BOARDWALK RENTAL COMMUNITIES

Q2 2012

TSX: **BEI.UN**

BOARDWALK REAL ESTATE INVESTMENT TRUST

CORPORATE PROFILE

Boardwalk REIT is Canada's friendliest landlord and currently owns and operates more than 225 properties with 35,277 residential units (as at June 30, 2012) 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 1,600 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 second quarter of 2012 for Boardwalk Real Estate Investment Trust ("Boardwalk", "Boardwalk REIT", or the "Trust"). Funds From Operations (FFO) for the quarter totaled $38.3 million, or $0.73 per Unit, an increase of approximately 10.3% and 10.6%, respectively, over the same quarter last year. Adjusted Funds From Operations (AFFO) per Unit increased 11.9% to $0.66 versus $0.59 for the same three-month period in 2011.

Funds From Operations for the six-month period ended June 30, 2012 increased 15.5% to $72.5 million from $62.8 million in the same period in 2011 and 15.8% to $1.39 per Unit from $1.20 per Unit for the same six-month period in 2011.

The increase in reported FFO is mainly attributed to rental revenue growth coupled with lower overall financing costs, as the Trust continues to benefit from the current low interest rate environment in the renewal of its existing CMHC Insured Mortgages.

FFO and AFFO are widely accepted supplemental measures of the performance of a Canadian Real Estate entity; however, 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 second quarter ended June 30, 2012, under the section titled, "Performance Measures".

CREATING COMMUNITY

Highlights of the Trust's Second Quarter and First Six Months 2012 Financial Results

$ millions, except per unit amounts	**Three Months Jun 2012**	Three Months Jun 2011	% Change	**Six Months Jun 2012**	Six Months Jun 2011	% Change
Total Rental Revenue	**$ 109.3**	$ 105.4	3.7%	**$ 217.3**	$ 209.7	3.6%
Net Operating Income (NOI)	**$ 70.3**	$ 67.1	4.8%	**$ 136.8**	$ 128.0	6.9%
Profit	**$ 161.6**	$ 196.6	-17.8%	**$ 379.0**	$ 919.1	-58.8%
Funds From Operations (FFO)	**$ 38.3**	$ 34.7	10.3%	**$ 72.5**	$ 62.8	15.5%
Adjusted Funds From Operations (AFFO)	**$ 34.3**	$ 30.7	11.6%	**$ 64.6**	$ 54.9	17.7%
FFO Per Unit	**$ 0.73**	$ 0.66	10.6%	**$ 1.39**	$ 1.20	15.8%
AFFO Per Unit	**$ 0.66**	$ 0.59	11.9%	**$ 1.24**	$ 1.05	18.1%
Regular Distributions Declared (Trust Units & LP B Units)	**$ 24.3**	$ 23.5	3.5%	**$ 48.4**	$ 47.0	2.9%
Regular Distributions Declared Per Unit (Trust Units & LP B Units) *(2011 - $1.80 Per Unit - 2012 - $1.86 per Unit on an annualized basis)*	**$ 0.47**	$ 0.45	3.3%	**$ 0.93**	$ 0.90	2.8%
Regular Payout as a % FFO	**63.5%**	67.7%		**66.7%**	74.8%	
Regular Payout as a % AFFO	**70.9%**	76.5%		**74.8%**	85.6%	
Interest Coverage Ratio (Rolling 4 quarters)	**2.57**	2.37		**2.57**	2.37	
Operating Margin	**64.4%**	63.7%		**63.0%**	61.0%	

The Fair Value under IFRS for the Trust's portfolio increased, compared to the end of the 2011 fiscal year, as a result of higher market rents and lower Capitalization Rates in most municipalities for multi-family assets. Below is a summary of the Trust's per unit Net Asset Value with further discussion located in the 2012 Second Quarter MD&A.

Highlights of the Trust's Fair Value of Investment Properties

	Jun 30, 2012 (1)	Dec 31, 2011 (1)
IFRS Net Asset Value (NAV) Per Diluted Unit (Trust & LP B)	**$ 54.73**	$ 45.42
Cash Per Diluted Unit (Trust & LP B)	**$ 2.60**	$ 4.90
Total Per Diluted Unit (Trust & LP B)	**$ 57.33**	$ 50.32

(1) Calculated using principal amounts of unsecured and secured debt outstanding in each period totalling $2.31 billion as of Jun 30, 2012 and $2.42 billion as of Dec 31, 2011.

Weighted Average Capitalization Rate: 5.70% as at June 30, 2012 and includes Development Assets.

For further detail, please refer to page 31 of the MD&A.

In the second quarter of 2012, overall occupancy for Boardwalk's portfolio was 98.18%, an increase to the occupancy level for the same period last year and sequentially higher than the end of 2011. Average market rents have increased to $1,087, up from $1,031 in June of 2011.

Despite the continued increase in average monthly and occupied rents the Trust was able to achieve in the first six months of 2012, there remains a considerable mark-to-market opportunity for the Trust as we near the conclusion of the seasonally stronger, summer rental season. Continued focus on product quality and Customer Service remains key to Boardwalk's operating strategy and further sustainable improvement of financial performance.

Boardwalk's rental optimization strategy of continuous active management of three key variables: occupancy levels, market rents, and suite-specific incentives, 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. Average monthly rents increased to $1,038 from $998 in June of 2011 and average occupied rents for the period ended also increased to $1,055 versus $1,024 for the same period last year.

The Trust's Customer friendly self-imposed rent control and rental increase forgiveness for financially challenged Residents continue to build goodwill and the continued internalization of more maintenance and value-added projects further enhances curb appeal and the quality of our property portfolio, resulting in higher revenues and lower turnover.

For further detail, please refer to page 16 of the MD&A.

Portfolio Highlights for the Second Quarter of 2012

	Jun-12	Dec-11	Jun-11
Average Occupancy (Period Average)	**98.18%**	97.47%	97.49%
Average Monthly Rent (Period Ended)	**$ 1,038**	$ 1,012	$ 998
Average Market Rent (Period Ended)	**$ 1,087**	$ 1,053	$ 1,031
Average Occupied Rent (Period Ended)	**$ 1,055**	$ 1,033	$ 1,024
Loss-to-Lease (Period Ended) ($ millions)	**$ 13.3**	$ 8.4	$ 3.0
Loss-to-Lease Per Trust Unit (Period Ended)	**$ 0.25**	$ 0.16	$ 0.06
Cash (Period Ended) ($ millions)	**$ 135.7**	$ 255.9	$ 183.0

Same Property Results	% Change Year-Over-Year 3 Months Jun 2012	% Change Year-Over-Year 6 Months Jun 2012
Rental Revenue	3.7%	3.6%
Operating Costs	0.5%	-2.8%
Net Operating Income (NOI)	5.5%	7.6%

For the stabilized property analysis shown above, operating expense for Q1 and Q2 2011 was adjusted for the change in wage allocation estimate, which was reported in Q3 of 2011

Stabilized Revenue Growth	# of Units	Q2 2012 vs Q1 2012	Q1 2012 vs Q4 2011	Q4 2011 vs Q3 2011	Q3 2011 vs Q2 2011
Calgary	5,310	1.3%	2.0%	1.3%	1.1%
Edmonton	12,497	1.9%	0.7%	1.1%	0.9%
Fort McMurray	352	1.7%	1.5%	-1.5%	-1.6%
Grande Prairie	645	1.1%	1.5%	3.2%	1.6%
Red Deer	939	3.4%	1.5%	1.4%	0.6%
British Columbia	633	-0.7%	0.5%	0.7%	1.1%
Ontario	4,265	0.5%	0.6%	1.3%	-0.7%
Quebec	6,000	-0.2%	0.0%	0.6%	0.6%
Saskatchewan	4,636	1.4%	0.7%	0.6%	0.6%
	35,277	1.2%	0.8%	1.0%	0.6%

On a sequential basis, stabilized revenues for the second quarter of 2012 increased 1.2% when compared to the previous quarter, mainly the result of higher market rents coupled with increased occupancy. Alberta, our largest market led the sequential revenue growth this quarter, with all areas in the province posting positive three-month revenue growth. The increase in occupancy while also increasing occupied rents reflects positively on the Trust's vertically integrated operating and revenue optimization strategies.

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

Economic Market Fundamentals

Market Fundamentals	BC		Alberta		Saskatchewan		Ontario		Quebec	
	Jun 2012	Jun 2011	**Jun 2012**	Jun 2011	**Jun 2012**	Jun 2011	**Jun 2012**	Jun 2011	**Jun 2012**	Jun 2011
Unemployment Rate	**6.6%**	7.3%	**4.6%**	5.6%	**4.9%**	4.9%	**7.7%**	7.7%	**7.7%**	7.9%
	Q1 2012	Q1 2011	**Q1 2012**	Q1 2011	**Q1 2012**	Q1 2011	**Q1 2012**	Q1 2011	**Q1 2012**	Q1 2011
Net Interprovincial Migration	**-2,554**	-98	**13,396**	5275	**-9**	-593	**-3,932**	-690	**-1,915**	-894
Net International Migration	**9,019**	7,132	**8,671**	3,708	**3,436**	1,496	**22,068**	22,229	**12,426**	10,733
Total Net Migration	**6,465**	7,034	**22,067**	8,983	**3,427**	903	**18,136**	21,539	**10,511**	9,839
	May 2011 to May 2012	May 2010 to May 2011	**May 2011 to May 2012**	May 2010 to May 2011	**May 2011 to May 2012**	May 2010 to May 2011	**May 2011 to May 2012**	May 2010 to May 2011	**May 2011 to May 2012**	May 2010 to May 2011
Average Weekly Wages Growth	**1.3%**	2.7%	**1.4%**	4.9%	**5.4%**	3.5%	**1.4%**	2.8%	**5.1%**	2.4%

Source: Statistics Canada

Western Canada

CMHC expects Alberta's economy to grow strongly over this year and next, and says that this growth will be supported by healthy demand for oil, while low natural gas prices will moderate economic activity somewhat. Saskatchewan's economic growth is expected to remain above the national average with their export sector showing strong growth in 2012 and a growing U.S. economy that will continue to support Saskatchewan exports throughout 2012 and into 2013. CMHC reports that key economic indicators show that the British Columbia economy is growing in line with expectations. CMHC also estimates that residential, industrial and commercial investment, along with consumer spending; will contribute to drive economic growth in 2012.

As a result of predicted strong economic growth, Alberta's unemployment rate is expected to lower from 5.5% in 2011 to 5.0% in 2012, as well as to remain relatively low throughout 2013. In Alberta, the demand for labour has placed upward pressure on wages, as average weekly earnings have risen 1.4% in May of 2012, while unemployment has decreased by 100 basis points to 4.6%, the lowest in Canada. With both a strong economy and high demand for labour, CMHC predicts that Alberta is expected to see an increase in migration to 46,300 in 2012 and 46,200 in 2013. CMHC anticipates that Saskatchewan's average employment is expected to rise by 1.2% in 2012 and 1.4% in 2013. With increased employment prospects, Saskatchewan will continue to attract migrants with total net migration estimates at over 11,000 for both 2012 and 2013. The demand for labour has driven an increase in wages by over 5% since May of 2011. In British Columbia, the first quarter increase in employment was concentrated in full-time jobs. Average weekly wages were up 1.3% in 2012. According to CMHC, the shift towards full-time jobs in British Columbia is expected to continue as the provincial economy gains momentum.

Eastern Canada

CMHC reports that the international exports have, and are expected to, continue to gain traction as the U.S. labour market recovers, and that U.S. vehicle sales are approaching a pre-recession level, all of which is supportive of improving economic fundamentals and job prospects for Ontario by 2013. Quebec is experiencing slower economic growth. CMHC cautions that the current uncertainty regarding economic prospects abroad may cause a more cautious attitude domestically and less vigorous household spending and private investment in 2012.

According to CMHC, Ontario's net migration, which is a key driver of population growth and housing demand, is expected to improve throughout 2012 and into 2013. In Quebec, migration numbers are expected to remain stable over the coming years as no significant changes in immigration targets is expected.

MLS Housing Prices

British Columbia	Vancouver CMA		Victoria CMA	
	Jul-12	Jul-11	**Jul-12**	Jul-11
Average Single Family	**NA**	NA	**$ 580,563**	$ 574,717
Average Condo	**NA**	NA	**$ 326,833**	$ 315,371
Average Overall	**$ 616,000**	$ 630,251	**NA**	NA
Alberta	Calgary CMA		Edmonton CMA	
	Jul-12	Jul-11	**Jul-12**	Jul-11
Average Single Family	**$ 478,528**	$ 456,374	**$ 384,417**	$ 384,656
Average Condo	**$ 303,380**	$ 304,971	**$ 237,701**	$ 244,225
Saskatchewan	Saskatoon CMA		Regina CMA	
	Jul-12	Jul-11	**Jul-12**	Jul-11
Average Overall	**$ 331,517**	$ 305,419	**$ 297,708**	$ 272,548
Ontario	London CMA		Windsor CMA	
	Jul-12	Jul-11	**Jul-12**	Jul-11
Average Overall	**$ 240,993**	$ 232,076	**$ 171,552**	$ 175,420
Quebec	Montreal CMA			
	Jul-12	Jul-11		
Average Overall*	**$ 323,616**	$ 317,645		

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

Single-detached home starts in British Columbia are expected to pick up and reach 9,600 units in 2012, and this will continue into 2013, where single starts are estimated to be 10,900 units, according to CMHC. While multi-family housing starts have been the focus of new home construction in early 2012 in British Columbia, CMHC says that this will moderate in the second and third quarters and come in at 19,000 units in 2012 and 19,200 in 2013. With improving economic and demographic conditions, housing demand is being lifted and builders are increasing production in Alberta. CMHC predicts that single-detached starts will rise to 17,500 units in 2012 and that the increase will slow in 2013 to 18,000 units as a result of higher mortgage rates and inventory build-up. CMHC also states that multi-family starts will increase to 13,200 units in 2012 and decrease slightly to 12,800 units in 2013. In Saskatchewan, single-detached home starts are expected to increase to 4,500 units this year, fuelled by gains in Regina, while in 2013, they will slow to 4,200 units, according to CMHC. Multi-family home starts in Saskatchewan are expected to follow a similar trend, increasing to 3,400 in 2012 and moderating to 3,200 in 2013.

In British Columbia, the average resale home price is expected to be $548,100 in 2012 and $566,900 in 2013. CMHC expects re-sales in British Columbia to gradually improve in 2012 to 79,100 units and to see an increase in 2013 to 82,400 units. CMHC predicts that Alberta re-sales will increase to 57,600 in 2012 and 59,200 in 2013, along with rising prices with the average price being $360,900 in 2012 and $371,500 in 2013. According to CMHC, re-sales in Saskatchewan will be supported by advances in Saskatchewan's population and low mortgage rates and will increase to 13,500 in 2012 and moderate slightly to 13,050 in 2013. Solid job and wage growth, coupled with low mortgage rates will help sustain a shift towards higher priced homes in Saskatchewan, CMHC forecasts prices to rise to $270,300 in 2012 and $273,700 in 2013.

Eastern Canada

In Ontario, CMHC estimates that single-detached starts will reach 25,600 in 2012, and stronger income growth and tight resale conditions will boost construction in 2013 to 26,800 units. Multi-family starts are expected to stay strong with 48,100 units in 2012 before moderating in 2013 to 38,400 in Ontario, according to CMHC. As a result of slower job growth, the recent easing of the re-sale market and the continuing trend toward the multi-family dwellings in Quebec, single-detached starts have decreased significantly. CMHC predicts 16,200 units started in 2012 and a slight increase to 17,100 in 2013. After a year of sustained construction in 2011 in Quebec, CMHC expects multi-family starts to be more sustainable at 28,100 units in 2012 and 28,000 units in 2013.

CMHC predicts that Ontario re-sales will have moderate growth in 2012, 205,400 units, before stabilizing in 2013 at 203,200. In Ontario, a combination of better supplied housing markets and more first time home buying, will drive demand to shift to less expensive housing. CMHC expects prices to be $387,200 in 2012 and $395,800 in 2013. CMHC is expecting re-sales in Quebec to be over 80,000 in 2012 and over 81,000 in 2013. As a result of stable demand for resale homes in Quebec and the rising supply, pressure has been relieved on prices in recent months, according to CMHC, price growth will moderate to $265,000 in 2012 and $273,000 in 2013.

Acquisitions, Dispositions, and Development

There were no Investment Property acquisitions or dispositions in the second quarter of 2012. The Trust continues to undertake a cautious approach to the sale of non-core assets to comply with the existing rules surrounding the tax treatment of publicly traded REITs (the "SIFT" Legislation) until such time as technical amendments contained in proposed legislation is substantially enacted that clarifies the nature of the income generated from property sales.

In a continuation from 2011, the demand for Multi-Family Investment Properties in Canada continues to be strong. As a result, further capitalization rate compression and increases in values for Multi-Family assets continue to be the trend. The Trust continues to actively 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 has received development approval and has commenced construction for a 109-unit, wood frame, four storey, elevatored asset on existing excess land that the Trust owns in Calgary, Alberta. It is estimated that the cost of this development will be approximately $19 million. The Trust applied for a grant from the Province of Alberta's 'Housing Capital Initiatives' and will receive $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 market rents for 20 years. The remainder of the development costs will be funded by existing liquidity the Trust has on hand. The Trust estimates that the stabilized capitalization rate of this project will be 6.09%, while also allowing the Trust to surface approximately $39,000 per apartment unit of land value.

The Trust continues to explore the viability of other potential development of multi-family apartment buildings on excess land the Trust currently owns in Alberta and Saskatchewan. The increased demand for multi-family investment properties, which have resulted in continued capitalization rate compression, continues to present a unique opportunity for the Trust to explore the viability of multi-family rental property development to improve the Trust's portfolio and enhance value for Unitholders.

For further detail, please refer to page 16 and 32 of the MD&A.

Investing in our Properties

The Trust believes that 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 approximately $97.5 million during the 2012 fiscal year to further enhance the curb appeal and quality of the Trust's assets. For the first six months of 2012, Boardwalk invested approximately $34.8 million in the form of project enhancements and equipment purchases, including upgrades to existing suites, common areas, mechanical systems, and building exteriors, compared to $31.2 million for the same period in 2011.

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 Customers and long-term growth for Unitholders.

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

Liquidity and Continued Financial Strength

In January of 2012, the Trust's $112.4 million Unsecured Debentures were retired with existing liquidity; however, the Trust continues to maintain a solid financial position with $136 million of cash and an undrawn $196 million credit facility.

The Trust's interest coverage ratio, excluding gain or loss on sale of assets, for the most recent completed four quarters ended June 30, 2012 was 2.57 times compared to 2.37 times for the same period last year.

Cumulatively, since 2007, the Trust has purchased and cancelled 4,542,747 Trust Units, representing a total purchase cost of $170.5 million, or an average cost of $37.53 per Trust Unit through the facilities of the Toronto Stock Exchange. The current Normal Course Issuer Bid, which was renewed in August of 2011 and terminates on August 23, 2012 or until such time as the Bid is complete, allows the Trust to purchase and cancel up to 3,884,118 Trust Units, representing 10% of its public float of Trust Units. Given the appreciation in the value of Boardwalk's Trust Units, management continues to review all available options that will provide the greatest return to our Unitholders.

In $000's

Cash Position - June 30, 2012	$ 135,715
Subsequent Committed Financing	$ 45,190
Line of Credit*	$ 196,276
Total Available Liquidity	$ 377,181
Liquidity as a % of Total Debt	16%
Debt (net of cash) as a % of reported asset value	42%

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

Mortgage Financing

Interest rates continue to hover near historic lows 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 June 30, 2012, the Trust's total mortgage principal outstanding and weighted average interest rate totaled $2.31 billion at a weighted average interest rate of 3.95%, compared to $2.34 billion (inclusive of the unsecured debentures) at a weighted average interest rate of 4.22% reported for June 30, 2011.

Approximately 99% of the Trust's mortgages are CMHC Insured, and provide the benefit of lower interest rates and limits 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 over 3 years, and debt (net of cash) to reported asset value ratio was approximately 42% as of June 30, 2012.

For the remainder of 2012, the Trust has approximately $333.1 million remaining in maturing mortgage principal at a weighted average interest rate of 4.71%. To date, the Trust has forward locked the interest rate on $257.6 million, or 77% of these maturities, at an average interest rate of 3.16% while extending the term of these loans for an average of 8 years.

The Trust continues to undertake a balanced approach to its mortgage program, with current 5- and 10-year CMHC Mortgages estimated to be 2.30% and 2.80%, and anticipate continued accretive mortgage renewals in 2012.

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

2012 Financial Guidance

As is customary, the Trust reviews its financial guidance on a quarterly basis, and has revised 2012 Financial Guidance as follows:

Description	2012 Original Guidance	2012 - Q1 Revised Guidance	2012 - Q2 Revised Guidance
Acquisitions	No new apartment acquisitions or dispositions	No new apartment acquisitions or dispositions	No new apartment acquisitions or dispositions
Stabilized Building NOI Growth	1% to 4%	2% to 4%	3% to 5%
FFO Per Trust Unit	$2.65 to $2.85	$2.70 to $2.85	$2.75 to $2.90
AFFO per Trust Unit – based on $450/yr/apt	$2.35 to $2.55	$2.40 to $2.55	$2.45 to $2.60

Based on the Trust's review, the reported stabilized portfolio results for the first six months of 2012 were ahead of internal expectations, mainly as a result of higher revenue growth and lower than anticipated rental utility charges. As such, Boardwalk has increased its expectations on the annual Stabilized Building NOI growth from a range of 2% to 4% to a range of 3% to 5%. The result of this is an increase in Boardwalk's overall FFO and AFFO estimates to a range of between $2.75 to $2.90 and $2.45 to $2.60, respectively.

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

For further detail, please refer to page 36 of the MD&A.

2012 Distribution

With the strong organic growth the Trust has reported in 2012, Boardwalk's Board of Trustees has approved an additional distribution increase of 3.2% to $0.16 per Trust Unit per Month, or $1.92 per Trust Unit on an annualized basis, commencing with the August 31, 2012 Record Date, payable September 17, 2012. Since the beginning of 2012, the Trust has increased distributions by 6.7%.

Boardwalk's Board of Trustee's has approved the next three month of distributions of $0.16 per Trust Unit per Month ($1.92 on an annualized basis) according to the following schedule:

Month	Record Date	Distribution Date
Aug-12	31-Aug-12	17-Sep-12
Sep-12	28-Sep-12	15-Oct-12
Oct-12	31-Oct-12	15-Nov-12

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

Supplementary Information

Boardwalk produces the Quarterly Supplemental Information that provides detailed information regarding the Trust's activities during the quarter. The Second Quarter 2012 Supplemental Information is available on our investor website at http://www.boardwalkreit.com/FinancialReports/.

In Conclusion

We are pleased with the efforts of our team and partners as we continue to focus on achieving long-term relationships with our Residents and providing long-term sustainable results for our Stakeholders.

Thank you to our team of over 1,600 Associates for their dedicated commitment and service to our Residents and Communities.

I would also like to thank our Board of Trustees for their indispensable guidance and continued focus on governance, 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 Residents for calling Boardwalk home.

Sincerely,

(signed)

Sam Kolias,
Chairman and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Six Months Ended June 30, 2012 and 2011 (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 and its condensed consolidated financial position and results of operations for the three and six months ended June 30, 2012 and 2011. Financial data provided has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and required by all Publicly Accountable Enterprises to be adopted effective January 1, 2011. This MD&A should be read in conjunction with Boardwalk's audited annual consolidated financial statements for the years ended December 31, 2011 and 2010, 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, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "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 2011 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 concessions, occupancy levels, access to debt and equity capital, interest rates, joint ventures/partnerships, the relative illiquidity of real property, unexpected costs or liabilities related to acquisitions, construction, environmental matters, legal matters, reliance on key personnel, Unitholder liability, income taxes and 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 that 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 income each year is paid or made payable to its Unitholders. Boardwalk qualified for the REIT Exemption commencing January 1, 2011. 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, May 10, 2006, May 10, 2007, May 13, 2008, May 13, 2009, May 18, 2010, May 12, 2011 and May 15, 2012 (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 the 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 six months of 2012, Boardwalk REIT owned and operated in excess of 225 properties, comprising 35,277 residential units and totaling approximately 30 million net rentable square feet. As of June 30, 2012, Boardwalk REIT's property portfolio was concentrated in the provinces of British Columbia, Alberta, Saskatchewan, Ontario and Quebec.

At June 30, 2012, the fair value of Boardwalk's Investment Property assets was $5.2 billion, which generated a profit of $35.3 million and $66.7 million for the second quarter and first six months of 2012 (before fair value gains (losses) and income tax recovery), respectively. Each of these figures was calculated based on the application of IFRS, which the Trust was required to adopt along with all Publicly Accountable Enterprises, effective January 1, 2011. During the second quarter and first six months of 2012, the Trust earned $38.3 million and $72.5 million, respectively, of Funds From Operations.

Outlook

The first half of 2012 has continued to show strength for the multi-family industry in Canada. Boardwalk continues to maintain a significant liquidity position earmarked for future acquisitions or value-added opportunities. Recent property transactions continue to demonstrate that there is an increased demand to own apartments in major Canadian markets, to the extent that we continue to witness even further compression of Capitalization Rates, resulting in material increases in the prices of properties in this asset class. Although, to date, Boardwalk has not acquired any new apartment units during 2012, we continue to be 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.

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 NHA program, which is administered by Canada Mortgage and Housing Corporation ("CMHC"). With the continued turmoil in the world markets, Canada continues to stand out as 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 that 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, 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 that currently are better than the maturing interest rates. The Trust continues to be well positioned in this current market place with a regular distribution payout ratio of approximately 66.7% of Funds From Operations ("FFO") for the six months of 2012. This is below the 74.8% for the first six months of 2011 due to improved operating performance in 2012. The Trust continues to have access to low-rate Government of Canada-backed debt in the form of NHA insurance.

As we move forward, we continue to look for ways to further enhance the returns provided to our stakeholders.

We continue to focus inward on our operations, continuously looking for ways to reduce cost while focusing on our customers. We are also currently in the process of investigating the development potential of new multi-family rental projects on excess land density that exists on our owned communities. And, with the assistance of a Province of Alberta government grant, Boardwalk continues to move forward with the development of a 109-unit project in SW Calgary. In addition, we continue to maintain a conservative balance sheet with a Debt-to-Enterprise Value of 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 35 of the Annual Information Form dated February 16, 2012, which was further amended and approved at the May 15, 2012 Annual and Special Meeting of Unitholders. Some of the main financial guidelines and operating policies as 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 Service 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.

Compliance with DOT

At June 30, 2012, 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.

It should be noted that at Boardwalk REIT's May 15, 2012 Annual and Special Meeting, certain amendments to the organization's Declaration of Trust were proposed and received Unitholder approval. One such amendment replaced the operating policy with regards to the maximum debt capacity not to exceed 70% of Gross Book Value with an interest service coverage ratio limit of 1.5 times on the basis that this is consistent with the original test in the Trust's unsecured debentures issued in January 2005 and retired in January 2012 (the "Unsecured Debentures"), is more operationally focused, would be a more direct test of the Trust's cash flow, is a test widely used and understood in the unsecured and secured debt markets, and is a test that would not discriminate between secured and unsecured debt. Further details and discussion on this topic are available in our 2012 Management Information Circular available at www.sedar.com.

For the most recently four completed fiscal quarters ended June 30, 2012, Boardwalk REIT's overall interest coverage ratio of adjusted EBITDA (i.e. Earnings Before Interest, Taxes, Depreciation and Amortization) to interest expense, excluding fair value gains and losses, was 2.57.

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 as well. 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.

Hedging Activities

There were no new hedging activities in the first six months of 2012.

Unsecured Debentures

In January 2005, the Trust issued unsecured debentures with a face value of $120.0 million with a maturity date of January 23, 2012. During the first quarter of 2009, the Trust acquired in the open market at a discount to face value a total of $7.6 million of its unsecured debentures for cancellation.

The unsecured debentures, with a coupon interest rate of 5.61% and a principal balance of $112.4 million, matured on January 23, 2012 and were settled on maturity by way of Boardwalk's liquidity on hand.

Normal Course Issuer Bid

On a periodic basis, Boardwalk REIT will apply to the Toronto Stock Exchange ("TSX") for approval of Normal Course Issuer Bids (the "Bids"). Pursuant to regulations of these Bids, Boardwalk REIT will receive approval to purchase and cancel a specified number of Trust Units, representing 10% of the public float of its Trust Units at the time of the TSX approval. The Bids will terminate on the earlier of the termination date or at such time as the purchases under the Bid are completed.

In August of 2011, Boardwalk REIT filed an application for a Normal Course Issuer Bid ("NCIB"), which received regulatory approval from the TSX and commenced on August 24, 2011. The NCIB allowed Boardwalk REIT to purchase and cancel up to 3,884,118 Trust Units. To date, no Trust Units have been purchased and cancelled under this NCIB.

Performance Review

Boardwalk REIT generates revenues, cash flows and earnings from two separate sources - from rental operations and from 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 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 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, is currently proceeding with extreme caution regarding the sale of any of its real estate assets in the short term. This decision is the direct result of the Trust's intention to qualify, and continue to qualify, as a REIT for Canadian income tax purposes and the ambiguity surrounding the current requirements to qualify for this exemption. Additional information regarding the SIFT Legislation and the Trust's qualification for REIT Exemption can be found in the section titled, "Income Tax Expense" later in this report.

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. Under its current distribution program, the Trust is distributing $1.86 per outstanding Trust and LP B Unit on an annualized basis (or $0.155 per Trust and LP B Unit on a monthly basis).

For the three and six months ended June 30, 2012, the Trust declared regular distributions of $24.3 million and $48.4 million (this includes distributions paid to the LP Class B Unitholders), respectively, representing approximately 63.5% and 66.7% of FFO. The reader should note that 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 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 that 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 2011 to 2012

The following table shows a reconciliation of changes in FFO for the three and six months ended June 30, 2012. 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	6 Months
FFO Opening - June 30, 2011	$ 0.66	$ 1.20
NOI from Stabilized Properties	$ 0.06	$ 0.17
Financing Costs (1)	$ 0.04	$ 0.06
Administration and other	$ (0.03)	$ (0.04)
FFO Closing - June 30, 2012	**$ 0.73**	**$ 1.39**

(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.

FFO Reconciliations

The Trust's adoption of IFRS standards, effective January 1, 2011, has resulted in significant changes to the financial information presented, including the way the Trust reconciles FFO from its consolidated financial statements prepared in accordance with IFRS.

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 and six months ended June 30, 2012 and June 30, 2011. Adjustments, which have arisen as a result of the adoption of IFRS, are explained in the notes below.

FFO Reconciliation *In $000's, except per unit amounts*	**3 months June 2012**	3 months June 2011	% Change	**6 months June 2012**	6 months June 2011	% Change
Profit for the period	**$ 161,628**	$ 196,591		**$ 378,972**	$ 919,105	
Adjustments						
Fair value (gains) (1)	**(126,175)**	(164,181)		**(312,088)**	(121,148)	
Add back distributions to LP Class B Units recorded as financing charges (2)	**2,080**	2,014		**4,139**	4,028	
Deferred income tax (recovery)	**(138)**	(551)		**(173)**	(740,745)	
Depreciation expense on PP&E	**879**	827		**1,697**	1,592	
Funds from operations	**$ 38,274**	$ 34,700	10.3%	**$ 72,547**	$ 62,832	15.5%
Funds from operations - per unit	**$ 0.73**	$ 0.66	10.6%	**$ 1.39**	$ 1.20	15.8%

(1) 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.

(2) 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.

All other adjustments in the calculation of FFO above are consistent with those adjustments made in the calculation of FFO previously derived from financial statements under pre-IFRS Canadian GAAP.

Overall, Boardwalk REIT earned FFO of $38.3 million and $72.5 million, respectively, for the three and six months ended June 30, 2012, compared to $34.7 million and $62.8 million for the same periods last year. FFO on a per unit fully diluted basis for the current quarter ended June 30, 2012, increased approximately 10.6% compared to the same period in the prior year, from $0.66 to $0.73. The increase was primarily the result of higher rental revenue, decreased utility costs and property taxes, and lower financing costs.

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 refinance its existing maturing mortgages at interest rates that are much more favorable to 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 are being offered at attractive rates.

The Trust's cash position was $135.7 million at June 30, 2012 compared to $255.9 million reported on December 31, 2011. The decrease in cash is largely due to the repayment of the Trust's unsecured debenture ($112.4 million), which matured in January of 2012. The Trust continues to refinance existing maturing NHA-insured mortgages at rates well below the maturing rates while at the same time being able to raise additional funds for future opportunities.

New Property Acquisitions

In 2011 and the first six months of 2012, there were no new property acquisitions.

Dispositions

In 2011 and the first six months of 2012, there were no dispositions of the Trust's investment properties.

Due to current interpretation of the existing SIFT Legislation, it is unclear of the treatment of income generated on the sale of apartment properties. As such, Boardwalk will continue with a cautious approach on the sale of Non-Core assets in order to continue to qualify for REIT Exemption status under the existing legislation surrounding the tax treatment of publicly traded trusts (the "SIFT Legislation"). Further discussion in this area can be found in the section titled, "Income Tax Expense".

Review of Rental Operations

Boardwalk REIT's rental revenue strategy focuses on enhancing overall rental revenues through the balance between market rents, rental incentives and occupancy losses. The application of this 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.

In $000's, except number of suites	**3 Months June 2012**	3 Months June 2011	% Change	**6 Months June 2012**	6 Months June 2011	% Change
Total rental revenue	**$ 109,269**	$ 105,364	3.7%	**$ 217,257**	$ 209,660	3.6%
Expenses						
Operating expenses	**$ 21,813**	$ 20,668	5.5%	**$ 42,649**	$ 41,142	3.7%
Utilities	**$ 8,223**	$ 8,299	(0.9)%	**$ 20,106**	$ 21,807	(7.8)%
Property taxes	**$ 8,912**	$ 9,305	(4.2)%	**$ 17,726**	$ 18,751	(5.5)%
	$ 38,948	$ 38,272	1.8%	**$ 80,481**	$ 81,700	(1.5)%
Net operating income	**$ 70,321**	$ 67,092	4.8%	**$ 136,776**	$ 127,960	6.9%
Operating margins	**64.4%**	63.7%		**63.0%**	61.0%	
Number of suites at June 30	**35,277**	35,277		**35,277**	35,277	

Overall, Boardwalk REIT's rental operations for the three and six months ended June 30, 2012 reported higher results compared to the same periods in the prior year. The Trust reported a 3.7% and 3.6% increase in revenue, respectively, for the three and six months ended June 30, 2012. 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 as compared to the same periods in 2011. Total rental expenses increased 1.8% for the three months ended June 30, 2012 compared to 2011 mainly due to higher wages and salaries. For the six months ended June 30, 2012, rental expenses decreased 1.5%, primarily driven by lower utility expenses and property taxes.

Utility cost decreased by 7.8% for the six months ended June 30, 2012 due primarily to lower pricing for natural gas in all provinces, except British Columbia, and to lower consumption during the earlier part of the year for the majority of our portfolio as a result of warmer weather conditions. The reported decrease in property taxes is mainly attributed to successful property tax appeals received on our Alberta portfolio that lowered property taxes for 2012, along with reduced property tax rates for our Windsor, Ontario property portfolio. 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; however, due to the uncertainty of the amount and timing of the refunds, these amounts are only included in income when they are received.

Overall, the operating margin for the current quarter increased slightly to 64.4%, when compared to 63.7% for the same period in 2011. Operating margin for the first six months of 2012 was also higher at 63.0%, compared to 61.0% for the same period in 2011.

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

Segmented Operational Review

British Columbia Rental Operations

In $000's, except number of suites	**3 Months June 2012**	3 Months June 2011	% Change	**6 Months June 2012**	6 Months June 2011	% Change
Total rental revenue	**$ 2,053**	$ 2,020	1.6%	**$ 4,119**	$ 4,006	2.8%
Expenses						
Operating expenses	**$ 406**	$ 355	14.4%	**$ 751**	$ 683	10.0%
Utilities	**$ 182**	$ 189	(3.7)%	**$ 420**	$ 403	4.2%
Property taxes	**$ 116**	$ 98	18.4%	**$ 233**	$ 188	23.9%
	$ 704	$ 642	9.7%	**$ 1,404**	$ 1,274	10.2%
Net operating income	**$ 1,349**	$ 1,378	(2.1)%	**$ 2,715**	$ 2,732	(0.6)%
Operating margins	**65.7%**	68.2%		**65.9%**	68.2%	
Number of suites at June 30	**633**	633		**633**	633	

Boardwalk REIT's British Columbia portfolio continued to report good, stable results. Rental revenues increased by 1.6% and 2.8%, and expenses increased by 9.7% and 10.2% for the three and six months ended June 30, 2012, respectively, compared to the same periods in the prior year. The increase in rental expenses is largely due to higher wages and salaries, repairs and maintenance costs and property taxes. Utility expense for the current quarter was lower compared to the same quarter for the prior year, due to lower gas rates and a higher gas refund. Property taxes were higher in the current quarter due to a property tax refund received on our property in Surrey, British Columbia in Q2 of 2011. Property taxes also increased as a result of higher property valuations for 2012 compared to the prior year. Operating margins for the second quarter and first six months of 2012 decreased to 65.7% and 65.9%, respectively, compared to the 68.2% and 68.2% for the same periods in 2011.

Alberta Rental Operations

In $000's, except number of suites	**3 Months June 2012**	3 Months June 2011	% Change	**6 Months June 2012**	6 Months June 2011	% Change
Total rental revenue	**$ 65,243**	$ 62,165	5.0%	**$ 129,369**	$ 123,415	4.8%
Expenses						
Operating expenses	**$ 12,276**	$ 11,294	8.7%	**$ 24,376**	$ 23,099	5.5%
Utilities	**$ 4,465**	$ 4,412	1.2%	**$ 10,106**	$ 11,429	(11.6)%
Property taxes	**$ 4,628**	$ 5,004	(7.5)%	**$ 9,242**	$ 10,066	(8.2)%
	$ 21,369	$ 20,710	3.2%	**$ 43,724**	$ 44,594	(2.0)%
Net operating income	**$ 43,874**	$ 41,455	5.8%	**$ 85,645**	$ 78,821	8.7%
Operating margins	**67.2%**	66.7%		**66.2%**	63.9%	
Number of suites at June 30	**19,743**	19,743		**19,743**	19,743	

Alberta is Boardwalk's largest operating segment, representing approximately 62% of total reported net operating income and 56% of total apartment units. Boardwalk REIT's Alberta operations for the three and six months ended June 30, 2012 reported a 5.0% and 4.8% increase in total rental revenue when compared to the same periods reported in 2011. The reported rental revenue change is the combined effect of changes to in-place occupied rents and an increase in overall occupancy levels compared to the same periods in the prior year. Expenses have increased for the three months ended June 30, 2012 compared to the prior year due to wages and salary increases as well as increased expenses related to the bundling of internet and cable services offered to the Trust's customers. Expenses have decreased for the six months ended June 30, 2012 compared to the prior year due to decreases in utilities and property taxes.

Reported utilities for the six months ended June 30, 2012 were down 11.6%. The reported decrease is mainly the result of lower reported natural gas expense, tempered somewhat by an increase in electricity charges.

The reported property tax decrease for the three and six months ended June 30, 2012 is mainly the result of lower property valuations in 2012 compared to 2011 as a result of successful property tax assessment appeals.

Alberta's operating margins for the three and six months ended June 30, 2012 increased to 67.2% and 66.2%, respectively, compared to the 66.7% and 63.9% for the same periods in 2011.

Saskatchewan Rental Operations

In $000's, except number of suites	**3 Months June 2012**	3 Months June 2011	% Change	**6 Months June 2012**	6 Months June 2011	% Change
Total rental revenue	**$ 14,591**	$ 14,124	3.3%	**$ 28,982**	$ 28,157	2.9%
Expenses						
Operating expenses	**$ 2,424**	$ 2,345	3.4%	**$ 4,668**	$ 4,424	5.5%
Utilities	**$ 1,012**	$ 960	5.4%	**$ 2,488**	$ 2,521	(1.3)%
Property taxes	**$ 974**	$ 967	0.7%	**$ 1,947**	$ 2,001	(2.7)%
	$ 4,410	$ 4,272	3.2%	**$ 9,103**	$ 8,946	1.8%
Net operating income	**$ 10,181**	$ 9,852	3.3%	**$ 19,879**	$ 19,211	3.5%
Operating margins	**69.8%**	69.8%		**68.6%**	68.2%	
Number of suites at June 30	**4,636**	4,636		**4,636**	4,636	

For the three and six months ended June 30, 2012, Boardwalk's Saskatchewan total rental revenues increased by 3.3% and 2.9%, respectively. The revenue increase is mainly the result of continuing strong rental market fundamentals in both Regina and Saskatoon. Rental expenses increased by 3.2% and 1.8% for the three and six months ended June 30, 2012 compared to the same periods in the prior year, mainly as a result of an increase in operating expenses. Operating expenses increased primarily as a result of an increased investment in on-site maintenance and personnel staff connected to our increased focus on customer service.

Utility costs for the current quarter increased from the previous year quarter due to higher water and sewer charges during the current period.

Property taxes for the current quarter were in line with the same period in the prior year, and marginally decreased 2.7% for the six months ended June 30, 2012 compared to the same period in the prior year, due to lower property tax assessments associated with our Saskatoon property portfolio.

Reported operating margins for the three and six months ended June 30, 2012 were consistent with those reported in the same periods for the prior year.

Ontario Rental Operations

In $000's, except number of suites	**3 Months June 2012**	3 Months June 2011	% Change	**6 Months June 2012**	6 Months June 2011	% Change
Total rental revenue	**$ 9,980**	$ 9,810	1.7%	**$ 19,909**	$ 19,543	1.9%
Expenses						
Operating expenses	**$ 1,782**	$ 1,729	3.1%	**$ 3,478**	$ 3,448	0.9%
Utilities	**$ 1,429**	$ 1,441	(0.8)%	**$ 3,408**	$ 3,557	(4.2)%
Property taxes	**$ 1,403**	$ 1,470	(4.6)%	**$ 2,723**	$ 2,977	(8.5)%
	$ 4,614	$ 4,640	(0.6)%	**$ 9,609**	$ 9,982	(3.7)%
Net operating income	**$ 5,366**	$ 5,170	3.8%	**$ 10,300**	$ 9,561	7.7%
Operating margins	**53.8%**	52.7%		**51.7%**	48.9%	
Number of suites at June 30	**4,265**	4,265		**4,265**	4,265	

Boardwalk REIT's Ontario operations reported an increase in total rental revenue of 1.7% and 1.9% for the three and six months ended June 30, 2012, compared to the same periods in the prior year, due to an increase in occupied rents and increased occupancy levels. Operating expenses decreased 0.6% and 3.7%, primarily as a result of decreases in utilities and property taxes.

The reported decrease in utilities was the result of lower natural gas costs. The lower cost can be attributed, in part, to fixed price natural gas contracts in place for Ontario. The fixed price for one of the contracts for the period from November 1, 2010 to October 31, 2011 was $4.07/GJ for 50% of Boardwalk's Ontario usage. On October 21, 2010, the Trust negotiated a two-year supply contract to ensure supply for the remaining 50% of the natural gas usage in Ontario at a price of $4.11/GJ for the period from November 1, 2010 to October 31, 2012. The current average floating price for natural gas for 50% of Ontario's usage was lower compared to the average fixed price in 2011.

Property taxes decreased 4.6% and 8.5% for the three and six months ended June 30, 2012, compared to the same periods in the prior year, due to lower property tax assessments associated with our Windsor property portfolio.

Quebec Rental Operations

In $000's, except number of suites	**3 Months June 2012**	3 Months June 2011	% Change	**6 Months June 2012**	6 Months June 2011	% Change
Total rental revenue	**$ 17,363**	$ 17,193	1.0%	**$ 34,758**	$ 34,418	1.0%
Expenses						
Operating expenses	**$ 3,837**	$ 3,780	1.5%	**$ 7,175**	$ 7,131	0.6%
Utilities	**$ 1,048**	$ 1,216	(13.8)%	**$ 3,469**	$ 3,739	(7.2)%
Property taxes	**$ 1,769**	$ 1,741	1.6%	**$ 3,538**	$ 3,466	2.1%
	$ 6,654	$ 6,737	(1.2)%	**$ 14,182**	$ 14,336	(1.1)%
Net operating income	**$ 10,709**	$ 10,456	2.4%	**$ 20,576**	$ 20,082	2.5%
Operating margins	**61.7%**	60.8%		**59.2%**	58.3%	
Number of suites at June 30	**6,000**	6,000		**6,000**	6,000	

Boardwalk REIT's Quebec operations reported a total rental revenue increase of 1.0% for both the three and six months ended June 30, 2012 compared to the same periods in the previous year.

Utilities decreased 13.8% and 7.2%, respectively, for the current quarter and six months ended June 30, 2012 compared to the same periods in the prior year as a result of lower utility costs in this region. Similar to Ontario, the Trust had fixed price natural gas contracts in place for Quebec. The fixed price for one of the contracts for the period from November 1, 2010 to October 31, 2011 was $4.07/GJ for 50% of Boardwalk's Quebec usage. On October 21, 2010, the Trust negotiated a two-year supply contract to ensure supply for the remaining 50% of the natural gas usage in Quebec at a price of $4.11/GJ for the period from November 1, 2010 to October 31, 2012. The current average floating price for natural gas for 50% of Quebec's usage was lower compared to the average fixed price in 2011.

Operational Sensitivities

Boardwalk's Revenue Strategy

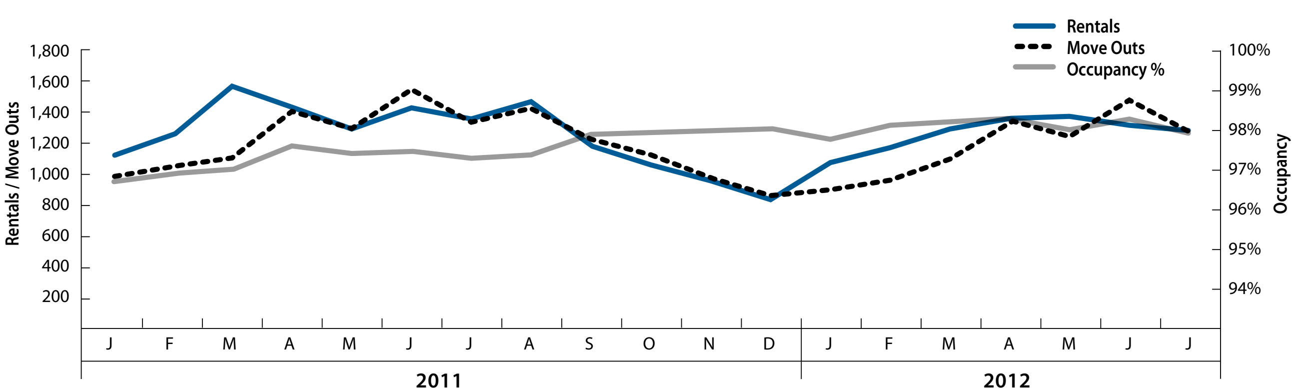
Boardwalk's rental revenue strategy focuses on optimizing rental revenues through actively managing three main variables: occupancy levels, market rents and suite-specific incentives. It is important to note that these variables are in constant flux and may be different between regions and between buildings within the same region. The main goal of our strategy is to maximize revenue throughout the year. 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. What this means, for example, is that 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 below represent those occupied units that are 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 detailed indication of future potential revenue.

Boardwalk REIT's Portfolio Occupancy

City	Q2 2012	Q2 2011	Q1 2012
Calgary	**99.22%**	98.19%	99.07%
Edmonton	**98.10%**	96.77%	97.55%
Fort McMurray	**95.68%**	96.25%	95.47%
Grande Prairie	**97.98%**	94.99%	99.28%
Kitchener	**97.77%**	98.89%	97.47%
London	**97.39%**	97.77%	97.83%
Montreal	**95.70%**	96.36%	96.69%
Quebec City	**97.85%**	98.41%	97.52%
Red Deer	**99.36%**	98.57%	98.72%
Regina	**98.15%**	98.14%	98.45%
Saskatoon	**97.67%**	96.32%	97.48%
Vancouver	**98.02%**	98.73%	98.37%
Victoria	**97.31%**	97.72%	98.34%
Verdun	**99.42%**	99.47%	99.37%
Windsor	**97.72%**	97.31%	97.54%
Total	**98.18%**	97.49%	98.04%

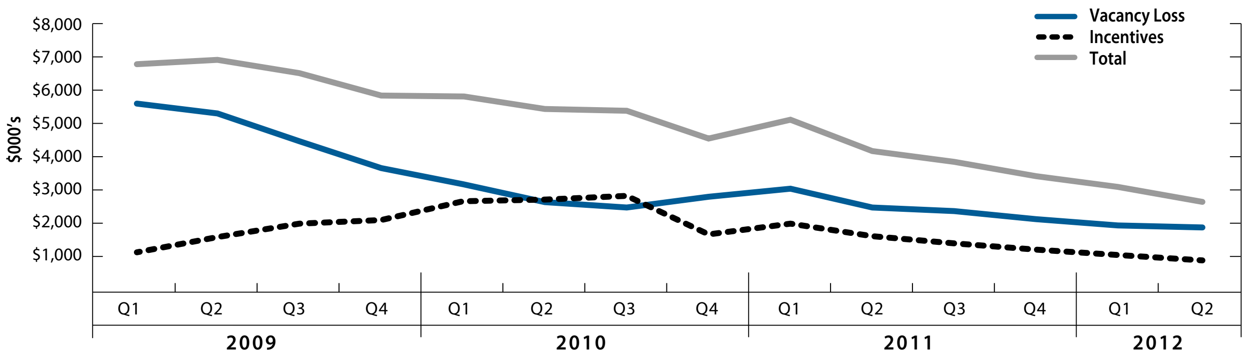
In the second quarter of 2012, the Trust reported an increase in overall occupancy rate to 98.18% from 97.49% for the same period in the prior year. Boardwalk's overall rental revenue strategy focuses on the Trust balancing the key inputs, including occupancy levels and existing rental market rates. 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. Because of the lack of pricing power in the multi-family rental market in recent years, Boardwalk continued with its strategy of maintaining high occupancy levels by cautiously adjusting market rents upward only when warranted. This strategy continues to be viewed as a success; as a result, we have been able to increase the overall occupancy rate to 98.18% for the second quarter of 2012, compared to the second quarter of 2011 when the occupancy rate was 97.49%. Boardwalk REIT will continue with this strategy; however, the Trust is now in the position whereby 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 consistent with its overall strategy of maximizing overall reported revenues; 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. The chart details, on a quarterly basis, rental incentives versus vacancy loss. The reported decrease in vacancy loss (by increasing occupancy levels) coupled with a decrease in incentives during both 2011 and the beginning of 2012 was mainly the result of Boardwalk REIT's continued strategy of maximizing overall revenues through the optimization of the key revenue variables, these being market rents, occupancy levels and suite-selective incentives and are positive signs of strength returning to the market. We continue to focus on maximizing overall revenues through the optimization 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 $4.5 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 100% of its total rental unit portfolio as at June 30, 2012, or a total of 35,277 units. The table below provides a regional breakdown on these properties for the three and six months ended June 30, 2012 as compared to the same periods in the prior year. Please note that the prior period figures have been adjusted to account for the Trust's change in wage allocation estimate, which was reported in the third quarter of 2011.

June 30, 2012 - 3 M	# of Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	5,310	5.8%	(0.5)%	8.5%	18.7%
Edmonton	12,497	4.6%	1.2%	6.4%	37.2%
Fort McMurray	352	0.1%	6.7%	(2.2)%	2.0%
Grande Prairie	645	7.6%	(1.1)%	14.6%	1.4%
Red Deer	939	7.2%	14.1%	3.1%	2.1%
British Columbia	633	1.6%	6.6%	(0.8)%	1.9%
Ontario	4,265	1.7%	(1.9)%	5.1%	7.5%
Quebec	6,000	1.0%	(1.9)%	2.9%	15.0%
Saskatchewan	4,636	3.3%	1.9%	3.9%	14.2%
	35,277	3.7%	0.5%	5.5%	100.0%

June 30, 2012 - 6 M	# of Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	5,310	6.4%	(2.2)%	10.5%	18.8%
Edmonton	12,497	4.1%	(4.7)%	9.5%	37.3%
Fort McMurray	352	0.1%	(3.4)%	1.5%	2.0%
Grande Prairie	645	9.1%	(2.9)%	19.9%	1.4%
Red Deer	939	6.3%	5.1%	7.1%	2.1%
British Columbia	633	2.8%	7.1%	0.7%	2.0%
Ontario	4,265	1.9%	(4.9)%	9.2%	7.4%
Quebec	6,000	1.0%	(1.7)%	3.0%	14.8%
Saskatchewan	4,636	2.9%	0.5%	4.1%	14.3%
	35,277	3.6%	(2.8)%	7.6%	100.0%

Stabilized revenue increased by 3.7% and 3.6% for the three and six months ended June 30, 2012, respectively, compared to the same periods in the prior year. Operating expenses reported for the three and six months ended June 30, 2012, increased by 0.5% and decreased by 2.8% compared to the same periods in 2011, and overall NOI increased 5.5% and 7.6% for the three and six months ended June 30, 2012, respectively, compared to the same periods 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 62% of the Trust's reported stabilized Net Operating Income.

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 basis.

Stabilized Revenue Growth	# of Units	Q2 2012 vs. Q1 2012	Q2 2012 vs. Q4 2011	Q2 2012 vs. Q3 2011	Q2 2012 vs. Q2 2011
Calgary	5,310	1.3%	3.3%	4.7%	5.8%
Edmonton	12,497	1.9%	2.5%	3.7%	4.6%
Fort McMurray	352	1.7%	3.2%	1.7%	0.1%
Grande Prairie	645	1.1%	2.6%	5.9%	7.6%
Red Deer	939	3.4%	5.0%	6.5%	7.2%
British Columbia	633	(0.7)%	(0.2)%	0.5%	1.6%
Ontario	4,265	0.5%	1.1%	2.5%	1.7%
Quebec	6,000	(0.2)%	(0.1)%	0.4%	1.0%
Saskatchewan	4,636	1.4%	2.1%	2.7%	3.3%
	35,277	1.2%	2.1%	3.1%	3.7%

On a sequential basis, stabilized revenues in the second quarter of 2012 increased slightly by 1.2% over Q1 2012, increased by 2.1% compared to Q4 2011, increased 3.1% compared to Q3 2011 and increased by 3.7% compared to Q2 2011. The Trust strives toward balancing the optimum level of rental incentives and occupancy rates in order to achieve its revenue strategy. The Trust continues to control operating expenses, in addition to its revenue 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 June 2012, adjusted for current occupancy levels, totaled $13.3 million on an annualized basis, representing $0.25 per outstanding 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 a Customer of Boardwalk REIT decides to remain in his/her apartment unit at the end of the lease agreement and market rents are increasing, it is the Trust's self-imposed internal policy that the rent will not increase more than $150 in any twelve-month period.

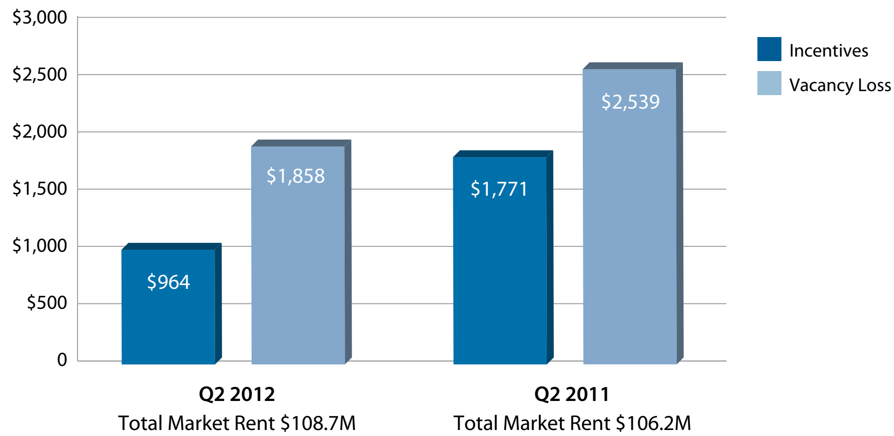
The reader should note that estimated loss-to-lease, measured at a point in time, is a non-GAAP measure and that reported market rents can be very seasonal and, as such, will vary from quarter to quarter. The significance of this change could materially affect Boardwalk REIT's "estimated loss-to-lease" 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 a significant amount of time for these market rents to be recognized by the Trust due to internal and external limitations on its ability to charge these new market-based rents in the short term.

	June 2012 Occupied Rent	June 2012 Market Rent	Mark to Market Per Month	Annualized Mark to Market Adjusted for Current Occupancy levels ($000's)	Weighted Average Apartment Units	% of Portfolio
Calgary	$ 1,196	$ 1,274	$ 78	$ 4,898	5,310	15%
Edmonton	$ 1,107	$ 1,140	$ 33	$ 4,935	12,497	35%
Fort McMurray	$ 1,968	$ 1,931	$ (37)	$ (161)	352	1%
Grande Prairie	$ 895	$ 963	$ 68	$ 517	645	2%
Red Deer	$ 895	$ 931	$ 36	$ 400	939	3%
Alberta Portfolio	$ 1,129	$ 1,174	$ 45	$ 10,589	19,743	56%
Saskatchewan	$ 1,073	$ 1,083	$ 10	$ 533	4,636	13%
Ontario	$ 799	$ 814	$ 15	$ 742	4,265	12%
Quebec	$ 984	$ 999	$ 15	$ 1,014	6,000	17%
British Columbia	$ 1,030	$ 1,085	$ 55	$ 414	633	2%
Total Portfolio	$ 1,055	$ 1,087	$ 32	$ 13,292	35,277	100%

The increase in the loss-to-lease for our portfolio, from $9.8 million at March 2012 to $13.3 million at June 2012 was due primarily to the increase in market rents, particularly in Alberta, thus increasing the spread between occupied and market rents.

The Trust previously adopted a focused strategy of reducing market rent prices in an attempt to increase overall occupancy, with the main focus on increasing overall rental revenue. In recent months, 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 quarters, Boardwalk REIT continues to focus on the maximization 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.

Incentives & Vacancy Loss



As was previously mentioned, in the short term, the opportunity still exists to focus on reducing vacancy loss while minimizing the amount of suite-specific incentives. However, in recent months, Boardwalk has also been able to increase market rents in certain selective markets and on certain specific 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 for the second quarter and first six months of 2012 decreased from the same periods in the prior year, from $26.5 million and $52.9 million, respectively, to $24.7 million and $50.0 million, the combined effect of the Trust being able to renew maturing mortgages at interest rates substantially below the noted maturing rates and the retirement of its Unsecured Debenture. In January of 2012 , the Trust retired its publicly traded unsecured debenture, which carried an in-place interest rate of 5.61%. At June 30, 2012, the reported weighted average interest rate of 3.95% was down from the weighted average interest rate of 3.99% at March 31, 2012 and 4.22% as at June 30, 2011. Boardwalk REIT has continued to take advantage of lower 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 3.1 years. However, this average term is expected to increase over the upcoming years as the Trust continues to renew maturing mortgages for significantly longer terms ranging from 5 to 10 years with a heavier emphasis in the longer end of this range.

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

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

Management cannot over-emphasize the importance of this Government-backed mortgage insurance program administered by Canada Mortgage and Housing Corporation. Despite the recent 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 June 30, 2012, approximately 99% of Boardwalk REIT's mortgages were backed by this NHA insurance, with a weighted average amortization period of approximately 32 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 second quarter and first six months of 2012, which have been recorded as financing charges, was $2.1 million and $4.1 million, respectively, which is consistent with the $2.0 million and $4.0 million paid in distributions for the same periods in the prior year. 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 the Trust has earned for the period. The total amount of interest income earned for the second quarter and first six months of 2012 was $0.4 million and $1.0 million, respectively, compared to $0.6 million and $1.2 million for the same periods 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 for the reader to understand the potential impact to the Trust as a whole with respect to significant interest rate changes. 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 2012, the Trust anticipates having approximately $333.1 million of secured mortgages maturing with a weighted average rate of 4.71%. If we were to renew these mortgages today with a new 5-year term, we estimate, based upon interactions with possible lenders, that the new rate would be approximately 2.30% (as of August 14, 2012), resulting in an estimated $8.0 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 amounts reported for the three and six months ended June 30, 2012, which relate to corporate administration, was $7.6 million and $14.8 million, respectively, compared to $6.2 million and $12.7 million for the same periods in the prior year, an increase of approximately 22.6% and 16.5%.

For the current and prior comparative periods, Boardwalk REIT allocated certain administration costs between corporate and rental operating expenses. The amounts allocated to rental operating expenses related to specific administrative costs associated with primarily operation-specific staff and related support initiatives. Total administration costs, combining rental operating and corporate, were $13.5 million and $26.2 million for the three and six months ended June 30, 2012, compared to $11.7 million and $23.7 million for the same periods in the prior year. The increase was primarily the result of a profit sharing and bonus accrual recorded for the first and second quarter of 2012, whereas no such accruals were recorded in for the same periods in the prior year. The profit sharing and bonus accrual recorded in the current year coincides with Boardwalk's increased financial guidance, detailed later in this document, and is consistent with better-than-expected operating results. 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. 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 cost relate 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 six months ended June 30, 2012, no deferred financing costs were written off due to the maturity or 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 amounts reported as depreciation and amortization for the three and six months ended June 30, 2012 was $2.7 million and $5.3 million, respectively, which was consistent with the $2.6 million and $5.1 million recorded for the same periods in the prior year.

Other Income and Expenses

Income Tax Expense

The Income Tax Act (Canada) (the "Tax Act") contains legislation affecting the tax treatment of publicly traded trusts (the "SIFT Legislation"). Based on a detailed review of the SIFT Legislation, it could be interpreted that the Trust would not meet the criteria for a Real Estate Investment Trust Exemption ("REIT Exemption") in accordance with the definition contained in the legislation, which would be exempt from the specified investment flow-through legislation nor remain within certain "normal growth" limits. As such, the Trust recorded an estimate of its future income tax liability at June 30, 2007, which was adjusted quarterly, if necessary, recognizing the probability that it would be subject to the tax prescribed by the SIFT Legislation on January 1, 2011.

The SIFT Legislation details the definition of and criteria for a REIT Exemption, and defines what is considered 'rent from real or immoveable properties'. However, despite wording on the definition of and criteria for a REIT Exemption, further clarification is required on the characteristics of gains on dispositions of real or immoveable properties as it flows through the Trust's organizational structure.

On December 16, 2010, the Department of Finance announced proposed amendments to the real estate investment trust exemption rule and released for consultation draft legislation to implement such amendments. These proposals would, among other things:

- Allow REIT subsidiaries to hold certain non-capital property in respect of their real estate investment activities;
- Allow REITs to hold up to 10% of their non-portfolio property as non-qualifying REIT property without losing REIT status (with an associated clarification of the circumstances under which property can be considered to be ancillary REIT property);
- Allow REITs to derive up to 10% of their revenues from sources that are not qualifying sources (currently, a REIT must derive 95% of its revenues from qualifying sources);
- Clarify that a trust's revenue for purposes of the two revenue tests in the definition "real estate investment trust" is to be computed on a gross, rather than net, basis and that it will include capital gains but will not include recapture or other amounts that are on account of capital;
- Allow REITs to earn, as qualifying REIT revenue, gains realized by virtue of foreign currency fluctuations in respect of revenues derived from foreign real or immovable property including certain financing and hedging arrangements in respect of such property;
- Ensure that amounts distributed to a REIT, by an entity in which the REIT has a significant interest, will retain their character for purposes of the revenue tests; and
- Allow an entity to hold investments in a REIT without those investments being treated as Canadian real, immovable or resource property in determining whether the entity itself is a SIFT.

The proposed changes in its current form will allow the Trust to, with greater certainty, qualify as a REIT for Canadian income tax purposes, regardless of whether the Trust sells or disposes of any real property. However as at June 30, 2012, these changes were not considered substantively enacted in accordance with IFRS. Whether or not these proposed changes become substantively enacted, the Trust qualified as a REIT for Canadian income tax purposes commencing January 1, 2011, and has reversed its deferred tax liability related to the SIFT tax legislation as at that date. The deferred tax liability related to the SIFT tax legislation was approximately $740.4 million under IFRS as at December 31, 2010. The Trust continued to qualify as a REIT throughout the 2011 year, and intends to continue qualifying as a REIT, under the current legislation, and has, therefore, not recorded a deferred tax liability as at June 30, 2012 (or December 31, 2011) related to the SIFT Legislation.

Until such time as these proposed amendments are enacted, Boardwalk REIT will continue with a cautious approach on the sale of Non-Core assets in order to continue qualifying for REIT Exemption status under the existing legislation. If the proposed amendments are substantively enacted in 2012, the Trust will be able to continue its strategy of selling Non-Core assets without the risk of losing its REIT Exemption status.

On July 20, 2011, the Finance Department announced proposed changes to the SIFT Legislation, including the treatment of stapled securities (particularly the deductibility of interest expense related to these securities and the treatment of distributions relating to these units) and other minor technical updates. On July 25, 2012, the Finance Department released draft legislation dealing mostly with the stapled securities announced on July 20, 2011. These changes are not expected to impact the Trust.

LP Class B Units and the Deferred Unit Compensation Plan

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 June 30, 2012, the Trust used a closing price of $58.61 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 Statement of Financial Position at June 30, 2012 was $262.3 million and a corresponding fair value loss of $36.6 million (six months ended June 30, 2011 - $31.5 million) was recorded on the Condensed Consolidated Statement of Comprehensive Income for the six months ended June 30, 2012.

The deferred unit-based compensation plan had a fair value of $9.1 million and a corresponding fair value loss of $1.2 million (six months ended June 30, 2011 - $1.0 million) was recorded on the Condensed Consolidated Statement of Comprehensive Income for the six months ended June 30, 2012.

Capital Improvements

Boardwalk has a continuous capital improvement program with respect to its investment properties. The program is designed to extend their useful lives and meet tenant expectations, as well as meet health and safety regulations.

In the first six months of 2012, Boardwalk REIT invested approximately $34.8 million (comprised of $32.0 million on its investment properties and $2.8 million on property, plant and equipment) back into its properties in the form of project enhancements to upgrade existing suites, common areas, building exteriors and systems, compared to the $31.2 million ($29.0 million on its investment properties and $2.2 million property, plant and equipment) invested in the same period of 2011. 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 improvement 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 out. Included in capital improvements is approximately $9.7 million of on-site wages and salaries that have been incurred towards these projects for the first six months of 2012, compared to $11.0 million for the same period in 2011.

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 $000's, except for per suite amounts	**3 Months June 2012**	**Per Suite**	3 Months June 2011	Per Suite	**6 Months June 2012**	**Per Suite**	6 Months June 2011	Per Suite
Maintenance Capital Expenditures	**$ 3,969**	**$ 113**	$ 3,969	$ 113	**$ 7,937**	**$ 225**	$ 7,937	$ 225
Stabilizing & Value Enhancing Capital	**$ 15,039**	**$ 426**	$ 12,153	$ 345	**$ 24,099**	**$ 683**	$ 21,081	$ 598
	$ 19,008	**$ 539**	$ 16,122	$ 458	**$ 32,036**	**$ 908**	$ 29,018	$ 823

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 second quarter of fiscals 2012 and 2011, the amount allocated to maintenance capital was approximately $4.0 million, or $113 per apartment unit, with investment in value-enhancing expenditures totaling $15.0 million and $12.2 million, respectively, or $426 and $345 per apartment unit.

For the six months ended June 30, 2012 and 2011, the amount allocated to maintenance capital was approximately $7.9 million or $225 per apartment unit, with investment in value-enhancing expenditures totaled $24.1 million and $21.1 million, respectively, or $683 and $598 per apartment unit.

If we compare the funds generated by the Trust after adjusting for the required maintenance capital expenditures, we note that the Trust is currently paying out an estimated 63.5% of reported FFO and 70.9% of AFFO for the three months ended June 30, 2012, compared to 67.7% and 76.5%, respectively, for the same period in the previous year.

For the six months ended June 30, 2012, the Trust is currently paying out an estimated 66.7% of reported FFO and 74.8% of AFFO compared to 74.8% and 85.6%, respectively, for the same period last year.

(000's)	**3 months June 30, 2012**	3 months June 30, 2011	**6 months June 30, 2012**	6 months June 30, 2011
Funds From Operations (FFO)	**$ 38,274**	$ 34,700	**$ 72,547**	$ 62,832
Maintenance Capital Expenditures	**$ 3,969**	$ 3,969	**$ 7,937**	$ 7,937
Adjusted Funds From Operations (AFFO)	**$ 34,305**	$ 30,731	**$ 64,610**	$ 54,895
AFFO per unit (Trust and LP B Units)	**$ 0.66**	$ 0.59	**$ 1.24**	$ 1.05
Unitholder Distributions-Regular (Trust Units and LP B Units)	**$ 24,311**	$ 23,499	**$ 48,357**	$ 46,995
Distribution as a % of FFO	**63.5%**	67.7%	**66.7%**	74.8%
Distribution as a % of AFFO	**70.9%**	76.5%	**74.8%**	85.6%

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 that results in safe and desirable apartments (for Customers and Associates).

Investment Properties

As a result of the Trust's adoption of IFRS and its election to use the fair value model in accordance with IAS 40, Investment Properties are carried at their fair value at the 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 follows:

Date	Number of properties	Aggregate fair value	Percentage of portfolio as of that date
June 30, 2012	6	$ 205,278	4.0%
March 31, 2012	7	$ 375,083	7.5%
December 31, 2011	5	$ 125,823	2.6%

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. Additional discussion related to the valuation process can be found in the section titled "Valuation Process" below.

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

As at	**June 30, 2012**		December 31, 2011	
Capitalization rate by city:	**Minimum**	**Maximum**	Minimum	Maximum
Calgary	**5.00%**	**5.75%**	5.25%	6.00%
Edmonton	**5.25%**	**5.75%**	5.50%	6.00%
Other Alberta	**6.00%**	**7.75%**	6.00%	7.75%
Vancouver	**4.75%**	**6.25%**	5.00%	6.50%
Kitchener	**5.75%**	**5.75%**	6.00%	6.00%
London	**5.75%**	**6.00%**	6.00%	6.25%
Windsor	**6.50%**	**7.00%**	6.75%	7.25%
Montreal	**5.75%**	**6.50%**	5.75%	6.75%
Quebec City	**5.75%**	**6.25%**	5.75%	6.25%
Regina	**6.00%**	**6.25%**	6.25%	6.50%
Saskatoon	**6.00%**	**6.25%**	6.25%	6.50%
Cap Rate Range	**4.75%**	**7.75%**	5.00%	7.75%
Land Lease	**5.50%**	**12.69%**	5.50%	11.50%

Overall portfolio weighted average capitalization rates were 5.70% and 5.91% as at June 30, 2012 and December 31, 2011, respectively.

The "Overall Capitalization Rate" method requires that a forecasted net operating income ("NOI") be divided by a Capitalization Rate ("cap rate') to determine a fair value. As such, fluctuations in both NOI and cap rates could significantly alter the fair value. Below summarizes the sensitivity impact of changes in both cap rates and NOI on the Trust's fair value of its investment properties as at June 30, 2012 and December 31, 2011:

As at June 30, 2012 *(in 000's)*

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		$ 286,169	$ 292,070	$ 295,020	$ 297,970	$ 303,871
Capitalization Rate						
-0.25%	5.45%	$ 75,025	$ 183,289	$ 237,421	$ 291,554	$ 399,818
Cap Rate As Reported	5.70%	(155,274)	(51,758)	5,175,788	51,758	155,274
+0.25%	5.95%	(366,220)	(267,053)	(217,470)	(167,887)	(68,721)

As at December 31, 2011 *(in 000's)*

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		$ 274,820	$ 280,486	$ 283,319	$ 286,152	$ 291,819
Capitalization Rate						
-0.25%	5.66%	$ 61,575	$ 161,688	$ 211,744	$ 261,801	$ 361,914
Cap Rate As Reported	5.91%	(143,817)	(47,939)	4,793,895	47,939	143,817
+0.25%	6.16%	(332,538)	(240,551)	(194,557)	(148,564)	(56,577)

Investment Property Development

In the past, the actual development of multi-family apartment units by the Trust was not a significant part of our overall strategy. The main reason for this related to the fact that market rental rates were well below the levels needed to justify new construction as compared to other investment opportunities. Recently, however, market rents have increased, as witnessed in our current performance review, which were partially fuelled by an increased demand for housing from foreign migration. The current low interest rate environment, along with significant increased demand for ownership in this asset class, has increased the prices of property acquisitions to the point where we believe the timing is good to further explore this avenue of growth.

The Trust has received development approval from the City of Calgary in Alberta, Canada, for the construction of a 109-unit four storey, elevatored, wood frame building in the southwest part of the city. The development itself will be constructed on excess land density the Trust currently has on its Spruce Ridge property. It is estimated that the cost of this development will be approximately $19 million. To assist in the development cost of this property, the Trust had applied and received a grant from the Province of Alberta in the amount of $7.5 million. In return for this grant, the Trust has agreed to provide 54 of the 109 units to be classified as 'affordable', with market rents to be set at 10% below average market rates for Calgary for a term of 20 years. The remainder of the development funds required of approximately $11.5 million will come from Boardwalk's cash on hand. We estimate the stabilized capitalization rate on this project will be 6.09%, including an estimated allocation of $4.25 million, or $39 thousand per apartment unit, for the excess land allocated to this project.

It is our intention to continue to investigate further development opportunities; however, each future opportunity will require a separate analysis and, depending on this and existing economic conditions, we will at that time determine if the next project is warranted.

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 possible weaknesses in the economy. 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:

Cash position June 30, 2012	$ 135,715
Subsequent Committed Additional Financing	$ 45,190
Committed Revolving Credit Facility Available	$ 196,276
Total Available Liquidity	$ 377,181

In addition to this, the Trust currently has 2,865 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 $211.6 million of new proceeds from the financing of its current unencumbered assets.

Approximately 99% of Boardwalk REIT's secured mortgages carry NHA insurance. Maturing mortgages that already have commitments are at interest rates that are lower than their existing (maturing) interest rates.

The reader should also be aware that of the $333.1 million of secured mortgages coming due during the remainder of 2012 (as shown in the table below), all have NHA insurance and represent in aggregate approximately 51% of current estimated "underwriting" values on those individual secured assets. Currently, interest rates on NHA insured mortgages are well below the weighted average interest rate of the $333.1 million maturing mortgages of 4.71%. The reader, however, is cautioned that 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 its secured mortgages, the Trust is still susceptible to changes in market interest rates. To address this issue, and to take advantage of the current low-interest rate environment, the Trust has undertaken to forward fix the interest rates on approximately $257.6 million of the $333.1 million of remaining 2012 maturing mortgages. The new interest rates, including the forward fix premium, average 3.16% as compared to the 4.71% rate on the maturing mortgages.

Mortgage and Debt Schedule

Boardwalk REIT's long-term debt consists mainly of low-rate, fixed-term secured mortgage financing. On January 23, 2012, Boardwalk REIT paid off its maturing unsecured debentures totalling $112.4 million. The maturity dates on the secured mortgages have been staggered to lower the overall interest rate risk on renewal.

Total mortgages and debt payable (net of unamortized transaction costs) on June 30, 2012 were $2.23 billion, compared to $2.33 billion reported on December 31, 2011.

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 June 30, 2012 was 3.95% compared to 4.14% on December 31, 2011 and 4.22% on June 30, 2011. 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.

Year of Maturity	Principal Outstanding as at June 30, 2012	Weighted Average Interest Rate By Maturity	% of Total
2012	$ 333,114	4.71%	14.4%
2013	283,464	4.52%	12.3%
2014	421,983	3.52%	18.2%
2015	449,647	3.72%	19.4%
2016	277,429	3.89%	12.0%
2017	212,458	3.20%	9.2%
2018	93,390	3.89%	4.0%
2019	107,818	4.39%	4.7%
2020	55,054	4.49%	2.4%
2021	33,299	4.26%	1.4%
2022	46,981	3.03%	2.0%
Total Principal Outstanding	$ 2,314,637	3.95%	100.00%
Unamortized Deferred Financing Costs	$ (87,100)		
Per Financial Statements	$ 2,227,537		

Unsecured Debentures

On January 21, 2005, Boardwalk REIT completed the issuance of unsecured debentures in a public offering in the aggregate amount of $120 million. The debentures carried a coupon rate of 5.61% (5.31% prior to July 30, 2008) and matured on January 23, 2012. During the first quarter of 2009, the Trust acquired a total face value of $7.6 million of its unsecured debentures for cancellation at a discount in the open market.

Boardwalk had a principal repayment of $112.4 million of unsecured debentures that matured on January 23, 2012 and was settled with the Trust's cash on hand.

Adjusted Debt to Gross Book Value

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 facilty. Prior to May 15, 2012, the most constraining test was what was referred to as its Debt-to-Gross Book Value. At the May 15, 2012 Annual and Special Meeting of Unitholders, the Debt-to-Gross Book Value test was replaced by an interest service coverage ratio limit of 1.5 to 1. For the purpose of the interest service coverage ratio calculation, 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 service coverage ratio calculation as at June 30, 2012, based on the most recently four completed fiscal quarters.

As at	June 30, 2012
Consolidated EBITDA	$ 243,129
Consolidated Interest Expense	94,467
Interest Coverage Ratio	2.57
Minimum Threshold	1.50

For the most recently four completed fiscal quarters ended June 30, 2012, Boardwalk REIT's overall interest coverage ratio of adjusted EBITDA (i.e. Earnings Before Interest, Taxes, Depreciation and Amortization) to interest expense, excluding fair value gains and losses, was 2.57. The reader should note that upon the adoption of IFRS standards, the distributions made to the LP Class B Unitholders are now considered financing charges, as a 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, 2010	47,891,133
Units issued for vested deferred units	59,259
Units purchased and cancelled	(160,900)
December 31, 2011	47,789,492
Units issued for vested deferred units	17,058
June 30, 2012	**47,806,550**

Boardwalk REIT has one class of publicly traded voting securities known as "REIT Units". As at June 30, 2012, there were 47,806,550 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 52,281,550. 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 Statement of Financial Position.

Equity

Boardwalk has an equity market capitalization of approximately $3.1 billion based on the Trust Unit closing price of $58.61 on the Toronto Stock Exchange on June 30, 2012.

Enterprise Value

With a total enterprise value of approximately $5.3 billion (consisting of total debt of $2.2 billion and market capitalization of $3.1 billion) as at June 30, 2012, Boardwalk's total debt is approximately 42% of total enterprise value at the end of the period.

Critical Accounting Policies

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

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, 2012 or later periods. The standards are consistent with those disclosed in the Trust's December 31, 2011 annual audited consolidated financial statements.

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 that appropriate decisions can be made regarding public disclosure.

The preparation of this information is supported by a set of disclosure controls and procedures implemented by management. In fiscal 2011, 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, 2011. 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 June 30, 2012. Boardwalk REIT continues to review the design of disclosure controls and procedures to provide reasonable assurance that material information relating to Boardwalk REIT is made known to the CEO, President and CFO.

As at December 31, 2011, Boardwalk REIT also 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 year ended December 31, 2011, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

The design of internal controls over financial reporting are reviewed and updated, if necessary, to ensure they remain effective to provide reasonable assurance regarding the reliability of financial statements and information. There were no changes made in our internal controls over financial reporting during the quarter ended June 30, 2012, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

2012 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. Based on our review of the first half of the 2012 fiscal year and, in particular, the increase in the operating results of the Trust, the Trust is revising its 2012 financial guidance. For fiscal 2012, the Trust expects FFO per Unit to be in the range of $2.75 to $2.90 as compared to the Q1 2012 revised range of $2.70 to $2.85. The AFFO guidance range has also been adjusted to $2.45 to $2.60 from $2.40 to $2.55. The increase is mainly the result of stronger-than-anticipated rental operations. Details of these changes are noted below.

Description	2012 Original Objectives	Q1 2012 Revised Objectives	Q2 2012 Revised Objectives
Acquisitions	No new apartment acquisitions	No new apartment acquisitions	No new apartment acquisitions
Stabilized Building NOI growth	1% to 4%	2% to 4%	3% to 5%
FFO Per Unit	$ 2.65 to$ 2.85	$ 2.70 to$ 2.85	$ 2.75 to$ 2.90
AFFO Per Unit	$ 2.35 to$ 2.55	$ 2.40 to$ 2.55	$ 2.45 to$ 2.60

In addition to the above financial guidance for 2012, the Trust has increased the amount of capital that will be invested back into its existing portfolio for the 2012 fiscal year.

Capital Budget	Q2 2012 Revised Budget	Per Suite	Six Months ended June 2012 Actual	Per Suite
Total Approved	$ 97,500	$ 2,763	$ 32,036	$ 908
Maintenance Capital	$ 15,900	$ 450	$ 7,937	$ 225
Stabilizing & Value Added Capital	$ 81,600	$ 2,313	$ 24,099	$ 683
	$ 97,500	$ 2,763	$ 32,036	$ 908

For the first six months of 2012, Boardwalk REIT has incurred $32.0 million (or $908 per apartment unit) of capital improvements.

Distributions

At the Trust's most recent Board of Trustees meeting, it was determined that due to the continued growth of the Trust's underlying Core operations, an increase in the Trust's Distributions to Unit holders is warranted. Boardwalk's Board of Trustees has increased the Trust's Annual Distribution to $1.92 ($0.16 monthly) from $1.86 ($0.155 monthly). The increase takes place commencing with the Record Date of August 31, 2012, which shall be payable on September 17, 2012. The increase represents an annual increase of 3.2% over the $1.86 previously reported.

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)	*(signed)*
Roberto A. Geremia	William Wong
President	Chief Financial Officer

August 14, 2012

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (CDN $ THOUSANDS)

As at	Note	June 30, 2012	December 31, 2011
Assets			
Non-current assets			
Investment properties	3	$ 5,175,788	$ 4,793,895
Property, plant and equipment	4	19,331	18,260
Deferred tax assets	10	906	725
		5,196,025	4,812,880
Current assets			
Inventories		3,226	2,640
Prepaid assets		5,046	3,838
Trade and other receivables		2,164	2,210
Segregated tenants' security deposits		11,927	11,561
Cash		135,715	255,894
		158,078	276,143
Total Assets		$ 5,354,103	$ 5,089,023
Liabilities			
Non-current liabilities			
Mortgages payable	5	$ 1,603,326	$ 1,720,951
LP Class B Units	7	262,280	225,719
Other non-current liabilities	8	7,090	8,282
Deferred unit-based compensation	9	4,518	4,396
Deferred tax liabilities	10	18	10
		1,877,232	1,959,358
Current liabilities			
Mortgages payable	5	624,211	497,780
Debentures	6	–	112,390
Deferred unit-based compensation	9	4,593	2,636
Refundable tenants' security deposits		15,508	15,126
Trade and other payables		51,301	56,943
		695,613	684,875
Total Liabilities		$ 2,572,845	$ 2,644,233
Equity			
Unitholders' equity	11	$ 2,781,258	$ 2,444,790
Total Equity		$ 2,781,258	$ 2,444,790
Total Liabilities and Equity		$ 5,354,103	$ 5,089,023

See accompanying notes to these condensed consolidated financial statements

On behalf of the Trust:

(signed)

Sam Kolias
Trustee

(signed)

Gary Goodman
Trustee

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited (CDN $ THOUSANDS)

	Note	**3 months ended June 30, 2012**	3 months ended June 30, 2011	**6 months ended June 30, 2012**	6 months ended June 30, 2011
Rental revenue		**$ 107,548**	$ 103,818	**$ 213,928**	$ 206,460
Ancillary rental income		**1,721**	1,546	**3,329**	3,200
Total rental revenue		**109,269**	105,364	**217,257**	209,660
Rental expenses					
Operating expenses		**21,813**	20,668	**42,649**	41,142
Utilities		**8,223**	8,299	**20,106**	21,807
Property taxes		**8,912**	9,305	**17,726**	18,751
Net operating income		**70,321**	67,092	**136,776**	127,960
Financing costs	12	**24,698**	26,466	**50,004**	52,939
Administration		**7,638**	6,169	**14,759**	12,677
Depreciation and amortization		**2,670**	2,596	**5,301**	5,130
Profit from continuing operations before fair value gains and income tax recovery		**35,315**	31,861	**66,712**	57,214
Fair value gains	13	**126,175**	164,181	**312,088**	121,148
Profit before income tax recovery		**161,490**	196,042	**378,800**	178,362
Income tax recovery	10	**(138)**	(549)	**(172)**	(740,743)
Profit for the period		**161,628**	196,591	**378,972**	919,105
Other comprehensive income (loss)		**(281)**	(1,159)	**1,203**	106
Total comprehensive income		**$ 161,347**	$ 195,432	**$ 380,175**	$ 919,211

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	Total Unitholders' equity
Balance, December 31, 2010	$ 192,272	$ 1,683,707	$ (556,856)	$ 1,126,851	$ (6,587)	$ 1,312,536
Units issued	734	–	–	–	–	734
Units purchased and cancelled	(6,740)	–	–	–	–	(6,740)
Profit for the period	–	919,105	–	919,105	–	919,105
Other comprehensive income	–	–	–	–	106	106
Total comprehensive income for the period	–	919,105	–	919,105	106	919,211
Distributions declared to Unitholders	–	–	(42,967)	(42,967)	–	(42,967)
Balance, June 30, 2011	$ 186,266	$ 2,602,812	$ (599,823)	$ 2,002,989	$ (6,481)	$ 2,182,774
Balance, December 31, 2011	$ 187,264	$ 2,908,793	$ (642,809)	$ 2,265,984	$ (8,458)	$ 2,444,790
Units issued	511	–	–	–	–	511
Profit for the period	–	378,972	–	378,972	–	378,972
Other comprehensive income	–	–	–	–	1,203	1,203
Total comprehensive income for the period	–	378,972	–	378,972	1,203	380,175
Distributions declared to Unitholders	–	–	(44,218)	(44,218)	–	(44,218)
Balance, June 30, 2012	**$ 187,775**	**$ 3,287,765**	**$ (687,027)**	**$ 2,600,738**	**$ (7,255)**	**$ 2,781,258**

See accompanying notes to these condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (CDN $ THOUSANDS)

	Note	**3 months ended June 30, 2012**	3 months ended June 30, 2011	**6 months ended June 30, 2012**	6 months ended June 30, 2011
Operating activities					
Profit for the period		**$ 161,628**	$ 196,591	**$ 378,972**	$ 919,105
Fair value (gains)	13	**(126,175)**	(164,181)	**(312,088)**	(121,148)
Income tax recovery		**(138)**	(549)	**(172)**	(740,743)
Depreciation and amortization		**2,670**	2,596	**5,301**	5,130
		37,985	34,457	**72,013**	62,344
Net change in operating working capital	18	**2,228**	3,923	**(6,254)**	(5,570)
		40,213	38,380	**65,759**	56,774
Investing activities					
Improvements to investment properties	3	**(19,008)**	(16,122)	**(32,036)**	(29,018)
Additions to property, plant and equipment		**(1,417)**	(1,199)	**(2,768)**	(2,224)
		(20,425)	(17,321)	**(34,804)**	(31,242)
Financing activities					
Distributions paid		**(22,230)**	(21,485)	**(43,976)**	(42,989)
Unit repurchase program		**–**	–	**–**	(6,740)
Repayment of debenture	6	**–**	–	**(112,405)**	–
Financing, repayment and maturity of debt on investment properties		**1,236**	(9,078)	**6,969**	(18,642)
Deferred financing costs incurred		**(636)**	(744)	**(1,733)**	(2,291)
Bond forward settlement, net of amortization		**3**	3	**11**	15
		(21,627)	(31,304)	**(151,134)**	(70,647)
Net decrease in cash		**(1,839)**	(10,245)	**(120,179)**	(45,115)
Cash, beginning of period		**137,554**	193,216	**255,894**	228,086
Cash, end of period		**$ 135,715**	**$ 182,971**	**$ 135,715**	**$ 182,971**

See accompanying notes to these condensed consolidated financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2012 and 2011

(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 May 3, 2004, May 10, 2006, May 10, 2007, May 13, 2008, May 13, 2009, May 18, 2010, May 12, 2011 and May 15, 2012, 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 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, 2011, 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 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 and six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2012 due to seasonal variations in property expenses and other factors. Historically, Boardwalk REIT has experienced higher utility expenses in the first and fourth quarter as a result of the winter months, resulting in variations in quarterly results.

(c) Significant accounting judgments, estimates and assumptions

The preparation of the Trust's June 30, 2012 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, 2011 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, 2012 or later periods. These are consistent with those disclosed in the Trust's December 31, 2011 annual consolidated financial statements.

NOTE 3: Investment Properties

As at	June 30, 2012	December 31, 2011
Balance, beginning of period	$ 4,793,895	$ 4,318,242
Additions		
Building improvements (incl. internal capital program)	32,036	69,265
Fair value gains	349,857	406,388
Balance, end of period	$ 5,175,788	$ 4,793,895

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
June 30, 2012	6	$ 205,278	4.0%
March 31, 2012	7	$ 375,083	7.5%
December 31, 2011	5	$ 125,823	2.6%

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 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 are 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.

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

As at	**June 30, 2012**		December 31, 2011	
Capitalization rate by city:	**Minimum**	**Maximum**	Minimum	Maximum
Calgary	**5.00%**	**5.75%**	5.25%	6.00%
Edmonton	**5.25%**	**5.75%**	5.50%	6.00%
Other Alberta	**6.00%**	**7.75%**	6.00%	7.75%
Vancouver	**4.75%**	**6.25%**	5.00%	6.50%
Kitchener	**5.75%**	**5.75%**	6.00%	6.00%
London	**5.75%**	**6.00%**	6.00%	6.25%
Windsor	**6.50%**	**7.00%**	6.75%	7.25%
Montreal	**5.75%**	**6.50%**	5.75%	6.75%
Quebec City	**5.75%**	**6.25%**	5.75%	6.25%
Regina	**6.00%**	**6.25%**	6.25%	6.50%
Saskatoon	**6.00%**	**6.25%**	6.25%	6.50%
Cap Rate Range	**4.75%**	**7.75%**	5.00%	7.75%
Land Lease	**5.50%**	**12.69%**	5.50%	11.50%

The overall weighted average Capitalization Rates for fair valuing the Trust's investment properties at June 30, 2012 and December 31, 2011, were 5.70% and 5.91%, respectively.

The "Overall Capitalization Rate" method requires that a forecasted net operating income ("NOI") be divided by a Capitalization Rate ("Cap Rate") to determine a fair value. As such, fluctuations in both NOI and Cap Rates could significantly alter the fair value. 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:

As at June 30, 2012 *(in 000's)*

Net Operating Income		**-3%**	**-1%**	**As Forecasted**	**+1%**	**+3%**
		$ 286,169	**$ 292,070**	**$ 295,020**	**$ 297,970**	**$ 303,871**
Capitalization Rate						
-0.25%	**5.45%**	**$ 75,025**	**$ 183,289**	**$ 237,421**	**$ 291,554**	**$ 399,818**
Cap Rate As Reported	**5.70%**	**(155,274)**	**(51,758)**	**5,175,788**	**51,758**	**155,274**
+0.25%	**5.95%**	**(366,220)**	**(267,053)**	**(217,470)**	**(167,887)**	**(68,721)**

As at December 31, 2011 *(in 000's)*

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		$ 274,820	$ 280,486	$ 283,319	$ 286,152	$ 291,819
Capitalization Rate						
-0.25%	5.66%	$ 61,575	$ 161,688	$ 211,744	$ 261,801	$ 361,914
Cap Rate As Reported	5.91%	(143,817)	(47,939)	4,793,895	47,939	143,817
+0.25%	6.16%	(332,538)	(240,551)	(194,557)	(148,564)	(56,577)

NOTE 4: Property, Plant and Equipment ("PP&E")

The carrying amounts of PP&E were as follows:

As at	June 30, 2012			December 31, 2011		
	Cost	**Accum. Deprec.**	**Carrying amount**	Cost	Accum. Deprec.	Carrying amount
Administration building	**$ 4,764**	**$ (1,939)**	**$ 2,825**	$ 4,435	$ (1,849)	$ 2,586
Site equipment and other assets	**27,875**	**(14,521)**	**13,354**	25,971	(13,527)	12,444
Corporate technology assets [(1)]	**22,579**	**(19,427)**	**3,152**	22,044	(18,814)	3,230
Total	**$ 55,218**	**$ (35,887)**	**$ 19,331**	$ 52,450	$ (34,190)	$ 18,260

(1) For the six months ended June 30, 2012, $290 thousand of capitalized programmers' salaries related to internally developed software applications used by the Trust in the normal course of its operations has been included in corporate technology assets ($499 thousand for the year ended December 31, 2011).

NOTE 5: Mortgages Payable

As at	June 30, 2012		December 31, 2011	
	Weighted Average Interest	**Debt Balance**	Weighted Average Interest	Debt Balance
Mortgage payable				
Fixed rate	**3.95%**	**$ 2,227,537**	4.08%	$ 2,218,731
Total		**$ 2,227,537**		$ 2,218,731
Current		**$ 624,211**		$ 497,780
Non-current		**1,603,326**		1,720,951
		$ 2,227,537		$ 2,218,731

Estimated future principal payments required to meet mortgage obligations as at June 30, 2012 are as follows:

	Secured By Investment Properties
12 months ended June 30, 2013	$ 624,211
12 months ended June 30, 2014	232,548
12 months ended June 30, 2015	446,809
12 months ended June 30, 2016	368,532
12 months ended June 30, 2017	274,066
Subsequent	368,471
	2,314,637
Unamortized deferred financing costs	(87,248)
Unamortized mark-to-market adjustment	148
	$ 2,227,537

NOTE 6: Debentures

As at	June 30, 2012		December 31, 2011	
	Weighted Average Interest	Debt Balance	Weighted Average Interest	Debt Balance
Unsecured debenture				
Fixed rate	–%	$ –	5.61%	$ 112,390
Total		$ –		$ 112,390
Current		$ –		$ 112,390
Non-current		–		–
		$ –		$ 112,390

The unsecured debentures matured on January 23, 2012 and were settled using the Trust's liquidity on hand.

NOTE 7: LP Class B Units

The LP Class B Units, representing an aggregate fair value of $262.3 million at June 30, 2012 ($225.7 million – December 31, 2011) 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.

As at June 30, 2012 and December 31, 2011, 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 (as described below) and totaled $7.1 million as at June 30, 2012 ($8.3 million – December 31, 2011).

During the first quarter of 2008, Boardwalk REIT entered into an interest rate swap agreement on the mortgages of specific properties within its portfolio in an effort to hedge the variability in cash flows attributed to fluctuating interest rates. These interest rate swap agreements were designated as cash flow hedges under pre-IFRS Canadian GAAP and meet the criteria to be designated as effective cash flow hedges under IFRS at the January 1, 2010 Transition Date. At June 30, 2012 and December 31, 2011, the Trust has determined that these cash flow hedges were effective under IFRS and hedge accounting has been applied to these agreements. As such, the change in fair value has been recorded in Other Comprehensive Income ("OCI") as outlined in NOTE 11(c).

Settlements on both the fixed and variable portion of the interest rate swaps will occur on a monthly basis. The fixed interest rate has been set at 4.15%, plus a stamping fee of 0.25%, while the total amount of mortgage debt subject to the interest rate swaps was approximately $86.6 million at June 30, 2012 and $87.2 million at December 31, 2011. The mortgages of these specific properties have been included in the mortgage payable balance above (NOTE 5).

NOTE 9: Deferred Unit-Based Compensation

Deferred unit-based compensation is comprised of the following:

As at	June 30, 2012	December 31, 2011
Current	**$ 4,593**	$ 2,636
Non-current	**4,518**	4,396
	$ 9,111	$ 7,032

The total of $9.1 million represents the fair value of the underlying deferred units at June 30, 2012 ($7.0 million – December 31, 2011).

For the three and six months ended June 30, 2012, total costs of $0.9 million and $1.4 million, respectively, were recognized in profit as an expense related to executive bonuses and trustee fees under the deferred unit plan (three and six months ended June 30, 2011 – $0.8 million and $1.3 million, respectively).

The status of the outstanding deferred units was as follows:

	# of Units Outstanding	# of Units vested
Balance, December 31, 2010	223,296	–
Deferred units granted	51,620	49,160
Additional deferred units earned on units	8,963	10,118
Deferred units converted to Trust Units or cash	(59,278)	(59,278)
Balance, December 31, 2011	224,601	–
Deferred units granted	39,524	35,417
Additional deferred units earned on units	3,720	6,686
Deferred units converted to Trust Units or cash	(17,058)	(17,058)
Balance, June 30, 2012	**250,787**	**25,045**

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 accordingly is not taxable on its income to the extent that its taxable income is distributed to its Unitholders. This exemption does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax.

The Tax Act also contains legislation affecting the tax treatment of publicly traded trusts (the “SIFT Rules”). The SIFT Rules contain the definition of and criteria for being a REIT for Canadian income tax purposes (including the definition of what is considered ‘rent from real or immoveable properties’), which would be exempt from the SIFT Rules. Based on a detailed review of the criteria for the REIT exemption, it could be interpreted that for fiscal 2010, the Trust did not qualify as a REIT since ambiguity remained on the characteristics of gains on dispositions of real or immoveable properties as they flow through the Trust’s organizational structure.

On December 16, 2010, the Government of Canada proposed technical amendments through the release of draft legislation clarifying the definition of a REIT for Canadian income tax purposes. The proposed amendments included the following clarifications as applicable to the Trust: (i) amounts distributed to a REIT by an entity to which the REIT has a significant interest will retain the source character of income earned by the subsidiary entity, and (ii) the revenue requirements in the definition of a REIT will be amended by replacing the term “revenues” with the term “gross REIT revenue”, which is defined as (a) an amount received in the taxation year or receivable in the taxation year by the entity otherwise than on account of capital, plus (b) capital gains on dispositions of real or immovable properties, but will not include recapture or other amounts that are on account of capital.

The proposed changes outlined above in their current form will allow the Trust to, with greater certainty, qualify as a REIT for Canadian income tax purposes regardless of whether the Trust sells or disposes of any real property. However, as at June 30, 2012, these changes were not considered substantively enacted in accordance with IFRS. Whether or not these proposed changes become substantively enacted, the Trust qualified as a REIT for Canadian income tax purposes commencing on January 1, 2011. Consequently, the Trust reversed its deferred income tax liability related to the SIFT Rules on January 1, 2011.

On July 20, 2011, the Government of Canada announced proposed changes to the SIFT Rules, including the treatment of stapled securities (particularly the deductibility of interest expense related to these securities and the treatment of distributions relating to these units) and other minor technical updates. Draft legislation dealing mostly with the treatment of stapled securities previously announced on July 20, 2011 was released on July 25, 2012. The draft legislation did not impact the Trust's condensed consolidated financial statements.

The major components of income tax recovery include the following:

	3 months ended June 30, 2012	3 months ended June 30, 2011	**6 months ended June 30, 2012**	6 months ended June 30, 2011
Current tax expense	**$ –**	$ 2	**$ 1**	$ 2
Deferred tax recovery	**(138)**	(551)	**(173)**	(740,745)
Total income tax recovery	**$ (138)**	$ (549)	**$ (172)**	$ (740,743)

NOTE 11: Unitholders' Equity

The Plan of Arrangement (the "Arrangement") converting Boardwalk Equities Inc. from a share corporation to a real estate investment trust was completed on May 3, 2004. Under the Arrangement, the former shareholders of Boardwalk Equities Inc. 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 LP Class B Units are classified as a financial liability and are discussed in NOTE 7.

(a) REIT Units

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

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

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

ii) 100% of the "closing market price" of the REIT Units on the principal market on which the REIT Units are quoted for trading on the redemption date.

The Declaration of Trust authorizes Boardwalk REIT to issue an unlimited number of Units for the consideration and on terms and conditions established by the Trustees without the approval of any Unitholders.

(b) Special Voting Units

The Declaration of Trust provides for the issuance of an unlimited number of Special Voting Units that will be used to provide voting rights to holders of LP Class B Units or other securities that are, directly or indirectly, exchangeable for REIT Units. Each Special Voting Unit entitles the holder to the number of votes at any meeting of Unitholders, which is equal to the number of REIT Units that may be obtained upon surrender of the LP Class B Units or other securities to which the Special Voting Unit relates. The Special Voting Units do not entitle or give any rights to the holders to receive distributions or any amount upon liquidation, dissolution or winding-up of Boardwalk REIT.

In summary, the Trust has the following capital securities outstanding:

	Units outstanding June 30, 2012	**Monthly Distribution**	Units outstanding Dec. 31, 2011	Monthly Distribution
Boardwalk REIT Units	**47,806,550**	**$0.155/unit**	47,789,492	$0.15/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 subsequent to June 30, 2012 (to be paid on August 15, 2012) totaled $7.4 million ($0.155 per unit) and have not been included as a liability in the consolidated statement of financial position as at June 30, 2012 as the record date for these distributions was July 31, 2012.

(c) Accumulated other comprehensive income ("AOCI")

For the three and six months ended June 30, 2012 and 2011, OCI consists of the following amounts:

	3 months ended June 30, 2012	3 months ended June 30, 2011	**6 months ended June 30, 2012**	6 months ended June 30, 2011
AOCI, beginning of period	**$ (6,974)**	$ (5,322)	**$ (8,458)**	$ (6,587)
Change in fair value of the effective portion of the interest rate swaps	**(284)**	(1,162)	**1,192**	91
Losses on settlement of effective bond forward	**3**	3	**11**	15
AOCI, end of period	**$ (7,255)**	$ (6,481)	**$ (7,255)**	$ (6,481)

(d) Earnings per unit

	3 months ended June 30, 2012	3 months ended June 30, 2011	6 months ended June 30, 2012	6 months ended June 30, 2011
Numerator				
Profit – basic	**$ 161,628**	$ 196,591	**$ 378,972**	$ 919,105
Loss on fair value adjustments to unexercised deferred units	**385**	123	**1,208**	972
Distribution paid on LP Class B units	**2,080**	2,014	**4,139**	4,028
Loss on fair value adjustment to LP Class B units	**6,757**	806	**36,561**	31,504
Profit – diluted	**$ 170,850**	$ 199,534	**$ 420,880**	$ 955,609
Denominator				
Weighted average units outstanding – basic	**47,806,550**	47,744,955	**47,801,114**	47,791,863
Unexercised deferred units	**564**	278	**335**	2,354
Conversion of LP Class B units	**4,475,000**	4,475,000	**4,475,000**	4,475,000
Weighted average units outstanding – diluted	**52,282,114**	52,220,233	**52,276,449**	52,269,217
Earnings per unit – basic	**$ 3.38**	$ 4.12	**$ 7.93**	$ 19.23
Earnings per unit – diluted	**$ 3.27**	$ 3.82	**$ 8.05**	$ 18.28

All dilutive elements were included in the calculation of diluted per unit amounts, as the effect of settling all outstanding deferred units and LP Class B Units are dilutive.

NOTE 12: Financing Costs

Financing costs are comprised of interest on mortgages payable, interest on the unsecured debentures, distributions paid to the LP Class B Unitholders and other interest charges. Financing costs are net of interest income earned. Financing costs total $24.7 million and $50.0 million for the three and six months ended June 30, 2012, respectively ($26.5 million and $52.9 million for the three and six months ended June 30, 2011, respectively) and can be summarized as follows:

	3 months ended June 30, 2012	3 months ended June 30, 2011	6 months ended June 30, 2012	6 months ended June 30, 2011
Interest on secured debt (mortgages payable)	**$ 22,739**	$ 23,096	**$ 45,752**	$ 46,225
Interest on unsecured debt (debentures)	**–**	1,576	**404**	3,153
LP Class B unit distribution	**2,080**	2,014	**4,139**	4,028
Other interest charges	**327**	395	**714**	774
Interest income	**(448)**	(615)	**(1,005)**	(1,241)
Total	**$ 24,698**	$ 26,466	**$ 50,004**	$ 52,939

NOTE 13: Fair Value Gains

The components of fair value gains were as follows:

	3 months ended June 30, 2012	3 months ended June 30, 2011	**6 months ended June 30, 2012**	6 months ended June 30, 2011
Investment properties	**$ 133,317**	$ 165,110	**$ 349,857**	$ 153,624
Financial liabilities designated as FVTPL				
Deferred unit-based compensation	**(385)**	(123)	**(1,208)**	(972)
LP Class B Units	**(6,757)**	(806)	**(36,561)**	(31,504)
Total fair value gains	**$ 126,175**	$ 164,181	**$ 312,088**	$ 121,148

NOTE 14: Guarantees, Contingencies, Commitments and Other

From time to time, the Trust enters into various supply contracts for energy commodities to hedge its usage.

For the period from November 1, 2010 to October 31, 2011, the Trust had a physical supply contract covering all of its natural gas requirements for the Province of Saskatchewan at a price of $4.81/GJ.

In addition to the Province of Saskatchewan, the Trust also had a natural gas supply contract for the Provinces of Ontario and Quebec to cover approximately 50% of the natural gas usage in those two provinces for the period from November 1, 2010 to October 31, 2011 at a price of $4.07/GJ. On October 21, 2010, the Trust negotiated a two-year supply contract to ensure supply of the remaining 50% of natural gas usage for the Provinces of Ontario and Quebec at a price of $4.11/GJ for the period from November 1, 2010 to October 31, 2012.

On June 10, 2010, the Trust entered into a long-term supply contract with one electrical utility company to supply the Trust with its electrical power needs for Southern Alberta for a three-year period commencing October 1, 2010 and ending September 30, 2013 at a blended rate of approximately $0.06/kWh.

On September 13, 2010, the Trust entered into a long-term supply contract with one electrical utility company to supply the Trust with its electrical power needs for Northern Alberta for a five-year period commencing October 1, 2010 and ending September 30, 2015 at a blended rate of approximately $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.

NOTE 15: Capital Management and Liquidity

The Trust defines capital resources as the aggregate of Unitholders' equity at market value, debt (both secured and unsecured), cash flows from operations and amounts available under credit facilities net of cash on hand. The Trust's capital management framework is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions pursuant to Boardwalk REIT's DOT as well as existing debt covenants and continue building long-term Unitholder value while maintaining sufficient capital contingency. The main components of the Trust's capital allocation are approved by its Unitholders as stipulated in the Trust's DOT and on a regular basis by its Board of Trustees (the "Board") through their annual review of the Trust's strategic plan and budget, supplemented by periodic Board and Board Committee meetings. Capital adequacy is monitored by the Trust by assessing performance against the approved annual plan throughout the year, which is updated accordingly, and by monitoring adherence to investment and debt restrictions contained in the DOT and debt covenants. 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 interest service coverage ratio replaced the previous maximum total debt level of up to 70% of Gross Book Value ("GBV"). GBV was defined in the DOT as total assets plus the amortization of property, plant and equipment as recorded by the Trust and debt was defined to exclude trade accounts payable, distribution payable, securities issued by the Trust or its subsidiaries, including, but not limited to, the LP Class B Units, and accrued liabilities arising in the ordinary course of business.

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

As at	**June 30, 2012**
Consolidated EBITDA	**$ 243,129**
Consolidated Interest Expense	**94,467**
Interest Coverage Ratio	**2.57**
Minimum Threshold	**1.50**

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 June 30, 2012, the Trust's weighted average cost of capital was 4.11%.

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

As at	**June 30, 2012**		December 31, 2011	
	Cost of Capital (1)	**Underlying Value (2)**	Cost of Capital (1)	Underlying Value (2)
Liabilities				
Mortgages payable	**3.95%**	**$ 2,322,875**	4.08%	$ 2,343,615
Unsecured debenture	**-%**	**–**	5.61%	112,504
LP Class B Units	**4.23%**	**262,280**	4.40%	225,719
Deferred unit-based compensation	**4.23%**	**9,111**	4.40%	7,032
Unitholders' equity				
Boardwalk REIT Units	**4.23%**	**2,801,942**	4.40%	2,410,502
Total	**4.11%**	**$ 5,396,208**	4.28%	$ 5,099,372

(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 stock 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 99.2% of this debt at June 30, 2012 is insured under the National Housing Act ("NHA"). These financings are typically structured on a loan to appraised value basis between 75-80%. The Trust currently has a level of indebtedness of approximately 46% of the fair value of the Trust's investment properties. This level of indebtedness is considered by the Trust to be within its target range.

Unsecured debenture – The unsecured debenture represents the debt outstanding on a debenture issuance in a public offering on January 21, 2005. Boardwalk REIT completed the issuance of unsecured debentures in a public offering in the aggregate amount of $120 million. The debentures were rated "BBB" with a stable trend by Dominion Bond Rating Services, carry a coupon rate of 5.61% (5.31% prior to July 30, 2008), and matures on January 23, 2012. During the first quarter of 2009, the Trust acquired in the open market a total face value of $7.6 million of these unsecured debentures for cancellation. These were purchased at a discount to the face value of the reported debentures. The debentures were repaid in full in January of 2012.

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.

As outlined in NOTE 16 (d), Boardwalk REIT's committed revolving credit facility agreements contain financial covenants.

Available liquidity as at June 30, 2012 included cash on hand of $135.7 million (December 31, 2011 - $255.9 million) as well as an unused committed revolving credit facility of $196.3 million (December 31, 2011 – $196.1 million). The Trust monitors its ratios and as at June 30, 2012 and December 31, 2011, the Trust was in compliance with all covenants in both its DOT and all existing debt facilities.

NOTE 16: Risk Management

a) Interest rate risk

The Trust is exposed to interest rate risk as a result of its mortgages payable and credit facilities; however, this risk is minimized through the Trust's current strategy of having the majority of its mortgages payable in fixed-term arrangements. As such, the Trust's cash flows are not significantly impacted by a change in market interest rates. In addition, the Trust structures its financings so as to stagger the maturities of its debt, thereby minimizing the Trust's exposure to interest rates in any one year. The majority of the Trust's mortgages are also insured by the Canadian Mortgage and Housing Corporation ("CMHC") under the NHA mortgage program. This added level of insurance offered to lenders allows the Trust to receive advantageous interest rates while minimizing the risk of mortgage renewals or extensions, and significantly reduces the potential for a lender to call a loan prematurely. In addition, management is constantly reviewing its committed revolving credit facility (floating-rate debt) and, if market conditions warrant, the Trust has the ability to convert its existing floating-rate debt to fixed rate debt.

As at June 30, 2012, the Trust had no amount outstanding on its committed revolving credit facility and, as such, of the Trust's total debt at June 30, 2012, 100% was fixed-rate debt and 0% was floating-rate debt. For the three and six months ended June 30, 2012, all else being equal, the increase or decrease in net earnings for each 1% change in market interest rates would be $nil (three and six months ended June 30, 2011 – $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 June 30, 2012 and December 31, 2011, no balance relating to mortgage holdbacks, refundable mortgage fees or accounts receivable from significant customers was past due.

In relation to mortgage holdbacks and refundable mortgage fees, the Trust's exposure to credit risk is low given the nature of these balances. These funds will be advanced when the Trust has met the conditions pursuant to the mortgage agreement (in the case of the mortgage holdback) or when financing is completed (in the case of refundable mortgage fees), both of which are expected to occur.

Similar to mortgage holdbacks and refundable mortgage fees, the Trust assesses the credit risk on accounts receivable to be low due to the assured collection of these balances. The majority of the balance relates to money owing from the Trust's revenue sharing initiatives. Given the Trust's collection history and the nature of these customers, credit risk is assessed as low. Additionally, an amount is owed by insurance companies in relation to current outstanding claims. In all circumstances, the insurance deductible has been paid and amounts incurred and owing for reimbursement are due to an insurable event. Recoverability may differ from the amount owing solely due to discrepancies between the Trust and the insurance provider regarding the value of replacement costs.

With tenant receivables, credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease term commitments. The maximum exposure to credit risk is equal to the carrying value of the financial assets. Rent payments from tenants are due on the first of the month and tenants generally pay a security deposit – both of these actions mitigate against bad debts.

As stated above, the carrying amount of tenant receivables reflects management's assessment of the credit risk associated with its tenants; however, the Trust mitigates this risk of credit loss by geographically diversifying its existing portfolio, by limiting its exposure to any one tenant and by conducting thorough credit checks with respect to all new rental-leasing arrangements. In addition, where legislation allows, the Trust obtains a security deposit from a tenant to assist in the recovery of monies owed to the Trust.

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 condensed 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 June 30, 2012 bad debt expense totaled $1.16 million (three months ended June 30, 2011 – $1.53 million). For the six months ended June 30, 2012 bad debt expense totaled $2.06 million (six months ended June 30, 2011 – $3.00 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

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they become due. The Trust maintains what it believes to be conservatively leveraged assets and can finance any future growth through one or a combination of internally generated cash flows, borrowing under an existing committed revolving credit facility, the issuance of debt or the issuance of equity, according to its capital management objectives. In addition, the Trust structures its financings so as to stagger the maturities of its debt, thereby minimizing the Trust's exposure to liquidity risk in any one year. In addition, cash flow projections are completed and reviewed on a regular basis to ensure the Trust has sufficient cash flows to make its monthly distributions to its Unitholders. Finally, financial assets, such as cash and trade and other receivables, will be realized within the next twelve months and can be utilized to satisfy the Trust's financial liabilities. Given the Trust's currently available liquid resources (from both financial assets and on-going operations) as compared to its contractual obligations, management assesses the Trust's liquidity risk to be low.

The following table details the Trust's remaining contractual maturity for its non-derivative financial liabilities listed by year of maturity date:

	Mortgages payable	
Year of Maturity	Weighted average interest rate	Principal outstanding
2012	4.71%	$ 333,114
2013	4.52%	283,464
2014	3.52%	421,983
2015	3.72%	449,647
2016	3.89%	277,429
Subsequent	3.88%	549,000
	3.95%	2,314,637
Unamortized deferred financing costs		(87,248)
Unamortized mark-to-market adjustment		148
		$ 2,227,537

d) Debt covenants

As outlined in its mortgages payable agreements, the Trust is required to make equal monthly payments of principal and interest based on the respective amortization period. Additionally, the Trust must ensure that all property taxes have been paid in full when they become due and that no arrears exist.

CMHC provides mortgage loan insurance in connection with mortgages made to Boardwalk REIT. In an agreement dated September 13, 2002, and as amended and restated on January 19, 2005 and April 25, 2006, the Trust agreed to provide certain financial information to the CMHC and be subject to certain restrictive covenants, including limitation on additional debt, payment of distributions in respect to Unitholders' capital in the event of default, and maintenance of certain financial ratios. In the event of default, the Trust's total financial liability under this agreement is limited to a one-time penalty payment of $250 thousand under a Letter of Credit issued in favor of CMHC.

As the debentures were repaid in full in the first quarter of 2012, the covenants contained in the debenture agreement are no longer applicable to the Trust.

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 June 30, 2012 of approximately $569.2 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 $196.3 million as at June 30, 2012 ($196.1 million – December 31, 2011). The revolving facility requires monthly interest payments, is for a three-year term maturing on July 28, 2014, and can be extended annually thereafter, subject to the mutual consent of the lender and the Trust. Subsequent to the quarter ended, the lender and the Trust agreed to extend the maturity date of the revolving credit facility from July 28, 2014 to July 27, 2015. 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 June 30, 2012, this ratio was 1.81 (December 31, 2011 – 1.74).

(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 June 30, 2012, this ratio was 2.02 (December 31, 2011 – 1.79).

(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 15; however, the credit facility uses the two most recent quarters to calculate GBV. As at June 30, 2012, this ratio was 41.9% (December 31, 2011 – 46.3%).

As at June 30, 2012 and December 31, 2011, the Trust was in compliance with all covenants.

e) Utility risk

The Trust is exposed to utility risk as a result of fluctuations in the prices of natural gas and electricity service charges. As outlined in NOTE 14, the Trust has commitments to certain utility contracts to reduce the risk of exposure to adverse changes in commodity prices.

NOTE 17: 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.

The individuals considered key personnel of the Trust as at June 30, 2012, has not changed since December 31, 2011, except the addition of Andrea Stephen, who became a member of the Board of Trustees effective May 15, 2012.

The remuneration of the Trust's key management personnel were as follows:

	3 months ended June 30, 2012	3 months ended June 30, 2011	**6 months ended June 30, 2012**	6 months ended June 30, 2011
Short-term benefits	**$ 243**	$ 235	**$ 486**	$ 470
Post-employment benefits	**11**	11	**23**	23
Other long-term benefits	**3**	1	**5**	4
Deferred unit-based compensation	**425**	377	**821**	818
	$ 682	$ 624	**$ 1,335**	$ 1,315

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 were reclassified from equity to liabilities on the 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 and six months ended June 30, 2012, distributions on the LP Class B Units totaled $2.1 million and $4.1 million, respectively ($2.0 million – three months ended June 30, 2011, $4.0 million – six months ended June 30, 2012). Distributions on the LP Class B Units are made on terms equal to distributions made on Boardwalk REIT Units.

As at June 30, 2012, there was $694 thousand owed to related parties ($671 thousand – December 31, 2011) based on the LP Class B Units distribution outlined above.

NOTE 18: Other Information

(a) Supplemental cash flow information

	3 months ended June 30, 2012	3 months ended June 30, 2011	**6 months ended June 30, 2012**	6 months ended June 30, 2011
Taxes paid	**$ –**	$ 2	**$ 1**	$ 2
Interest paid	**$ 25,102**	$ 25,357	**$ 53,778**	$ 54,014
Net change in operating working capital				
Net change in inventories	**$ (307)**	$ (49)	**$ (586)**	$ 413
Net change in prepaid assets	**(523)**	(444)	**(1,208)**	(1,461)
Net change in trade and other receivables	**(468)**	1,042	**46**	1,308
Net change in segregated and refundable tenants' security deposits	**(23)**	(37)	**16**	(30)
Net change in deferred unit-based compensation	**882**	591	**1,119**	1,250
Net change in trade and other payables	**2,667**	2,820	**(5,641)**	(7,050)
	$ 2,228	$ 3,923	**$ (6,254)**	$ (5,570)

(b) Included in administration costs is $483 thousand relating to RRSP matching for the three months ended June 30, 2012 and $954 thousand for the six months ended June 30, 2012 ($466 thousand for the three months ended June 30, 2011, $911 thousand for the six months ended June 30, 2011).

NOTE 19: 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. Expiring leases are either 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.

All other segments items represent corporate functions, technology assets, activities incidental to operations and certain comparative data for divested assets, and are recognized in the relevant segments.

Details of segmented information are as follows:

As at	**June 30, 2012**						
	Alberta	**British Columbia**	**Saskatchewan**	**Ontario**	**Quebec**	**All other segments**	**Total**
Assets	**$ 3,452,861**	**$ 115,258**	**$ 649,144**	**$ 300,193**	**$ 715,351**	**$ 121,296**	**$ 5,354,103**
Liabilities	**1,486,972**	**63,082**	**263,437**	**124,726**	**331,700**	**302,928**	**2,572,845**

As at	December 31, 2011						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Assets	$ 3,145,356	$ 110,432	$ 608,303	$ 277,408	$ 706,639	$ 240,885	$ 5,089,023
Liabilities	1,473,167	63,455	266,183	125,793	334,389	381,246	2,644,233

	3 months ended June 30, 2012						
	Alberta	**British Columbia**	**Saskatchewan**	**Ontario**	**Quebec**	**All other segments**	**Total**
Rental revenue	**$ 64,223**	**$ 2,020**	**$ 14,416**	**$ 9,744**	**$ 17,106**	**$ 39**	**$ 107,548**
Ancillary rental income	**1,020**	**33**	**175**	**236**	**257**	**–**	**1,721**
Total rental revenue	**65,243**	**2,053**	**14,591**	**9,980**	**17,363**	**39**	**109,269**
Rental expenses							
Operating expenses	**12,276**	**406**	**2,424**	**1,782**	**3,837**	**1,088**	**21,813**
Utilities	**4,465**	**182**	**1,012**	**1,429**	**1,048**	**87**	**8,223**
Property taxes	**4,628**	**116**	**974**	**1,403**	**1,769**	**22**	**8,912**
Net operating income (loss)	**43,874**	**1,349**	**10,181**	**5,366**	**10,709**	**(1,158)**	**70,321**
Financing costs (a)	**14,949**	**727**	**2,586**	**1,349**	**3,143**	**1,944**	**24,698**
Administration	**13**	**2**	**(1)**	**12**	**10**	**7,602**	**7,638**
Depreciation and amortization (b)	**887**	**31**	**147**	**76**	**782**	**747**	**2,670**
Profit (loss) from continuing operations before fair value gains (losses) and income tax recovery	**28,025**	**589**	**7,449**	**3,929**	**6,774**	**(11,451)**	**35,315**
Fair value gains (losses)	**111,975**	**(721)**	**26,217**	**3,886**	**(8,041)**	**(7,141)**	**126,175**
Profit (loss) before income tax recovery	**140,000**	**(132)**	**33,666**	**7,815**	**(1,267)**	**(18,592)**	**161,490**
Income tax recovery (c)	**–**	**–**	**–**	**–**	**–**	**(138)**	**(138)**
Profit (loss)	**140,000**	**(132)**	**33,666**	**7,815**	**(1,267)**	**(18,454)**	**161,628**
Other comprehensive (loss)	**(164)**	**–**	**(117)**	**–**	**–**	**–**	**(281)**
Total comprehensive income (loss)	**$ 139,836**	**$ (132)**	**$ 33,549**	**$ 7,815**	**$ (1,267)**	**$ (18,454)**	**$ 161,347**
Additions to non-current assets (d)	**$ 9,481**	**$ 593**	**$ 1,598**	**$ 2,295**	**$ 5,189**	**$ 1,269**	**$ 20,425**

	3 months ended June 30, 2011						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Rental revenue	$ 61,216	$ 1,995	$ 13,973	$ 9,615	$ 16,967	$ 52	$ 103,818
Ancillary rental income	949	25	151	195	226	–	1,546
Total rental revenue	62,165	2,020	14,124	9,810	17,193	52	105,364
Rental expenses							
Operating expenses	11,294	355	2,345	1,729	3,780	1,165	20,668
Utilities	4,412	189	960	1,441	1,216	81	8,299
Property taxes	5,004	98	967	1,470	1,741	25	9,305
Net operating income (loss)	41,455	1,378	9,852	5,170	10,456	(1,219)	67,092
Financing costs (a)	14,921	735	2,796	1,390	3,323	3,301	26,466
Administration	6	21	(4)	27	41	6,078	6,169
Depreciation and amortization(b)	872	30	173	84	697	740	2,596
Profit (loss) from continuing operations before fair value gains (losses) and income tax recovery	25,656	592	6,887	3,669	6,395	(11,338)	31,861
Fair value gains (losses)	115,911	4,233	21,268	9,310	14,387	(928)	164,181
Profit (loss) before income tax recovery	141,567	4,825	28,155	12,979	20,782	(12,266)	196,042
Income tax recovery (c)	–	–	–	–	–	(549)	(549)
Profit (loss)	141,567	4,825	28,155	12,979	20,782	(11,717)	196,591
Other comprehensive (loss)	(673)	–	(486)	–	–	–	(1,159)
Total comprehensive income (loss)	$ 140,894	$ 4,825	$ 27,669	$ 12,979	$ 20,782	$ (11,717)	$ 195,432
Additions to non-current assets (d)	$ 8,443	$ 284	$ 1,695	$ 1,836	$ 3,922	$ 1,141	$ 17,321

	6 months ended June 30, 2012						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Rental revenue	$ 127,403	$ 4,052	$ 28,648	$ 19,451	$ 34,254	$ 120	$ 213,928
Ancillary rental income	1,966	67	334	458	504	–	3,329
Total rental revenue	129,369	4,119	28,982	19,909	34,758	120	217,257
Rental expenses							
Operating expenses	24,376	751	4,668	3,478	7,175	2,201	42,649
Utilities	10,106	420	2,488	3,408	3,469	215	20,106
Property taxes	9,242	233	1,947	2,723	3,538	43	17,726
Net operating income (loss)	85,645	2,715	19,879	10,300	20,576	(2,339)	136,776
Financing costs (a)	30,114	1,456	5,263	2,701	6,304	4,166	50,004
Administration	100	2	(1)	7	43	14,608	14,759
Depreciation and amortization (b)	1,794	62	294	150	1,546	1,455	5,301
Profit (loss) from continuing operations before fair value gains (losses) and income tax recovery	53,637	1,195	14,323	7,442	12,683	(22,568)	66,712
Fair value gains (losses)	290,380	3,978	37,993	18,169	(663)	(37,769)	312,088
Profit (loss) before income tax recovery	344,017	5,173	52,316	25,611	12,020	(60,337)	378,800
Income tax recovery (c)	–	–	–	–	–	(172)	(172)
Profit (loss)	344,017	5,173	52,316	25,611	12,020	(60,165)	378,972
Other comprehensive income	691	–	512	–	–	–	1,203
Total comprehensive income (loss)	$ 344,708	$ 5,173	$ 52,828	$ 25,611	$ 12,020	$ (60,165)	$ 380,175
Additions to non-current assets (d)	$ 17,301	$ 922	$ 2,904	$ 4,315	$ 6,591	$ 2,771	$ 34,804

	6 months ended June 30, 2011						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Rental revenue	$ 121,500	$ 3,942	$ 27,847	$ 19,149	$ 33,899	$ 123	$ 206,460
Ancillary rental income (loss)	1,915	64	310	394	519	(2)	3,200
Total rental revenue	123,415	4,006	28,157	19,543	34,418	121	209,660
Rental expenses							
Operating expenses	23,099	683	4,424	3,448	7,131	2,357	41,142
Utilities	11,429	403	2,521	3,557	3,739	158	21,807
Property taxes	10,066	188	2,001	2,977	3,466	53	18,751
Net operating income (loss)	78,821	2,732	19,211	9,561	20,082	(2,447)	127,960
Financing costs (a)	29,858	1,472	5,586	2,796	6,645	6,582	52,939
Administration	24	22	(10)	54	72	12,515	12,677
Depreciation and amortization (b)	1,740	63	346	173	1,383	1,425	5,130
Profit (loss) from continuing operations before fair value gains (losses) and income tax recovery	47,199	1,175	13,289	6,538	11,982	(22,969)	57,214
Fair value gains (losses)	110,558	4,297	19,815	7,617	11,337	(32,476)	121,148
Profit (loss) before income tax recovery	157,757	5,472	33,104	14,155	23,319	(55,445)	178,362
Income tax recovery (c)	–	–	–	–	–	(740,743)	(740,743)
Profit	157,757	5,472	33,104	14,155	23,319	685,298	919,105
Other comprehensive income	53	–	53	–	–	–	106
Total comprehensive income	$ 157,810	$ 5,472	$ 33,157	$ 14,155	$ 23,319	$ 685,298	$ 919,211
Additions to non-current assets (d)	$ 15,484	$ 628	$ 2,955	$ 3,210	$ 6,997	$ 1,968	$ 31,242

(a) Financing costs

Financing costs were as follows:

	3 months ended June 30, 2012						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Interest on secured debt (mortgages payable)	$ 14,978	$ 726	$ 2,581	$ 1,319	$ 3,135	$ –	$ 22,739
Interest on unsecured debt (debentures)	–	–	–	–	–	–	–
LP Class B unit distribution	–	–	–	–	–	2,080	2,080
Other interest charges	(29)	1	5	30	10	310	327
Interest income	–	–	–	–	(2)	(446)	(448)
Total	$ 14,949	$ 727	$ 2,586	$ 1,349	$ 3,143	$ 1,944	$ 24,698

	3 months ended June 30, 2011						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Interest on secured debt (mortgages payable)	$ 14,877	$ 735	$ 2,797	$ 1,368	$ 3,319	$ –	$ 23,096
Interest on unsecured debt (debentures)	–	–	–	–	–	1,576	1,576
LP Class B unit distribution	–	–	–	–	–	2,014	2,014
Other interest charges	44	–	5	22	9	315	395
Interest income	–	–	(6)	–	(5)	(604)	(615)
Total	$ 14,921	$ 735	$ 2,796	$ 1,390	$ 3,323	$ 3,301	$ 26,466

	6 months ended June 30, 2012						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Interest on secured debt (mortgages payable)	$ 30,111	$ 1,454	$ 5,253	$ 2,642	$ 6,292	$ –	$ 45,752
Interest on unsecured debt (debentures)	–	–	–	–	–	404	404
LP Class B unit distribution	–	–	–	–	–	4,139	4,139
Other interest charges	3	2	10	59	16	624	714
Interest income	–	–	–	–	(4)	(1,001)	(1,005)
Total	$ 30,114	$ 1,456	$ 5,263	$ 2,701	$ 6,304	$ 4,166	$ 50,004

	6 months ended June 30, 2011						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Interest on secured debt (mortgages payable)	$ 29,784	$ 1,472	$ 5,583	$ 2,751	$ 6,635	$ –	$ 46,225
Interest on unsecured debt (debentures)	–	–	–	–	–	3,153	3,153
LP Class B unit distribution	–	–	–	–	–	4,028	4,028
Other interest charges	74	–	9	45	15	631	774
Interest income	–	–	(6)	–	(5)	(1,230)	(1,241)
Total	$ 29,858	$ 1,472	$ 5,586	$ 2,796	$ 6,645	$ 6,582	$ 52,939

(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 recovery

This relates to any current and deferred taxes. Excluded are deferred tax assets, which are presented separately on the consolidated statement of financial position. The tax charge is Boardwalk REIT's estimate of the deferred income tax liability at June 30, 2007, and adjusted quarterly, recognizing the probability that it would be subject to the tax prescribed by the SIFT Rules on January 1, 2011. On December 16, 2010, the Department of Finance announced proposed amendments to the real estate investment trust rules and released for consultation draft legislation to implement such amendments. Notwithstanding if and when these proposed changes become substantively enacted, the Trust's qualifies as a REIT for Canadian income tax purposes commencing January 1, 2011 and reversed the deferred income tax liability related to the SIFT Rules at this time. Subsequently, the remaining tax charges relate to corporate entities taxed separately under the Income Tax Act.

(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 20: Subsequent Events

Subsequent to the quarter ended June 30, 2012, the Trust and the lender of its revolving credit facility agreed to extend the maturity date from July 28, 2014 to July 27, 2015.

NOTE 21: Approval of Financial Statements

The financial statements were approved by the Board of Trustees and authorized for issue on August 14, 2012.

CORPORATE INFORMATION

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BOARD OF TRUSTEES

[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

Jean Denis
Vice President, Acquisitions,
Eastern Canada

Ian Dingle
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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
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Lisa Russell
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Bill Zigomanis
Vice President, Investments

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