly alter the fair value. Generally, an increase in stabilized NOI will result in an increase to the fair value of an investment property. An increase In capitalization rate will result in a decrease to the fair value of an investment property. When the capitalization rate is applied to NOI to calculate fair value, there is a significant impact whereby the lower the capitalization rate, the larger the impact. Below are tables that summarize the sensitivity impact of changes in both cap rates and NOI on the Trust's fair value of its investment properties (excluding development) as at March 31, 2014 and December 31, 2013:

As at March 31, 2014 *(in 000's)*

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		$ 303,301	$ 309,555	$ 312,682	$ 315,809	$ 322,062
Capitalization Rate						
-0.25%	5.24%	$ 92,715	$ 212,059	$ 271,731	$ 331,403	$ 450,747
Cap Rate As Reported	5.49%	(170,864)	(56,955)	5,695,478	56,955	170,864
+0.25%	5.74%	(411,483)	(302,535)	(248,061)	(193,587)	(84,638)

As at December 31, 2013 *(in 000's)*

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		$ 305,339	$ 311,635	$ 314,782	$ 317,930	$ 324,226
Capitalization Rate						
-0.25%	5.23%	$ 94,016	$ 214,392	$ 274,580	$ 334,767	$ 455,143
Cap Rate As Reported	5.48%	(172,326)	(57,442)	5,744,205	57,442	172,326
+0.25%	5.73%	(415,427)	(305,556)	(250,620)	(195,684)	(85,812)

INVESTMENT PROPERTY DEVELOPMENT

In the past, the development of multi-family apartment units by the Trust was not a significant part of its overall strategy. The main reason was due to management's opinion that the anticipated return on development was far below other available risk adjusted capital allocation alternatives, such as the acquisition of existing apartment units in the Trust's target markets and/or the buyback of Trust Units for cancellation. Over the last number of years there has been a change in the multi family apartment environment in Canada. Over this period, we have witnessed a significant increase in the market value of rental apartments. This increase, although somewhat helped by a steady increase in reported market rental rates, has been mainly driven by a significant compression in market capitalization rates, which in turn has been the result of a prolonged low interest rate environment in Canada.

With this increase in the market value of apartments, there has been a significant decrease in the expected returns from the above noted allocation alternatives to a level that warrants a measured allocation of capital to the area of new apartment development, particularly on excess land the Trust currently owns. Accordingly, the Trust pursued new apartment development on some of its excess density. In 2012, the Trust received development approval from the City of Calgary in Alberta, Canada, and commenced construction of a 109-unit four storey, elevatored, wood frame building in the Southwest part of the city. The development was substantially completed on November 7, 2013 and an Occupancy Permit allowing Boardwalk to commence the lease-up of the units was issued by the City of Calgary for the project. The project was completed on time and within budget totaling approximately $19 million. To assist in the development cost of this property, the Trust had applied for, and received, approval of a grant from the Province of Alberta in the amount of $7.5 million. As at March 31, 2014, approximately $6.8 million of the $7.5 million was received by the Trust. In return for this grant, the Trust has agreed to classify 54 of the 109 units as 'affordable', with market rents set at 10% below average market rates for Calgary for a term of 20 years. The remainder of the approximate $11.5 million development funds required came from Boardwalk's cash on hand. We estimated the stabilized capitalization rate on this project to be between 6.5% and 7.0%, including an estimated allocation of $4.25 million, or $39 thousand per apartment unit, for the excess land allocated to this project. In accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance under IFRS, this grant will be recognized in profit or loss on a systematic basis over the periods in which the Trust recognizes revenue from the 54 units classified as affordable units, resulting in achievable rents being much closer to market rents. For the three months ended March 31, 2014, $94 thousand was recognized in profit under rental revenue for this grant (three months ended March 31, 2013 - $nil).

It is our intention to continue to investigate further development opportunities, particularity in Alberta and Saskatchewan; however, each future opportunity will require a separate analysis and, depending on the analysis and economic conditions, Boardwalk REIT will determine if additional development projects are warranted. Historically, one of the biggest risks to real estate evaluations is the building of oversupply in a particular market, which results in significant corrections of property values market wide. The Trust currently mitigates this risk by avoiding leverage and using cash on hand for new development and undertaking development as a small part of Boardwalk's overall strategy.

For the three months ended March 31, 2014, the Trust expended $0.1 million on total development costs compared to $2.8 million for the same period in the prior year.

CAPITAL STRUCTURE AND LIQUIDITY

Liquidity refers to the Trust's ability to generate, and have available, sufficient cash to fund our ongoing operations and capital commitments as well as its distributions to Unitholders. Generally, distributions are funded from FFO. However, in common with the majority of real estate entities, we rely on lending institutions for a significant portion of capital required to fund mortgage principal payments, capital expenditures, acquisitions, unit buybacks, and repayment of maturing debt. Over the past number of years, Boardwalk has observed a significant increase in borrowing standards of many of our key lending partners as a result of heightened sensitivity to a potentially overpriced housing market and new CMHC underwriting rules. Although it appears we are beginning to see an improvement in the overall economy, Boardwalk has yet to witness a significant change in these more stringent standards.

To mitigate the risk of renewal, the Trust utilizes NHA mortgage insurance, the benefits of which we discussed in detail above. In volatile times, the ability to access this product was very beneficial to the Trust as a whole.

The Trust's current liquidity position remains stable as the following table highlights:

($000)	
Cash position March 31, 2014	$ 113,323
Subsequent Committed Up Financing	$ 9,780
Committed Revolving Credit Facility Available	$ 195,836
Total Available Liquidity	$ 318,939

In addition to this, the Trust currently has 3,160 (inclusive of the 102-unit Edmonton, Alberta property, which sold and closed on May 5, 2014) rental apartment units of unencumbered assets, of which 855 units are pledged against the Trust's committed revolving credit facility. It is estimated that the Trust could obtain an additional $274.4 million of new proceeds from the financing of its current unencumbered assets.

Approximately 99% of Boardwalk REIT's secured mortgages carry NHA insurance. The reader should also be aware that of the $394.1 million of secured mortgages coming due in the remainder of 2014 (as shown in the table below), all have NHA insurance, and represent in aggregate approximately 48% of current estimated "underwriting" values on those individual secured assets. Currently, interest rates on NHA insured mortgages are slightly below the weighted average interest rate of the $394.1 million maturing mortgages of 3.43%. The reader, however, is cautioned these rates do fluctuate and, by the time these maturing mortgages are set for renewal, with or without additional financing, interest rates may have changed materially. Even with the NHA insurance program attached to its secured mortgages, the Trust is still susceptible to changes in market interest rates. To take advantage of current interest rates and to reduce a portion of the Trust's interest rate risk on the 2014 mortgage maturities, the Trust, to date, has renewed or forward interest rate locked $167.2 million of its 2014 mortgage maturities with a weighted average interest rate of 2.90%, while also securing an average mortgage term of 8 years on these financings.

Mortgages and Debt Schedule

Boardwalk REIT's long-term debt consists entirely of low-rate, fixed-term secured mortgage financing. The maturity dates on the secured mortgages have been staggered to lower the overall interest rate risk on renewal.

Total mortgages and debt payable, including mortgages on Boardwalk's BC property portfolio, (net of unamortized transaction costs) on March 31, 2014, were $2.25 billion, compared to $2.26 billion reported on December 31, 2013.

Boardwalk REIT's overall weighted average interest rate on its long-term debt has decreased from the prior year. The weighted average interest rate on March 31, 2014 was 3.45% compared to 3.46% on December 31, 2013 and 3.62% on March 31, 2013. To better maintain cost effectiveness and flexibility of capital, Boardwalk REIT continuously monitors short and long-term interest rates. If the environment warrants, the Trust will convert short-term, floating rate debt, if any, to longer term, fixed rate mortgages to reduce interest rate renewal risk.

Year of Maturity	Principal Outstanding as at Mar 31, 2014 (1)	Weighted Average Interest Rate By Maturity	% of Total
2014	$ 394,085	3.43%	16.9%
2015	435,706	3.73%	18.7%
2016	268,479	3.89%	11.5%
2017	336,458	2.89%	14.4%
2018	180,418	3.27%	7.7%
2019	151,614	3.83%	6.5%
2020	85,307	3.86%	3.7%
2021	32,397	4.26%	1.4%
2022	248,385	3.33%	10.7%
2023	187,641	3.01%	8.0%
2024	10,928	3.40%	0.5%
Total Principal Outstanding	$ 2,331,418	3.45%	100.0%
Unamortized Deferred Financing Costs	$ (79,998)		
Per Financial Statements	$ 2,251,420		

(1) Includes Liabilities associated with assets held for sale balance of $62.0 million ($60.4 million net of unamortized deferred financing costs).

Interest Coverage

Notwithstanding the Trust's current liquidity situation, Boardwalk's liquidity and access to capital resources is constrained by certain tests that have been adopted in both its Declaration of Trust, as well as in its credit facility. The Declaration of Trust stipulates an interest coverage ratio limit of 1.5 to 1. For the purpose of the interest coverage ratio calculation, gains or losses on the sale or disposition of investment properties are excluded from earnings and distributions on the LP Class B Units are excluded from interest expense, despite the LP Class B Units being classified as a financial liability under IFRS.

The following table sets out the Trust's interest coverage ratio calculation as at March 31, 2014 and December 31, 2013, based on the most recently four completed fiscal quarters.

As at	**March 31, 2014**	December 31, 2013
Consolidated EBITDA	**$ 257,766**	$ 257,827
Consolidated Interest Expense	**80,886**	81,813
Interest Coverage Ratio	**3.19**	3.15
Minimum Threshold	**1.50**	1.50

For the most recently completed four fiscal quarters ended March 31, 2014, Boardwalk REIT's overall interest coverage ratio of adjusted EBITDA (i.e. Earnings Before Interest, Taxes, Depreciation and Amortization) to interest expense (excluding distributions on LP B Units and fair value gains and losses) was 3.19, compared to 3.15 for the four fiscal quarters ended December 31, 2013. The reader should note upon the adoption of IFRS standards, the distributions made to the LP Class B Unitholders are now considered financing charges and is the result of the reclassification of these units as financial liabilities. The calculation of the interest coverage ratio above does not include these distribution payments in the calculation of interest expense.

Unitholders' Equity

The following table discloses the changes in REIT Trust Units issued and outstanding:

Summary of Unitholders' Capital Contributions	Units
December 31, 2012	47,851,667
Units issued for vested deferred units	68,297
December 31, 2013	47,919,964
Units issued for vested deferred units	21,036
March 31, 2014	**47,941,000**

Boardwalk REIT has one class of publicly traded voting securities known as "REIT Units". As at March 31, 2014, there were 47,941,000 REIT Units issued and outstanding. In addition, there were 4,475,000 special voting units issued to holders of "Class B Units" of Boardwalk REIT Limited Partnership ("LP B Units"), each of which also has a special voting unit in the REIT. Each LP B Unit is exchangeable for a REIT Unit on a one-for-one basis at the option of the holder. Each LP B Unit, through the special voting unit, entitles the holder to one vote at any meeting of Unitholders. Accordingly, if all of the LP B Units were exchanged for REIT Units, the total issued and outstanding REIT Units would be 52,416,000. These LP Class B Units are classified as "FVTPL" financial liabilities under IFRS and are recorded at their fair value as liabilities on the Consolidated Statements of Financial Position.

On June 28, 2013, the Trust received regulatory approval for a Normal Course Issuer Bid (the "Bid") to purchase and cancel up to 3,894,712 Trust Units, representing 10% of the public float at the time of the TSX approval. The Bid commences July 3, 2013 and terminates July 2, 2014 or when the Bid is completed. The Trust's daily purchase limit pursuant to the Bid will be 22,289 Trust Units. To date, no Trust Units have been purchased and cancelled under this Bid.

Equity

Boardwalk has an equity market capitalization of approximately $3.2 billion based on the Trust Unit closing price of $60.64 on the Toronto Stock Exchange on March 31, 2014.

Enterprise Value

With a total enterprise value of approximately $5.5 billion (consisting of total debt of $2.3 billion and market capitalization of $3.2 billion) as at March 31, 2014, Boardwalk's total debt is approximately 41.5% of total enterprise value at the end of the quarter.

CRITICAL ACCOUNTING POLICIES

The Trust adopted IFRS as its basis of financial reporting, effective January 1, 2011. The significant accounting policies followed on the adoption of IFRS by the Trust are included in Note 2 of the notes to the audited Consolidated Financial Statements for the year ended December 31, 2013.

Certain new standards, interpretations, amendments, and improvements to existing standards, were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning January 1, 2014 or later periods. The standards and the impact on the Trust's consolidated financial statements were disclosed in Note 3 of the notes to the Trust's December 31, 2013 annual audited consolidated financial statements as well as Note 2 of the condensed consolidated financial statements for the current quarter.

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO, President, and CFO on a timely basis so appropriate decisions can be made regarding public disclosure.

The preparation of this information is supported by a set of disclosure controls and procedures ("DC&P") implemented by management. In fiscal 2013, these controls and procedures were reviewed and the effectiveness of their design and operation was evaluated. This evaluation confirmed the effectiveness of the design and operation of disclosure controls and procedures as at December 31, 2013. The evaluation was performed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") control framework adopted by the Trust and the requirements of National Instrument 52-109 of the Canadian Securities Administrators titled, Certification of Disclosure in Issuers' Annual and Interim Filings.

There were no changes made to our disclosure controls and procedures during the quarter ended March 31, 2014. Boardwalk REIT continues to review the design of disclosure controls and procedures to provide reasonable assurance that material information relating to Boardwalk REIT is properly communicated to certifying officers responsible for establishing and maintaining disclosure controls and procedures, as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.

As at December 31, 2013, Boardwalk REIT confirmed the effectiveness of the design of internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial statements and information. Boardwalk REIT may, from time to time, make changes aimed at enhancing their effectiveness and ensuring that our systems evolve with our business. There were no changes made in our internal controls over financial reporting during the quarter ended March 31, 2014, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

2014 FINANCIAL OUTLOOK AND MARKET GUIDANCE

As is customary, the Trust on a quarterly basis reviews its key assumptions used in deriving its public financial guidance. During this review, we noted that the Trust's First Quarter results were within its current guidance range. Based on this review, the Trust is reiterating its FFO and AFFO guidance. The following table highlights the current financial objectives for the 2014 fiscal year.

Description	2014 Objectives
Investment Properties	No new apartment acquisitions, dispositions or developments
Stabilized Building NOI growth	1% to 4%
FFO Per Unit	$3.25 to $3.45
AFFO Per Unit	$2.93 to $3.13

In deriving these forecasts, we have adjusted for the treatment of the LP B Units to be treated as equity (versus debt under IFRS) and their related treatment of the distributions paid (which are classified as financing charges under IFRS). In addition, we are assuming no additional acquisition or disposition of properties.

The reader is cautioned that this information is forward-looking and actual results may vary materially from those reported. One of the key estimates is the performance of the Trust's stabilized properties. Any significant change in assumptions deriving 'Stabilized Building NOI performance' would have a material effect on the final reported amount. The trust reviews these key assumptions quarterly and based on this review may change its outlook.

In addition to the above financial guidance for 2014, the Trust has assumed the following capital will be reinvested in its existing portfolio for the 2014 fiscal year.

Capital Budget	**2014 Budget**	**Per Suite**	Three Months ended March 31, 2014 Actual	Per Suite
Total Operational Capital Approved	**$ 94,400**	**$ 2,675**	$ 14,404	$ 408
Maintenance Capital	**$ 16,800**	**$ 475**	$ 4,189	$ 119
Stabilizing & Value Added Capital (including Property, Plant & Equipment)	**$ 77,600**	**$ 2,200**	$ 10,215	$ 289
	$ 94,400	**$ 2,675**	$ 14,404	$ 408
Development Capital Approved	**$ 1,000**		$ 123	

For the first three months of 2014, Boardwalk REIT has incurred approximately $14.4 million, or $408 per suite, of capital improvements on its stabilized Investment Properties, and $0.1 million on development.

ADDITIONAL INFORMATION

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

Respectfully,

(signed)

Roberto A. Geremia
President

(signed)

William Wong
Chief Financial Officer

May 14, 2014

Condensed Consolidated Statements of Financial Position

Unaudited (CDN $ THOUSANDS)

As at	Note	March 31, 2014	December 31, 2013
Assets			
Non-current assets			
Investment properties	3	**$ 5,696,603**	$ 5,745,207
Property, plant and equipment	5	**24,460**	23,625
Deferred tax assets		**499**	455
		5,721,562	5,769,287
Current assets			
Inventories		**3,629**	3,585
Prepaid assets		**3,022**	4,209
Trade and other receivables		**4,990**	4,819
Segregated tenants' security deposits		**12,525**	12,704
Cash		**113,323**	131,079
Assets classified as held for sale	4	**151,540**	–
		289,029	156,396
Total Assets		**$ 6,010,591**	$ 5,925,683
Liabilities			
Non-current liabilities			
Mortgages payable	6	**$ 1,711,043**	$ 1,790,625
LP Class B Units	7	**271,364**	267,829
Other non-current liabilities	8	**2,780**	3,364
Deferred unit-based compensation	9	**4,390**	4,872
Deferred tax liabilities	10	**46**	50
Deferred government grant	11	**6,344**	6,436
		1,995,967	2,073,176
Current liabilities			
Mortgages payable	6	**479,962**	470,787
Deferred unit-based compensation	9	**3,579**	3,453
Deferred government grant	11	**378**	380
Refundable tenants' security deposits		**16,301**	16,375
Trade and other payables		**53,603**	61,990
Liabilities directly associated with assets classified as held for sale	4	**61,259**	–
		615,082	552,985
Total Liabilities		**2,611,049**	2,626,161
Equity			
Unitholders' equity	12	**3,399,542**	3,299,522
Total Equity		**3,399,542**	3,299,522
Total Liabilities and Equity		**$ 6,010,591**	$ 5,925,683

See accompanying notes to these condensed consolidated financial statements

Condensed Consolidated Statements of Comprehensive Income

Unaudited (CDN $ THOUSANDS)

	Note	3 months ended March 31, 2014	3 months ended March 31, 2013
Rental revenue		**$ 114,892**	$ 109,402
Ancillary rental income		**1,661**	1,642
Total rental revenue		**116,553**	111,044
Rental expenses			
Operating expenses		**22,853**	21,406
Utilities		**15,808**	12,358
Property taxes		**9,593**	9,020
Net operating income		**68,299**	68,260
Financing costs	13	**21,802**	22,654
Administration		**7,735**	7,576
Depreciation and amortization		**3,023**	2,861
Profit from continuing operations before the undernoted		**35,739**	35,169
Fair value gains	14	**73,594**	57,278
Profit from continuing operations before income tax (expense) recovery		**109,333**	92,447
Income tax (expense) recovery	10	**49**	(285)
Profit from continuing operations		**109,382**	92,162
Profit from discontinued operations, net of tax	4	**12,997**	1,202
Profit for the period		**122,379**	93,364
Other comprehensive income		**597**	367
Total comprehensive income		**$ 122,976**	$ 93,731

See accompanying notes to these condensed consolidated financial statements

Condensed Consolidated Statements of Changes in Unitholders' Equity

Unaudited (CDN $ THOUSANDS)

	Trust Units	Cumulative profit	Cumulative distributions to Unitholders	Retained earnings	Accumulated other comprehensive income (loss) (NOTE 12(a))	Total Unitholders' equity
Balance, December 31, 2012	$ 191,110	$ 3,597,307	$ (732,708)	$ 2,864,599	$ (5,608)	$ 3,050,101
Units issued	1,345	–	–	–	–	1,345
Profit for the period	–	93,364	–	93,364	–	93,364
Other comprehensive income	–	–	–	–	367	367
Total comprehensive income for the period	–	93,364	–	93,364	367	93,731
Distributions declared to Unitholders	–	–	(23,454)	(23,454)	–	(23,454)
Balance, March 31, 2013	$ 192,455	$ 3,690,671	$ (756,162)	$ 2,934,509	$ (5,241)	$ 3,121,723
Balance, December 31, 2013	$ 195,223	$ 3,935,037	$ (827,279)	$ 3,107,758	$ (3,459)	$ 3,299,522
Units issued	1,250	–	–	–	–	1,250
Profit for the period	–	122,379	–	122,379	–	122,379
Other comprehensive income	–	–	–	–	597	597
Total comprehensive income for the period	–	122,379	–	122,379	597	122,976
Distributions declared to Unitholders	–	–	(24,206)	(24,206)	–	(24,206)
Balance, March 31, 2014	**$ 196,473**	**$ 4,057,416**	**$ (851,485)**	**$ 3,205,931**	**$ (2,862)**	**$ 3,399,542**

See accompanying notes to these condensed consolidated financial statements

Condensed Consolidated Statements of Cash Flows

Unaudited (CDN $ THOUSANDS)

	Note	3 months ended March 31, 2014	3 months ended March 31, 2013
Operating activities			
Profit for the period		**$ 122,379**	$ 93,364
Profit from discontinued operations, net of tax	4	**(12,997)**	(1,202)
Financing costs	13	**21,802**	22,654
Interest paid		**(21,861)**	(22,827)
Fair value gains	14	**(73,594)**	(57,278)
Income tax expense (recovery)	10	**(49)**	285
Income tax paid	10	**(1)**	(5)
Government grant amortization	11	**(94)**	–
Depreciation and amortization		**3,023**	2,861
		38,608	37,852
Net cash operating inflows from discontinued operations	4	**1,011**	944
Net change in operating working capital	20	**(3,010)**	(4,681)
		36,609	34,115
Investing activities			
Improvements to investment properties	3	**(12,169)**	(12,056)
Development of investment properties	3	**(123)**	(2,766)
Additions to property, plant and equipment	5	**(1,934)**	(2,470)
Net cash investing outflows from discontinued operations	4	**(301)**	(308)
Net change in investing working capital	20	**(3,695)**	(963)
		(18,222)	(18,563)
Financing activities			
Distributions paid		**(23,963)**	(23,949)
Proceeds from mortgage financings		**–**	14,130
Mortgages repayments on maturity		**–**	(7,764)
Scheduled mortgage principal repayments		**(11,609)**	(10,713)
Deferred financing costs incurred		**(95)**	(621)
Bond forward settlement, net of amortization		**13**	25
Government grant proceeds	11	**–**	2,282
Net cash financing outflows from discontinued operations	4	**(296)**	(287)
Net change in financing working capital	20	**(193)**	659
		(36,143)	(26,238)
Net decrease in cash		**(17,756)**	(10,686)
Cash, beginning of period		**131,079**	138,656
Cash, end of period		**$ 113,323**	$ 127,970

See accompanying notes to these condensed consolidated financial statements

Notes to the Condensed Consolidated Financial Statements

For the Three Months Ended March 31, 2014 and 2013

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

NOTE 1: ORGANIZATION OF THE TRUST

Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust" or the "Entity") is an unincorporated, open-ended real estate investment trust created pursuant to the Declaration of Trust ("DOT"), dated January 9, 2004, and as amended and restated on various dates between May 3, 2004 and May 15, 2013, under the laws of the Province of Alberta. Boardwalk REIT was created to invest in multi-family residential investment properties or similar interests, initially through the acquisition of the assets and operations of Boardwalk Equities Inc. (the "Corporation"), which was acquired on May 3, 2004. Boardwalk REIT Trust Units are listed on the Toronto Stock Exchange under the symbol 'BEI.UN'. The registered office of the Trust and its head office operations are located at First West Place, Suite 200, 1501 1st Street SW, Calgary, Alberta, T2R 0W1.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

(b) Basis of presentation

These condensed consolidated financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2013, except for the impact of the adoption of accounting standards described below (NOTE 2(d)).

The Trust's condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties, assets held for sale, and certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. These condensed consolidated financial statements were prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand. The accounting policies set out below have been applied consistently in all material respects.

The operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2014 due to seasonal variations in property expenses and other factors. Historically, Boardwalk REIT has experienced higher utility expenses in the first and fourth quarters as a result of the winter months, resulting in variations in quarterly results.

Certain comparative figures have been reclassified to conform to the presentation of the current period. Specifically, elements have been reclassified as discontinued operations (see NOTE 4). Within the cash flow statement, disclosure was made of interest paid and income tax paid. Additionally, amounts were reclassified from net change in operating working capital to net change in investing working capital and net change in financing working capital. Under financing activities, the line previously named "Financing, repayment and maturity of debt on investment properties" has been reclassified into three separate lines; "Proceeds from mortgage financings", "Mortgages repayments on maturity" and "Scheduled mortgage principal repayments".

(c) Significant accounting judgments, estimates and assumptions

The preparation of the Trust's March 31, 2014 condensed consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, profit (loss) and related disclosures. The estimates and associated assumptions are based on historical experience and various other factors that are deemed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are consistent with those disclosed in the Trust's December 31, 2013 annual consolidated financial statements.

(d) Recent accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning January 1, 2014 or later periods. These new standards, and the impact on the Trust's consolidated financial statements, were disclosed in the Trust's December 31, 2013 annual consolidated financial statements.

International Financial Reporting Interpretation Committee 21 – Levies ("IFRIC 21")

Effective January 1, 2014, the Trust adopted IFRIC 21. Within IFRIC 21, a levy is defined as an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

(a) those outflows of resources that are within the scope of other standards (such as income taxes that are within the scope of IAS 12); and

(b) fines or other penalties that are imposed for breaches of the legislation.

'Government' refers to government, government agencies and similar bodies whether local, national or international. IFRIC 21 provides an interpretation for the recognition of liabilities for obligations to pay levies that are within the scope of IFRIC 21.

The adoption of IFRIC 21 did not have a significant impact on the Trust's condensed consolidated financial statements.

NOTE 3: INVESTMENT PROPERTIES

	3 months ended March 31, 2014	Year ended December 31, 2013
Balance, beginning of period	$ 5,745,207	$ 5,493,448
Additions		
Building improvements (incl. internal capital program)	12,169	73,825
Building improvement assets classified as held for sale	301	–
Development of investment properties	123	15,479
Transferred to assets classified as held for sale	(150,653)	–
Fair value gains, unrealized, from continuing operations	77,444	153,761
Fair value gains, unrealized, from discontinued operations	12,012	8,694
Balance, end of period	$ 5,696,603	$ 5,745,207
Revenue producing properties	$ 5,695,478	$ 5,744,205
Development [(1)]	1,125	1,002
Total	$ 5,696,603	$ 5,745,207

(1) For the year ended December 31, 2013, a development project was completed in December 2013, totaling $19.1 million in costs, and was reclassified from development to revenue producing properties.

In determining the appropriate classes of investment properties in order to determine the fair value measurement, the Trust has considered the nature, characteristics and risk of its properties. The classification of investment properties is based primarily on the geographical location of the asset, with the exception of properties situated on land leases. Below is a continuity schedule based on investment property classes:

	3 months ended March 31, 2014						
	Balance, beginning of period	**Building improvements (incl. internal capital program and assets held for sale)**	**Development of investment properties**	**Transferred to assets classified as held for sale**	**Fair value gains (losses), unrealized, from continuing operations**	**Fair value gains, unrealized, from discontinued operations**	**Balance, end of period**
Recurring measurements Investment properties							
Calgary	**$ 1,204,095**	**$ 1,741**	**$ 38**	**$ –**	**$ 16,812**	**$ –**	**$ 1,222,686**
Edmonton	**2,303,868**	**4,724**	**4**	**(13,288)**	**51,419**	**–**	**2,346,727**
Other Alberta	**316,819**	**635**	**–**	**–**	**(249)**	**–**	**317,205**
Vancouver	**125,052**	**301**	**–**	**(137,365)**	**–**	**12,012**	**–**
Kitchener	**31,890**	**378**	**–**	**–**	**(272)**	**–**	**31,996**
London	**193,722**	**557**	**–**	**–**	**(1,115)**	**–**	**193,164**
Windsor	**104,664**	**631**	**–**	**–**	**726**	**–**	**106,021**
Montreal	**92,985**	**123**	**–**	**–**	**2,097**	**–**	**95,205**
Quebec City	**168,008**	**306**	**–**	**–**	**(514)**	**–**	**167,800**
Regina	**387,046**	**1,083**	**81**	**–**	**4,064**	**–**	**392,274**
Saskatoon	**328,949**	**766**	**–**	**–**	**2,997**	**–**	**332,712**
Land leases	**488,109**	**1,225**	**–**	**–**	**1,479**	**–**	**490,813**
Total	**$ 5,745,207**	**$ 12,470**	**$ 123**	**$ (150,653)**	**$ 77,444**	**$ 12,012**	**$ 5,696,603**

	Year ended December 31, 2013						
	Balance, beginning of year	Building improvements (incl. internal capital program)	Development of investment properties	Transferred to assets classified as held for sale	Fair value gains (losses), unrealized, from continuing operations	Fair value gains (losses), unrealized, from discontinued operations	Balance, end of year
Recurring measurements Investment properties							
Calgary	$ 1,155,452	$ 9,342	$ 15,307	$ –	$ 23,994	$ –	$ 1,204,095
Edmonton	2,176,033	25,886	71	–	101,878	–	2,303,868
Other Alberta	294,477	3,889	–	–	18,453	–	316,819
Vancouver	115,284	1,074	–	–	–	8,694	125,052
Kitchener	30,766	2,085	–	–	(961)	–	31,890
London	187,864	3,418	–	–	2,440	–	193,722
Windsor	94,418	2,609	–	–	7,637	–	104,664
Montreal	95,881	2,088	–	–	(4,984)	–	92,985
Quebec City	170,578	1,783	–	–	(4,353)	–	168,008
Regina	373,301	7,442	101	–	6,202	–	387,046
Saskatoon	316,891	4,099	–	–	7,959	–	328,949
Land leases	482,503	10,110	–	–	(4,504)	–	488,109
Total	$ 5,493,448	$ 73,825	$ 15,479	$ –	$ 153,761	$ 8,694	$ 5,745,207

Investment properties measured at fair value in the statement of financial position are categorized by fair value levels according to the significance of the inputs used in making the measurements. The levels of inputs are defined as follows:

Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs: Inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly.

Level 3 inputs: Unobservable inputs for the asset or liability.

The Trust's policy is to recognize transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. As at March 31, 2014, all of the Trust's investment properties were designated as Level 3, except those properties which are classified as assets held for sale. Those properties are considered Level 2 inputs as they are valued based on an unconditional purchase and sale agreement and, as such, were transferred from Level 3 to Level 2 as at March 31, 2014. The were no transfers in or out of Level 3 fair value measurements for investment properties during the year ended December 31, 2013.

External valuations were obtained from third-party external valuation professionals ("the Appraisers") based on a cross section of properties from different geographical locations and markets across the Trust's rental portfolio as determined by the Trust's management. The Appraisers are an independent valuation firm not related to the Trust and employ valuation professionals who are members of the Appraisal Institute of Canada and the Ordre des Evaluateurs Agrees du Quebec who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. External appraisals were obtained as follows:

Date	Number of properties	Aggregate fair value	Percentage of portfolio as of that date
March 31, 2014	**4**	**$ 105,282**	**1.8%**
December 31, 2013	7	$ 779,487	13.6%
September 30, 2013	7	$ 217,022	3.8%
June 30, 2013	6	$ 211,895	3.8%
March 31, 2013	7	$ 178,609	3.2%

The fair value of the remainder of the Trust's investment property portfolio was determined internally by the Trust using the same assumptions and valuation techniques used by the external valuation professionals. In addition to performing a valuation on a selection of the Trust's properties (and not performing a valuation on all of the Trust's properties) to corroborate the Trust's internal valuation, the Appraisers provided the Trust with a summary of the major assumptions and market data by city in order for the Trust to complete its internal valuations.

The third-party valuation technique of the Trust's investment property portfolio primarily utilizes the "Overall Capitalization Rate" method. This method requires that rental income from current leases and key assumptions about rental income, vacancies and inflation rates, among other factors, be used to determine a one-year income forecast for each individual property within the Trust's portfolio, and also considers any capital expenditures anticipated within the year. Given the short term nature of residential leases (typically one year), revenue and costs are not discounted. A Capitalization Rate was also determined for each property based on market information related to the external sale of similar buildings within a similar geographic location. These factors were used to determine the fair value of investment properties at each reporting date.

Five of the Trust's properties: one in Calgary, one in Banff, one in Edmonton and two in Montreal, are subject to long-term land leases and similar arrangements in which the underlying land is owned by a third party and leased to the Trust. Under the terms of a typical land lease, the lessee must pay rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements, including taxes, utilities, insurance, maintenance, repairs and replacements in respect of all the leased premises. Unless the lease term is extended, the land together with all improvements made will revert to the owner of the land upon the expiration of the lease term. Due to the relatively short term remaining on one of the land leases in Montreal (with an expiry date of 2028) and an anticipated significant land rent escalation in 2016 for the land lease in Calgary, these two properties utilized the Discounted Cash Flow ("DCF") approach to derive the fair value. The DCF Method calculates the present value of the future cash flows over a specified time period to determine the fair value for each property at each reporting date. The most significant assumption using the DCF method is the discount rate applied over the term of the lease. The discount rates reflect the uncertainty regarding the renegotiation of the land lease payments and the ability to extend the land lease at the expiry date. Forecasted cash flows are reduced for contractual land lease payments during the term of the leases.

The key valuation metrics (and significant unobservable inputs in Level 3) for the Trust's investment properties are set out in the following tables:

As at	**March 31, 2014**			December 31, 2013		
	Capitalization rate		**Forecasted total standardized net**	Capitalization rate		Forecasted total standardized net
	Minimum	**Maximum**	**operating income**	Minimum	Maximum	operating income
Calgary	**4.50%**	**6.00%**	**$ 60,928**	4.75%	6.00%	$ 60,110
Edmonton	**5.00%**	**5.50%**	**123,962**	5.00%	5.50%	121,623
Other Alberta	**5.75%**	**7.25%**	**20,537**	5.75%	7.25%	20,497
Vancouver	**–%**	**–%**	**–**	4.75%	5.25%	6,195
Kitchener	**5.50%**	**5.50%**	**1,760**	5.50%	5.50%	1,754
London	**5.75%**	**6.00%**	**11,125**	5.75%	6.00%	11,145
Windsor	**6.50%**	**7.00%**	**7,157**	6.50%	7.00%	7,068
Montreal	**5.50%**	**6.25%**	**5,472**	5.50%	6.25%	5,348
Quebec City	**5.75%**	**6.25%**	**9,975**	5.75%	6.25%	9,980
Regina	**5.75%**	**6.00%**	**23,461**	5.75%	6.00%	23,156
Saskatoon	**5.75%**	**6.00%**	**19,800**	5.75%	6.00%	19,569
	4.50%	**7.25%**	**284,177**	4.75%	7.25%	286,445
Land Lease	**5.25%**	**13.49%**	**$ 28,505**	5.25%	13.49%	$ 28,337

The overall weighted average Capitalization Rates for fair valuing the Trust's investment properties at March 31, 2014 and December 31, 2013, were 5.49% and 5.48%, respectively.

The "Overall Capitalization Rate" method requires that a forecasted stabilized net operating income ("NOI") be divided by a Capitalization Rate ("Cap Rate") to determine a fair value. NOI is calculated as a one-year income forecast based on rental income from current leases and key assumptions about rental income, vacancies and inflation rates, among other factors, less property operating costs. As such, fluctuations in both NOI and Cap Rates could significantly alter the fair value. Generally, an increase in stabilized NOI will result in an increase to the fair value of an investment property. An increase in capitalization rate will result in a decrease to the fair value of an investment property. When the capitalization rate is applied to NOI to calculate fair value, there is a significant impact as the lower the capitalization rate, the larger the impact. Below are tables that summarize the impact of changes in both the Cap Rates and NOI on the Trust's fair value of investment properties (excluding development):

As at March 31, 2014 *(in 000's)*

Net Operating Income		**-3%**	**-1%**	**As Forecasted**	**+1%**	**+3%**
		$ 303,301	**$ 309,555**	**$ 312,682**	**$ 315,809**	**$ 322,062**
Capitalization Rate						
-0.25%	**5.24%**	**$ 92,715**	**$ 212,059**	**$ 271,731**	**$ 331,403**	**$ 450,747**
Cap Rate As Reported	**5.49%**	**(170,864)**	**(56,955)**	**$\boxed{5,695,478}$**	**56,955**	**170,864**
+0.25%	**5.74%**	**(411,483)**	**(302,535)**	**(248,061)**	**(193,587)**	**(84,638)**

As at December 31, 2013 *(in 000's)*

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		$ 305,339	$ 311,635	$ 314,782	$ 317,930	$ 324,226
Capitalization Rate						
-0.25%	5.23%	$ 94,016	$ 214,392	$ 274,580	$ 334,767	$ 455,143
Cap Rate As Reported	5.48%	(172,326)	(57,442)	5,744,205	57,442	172,326
+0.25%	5.73%	(415,427)	(305,556)	(250,620)	(195,684)	(85,812)

NOTE 4: ASSETS CLASSIFIED AS HELD FOR SALE, LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at March 31, 2014, the Trust intends to dispose of all its properties located in the province of British Colombia within the next twelve months. The projects are currently being carried at the expected fair value less costs to sell. Additionally, the Trust intends to dispose of one project located in Edmonton, Alberta. This project is also being carried at the expected fair value less costs to sell.

The assets classified as held for sale and liabilities directly associated with assets classified as held for sale are comprised of the following:

As at	**March 31, 2014**
Investment properties	**$ 150,653**
Property, plant and equipment	**67**
Inventories	**45**
Prepaid assets	**390**
Trade and other receivables	**12**
Segregated tenants' security deposits	**373**
Assets classified as held for sale	**$ 151,540**
Mortgages payable	**$ 60,415**
Refundable tenants' security deposits	**373**
Trade and other payables	**471**
Liabilities directly associated with assets classified as held for sale	**$ 61,259**

As the Trust intends to dispose of all of its British Columbia operations, which represents a separate, identifiable geographical segment, the profit from discontinued operations is summarized below:

	3 months ended March 31, 2014	3 months ended March 31, 2013
Rental revenue	**$ 2,092**	$ 2,063
Ancillary rental income	**34**	38
Total rental revenue	**2,126**	2,101
Rental expenses		
Operating expenses	**292**	342
Utilities	**243**	233
Property taxes	**123**	119
Net operating income	**1,468**	1,407
Financing costs	**453**	461
Administration	**4**	2
Depreciation and amortization	**26**	26
Profit before the undernoted	**985**	918
Fair value gains	**12,012**	284
Profit before income tax (expense) recovery	**12,997**	1,202
Income tax (expense) recovery	**–**	–
Profit from discontinued operations, net of tax	**$ 12,997**	$ 1,202

The cash flows from discontinued operations are as follow:

	3 months ended March 31, 2014	3 months ended March 31, 2013
Profit from discontinued operations, net of tax	**$ 12,997**	$ 1,202
Financing costs	**453**	461
Interest paid	**(453)**	(461)
Fair value gains	**(12,012)**	(284)
Depreciation and amortization	**26**	26
Net cash inflows from operating activities	**$ 1,011**	$ 944
Net cash outflows from investing activities	**$ (301)**	$ (308)
Net cash outflows from financing activities	**$ (296)**	$ (287)
Total cash inflows from discontinued operations	**$ 414**	$ 349

NOTE 5: PROPERTY, PLANT AND EQUIPMENT ("PP&E")

The carrying amounts of PP&E were as follows:

As at	**March 31, 2014**			December 31, 2013		
	Cost	**Accumulated depreciation**	**Carrying amount**	Cost	Accumulated depreciation	Carrying amount
Administration building	**$ 5,681**	**$ (2,345)**	**$ 3,336**	$ 5,659	$ (2,282)	$ 3,377
Site equipment and other assets	**36,570**	**(18,847)**	**17,723**	35,082	(18,233)	16,849
Corporate technology assets	**25,341**	**(21,940)**	**3,401**	25,034	(21,635)	3,399
Total	**$ 67,592**	**$ (43,132)**	**$ 24,460**	$ 65,775	$ (42,150)	$ 23,625

(1) For the three months ended March 31, 2014, $149 thousand of capitalized programmers' salaries related to the internally developed software applications used by the Trust in the normal course of its operations has been included in corporate technology assets ($610 thousand for the year ended December 31, 2013).

NOTE 6: MORTGAGES PAYABLE

As at	March 31, 2014		December 31, 2013	
	Weighted Average Interest	**Debt Balance**	Weighted Average Interest	Debt Balance
Mortgage payable				
Fixed rate	**3.45%**	**$ 2,251,420**	3.46%	$ 2,261,412
Total		**2,251,420**		2,261,412
Current		**$ 479,962**		$ 470,787
Non-current		**1,711,043**		1,790,625
Liabilities directly associated with assets classified as held for sale		**60,415**		–
		$ 2,251,420		$ 2,261,412

Estimated future principal payments required to meet mortgage obligations as at March 31, 2014 are as follows:

	Secured By Investment Properties
12 months ending March 31, 2014	$ 497,287
12 months ending March 31, 2015	431,504
12 months ending March 31, 2016	309,800
12 months ending March 31, 2017	312,769
12 months ending March 31, 2018	169,369
Subsequent	610,689
	2,331,418
Unamortized deferred financing costs	(80,082)
Unamortized mark-to-market adjustment	84
	$ 2,251,420

NOTE 7: LP CLASS B UNITS

The LP Class B Units, representing an aggregate fair value of $271.4 million at March 31, 2014 (December 31, 2013 – $267.8 million), 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 these exchangeable units in an amount equivalent to the distributions which would have been made had the units been exchanged for Boardwalk REIT Units. Additional details on the LP Class B Units are described in NOTE 12.

As at March 31, 2014 and December 31, 2013, there were 4,475,000 LP Class B Units issued and outstanding.

NOTE 8: OTHER NON-CURRENT LIABILITIES

Other non-current liabilities represents the fair value of the Trust's interest rate swaps and totaled $2.8 million as at March 31, 2014 (December 31, 2013 – $3.4 million).

NOTE 9: DEFERRED UNIT-BASED COMPENSATION

Deferred unit-based compensation is comprised of the following:

As at	March 31, 2014	December 31, 2013
Current	$ 3,579	$ 3,453
Non-current	4,390	4,872
	$ 7,969	$ 8,325

The total of $8.0 million represents the fair value of the underlying deferred units at March 31, 2014 (December 31, 2013 – $8.3 million).

For the three months ended March 31, 2014, total costs of $0.6 million ($0.5 million – three months ended March 31, 2013) were recognized in profit related to executive bonuses and trustee fees under the deferred unit plan.

The status of the outstanding deferred units was as follows:

	# of Units Outstanding	# of Units vested
Balance, December 31, 2012	220,568	–
Deferred units granted	53,206	71,651
Additional deferred units earned on units	7,320	10,980
Deferred units converted to Trust Units or cash	(68,297)	(68,297)
Balance, December 31, 2013	212,797	14,334
Deferred units granted	25,173	17,948
Additional deferred units earned on units	1,773	2,404
Deferred units converted to Trust Units or cash	(21,036)	(21,036)
Balance, March 31, 2014	**218,707**	**13,650**

NOTE 10: INCOME TAXES

Deferred income tax

Boardwalk REIT is a "mutual fund trust" as defined under the Income Tax Act (Canada) (the "Tax Act") and as a Real Estate Investment Trust ("REIT") eligible for the 'REIT Exemption' in accordance with the rules affecting the tax treatment of publicly traded trusts. Accordingly, the Trust is not taxable on its income provided all of its taxable income is distributed to its Unitholders. This exemption, however, does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax.

The major components of income tax expense (recovery) include the following:

	3 months ended March 31, 2014	3 months ended March 31, 2013
Current tax expense	$ 1	$ 5
Deferred tax expense (recovery)	(50)	280
Total income tax expense (recovery)	$ (49)	$ 285

NOTE 11: DEFERRED GOVERNMENT GRANT

In December 2013, the Trust completed the construction of a 109-unit, four storey, elevatored, wood frame building in the southwest part of Calgary, Alberta (the "Project" or "Development"). In conjunction with this Development, the Trust applied and received approval for a government grant from the Province of Alberta totaling approximately $7.5 million. As at March 31, 2014, approximately $6.8 million of the $7.5 million was received by the Trust (December 31, 2013 – $6.8 million).

In return for this grant, the Trust has agreed to provide 54 of the 109 units at rents to be 10% below the average market rates for Calgary (“affordable units”) for a term of 20 years.

In accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, this grant will be recognized in profit or loss on a systematic basis over the periods in which the Trust recognizes revenue from the 54 units classified as affordable units. For the three months ended March 31, 2014, $94 thousand was recognized in profit under rental revenue for this grant ($nil – three months ended March 31, 2013).

NOTE 12: UNITHOLDERS’ EQUITY

Under the reorganization of the Corporation to a real estate investment trust, the former shareholders of the Corporation received Boardwalk REIT Units or Class B Limited Partnership Units (“LP Class B Units”) of a controlled limited partnership of the Trust, Boardwalk REIT Limited Partnership. 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 Special Voting Units, which are not entitled to monthly distributions, are used to provide voting rights to holders of LP Class B Units or other securities that are, directly or indirectly, exchangeable for REIT Units. The LP Class B Units are classified as a financial liability in accordance with IAS 32 – Financial Instruments: Presentation, and were discussed in NOTE 7.

The Trust has the following capital securities outstanding:

	Units outstanding March 31, 2014	**Monthly Distribution**	Units outstanding December 31, 2013	Monthly Distribution
Boardwalk REIT Units	**47,941,000**	**$0.17/unit**	47,919,964	$0.165/unit
Special Voting Units	**4,475,000**	**N/A**	4,475,000	N/A

Monthly distributions are determined at the discretion of the Board of Trustees. The Board of Trustees declares distributions to be paid on, or about, the 15th of the month following the record date. Distributions to be paid on the Boardwalk REIT Units with a record date of April 30, 2014 (to be paid on May 15, 2014) totaled $8.2 million ($0.17 per unit) and have not been included as a liability in the consolidated statement of financial position as at March 31, 2014.

(a) Accumulated other comprehensive income (“AOCI”)

For the three months ended March 31, 2014 and 2013, AOCI consists of the following amounts:

	3 months ended March 31, 2014	3 months ended March 31, 2013
AOCI, beginning of period	**$ (3,459)**	$ (5,608)
Change in fair value of the effective portion of the interest rate swaps	**584**	342
Losses on settlement of effective bond forward	**13**	25
AOCI, end of period	**$ (2,862)**	$ (5,241)

(b) Earnings per unit

	3 months ended March 31, 2014	3 months ended March 31, 2013
Numerator – continuing operations		
Profit from continuing operations – basic	**$ 109,832**	$ 92,162
Distribution paid on LP Class B units	**2,260**	2,193
(Gain) loss on fair value adjustment to LP Class B units	**3,535**	(9,129)
Loss on fair value adjustments to unexercised deferred units	**11**	–
Profit from continuing operations – diluted	**$ 115,638**	$ 85,226
Numerator – discontinued operations		
Profit from discontinued operations basic and diluted	**$ 12,997**	$ 1,202
Denominator		
Weighted average units outstanding – basic	**47,928,735**	47,861,827
Conversion of LP Class B units	**4,475,000**	4,475,000
Unexercised deferred units	**13,500**	–
Weighted average units outstanding – diluted	**52,417,235**	52,336,827
Earnings per unit – continuing operations		
– basic	**$ 2.29**	$ 1.93
– diluted	**$ 2.21**	$ 1.63
Earnings per unit – discontinued operations		
– basic	**$ 0.27**	$ 0.03
– diluted	**$ 0.25**	$ 0.02

All dilutive elements were included in the calculation of diluted per unit amounts. For the three months ended March 31, 2014, both the conversion of LP Class B units and the unexercised deferred units were dilutive, as their conversion to REIT Units decreases earnings per unit. For the three months ended March 31, 2013, the conversion of LP Class B units were dilutive as their conversion to REIT Units decreases earnings per unit. There were no unexercised deferred units as at March 31, 2013.

NOTE 13: FINANCING COSTS

Financing costs are comprised of interest on mortgages payable, distributions paid to the LP Class B Unitholders and other interest charges. Financing costs are net of interest income earned. Financing costs total $21.8 million for the three months ended March 31, 2014 ($22.7 million – three months ended March 31, 2013) and can be summarized as follows:

	3 months ended March 31, 2014	3 months ended March 31, 2013
Interest on secured debt (mortgages payable)	**$ 19,585**	$ 20,551
LP Class B unit distribution	**2,260**	2,193
Other interest charges	**379**	377
Interest income	**(422)**	(467)
Total	**$ 21,802**	$ 22,654

NOTE 14: FAIR VALUE GAINS

The components of fair value gains were as follows:

	3 months ended March 31, 2014	3 months ended March 31, 2013
Investment properties	**$ 77,444**	$ 48,272
Financial liabilities designated as FVTPL		
Deferred unit-based compensation	**(315)**	(123)
LP Class B Units	**(3,535)**	9,129
Total fair value gains	**$ 73,594**	$ 57,278

NOTE 15: GUARANTEES, CONTINGENCIES, COMMITMENTS AND OTHER

From time to time, the Trust enters into various physical supply contracts for energy commodities to hedge its own usage, which are summarized below:

Natural Gas:

Area	Usage Coverage	Term	Cost
Saskatchewan	100%	November 1, 2012 to October 31, 2014	$3.74/Gigajoule ("GJ")

Electrical:

Area	Usage Coverage	Term	Cost
Southern Alberta	100%	October 1, 2010 to September 30, 2017	$0.06/Kilowatt-hour ("kWh")
Northern Alberta	100%	October 1, 2010 to September 30, 2015	$0.06/kWh

Boardwalk REIT, in the normal course of operations, will become subject to a variety of legal and other claims against the Trust, most of which are minor in nature. 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 the outcome of claims of this nature at March 31, 2014 will not have a material impact on the Trust.

NOTE 16: CAPITAL MANAGEMENT AND LIQUIDITY

Boardwalk REIT's DOT, as amended, provides for a minimum interest coverage ratio of 1.5 to 1 calculated on the most recently completed four fiscal quarters. The DOT also defines interest expense to exclude distributions on the LP Class B Units, which under IFRS are considered financing charges.

The following table highlights Boardwalk REIT's interest service coverage ratio in accordance with the DOT:

As at	March 31, 2014	December 31, 2013
Consolidated EBITDA (1) (12 months ended)	**$257,766**	$257,827
Consolidated interest expense (12 months ended)	**80,886**	81,813
Interest coverage ratio	**3.19**	3.15
Minimum threshold	**1.50**	1.50

(1) Earnings Before Interest, Taxes, Depreciation and Amortization

The Trust employs a broad range of financing strategies to facilitate growth and manage financial risk. The Trust's objective is to reduce its weighted average cost of capital and improve Unitholder distributions through value enhancement initiatives and consistent monitoring of the balance between debt and equity financing. As at March 31, 2014, the Trust's weighted average cost of capital was 4.05%.

The following schedule details the components of the Trust's capital and the related costs thereof:

As at	March 31, 2014		December 31, 2013	
	Cost of Capital (1)	**Underlying Value (2)**	Cost of Capital (1)	Underlying Value (2)
Liabilities				
Mortgages payable	**3.45%**	**$ 2,305,545**	3.46%	$ 2,294,167
LP Class B Units	**4.49%**	**271,364**	4.83%	267,829
Deferred unit-based compensation	**4.49%**	**7,969**	4.83%	8,325
Unitholders' equity				
Boardwalk REIT Units	**4.49%**	**2,907,142**	4.83%	2,868,010
Total	**4.05%**	**$ 5,492,020**	4.25%	$ 5,438,331

(1) As a percentage of average carrying value unless otherwise noted.

(2) Underlying value of liabilities represents carrying value or the cost to retire on maturity. Underlying value of equity is based on the closing unit price of the Trust's Units.

Mortgages payable – These are the mortgages outstanding on the Trust's investment properties. The debt is primarily fixed rate debt and approximately 99% of this debt at March 31, 2014 is insured under the National Housing Act ("NHA"). These financings are typically structured on a loan to appraised value basis of between 75-80%. The Trust currently has a level of indebtedness of approximately 39% of the fair value of the Trust's investment properties. This level of indebtedness is considered by the Trust to be within its target.

LP Class B Units – These 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 entitles 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 have been classified as "FVTPL" financial liabilities in accordance with IAS 32. Gains or losses resulting from changes in the fair value at each reporting date are recorded in the consolidated statement of comprehensive income.

As outlined in NOTE 18 (d), Boardwalk REIT's committed revolving credit facility agreements contain financial covenants.

Available liquidity as at March 31, 2014 included cash on hand of $113.3 million (December 31, 2013 – $131.1 million) as well as an unused committed revolving credit facility of $195.8 million (December 31, 2013 – $195.8 million). The Trust monitors its ratios and, as at March 31, 2014 and December 31, 2013, the Trust was in compliance with all covenants in both its DOT and all existing debt facilities.

NOTE 17: FAIR VALUE MEASUREMENT

(a) Fair value of financial instruments

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of interest bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for similar term and current credit spreads for debt with similar terms and risk. The fair values of the Trust's financial instruments were determined as follows:

(i) the carrying amounts of trade and other receivables, segregated tenants' security deposits, cash, refundable tenants' security deposits and trade and other payables approximate their fair values due to their short-term nature.

(ii) the fair values of the Trust's mortgages payable are estimates made at a specific point in time, based on relevant market information. These estimates are based on quoted market prices for the same or similar issues or on the current rates offered to the Trust for similar financial instruments subject to similar risks and maturities.

(iii) the fair values of the deferred unit compensation plan and the LP Class B Units are estimates at a specific point in time, based on the closing market price of the REIT Units listed on the Toronto Stock Exchange.

(iv) the fair values of the effective portion of the interest rate swaps, reported as other non-current liabilities, are estimates at a specific point in time, based on quoted prices in markets that are not active for substantially the same term as the remaining effective portion of the derivatives.

These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in estimates could significantly affect fair values. The significant financial instruments of Boardwalk REIT and their carrying values as at March 31, 2014 and December 31, 2013 are as follows:

As at	**March 31, 2014**		December 31, 2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial liabilities carried at amortized cost				
Mortgages payable	**$ 2,251,420**	**$ 2,305,545**	$ 2,261,412	$ 2,294,167
Financial liabilities carried at FVTPL				
LP Class B Units	**271,364**	**271,364**	267,829	267,829
Other non-current liabilities	**2,780**	**2,780**	3,364	3,364
Deferred unit-based compensation	**7,969**	**7,969**	8,325	8,325

The fair value of the Trust's mortgages payable exceeded the recorded value by approximately $54.1 million at March 31, 2014 (December 31, 2013 – $32.8 million), due to changes in interest rates since the dates on which the individual mortgages were last contracted. The fair values of the mortgages payable have been estimated based on the current market rates for mortgages with similar terms and conditions. The fair value of the Trust's mortgages payable is an amount computed based on the interest rate environment prevailing at March 31, 2014 and December 31, 2013, respectively; the amount is subject to change and the future amounts will converge. There are no additional costs or penalties to Boardwalk REIT if the mortgages are held to maturity.

As at March 31, 2014 and December 31, 2013, the Trust had no embedded derivatives requiring separate recognition.

The nature of these financial instruments and the Trust's operations expose the Trust to certain principal financial risks. The main objective of the Trust's risk management process is to properly identify financial risks and minimize the exposure to potential losses arising from those risks. The principal financial risks to which the Trust is exposed are described in NOTE 18.

(b) Assets and liabilities measured at fair value

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position is as follows:

As at	**March 31, 2014**			December 31, 2013		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets						
Investment properties	**$ –**	**$ –**	**$ 5,696,603**	$ –	$ –	$ 5,745,207
Assets classified as held for sale	**–**	**150,653**	**–**	–	–	–
Liabilities						
LP Class B Units	**271,364**	**–**	**–**	267,829	–	–
Other non-current liabilities	**–**	**2,780**	**–**	–	3,364	–
Deferred unit-based compensation	**7,969**	**–**	**–**	8,325	–	–

The three levels of the fair value hierarchy are described in NOTE 3.

Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. For the three months ended March 31, 2014, as discussed in NOTE 3, $150.7 million of investment properties was transferred from Level 3 to Level 2. For the three months ended March 31, 2013, there were no transfer of assets or liabilities between Level 1, Level 2 and Level 3.

NOTE 18: RISK MANAGEMENT

(a) Interest rate risk

As at March 31, 2014, the Trust had no amount outstanding on its committed revolving credit facility and, as such, of the Trust's total debt at March 31, 2014, 100% was fixed-rate debt and none was floating-rate debt. For the three months ended March 31, 2014, all else being equal, the increase or decrease in net earnings for each 1% change in market interest rates would be $nil (three months ended March 31, 2013 – $nil).

(b) Credit risk

The Trust is exposed to credit risk as a result of its trade and other receivables. This balance is comprised of mortgage holdbacks and refundable mortgage fees, accounts receivable from significant customers and tenant receivables. As at March 31, 2014 and December 31, 2013, no balance relating to mortgage holdbacks, refundable mortgage fees or accounts receivable from significant customers was past due.

Past due receivables (receivables which are greater than 30 days) are reviewed by management on a monthly basis and tenant receivables are considered for impairment on a case-by-case basis. The Trust takes into consideration the tenant's payment history, their credit worthiness and the current economic environment; however, tenant receivable balances exceeding 60 days are typically written off to bad debt expense as the Trust does not utilize an allowance for doubtful accounts. The amount of the loss is recognized in the consolidated statement of comprehensive income as part of operating expenses. Subsequent recoveries of amounts previously written off are credited against operating expenses during the period of settlement. As tenant receivables are typically written off after 60 days, none of the balance is considered to be past due by the Trust. For the three months ended March 31, 2014, bad debt expense totaled $0.7 million (three months ended March 31, 2013 – $0.8 million).

The credit risk of both Boardwalk REIT and the counter party have been taken into account in determining the fair value of Boardwalk REIT's trade and other receivables.

(c) Liquidity risk

The following table details the Trust's remaining contractual maturity for its non-derivative and derivative (i.e. vested deferred units) financial liabilities listed by year of maturity date:

Year of Maturity	Weighted average interest rate	Mortgage principal outstanding	Mortgage interest [1]	Deferred unit–based compensation	Tenants' security deposits	Distribution Payable	Trades and other payables	Total
2014	3.43%	$ 394,085	$ 54,500	$ 828	$ 16,301	$ 8,911	$ 44,692	$ 519,317
2015	3.73%	435,706	56,321	–	–	–	–	492,027
2016	3.89%	268,479	42,834	–	–	–	–	311,313
2017	2.89%	336,458	32,895	–	–	–	–	369,353
2018	3.27%	180,418	24,754	–	–	–	–	205,172
Subsequent	3.46%	716,272	60,030	–	–	–	–	776,302
	3.45%	2,331,418	271,334	828	16,301	8,911	44,692	2,673,484
Unamortized deferred financing costs		(80,082)	–	–	–	–	–	(80,082)
Unamortized mark-to-market adjustment		84	–	–	–	–	–	84
		$ 2,251,420	$ 271,334	$ 828	$ 16,301	$ 8,911	$ 44,692	$ 2,593,486

(1) Based on current in-place interest rates for the remaining term to maturity.

(d) Debt covenants

The Trust has a committed revolving credit facility with a major financial institution. This credit facility is secured by a pledge of a group of specific real estate assets (fair value at March 31, 2014 of approximately $667.0 million). The amount available through the committed revolving credit facility varies with the value of the pledged assets, with a maximum limit not to exceed $200.0 million and an available limit of $195.8 million as at March 31, 2014 (December 31, 2013 – $195.8 million). The revolving facility requires monthly interest payments, is for a three-year term maturing on July 27, 2016, and can be extended annually thereafter, subject to the mutual consent of the lender and the Trust. In the event the committed revolving credit facility is not extended, the drawn-down principal would be due on the maturity date of the credit agreement.

The credit facility contains three financial covenants as follows:

(i) The Trust will maintain an overall Debt Service Coverage Ratio of at least 1.20, calculated on the most recent completed trailing four fiscal quarter basis. As at March 31, 2014, this ratio was 2.03 (December 31, 2013 – 2.03).

(ii) The Trust will maintain a Debt Service Coverage Ratio, specific to the Security Portfolio of at least 1.15 (tested semi-annually). As at December 31, 2013, this ratio was 1.80.

(iii) Total indebtedness of the Trust will not exceed 75% of the GBV of all assets for the two most recent quarters as defined in the credit agreement. The calculation of the components of Debt to Gross Book Value in accordance with the credit agreement is similar to that previously defined in the DOT as outlined in NOTE 16; however, the credit facility uses the two most recent quarters to calculate GBV. As at March 31, 2014, this ratio was 37.5% (December 31, 2013 – 37.8%).

As at March 31, 2014 and December 31, 2013, the Trust was in compliance with all covenants.

(e) Utility risk

As outlined in NOTE 15, the Trust has commitments to certain utility contracts to reduce the risk of exposure to adverse changes in commodity prices.

NOTE 19: RELATED PARTY DISCLOSURES

IAS 24 – Related Party Disclosures requires entities to disclose in their financial statements information about transactions with related parties. Generally, two parties are related to each other if one party controls, or significantly influences, the other party. Balances and transactions between the Trust and its subsidiaries, which are related parties of the Trust, have been eliminated on consolidation and are not disclosed in this note disclosure.

The individuals considered key personnel of the Trust as at March 31, 2014, have not changed since December 31, 2013. The remuneration of the Trust's key management personnel was as follows:

	3 months ended March 31, 2014	3 months ended March 31, 2013
Short-term benefits	**$ 327**	$ 316
Post-employment benefits	**12**	12
Other long-term benefits	**1**	1
Deferred unit-based compensation	**651**	859
	$ 991	$ 1,188

In addition, the LP Class B Units are held by Sam Kolias (Chairman of the Board, Chief Executive Officer and Trustee) and Van Kolias (Senior Vice President, Quality Control). Under IAS 32 Financial Instruments: Presentation the LP B Units issued by a wholly owned subsidiary of the Trust are considered financial liabilities, and are reclassified from equity to liabilities on the consolidated financial statements. Additionally, as the LP Class B Units are liabilities, all distributions paid are recorded as a financing charge under IFRS. For the three months ended March 31, 2014, distributions on the LP Class B Units totaled $2.3

million (three months ended March 31, 2013 – $2.2 million). Distributions on the LP Class B Units are made on terms equal to distributions made on Boardwalk REIT Units.

As at March 31, 2014, there was $761 thousand owed to related parties (December 31, 2013 – $738 thousand) based on the LP Class B Units distribution outlined above.

NOTE 20: OTHER INFORMATION

(a) Supplemental cash flow information

	3 months ended March 31, 2014	3 months ended March 31, 2013
Net change in operating working capital		
Net change in inventories	**$ (89)**	$ (10)
Net change in prepaid assets	**797**	(684)
Net change in trade and other receivables	**(183)**	(173)
Net change in segregated and refundable tenants' security deposits	**105**	44
Net change in deferred unit-based compensation	**580**	284
Net change in trade and other payables	**(4,220)**	(4,142)
	$ (3,010)	$ (4,681)
Net change in investing working capital		
Net change in trade and other payables	**$ (3,695)**	$ (963)
Net change in financing working capital		
Net change in trade and other payables	**$ (193)**	$ 659

(b) Included in administration costs is $592 thousand relating to RRSP matching for the three months ended March 31, 2014 ($534 thousand for the three months ended March 31, 2013).

NOTE 21: SEGMENTED INFORMATION

Boardwalk REIT specializes in multi-family residential housing and operates primarily within one business segment in five provinces located wholly in Canada. Each provincial segment operates with a high degree of autonomy. Management monitors the operating results on a regional basis. Segment performance is evaluated on a number of measures, including net profit. Financial information reported is on the same basis as used for internal evaluation and allocation of resources. Boardwalk REIT does not have any one major tenant or a significant group of tenants. Either expiring leases are renewed or new tenants are found.

Net debt, interest income and expenses, and income taxes are managed on a group basis. Transfer prices between locations are set on an arm's-length basis in a manner similar to transactions with third parties and are eliminated upon inter-company consolidation.

Corporate represents corporate functions, technology assets, activities incidental to operations, and certain comparative data for divested assets.

Details of segmented information are as follows:

As at	March 31, 2014						
	Alberta	**British Columbia**	**Saskatchewan**	**Ontario**	**Quebec**	**Corporate (1)**	**Total**
Assets	**$ 3,959,132**	**$ –**	**$ 725,749**	**$ 332,055**	**$ 742,275**	**$ 251,380**	**$ 6,010,591**
Liabilities	**1,522,470**	**–**	**267,703**	**120,054**	**324,260**	**376,562**	**2,611,049**

(1) Includes Assets classified as held for sale ($151,540) and Liabilities directly associated with assets classified as held for sale ($61,259)

As at	December 31, 2013						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	Corporate	Total
Assets	$ 3,895,491	$ 125,430	$ 717,052	$ 330,907	$ 738,129	$ 118,674	$ 5,925,683
Liabilities	1,530,107	61,415	269,407	120,778	326,526	317,928	2,626,161

	Three months ended March 31, 2014					
	Alberta	**Saskatchewan**	**Ontario**	**Quebec**	**Corporate**	**Total**
Rental revenue	**$ 71,808**	**$ 15,277**	**$ 10,150**	**$ 17,560**	**$ 97**	**$ 114,892**
Ancillary rental income (loss)	**1,053**	**159**	**212**	**239**	**(2)**	**1,661**
Total rental revenue	**72,861**	**15,436**	**10,362**	**17,799**	**95**	**116,553**
Rental expenses						
Operating expenses	**13,489**	**2,472**	**1,801**	**3,969**	**1,122**	**22,853**
Utilities	**8,640**	**1,687**	**2,633**	**2,357**	**491**	**15,808**
Property taxes	**5,387**	**1,046**	**1,311**	**1,820**	**29**	**9,593**
Net operating income (loss)	**45,345**	**10,231**	**4,617**	**9,653**	**(1,547)**	**68,299**
Financing costs (a)	**13,264**	**2,557**	**1,061**	**2,776**	**2,144**	**21,802**
Administration	**15**	**11**	**13**	**36**	**7,660**	**7,735**
Depreciation and amortization (b)	**878**	**178**	**67**	**1,001**	**899**	**3,023**
Profit (loss) from continuing operations before the undernoted	**31,188**	**7,485**	**3,476**	**5,840**	**(12,250)**	**35,739**
Fair value gains (losses)	**68,781**	**7,062**	**(661)**	**2,262**	**(3,850)**	**73,594**
Profit (loss) from continuing operations before income tax (expense) recovery	**99,969**	**14,547**	**2,815**	**8,102**	**(16,100)**	**109,333**
Income tax (expense) recovery (c)	**–**	**–**	**–**	**–**	**49**	**49**
Profit (loss) from continuing operations	**$ 99,969**	**$ 14,547**	**$ 2,815**	**$ 8,102**	**$ (16,051)**	**$ 109,382**
Profit from discontinued operations, net of tax	**–**	**–**	**–**	**–**	**12,997**	**12,997**
Profit (loss) for the period	**$ 99,969**	**$ 14,547**	**$ 2,815**	**$ 8,102**	**$ (3,054)**	**$ 122,379**
Other comprehensive income	**338**	**259**	**–**	**–**	**–**	**597**
Total comprehensive income (loss)	**$ 100,307**	**$ 14,806**	**$ 2,815**	**$ 8,102**	**$ (3,054)**	**$ 122,976**
Additions to non-current assets (d)	**$ 7,779**	**$ 1,866**	**$ 1,574**	**$ 1,128**	**$ 2,180**	**$ 14,527**

	Three months ended March 31, 2013					
	Alberta	Saskatchewan	Ontario	Quebec	Corporate	Total
Rental revenue	$ 67,308	$ 14,823	$ 9,962	$ 17,245	$ 64	$ 109,402
Ancillary rental income (loss)	1,066	155	202	220	(1)	1,642
Total rental revenue	68,374	14,978	10,164	17,465	63	111,044
Rental expenses						
Operating expenses	12,747	2,472	1,691	3,575	921	21,406
Utilities	6,221	1,572	2,114	2,342	109	12,358
Property taxes	4,923	1,020	1,377	1,676	24	9,020
Net operating income (loss)	44,483	9,914	4,982	9,872	(991)	68,260
Financing costs (a)	13,828	2,581	1,317	2,872	2,056	22,654
Administration	16	5	8	63	7,484	7,576
Depreciation and amortization(b)	907	196	75	877	806	2,861
Profit (loss) from continuing operations before the undernoted	29,732	7,132	3,582	6,060	(11,337)	35,169
Fair value gains (losses)	42,493	16,863	4,625	(15,708)	9,005	57,278
Profit (loss) from continuing operations before income tax (expense)	72,225	23,995	8,207	(9,648)	(2,332)	92,447
Income tax (expense)(c)	–	–	–	–	(285)	(285)
Profit (loss) from continuing operations	$ 72,225	$ 23,995	$ 8,207	$ (9,648)	$ (2,617)	$ 92,162
Profit from discontinued operations, net of tax	–	–	–	–	1,202	1,202
Profit (loss) for the period	$ 72,225	$ 23,995	$ 8,207	$ (9,648)	$ (1,415)	$ 93,364
Other comprehensive income	198	169	–	–	–	367
Total comprehensive income (loss)	$ 72,423	$ 24,164	$ 8,207	$ (9,648)	$ (1,415)	$ 93,731
Additions to non-current assets (d)	$ 10,558	$ 1,616	$ 1,592	$ 1,138	$ 2,696	$ 17,600

(a) Financing costs

Financing costs were as follows:

	Three months ended March 31, 2014					
	Alberta	**Saskatchewan**	**Ontario**	**Quebec**	**Corporate**	**Total**
Interest on secured debt (mortgages payable)	**$ 13,230**	**$ 2,552**	**$ 1,035**	**$ 2,768**	**$ –**	**$ 19,585**
LP Class B unit distribution	**–**	**–**	**–**	**–**	**2,260**	**2,260**
Other interest charges	**34**	**5**	**26**	**8**	**306**	**379**
Interest income	**–**	**–**	**–**	**–**	**(422)**	**(422)**
Total	**$ 13,264**	**$ 2,557**	**$ 1,061**	**$ 2,776**	**$ 2,144**	**$ 21,802**

	Three months ended March 31, 2013					
	Alberta	Saskatchewan	Ontario	Quebec	Corporate	Total
Interest on secured debt (mortgages payable)	$ 13,796	$ 2,575	$ 1,291	$ 2,889	$ –	$ 20,551
LP Class B unit distribution	–	–	–	–	2,193	2,193
Other interest charges	32	6	26	7	306	377
Interest income	–	–	–	(24)	(443)	(467)
Total	$ 13,828	$ 2,581	$ 1,317	$ 2,872	$ 2,056	$ 22,654

(b) Depreciation and amortization

This represents depreciation and amortization on items carried at cost and primarily includes deferred financing charged, corporate assets, technology assets, site equipment and other assets. These figures exclude any impairment charges.

(c) Income tax (expense) recovery

This relates to any current and deferred taxes.

(d) Additions to non-current assets (other than financial instruments and deferred tax assets)

This represents the total cost incurred during the year to acquire non-current assets (other than financial instruments and deferred tax assets), measured on an accrual basis.

NOTE 22: SUBSEQUENT EVENTS

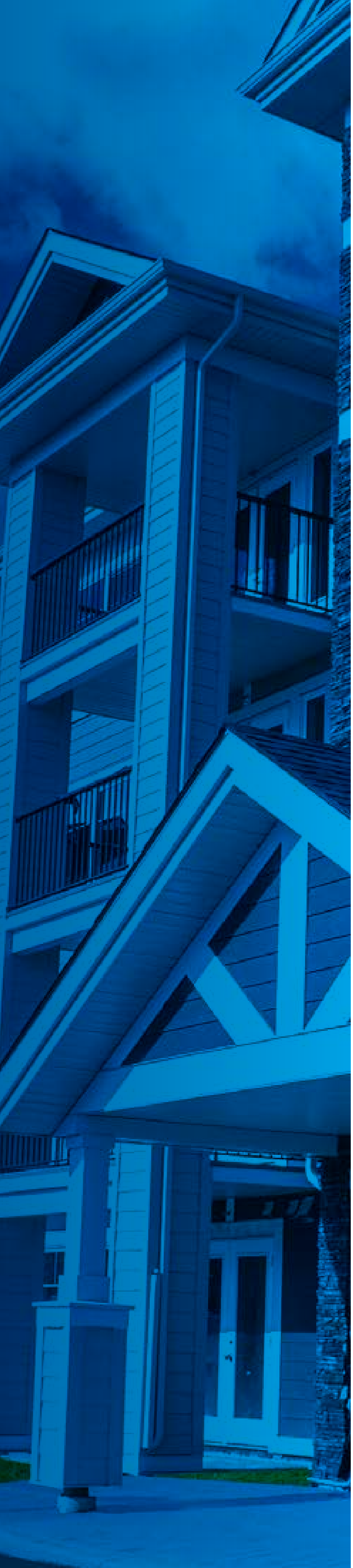
On May 5, 2014, the Trust closed and completed the sale of a 102-unit property located in Edmonton, Alberta for a purchase price of $13.5 million. This property was not included as discontinued operations.

The Trust had an unconditional purchase and sales agreement with a third-party to sell its British Columbia Property Portfolio on May 6, 2014 with a closing date scheduled for May 29, 2014 for a sale price of approximately $140 million before closing costs and a $1.5 million holdback to upgrade a fire hydrant waterline as required by the fire department of the City of Victoria. The purchaser will also be assuming the secured mortgages on the British Columbia properties with Boardwalk remaining as a guarantor.

The Trust had an unconditional offer to purchase 1 unit in the property known as 'Morningside Estates' located in Edmonton, Alberta for $175 thousand. The purchase is set to close May 15, 2014, at which time, Boardwalk will own 222 of the 224 units in the property.

NOTE 23: APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Trustees on May 14, 2014, and authorized for issue on May 14, 2014.



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Chairman of the Board
Calgary, Alberta

James Dewald (3)
Calgary, Alberta

Gary Goodman (2)
Toronto, Ontario

Art Havener (1) (3)
St. Louis, MO

Samantha Kolias
Calgary, Alberta

Al Mawani (2)
Thornhill, Ontario

Andrea Stephen (2) (3)
Toronto, Ontario

(1) Lead Trustee

(2) Member of the Audit and Risk Management Committee

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

SENIOR MANAGEMENT

Jonathan Brimmell
Vice President, Operations, Ontario and Quebec

Dean Burns
General Counsel and Secretary

William Chidley
Senior Vice President, Corporate Development

Ian Dingle
Vice President, Purchasing and Contracts

Roberto Geremia
President

Michael Guyette
CIO, VP Operations for Southern Alberta and BC

Sam Kolias
Chief Executive Officer

Van Kolias
Senior Vice President, Quality Control

Kelly Mahajan
Vice President, Customer Service and
Process Design

Helen Mix
Vice President, Human Resources

Lisa Russell
Vice President, Acquisitions, Western Canada

William Wong
Chief Financial Officer

Bill Zigomanis
Vice President, Investments

BOARDWALK RENTAL COMMUNITIES