
Prairie Sunrise Towers, Grande Prairie AB

CORPORATE INFORMATION

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BOARD OF TRUSTEES

Sam Kolias
Chairman of the Board
Calgary, Alberta

James Dewald (2)
Calgary, Alberta

Gary Goodman (2) (3)
Toronto, Ontario

Art Havener (3)
St. Louis, MO

Al Mawani (1) (2) (3)
Thornhill, Ontario

(1) Lead Trustee

(2) Member of the Audit and Risk Management Committee

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

SENIOR MANAGEMENT

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Vice President, Operations
Ontario and Quebec

Dean Burns
General Counsel and
Secretary

William Chidley
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Corporate Development

Jean Denis
Vice President, Acquisitions
Eastern Canada

Ian Dingle
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Customer Service and
Process Design

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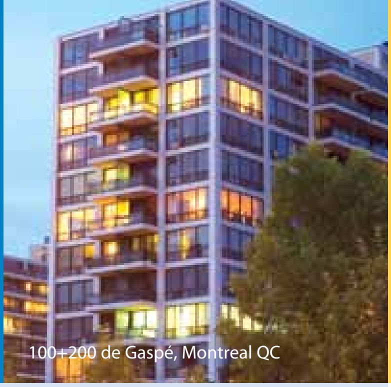
Human Resources

Lisa Russell
Vice President, Acquisitions
Western Canada

William Wong
Chief Financial Officer

Bill Zigomanis
Vice President, Investments

Q3
2010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TSX: **BEI.UN**

BOARDWALK RENTAL COMMUNITIES

CORPORATE PROFILE

Boardwalk Real Estate Investment Trust ("Boardwalk REIT," "Boardwalk," or "the Trust") is Canada's largest owner/operator of multi-family rental communities. Boardwalk REIT owns and operates in excess of 230 properties with 35,686 rental units totaling approximately 30 million net rentable square feet (as of September 30, 2010). The Trust's portfolio is concentrated in the provinces of British Columbia, Alberta, Saskatchewan, Ontario, and Quebec. Boardwalk REIT's Trust Units are listed on the Toronto Stock Exchange, trading under the symbol 'BEI.UN'. The Trust's total enterprise value at September 30, 2010 was $4.75 billion. Boardwalk was incorporated as Boardwalk Equities Inc. (the "Corporation") in 1994. On May 3, 2004, the Corporation announced the successful completion of its reorganization to Boardwalk Real Estate Investment Trust. The Trust's principal objectives are to provide its Unitholders with stable and growing cash flow distributions and to increase the value of its Trust Units through the effective management of its residential, multi-family, revenue-producing properties and the selective acquisition and, where appropriate, disposition of multi family properties.

BOARDWALK REAL ESTATE INVESTMENT TRUST

WITH YOU
EVERY STEP
OF THE WAY

LETTER TO UNITHOLDERS

We are pleased to report on a solid third quarter of 2010 for Boardwalk Real Estate Investment Trust ("Boardwalk", "Boardwalk REIT", or the "Trust"). Although the Trust recognized notable gains in our occupancy levels, the market remains competitive and our ability to increase market rents continues to be constrained. Funds from Operations (FFO) and FFO per Unit decreased approximately 3.9% and 3.0%, respectively, over the same quarter last year. Distributable Income (DI) and DI per Unit decreased approximately 6.7% and 7.2%, respectively, year-over-year. FFO and DI are non-GAAP measures; the reconciliation of FFO and DI to Net Earnings and Total Operating Cash Flows, respectively, can be found in the Management's Discussion and Analysis (MD&A) for the third quarter ended September 30, 2010, under the section titled, "Performance Measures".

In the third quarter of 2010, overall occupancy for Boardwalk's portfolio was higher compared to the same period last year. With occupancy above 97%, the Trust continues to focus on maintaining higher occupancy through the winter months that will allow for reduced incentives and minimal to no rent reductions on selective apartment units. Calgary and Edmonton both saw occupancy for the third quarter increase year-over-year, and market rents in both cities were higher than the previous quarter, indicators that continue to reflect a rental market bottom. In Saskatchewan, occupancy decreased both quarter-over-quarter and year-over-year, but occupancy in our Saskatoon market was higher compared to the second quarter in 2010. Occupancy in our Quebec market increased quarter-over-quarter and year-over-year, and rental revenue in Quebec increased 3.9% compared to the same period last year. Occupancy in our Ontario market was also higher year-over-year. With competitors still experiencing high vacancy levels, it has been a challenge to realize traction in this continued competitive environment, but we will continue to monitor occupancy and adjust market rents accordingly, as well as apply suite-specific incentives as needed.

Highlights of the Trust's Third Quarter 2010 Financial Results

$ millions, except per unit amounts	**Three Months Sept. 2010**	Three Months Sept. 2009	% Change
Rental Revenue	**$ 104.7**	$ 104.7	0.0%
Net Operating Income (NOI)	**$ 67.9**	$ 69.0	-1.6%
Net Earnings	**$ 14.3**	$ 14.5	-1.4%
Funds From Operations (FFO)	**$ 33.6**	$ 35.0	-3.9%
Adjusted Funds From Operations (AFFO)	**$ 29.6**	$ 30.8	-3.9%
FFO Per Unit	**$ 0.64**	$ 0.66	-3.0%
AFFO Per Unit	**$ 0.56**	$ 0.58	-3.4%
Distributable Income (DI)	**$ 33.9**	$ 36.3	-6.7%
DI Per Unit	**$ 0.64**	$ 0.69	-7.2%
Regular Distributions Declared	**$ 23.7**	$ 23.7	
Special Distribution Declared	**$ 26.3**	$ 0.0	
Regular Distributions Declared Per Unit *(2010 Target $1.80 Per Unit on an annualized basis)*	**$ 0.45**	$ 0.45	
Regular Payout as a % FFO	**70.4%**	67.9%	
Regular Payout as a % AFFO	**79.9%**	76.9%	
Regular Payout as a % DI	**69.9%**	65.4%	

For further detail, please refer to pages 12-14 of the MD&A.

Portfolio Highlights for the Third Quarter 2010

	Sept. 2010	Dec. 2009	Sept. 2009
Average Occupancy (3 Months)	**97.01%**	96.65%	95.54%
Average Monthly Rent (3 Months)	**$ 977**	$ 981	$ 976
Average Market Rent (Period Ended)	**$ 1,016**	$ 998	$ 1,002
Average Occupied Rent (Period Ended)	**$ 1,007**	$ 1,013	$ 1,021
Loss-to-Lease (Period Ended) ($ millions)	**$ 3.5**	$ (6.4)	$ (8.1)
Loss-to-Lease Per Trust Unit (Period Ended)	**$ 0.07**	$ (0.12)	$ (0.15)
Cash & Cash Equivalents (Period Ended) ($ millions)	**$ 206.6**	$ 190.3	$ 200.2
Debt-to-GBV ("Gross Book Value") (Period Ended)	**61.4%**	61.1%	61.8%
Operating Margin (3 Months)	**64.9%**	61.7%	65.9%

Same Property Results	**% Change Year-Over-Year 3 Months Sept. 2010**	**% Change Year-Over-Year 9 Months Sept. 2010**
Rental Revenue	**-0.3%**	**-0.5%**
Operating Costs	**1.5%**	**3.1%**
Net Operating Income (NOI)	**-1.1%**	**-2.3%**

For further detail, please refer to pages 17-20 of the MD&A.

Stabilized Revenue Growth	# of Units	Q3 2010 vs. Q2 2010	Q2 2010 vs. Q1 2010	Q1 2010 vs. Q4 2009	Q4 2009 vs. Q3 2009
Calgary	5,234	-1.1%	-1.3%	-3.1%	-0.9%
Edmonton	12,337	-0.6%	0.3%	-1.1%	0.1%
Other Alberta	2,172	-2.5%	2.0%	-1.9%	-1.7%
British Columbia	954	-0.2%	-1.3%	1.4%	2.2%
Ontario	4,265	-0.2%	-0.2%	0.0%	2.1%
Quebec	6,000	1.4%	0.7%	0.4%	1.3%
Saskatchewan	4,636	0.8%	1.4%	1.1%	2.0%
	35,598 (1)	-0.2%	0.3%	-0.8%	0.5%

(1) Number of units excludes Cote Vertu, an 88-unit property located in St. Laurent, Quebec, which sold and closed October 27, 2010.

On a sequential basis, stabilized revenues decreased 0.2% from Q2 2010 to Q3 2010, increased 0.3% from Q1 2010 to Q2 2010, decreased 0.8% from Q4 2009 to Q1 2010, and increased 0.5% from Q3 2009 to Q4 2009.

For further detail, please refer to pages 19 & 20 of the MD&A.

Rental Market Fundamentals From Across Canada:

Market Fundamentals	BC		Alberta		Saskatchewan		Ontario		Quebec	
	Oct 2010	Oct 2009	**Oct 2010**	Oct 2009	**Oct 2010**	Oct 2009	**Oct 2010**	Oct 2009	**Oct 2010**	Oct 2009
Unemployment Rate	**7.4%**	8.3%	**6.0%**	7.5%	**5.7%**	5.3%	**8.6%**	9.3%	**8.0%**	8.5%
	Q2 2010	Q2 2009	**Q2 2010**	Q2 2009	**Q2 2010**	Q2 2009	**Q2 2010**	Q2 2009	**Q2 2010**	Q2 2009
Net Interprovincial Migration	**1,962**	3,117	**2,820**	1,731	**1,027**	480	**-2,746**	-3,263	**-1,948**	-2,448
Net International Migration	**10,139**	11,558	**7,282**	8,580	**2,437**	2,597	**39,534**	35,145	**18,528**	19,400
Total Net Migration	**12,101**	14,675	**10,102**	10,311	**3,464**	3,077	**36,788**	31,882	**16,580**	16,952
	Aug 2009 to Aug 2010	Aug 2008 to Aug 2009	**Aug 2009 to Aug 2010**	Aug 2008 to Aug 2009	**Aug 2009 to Aug 2010**	Aug 2008 to Aug 2009	**Aug 2009 to Aug 2010**	Aug 2008 to Aug 2009	**Aug 2009 to Aug 2010**	Aug 2008 to Aug 2009
Average Weekly Wages Growth	**3.7%**	-0.1%	**7.5%**	2.0%	**6.0%**	1.3%	**4.7%**	1.6%	**2.9%**	3.8%

Source: Statistics Canada

WESTERN CANADA

In the West, economic fundamentals remain solid. British Columbia, Alberta and Saskatchewan saw positive wage growth for August, year-over-year, and it is expected that economic and employment growth will continue into 2011. In Alberta, the unemployment rate for October was 6.0%, the third lowest of the provinces. With employment gains of 17,000 for October, Alberta's total gains for the past twelve months were 2.3%, slightly above the national average for the same period. According to the most recent numbers, Alberta was the fastest growing province for the second quarter, a result of natural increase and gains in net international migration. CMHC estimates that total net migration to the province will decline by 9% in 2010 as a result of lower interprovincial migration, but will recover in 2011 as economic conditions improve. Higher commodity prices and drilling activity are positive signs for economic recovery in the province. For the first nine months of 2010, drilling activity was up 63% compared to the same period last year. Oil sands investment in Alberta was estimated at $111 billion, as of October 2010. Saskatchewan continued to have one of the lowest unemployment rates of the provinces in October, at 5.7%. The province also saw notable gains from international migration, experiencing the highest growth rate for the quarter in 35 years. Rising commodity prices and more drilling activity in Saskatchewan are also expected to contribute to economic growth. Interprovincial migration to the province was higher year-over-year, but below the numbers seen in the previous quarter. British Columbia posted an unemployment rate of 7.4% in October, below the national average of 7.9%. The province had the second lowest population growth rate, and the lowest interprovincial migration gains for the quarter since 2003, but international migration remained healthy.

EASTERN CANADA

Ontario and Quebec are both expected to see steady economic growth in 2010, and more moderate growth in 2011, and employment growth in both provinces is also expected to remain stable. In Ontario, employment was little changed for the month of October, and the unemployment rate dropped to 8.6%. Employment in manufacturing has remained stable, a positive sign for economic recovery in the province. Net international migration to Ontario was the highest for the second quarter since 2005, but the province saw net losses in interprovincial migration. Employment in Quebec was also little changed in October, and the unemployment rate in the province was 8.0%. International migration continues to be a main factor in Quebec's population growth, as the province also experienced net interprovincial migration losses for the second quarter.

MLS Housing Prices

British Columbia	**Vancouver CMA**		**Victoria CMA**	
	Sept. 2010	Sept. 2009	**Sept. 2010**	Sept. 2009
Average Single Family	**na**	na	**$ 599,825**	$ 619,936
Average Condo	**na**	na	**$ 295,463**	$ 327,487
Average Overall	**$ 577,174**	$ 547,092	**na**	na
Alberta	**Calgary CMA**		**Edmonton CMA**	
	Sept. 2010	Sept. 2009	**Sept. 2010**	Sept. 2009
Average Single Family	**$ 460,278**	$ 459,085	**$ 370,654**	$ 371,947
Average Condo	**$ 284,028**	$ 290,253	**$ 238,822**	$ 245,546
Saskatchewan	**Saskatoon CMA**		**Regina CMA**	
	Sept. 2010	Sept. 2009	**Sept. 2010**	Sept. 2009
Average Overall	**$ 312,582**	$ 279,457	**$ 240,667**	$ 242,196
Ontario	**London CMA**		**Windsor CMA**	
	Sept. 2010	Sept. 2009	**Sept. 2010**	Sept. 2009
Average Single Family	**$ 233,841**	$ 226,074	**na**	na
Average Condo	**$ 167,648**	$ 158,683	**na**	na
Average Overall	**na**	na	**$ 163,665**	$ 158,162
Quebec	**Montreal CMA**			
	Sept. 2010	Sept. 2009		
Average Overall [1]	**$ 297,830**	$ 284,882		

Internally generated, na = Data not available, [1] 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

Housing markets in Western Canada continue to adjust to a more moderate pace. Many centres are seeing increased home affordability, especially with condominiums, and more listings and fewer sales are providing homebuyers with more inventory and greater selection. Both Calgary and Edmonton saw little change in single-family home prices for September, compared to the same month last year, while condominium prices for both cities declined 2% and 3% year-over-year, respectively. Residential listings for both cities were up year-over-year. While residential sales for both Calgary and Edmonton were down year-over-year, Calgary did see a month-over-month increase for September, the first since April 2010. In Saskatchewan, both Saskatoon and Regina saw lower residential sales and a higher number of listings year-over-year. While the average residential sale price in Regina decreased 1% compared to September 2009, Saskatoon saw its average residential sale price increase 12% year-over-year. Although September inventory was higher year-over-year in Regina, recent decreases in inventory have led to balanced market conditions, despite fewer sales. In Saskatoon, inventory was also up year-over-year for September. Both sales and listings in Vancouver were down year-over-year for September, and the average residential sale price rose 6% for the same period. Since reaching an all-time high in April 2010, the average residential sale price in Vancouver has declined by 3%, but with fewer listings and continuing low interest rates, downward pressure on housing prices has been reduced, with little change in the average residential sale price between August and September. Victoria saw its single-family sale price fall 3% year-over-year in September, but increase 2% compared to August, and condominium prices for September were 10% lower than for the same month in 2009. Sales decreased for the same period, while inventory was higher.

EASTERN CANADA

Eastern Canada is also showing the same housing market trends, with major centres seeing more listings and fewer sales as the housing market balances out. In London, sales were down in September, year-over-year, while listings increased for the same period. Single family home prices rose 2% while condominium prices fell 3% year-over-year, and inventory levels were higher for September than for the same month in 2009. Although sales for the month were down year-over-year, year-to-date sales rose 3%. In Windsor, listings were also up in September while sales decreased year-over-year, but inventory levels still remained lower compared to the same time last year. The average residential sale price in Windsor rose 3%, year-over-year, for the same period. In Montreal, lower sales have resulted in prices increasing at a slower rate, with the average residential sale price increasing 5% in September, compared to the same month in 2009. Listings in September were up year-over-year for the first time in over twelve months, and increased supply will help balance the current seller's market in the city.

Dispositions

As of November 10, 2010, the Trust's dispositions were as follows:

Building Name	City	# Units	Type	Price	$/unit	$/sq ft	Sale Cap Rate	Cap Rate with Required Cap Ex *	Debt Assumed	Debt Repaid	Date Closed
Habitat du Lac Leamy	Gatineau	321	High Rise	$ 19,350,000	60,280	95	7.29%	6.89%	–	$ 12,554,619	March 16, 2010
Heritage Gardens	Calgary	95	Mid Rise	$ 13,585,000	143,000	211	6.20%	6.20%	$ 3,951,101**	–	April 23, 2010
Les Jardins Bourassa	Montreal	178	Mid Rise	$ 8,925,000	50,140	104	6.86%	6.36%	–	$ 5,689,650	April 30, 2010
Cascade Lodge	Regina	12	Walk Up	$ 1,075,000	89,583	140	6.02%	6.02%	–	–	July 7, 2010
Glen Garry	Regina	12	Walk Up	$ 985,000	82,083	156	6.18%	6.18%	–	–	July 7, 2010
Willow Glen Apartments	Edmonton	88	Walk Up	$ 9,750,000	110,795	136	6.20%	6.20%	–	$ 3,844,761	August 6, 2010
600 Cote Vertu	St. Laurent	88	Mid Rise	$ 7,925,000	90,057	117	6.59%	5.81%	–	–	October 27, 2010
TOTAL		794		$ 61,595,000	77,576	121	6.68%	6.39%	$ 3,951,101	$ 22,089,030	

* Habitat required $1,100,000 in capital expenditures; Bourassa required $700,000 in capital expenditures; 600 Cote Vertu required $1,055,000 in capital expenditures
** 6.38% maturing June 1, 2011

For further detail, please refer to page 23 of the MD&A.

Unit Buyback

With its significant liquidity position, the Trust continues to look for opportunities to deploy a portion of surplus funds. The Trust continues to view the purchase of its Trust Units on the public market as a good investment; however, it believes that a balanced approach is necessary with respect to its buyback strategy compared to other options for deploying surplus cash. In the third quarter of 2010, the Trust purchased and cancelled 25,900 Trust Units, representing a total purchase cost of approximately $1.1 million, or an average of $41.38 per Trust Unit. Cumulatively, since August 17, 2007, the Trust purchased and canceled 4,174,047 Trust Units, representing a total purchase cost of $155.3 million, or an average cost of $37.20 per Trust Unit. The Trust continues to review all available options that management believes will provide the greatest return to our Unitholders.

In August 2010, Boardwalk successfully renewed its Normal Course Issuer Bid, which allows Boardwalk to purchase up to 3,918,288 Trust Units, representing 10% of its public float of Trust Units, through the facilities of The Toronto Stock Exchange. The Bid commenced on August 24, 2010 and will terminate on August 23, 2011 or on such earlier time as the Bid is complete.

As at September 30, 2010, Boardwalk REIT had 48,089,666 issued and outstanding Trust Units, plus 4,475,000 Class "B" Units of Boardwalk REIT Limited Partnership exchangeable for Trust Units on a one-for-one basis at the option of the holder. Accordingly, if all of the LP B Units were exchanged for REIT Units, the total issued and outstanding REIT Units would be 52,564,666.

For further detail, please refer to pages 24-26 of the MD&A.

Liquidity and Continued Financial Strength

The Trust maintained its solid financial position throughout the third quarter of 2010. Boardwalk REIT's total principal mortgage and debt outstanding was $2.37 billion as of September 30, 2010, as compared to $2.37 billion as of September 30, 2009. As of September 30, 2010, the Trust's total debt had an average term maturity of approximately 3 years with a weighted average interest rate of 4.32% and the debt-to-total enterprise value ratio was 48.0%.

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

Cash position – September 2010	$	206,600,000
Subsequent Committed Additional Financing	$	–
	$	206, 600,000
Committed Revolving Credit Facility Available	$	198, 228,000
Total Available Liquidity	$	404,828,000

The Trust's interest coverage ratio, excluding gains, for the third quarter ended September 30, 2010 was 2.35 times compared to 2.33 times for the same period last year.

For further detail, please refer to pages 26-28 of the MD&A.

As we move into 2011, Boardwalk will be reporting under International Financial Reporting Standards ("IFRS"), and as with any change, the reporting of Boardwalk's financial information will be different from what was reported in the past. We have provided a significant level of detail in our third quarter MD&A that further expands on this topic and we highly encourage our readers to review pages 29-32 in our MD&A.

Outlook and 2010 Financial Guidance

We have adjusted our 2010 Financial Guidance, mainly to account for the loss of income generated from those properties that were sold at the end of 2009 and in 2010, along with some modest adjustments to our remaining assumptions. The following notes the effect of these revisions:

Description	Original Guidance	Q2 Revised Guidance	Q3 Revised Guidance
Acquisitions	None	None	None
Stabilized Building NOI growth	-2% to 0%	-3% to 0%	-3% to 0%
FFO per Trust Unit	$2.45 to $2.60	$2.40 to $2.55	$2.40 to $2.50
DI per Trust Unit	$2.47 to $2.62	$2.42 to $2.57	$2.42 to $2.52

For further detail, please refer to pages 33 & 34 of the MD&A.

Outlook and 2011 Financial Guidance

As is customary with our third quarter release, we include our estimates for the upcoming year:

Description	2011 Objectives
Acquisitions	None
Stabilized Building NOI growth	-3% to 1%
FFO per Trust Unit	\$2.35 to \$2.55

In addition, in 2011 the Trust intends to invest approximately \$79 million into its properties in the form of capital improvements. For further detail, please refer to page 34 of the MD&A.

Supplementary Information

Boardwalk produces the Quarterly Supplemental Information that provides detailed information regarding the Trust's activities during the quarter. The Third Quarter 2010 Supplemental Information is available on our investor website at http://www.boardwalkreit.com/FinancialReports/.

In Conclusion

I would like to thank our team of over 1,500 Associates for their continued dedication and commitment.

I would also like to thank our Board of Trustees for their indispensable guidance and continued focus on governance, and our Unitholders and key financial community and operational partners for their continued support of the Trust.

Finally, I would like to thank our Customers for calling Boardwalk home.

Sincerely,

Sam Kolias,
Chairman and CEO

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2010

FORWARD-LOOKING STATEMENTS

Caution regarding forward-looking statements

The terms "Boardwalk", "Boardwalk REIT", "the Trust", "we", "us" and "our" in the following Management's Discussion and Analysis ("MD&A") refer to Boardwalk Real Estate Investment Trust and its consolidated financial position and results of operations for the three and nine months ended September 30, 2010. Our MD&A should be read in conjunction with our interim financial statements along with the audited consolidated financial statements and MD&A for the two years ended December 31, 2009 and 2008 and all other publicly posted information on the Trust, including the most recently filed Annual Information Form. All these documents are located on SEDAR (www.sedar.com). Historical results and percentage relationships contained in our annual consolidated financial statements and MD&A, including trends which might appear, should not be taken as indicative of our future operations.

Advisory: Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our objectives for 2010 and future periods, our strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties, including those described in the MD&A of Boardwalk REIT's 2009 Annual Report under the heading "Risks and Risk Management", which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. Those risks and uncertainties include risks associated with real property ownership, competition for real estate investments, financing and interest rates, governmental regulations, environmental matters, as well as Unitholder liability. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include that the general economy remains stable, interest rates are relatively stable, acquisition capitalization rates are stable, competition for acquisitions of residential apartments remains intense, and equity and debt markets continue to provide access to capital. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

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

Business Overview

Boardwalk Real Estate Investment Trust is an unincorporated, open-ended real estate investment trust created pursuant to a declaration of trust, dated January 9, 2004, and as amended and restated on May 3, 2004, May 10, 2006, May 10, 2007, May 13, 2008, May 13, 2009 and May 18, 2010 (the "Declaration of Trust" or "DOT"), under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue-producing multi-family residential properties and interests within Canada, initially through the acquisition of the 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 Trust Units trade on The Toronto Stock Exchange under the symbol "BEI.UN". Boardwalk REIT's principal objective is to enhance Unitholder value by providing stable and growing monthly cash distributions, partially on a Canadian income tax-deferred basis, through capitalization of opportunities created by existing market conditions. At the end of the first nine months of 2010, Boardwalk REIT owned and operated in excess of 230 properties, comprised of 35,686 units (including the 88-unit in St. Laurent, Quebec that sold and closed October 27, 2010), totaling approximately 30 million net rentable square feet, and is Canada's largest owner/operator of multi-family rental communities. Boardwalk REIT's portfolio is concentrated in the provinces of Alberta, British Columbia, Saskatchewan, Ontario, and Quebec.

Outlook

The first nine months of 2010 continued to show signs of stability returning to the Canadian and global real estate markets. There appears to be an increased ability for companies to access capital in a less dilutive manner. Overall market sentiments appear to be one of cautious optimism. Although history has shown that the apartment real estate asset class tends to demonstrate lower volatility to these types of changes, it is not immune to them. Notwithstanding these factors, we believe that the fundamentals of our asset class and, in particular, our specific assets, generally remain strong, mainly due to the affordability of renting versus the cost of owning a home. This, combined with our continued focus on the needs of our Customers, have kept our overall occupancy levels high and, when combined with our non-exposure to any major customer, has kept revenue relatively stable. On the debt capital front, the fact that approximately 99% of our secured debt carries NHA insurance, the benefits of which will be detailed later in this report, has significantly assisted us in renewing and obtaining new financing on our 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 72.6% of distributable income for the first nine months of 2010. In addition to the regular monthly distribution declared and paid by the Trust, a special distribution was declared and paid to Unitholders on record as of August 31, 2010. The funding for this came directly from the net cash proceeds we received from the sale of selective non-core properties, the gains of which are not recorded as part of FFO. This special distribution of $0.50 per Unit was in addition to the current regular monthly distribution $0.15 per Unit paid to Unitholders. The Trust continued to have access to low rate Government of Canada-backed debt in the form of NHA insurance, which is administrated by Canada Mortgage and Housing Corporation.

As we move forward for the balance of 2010, we remain in a strong liquidity position, details of which will also be discussed later in this report. However, at this time we continue to look for accretive opportunities to deploy a portion of these funds while still maintaining a strong overall liquidity position. We are in compliance with our existing Declaration of Trust and all existing debt covenants.

Non-GAAP Financial Measures

Boardwalk REIT assesses and measures operating results based on performance measures referred to as "Funds From Operations" ("FFO"), "Distributable Income" ("DI") and "Adjusted Funds From Operations" ("AFFO"). DI, FFO and AFFO are widely accepted supplemental measures of the performance of a Canadian real estate investment trust; however, they are not measures defined by generally accepted accounting principles ("GAAP"). The GAAP measurements most comparable to FFO and DI are net earnings and total cash flow from operating activities, respectively. The reconciliation from Net Earnings to FFO and the reconciliation from Total Operating Cash Flows to DI 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, DI and AFFO, however, should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP as indicators of Boardwalk REIT's performance. In addition, Boardwalk REIT's calculation methodology for FFO, DI and AFFO may differ from that of other real estate companies and trusts.

Changes to GAAP over the years have prompted the boards of certain public real estate investment trusts ("REITs") to revise their definition of Distributable Income, with the result being that it has become difficult to rely on Distributable Income as a relative financial measure amongst the various REITs and a less reliable financial measure for any one REIT over time. The Trust's definition of Distributable Income as adapted in 2004 was in response to the state of GAAP in effect at that time. Expected future changes in GAAP will only serve to further decrease the reliability of Distributable Income as it becomes increasingly disconnected with cash flow from operations. Accordingly, at the Annual and Special Meeting of Boardwalk REIT Unitholders on May 18, 2010 it was proposed by management to eliminate any reference to Distributable Income from the Declaration of Trust. This proposal was voted on and passed by Unitholders that day. It is the intent of the Trust to cease to report on Distributable Income effective January 1, 2011.

Harmonized Sales Tax

Effective July 1, 2010, the Provinces of British Columbia and Ontario merged their provincial sales tax (PST) with the federal goods and services tax (GST) into a single harmonized sales tax (HST) that will be applied to many of the input costs currently incurred by the Trust. Many costs that were not subject to PST prior to this tax implication will, effective July 1, 2010, be subject to this tax. The affected costs include gas, heat, electricity and other operating costs. The ability of the Trust to pass these costs on to our Customers may be limited by existing rental legislation or rental market conditions. The Trust's operations in British Columbia and Ontario, on an annualized basis, represented approximately 2.8% and 6.9%, respectively, of total 2009 net operating income reported by the Trust. The impact of the HST is higher operating costs, which was estimated to be approximately $0.1 million for British Columbia and $0.7 million for Ontario on an annualized basis.

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 38 of the Annual Information Form dated February 17, 2010. Some of the main investment guidelines and operating policies as set out in the DOT are as follows:

INVESTMENT GUIDELINES

1. Acquire and operate multi-family residential properties; and

2. Enter into investments in joint ventures as long as the Trust's interest in the joint venture is at least 25%.

OPERATING POLICIES

1. Maximum debt capacity not to exceed 70% of Gross Book Value;

2. No guaranteeing of third-party debt outside its existing structure and potential joint venture partner structures, except under certain specific conditions and meeting certain defined criteria;

3. Both structural and environmental third party surveys are required prior to the acquisition of any property; and

4. Commitment to expending at least 8.5% of its gross consolidated annual rental revenues generated from properties that have been insured by Canada Mortgage and Housing Corporation ("CMHC") on on-site maintenance, compensation to on-site Associates, and repairs and maintenance, as well as capital upgrades, on those properties.

COMPLIANCE WITH DOT

At September 30, 2010, the Trust was in material compliance with all investment guidelines and operating policies stipulated in the DOT. More details will be provided later with respect to certain detailed calculations.

FFO RECONCILIATION – Q3 2009 VERSUS Q3 2010 & NINE MONTHS 2009 VERSES NINE MONTHS 2010

FFO Reconciliation – Per Trust Unit	3 Months	9 Months
FFO Opening – September 2009	$ 0.66	$ 1.93
NOI from Stabilized Properties	$ (0.01)	$ (0.09)
Financing Costs	$ 0.02	$ 0.02
Administration and Other	$ (0.01)	$ 0.03
FFO Loss from Sold Properties	$ (0.02)	$ (0.04)
FFO Closing – September 2010	**$ 0.64**	**$ 1.85**

The Trust's cash position was $206.6 million as at September 30, 2010. This large cash position was achieved as a result of advantageous refinancing of matured mortgages at historically low interest rates in 2009 and in the first part of 2010. While others in the real estate industry were more concerned about simply renewing existing maturing debt, the Trust continued to be able to not only renew its matured debt, but was also able to raise additional funds for future opportunities. However, there is a cost to having this much liquidity on the balance sheet, which is currently earning a very conservative but safe investment return. The Trust is looking into alternative investments for its excess liquidity.

In late 2009, the Trust entered into an agreement with the existing mortgage lender of its largest CMHC secured property, which had outstanding mortgages totaling approximately $216.8 million, to extend the maturity date of these mortgages for an additional two years. As the year 2012 previously had the highest amount of maturing mortgages, the Trust felt it would be prudent to move some of these maturing mortgages to another period. This early renewal resulted in an early renewal fee of approximately $11 million. The Trust is amortizing this early renewal fee over the new term of the mortgages and this has resulted in approximately $500 thousand per quarter in additional deferred financing amortization being reported.

HEDGING ACTIVITIES

There were no new hedging activities in the first nine months of 2010.

In 2008, the Trust entered into forward hedging arrangements with respect to some of its mortgage interest obligations. The strategy consisted of hedging, or locking in, the interest rates on the underlying bonds used to set mortgage interest rates while layering an interest rate swap on top of this to reduce overall interest rates and variability in cash flows from fluctuating interest rates. The effect on current and prior year's financial results is outlined below.

BOND FORWARD TRANSACTION

In the beginning of 2008, the Trust entered into a forward bond transaction (the "Transaction") with a major Canadian financial institution. In total, the Transaction, which is comprised of bond forward contracts on specific mortgages set to mature and to be renewed in 2008, was for a total nominal amount of $101.6 million with a weighted average term and interest rate of 7.2 years and 3.63%, respectively. Subsequent to entering into this Transaction, the Trust initiated changes to the terms of one of the contracts, with a nominal amount of approximately $21.8 million, and negotiated a settlement loss of $100 thousand related to these changes. Boardwalk REIT assessed this one particular bond forward contract as no longer being an effective hedge and payment of this $100 thousand settlement loss was included as part of the financing costs in the quarter ended March 31, 2008.

During the second quarter ended June 30, 2008, the remaining bond forward contracts in the Transaction were settled. Except for one of the contracts, all remaining contracts were assessed to be ineffective hedges and the net settlement loss of $168 thousand was included in financing costs in 2008. The bond forward contract assessed to be an effective hedge was settled for a loss of $284 thousand, and the loss is being amortized over the term of the new financing. As at September 30, 2010, the unamortized amount of this effective hedge was $209 thousand.

INTEREST RATE SWAP

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 on March 11, 2008. The effective date of the hedges was May 1, 2008, and will continue to be designated as such until the date of maturity, May 1, 2015. Hedge accounting has been applied to these agreements in accordance with CICA Handbook section 3865.

Boardwalk REIT has determined that there is no ineffectiveness in the hedging of its interest rate exposure in the above referenced swap. The effectiveness of the hedging relationship will be reviewed on a quarterly basis and measured at fair value. Any gains or losses which arise as a result of the "effectiveness" of the hedge will be recognized in Other Comprehensive Income ("OCI"). The ineffective portion of the hedging gain or loss on the swap transaction will be recognized immediately in net earnings. On recognition of the financial liability of the hedged item on the balance sheet, the associated gains or losses that were recognized in OCI will be reclassified into net earnings in the same period or periods during which the interest payments of the hedged item affect net earnings. However, if all or a portion of the net loss recognized in OCI will not be recovered in one or more future periods, this amount will be immediately reclassified into net earnings.

As at September 30, 2010, the interest rate swap agreement was assessed to be an effective hedge and, consistent with the assessment at December 31, 2009, any gains or losses on the interest rate swap agreement were recognized in earnings in the periods during which the interest payments on the hedged items were recognized.

DEBENTURES

During the first quarter of 2009, the Trust acquired in the open market a total face value of $7.6 million of its unsecured debentures for cancellation. These were purchased at a discount to the face value and the cost paid by the Trust was $7.2 million, of which $55 thousand represented accrued interest. The remaining difference of $408 thousand between the face value and the discounted price paid has been reported as “Other Income” on the financial statements. There have been no debenture buy backs since the first quarter of 2009.

The debenture holders, in a special meeting held July 30, 2008, approved an amendment to the Unsecured Debentures Indenture amending the definition of Gross Book Value (“GBV”) for an additional $410 million to be added to the one-time adjustment to assets, thereby, increasing it from $231 million to $641 million. In addition, the Consolidated Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”) to Consolidated Interest Expense financial covenants was amended to 1.75 to 1 from 1.50 to 1, and the rate of interest on the debenture was increased to 5.61% from 5.31%, commencing July 30, 2008 until the maturity date of January 23, 2012.

Performance Review

Boardwalk REIT generates revenues, cash flows and earnings from two separate sources – from rental operations and from the periodic 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.

Boardwalk REIT also generates additional income from the periodic sale of “non-core” real estate properties or, on a very selective basis, the condominium conversion and sale of these suites. 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 (“Trust Units”) in the public securities market.

Performance Measures

DI is computed as outlined in the Trust’s Declaration of Trust (“DOT”). The DOT requires the Trust to determine its DI and distribute it in the form of monthly distributions at the discretion of its Trustees. Currently, the Trust, at a minimum, pays out all taxable income to Unitholders in the form of regular monthly distributions. The Trust is distributing $1.80 per Trust Unit on an annualized basis (or $0.15 per Trust Unit on a monthly basis). The Trust declared and paid out a special distribution of $0.50 per Unit to all Unitholders of record as at August 31, 2010. This special distribution was in addition to the regular normal distribution the Trust declares and pays on a monthly basis. The total dollar amount of this one-time special distribution was approximately $26.3 million and this special distribution was paid on September 15, 2010 in conjunction with the regular monthly distribution for August 2010. Additional Information related to this special distribution is discussed below.

For the three and nine months ended September 30, 2010, the Trust declared regular distributions of $23.7 million and $71.1 million, respectively, representing approximately 69.9% and 72.6% of the reported DI, in addition to the special distribution of $26.3 million discussed above. 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.

In the following tables, Boardwalk REIT provides a reconciliation of FFO and DI, both non-GAAP measures, to their closely related GAAP measures for the current period.

FFO Reconciliation *In $000's, except per unit amounts*	**3 months Sept. 2010**	3 months Sept. 2009	% Change	**9 months Sept. 2010**	9 months Sept. 2009	% Change
Net earnings from continuing operations	**$ 8,716**	$ 13,654		$ 27,235	$ 44,526	
Adjustments						
Earnings from discontinued operations	**$ 5,593**	$ 830		$ 21,179	$ 2,662	
Gain on dispositions	**$ (5,726)**	$ (193)		$ (20,744)	$ (1,490)	
Other income	**$ –**	$ –		$ –	$ (408)	
Future income taxes (recovery)	**$ 2,823**	$ (1,448)		$ 4,097	$ (8,867)	
Amortization of assets (capital and intangibles)	**$ 22,202**	$ 22,117		$ 65,429	$ 65,842	
Funds from operations	**$ 33,608**	$ 34,960	(3.9)%	$ 97,196	$ 102,265	(5.0)%
Funds from operations – per unit	**$ 0.64**	$ 0.66	(3.0)%	**$ 1.85**	$ 1.93	(4.1)%

Distributable Income Reconciliation *In $000's, except per unit amounts*	**3 months Sept. 2010**	3 months Sept. 2009	% Change	**9 months Sept. 2010**	9 months Sept. 2009	% Change
Total operating cash flows	**$ 36,524**	$ 36,805		$ 95,777	$ 98,216	
Net change in operating working capital	**$ (1,220)**	$ 353		$ 6,631	$ 8,719	
Deduct deferred financing costs amortization post May 2, 2004	**$ (1,424)**	$ (851)		$ (4,347)	$ (2,643)	
Mark-to-market debt adjustment post May 2004	**$ (26)**	$ (26)		$ (78)	$ (84)	
Distributable income	**$ 33,854**	$ 36,281	(6.7)%	$ 97,983	$ 104,208	(6.0)%
Distributable income – per unit	**$ 0.64**	$ 0.69	(7.2)%	$ 1.86	$ 1.96	(5.1)%

Overall, Boardwalk REIT earned FFO of $33.6 million and $97.2 million, respectively, for the three and nine months ended September 30, 2010, compared to $35.0 million and $102.3 million for the same periods last year. FFO on a per Unit basis for the current quarter ended September 30, 2010 decreased approximately 3.0% compared to the same period in the prior year, from $0.66 to $0.64. DI for the three months ended September 30, 2010 was $0.64 per Unit compared to $0.69 for the same period last year. The decrease was the result of lower net operating income generated by Boardwalk REIT's rental properties, mostly as a result of lower rental revenue in Alberta.

SPECIAL DISTRIBUTION

Unlike many REITs and real estate companies, Boardwalk REIT does not include any gains reported on the sale of its properties in its calculation of FFO. The Trust feels that such income is volatile and unpredictable, and would significantly dilute the relevance of FFO as a measure of performance.

During the last half of 2009 and the first half of 2010, the Trust generated approximately $47 million of free cash from the selective sale of certain non-core properties. The Trust is committed to returning this equity to its Trust Unitholders. Historically, this has been in the form of purchasing its REIT Units in the public market in an accretive manner. Although the Trust continues to be committed to this strategy, consistent with our balanced approach, it has been determined that a portion of these proceeds should be returned to the Trust Unitholders in the form of a special distribution. As this special distribution comes directly from the cash proceeds on the sale of these properties, the Trust is not dependant on its existing FFO to fund this distribution, but rather will continue its conservative regular distribution of $0.15 per Trust Unit on a monthly basis ($1.80 per Trust Unit on an annualized basis) from operational FFO. Boardwalk REIT's Board of Trustees agreed to have the Trust issue a special distribution of $0.50 per outstanding Trust Unit. The date of record of the special distribution was August 31, 2010, with a payment date of September 15, 2010.

Review of Rental Operations

In 000's, except per apartment unit amounts	**3 months Sept. 2010 (Unaudited)**	3 months Sept. 2009 (Unaudited)	% Change	**9 months Sept. 2010 (Unaudited)**	9 months Sept. 2009 (Unaudited)	% Change
Rental revenue	**$ 104,668**	$ 104,741	(0.1)%	**$ 313,744**	$ 315,091	(0.4)%
Expenses						
Operating expenses	**$ 18,755**	$ 18,200	3.1%	**$ 56,756**	$ 53,839	5.4%
Utilities	**$ 8,268**	$ 7,765	6.5%	**$ 31,080**	$ 31,875	(2.5)%
Utility rebate	**$ –**	$ –	–	**$ –**	$ (374)	–
Property taxes	**$ 9,733**	$ 9,766	(0.3)%	**$ 27,247**	$ 26,446	3.0%
	$ 36,756	$ 35,731	2.9%	**$ 115,083**	$ 111,786	3.0%
Net operating income	**$ 67,912**	$ 69,010	(1.6)%	**$ 198,661**	$ 203,305	(2.3)%
Rental revenue per unit per month	**$ 980**	$ 981	(0.1)%	**$ 979**	$ 983	(0.4)%
Operating costs per unit per month	**$ 344**	$ 335	2.9%	**$ 359**	$ 349	3.0%
Operating margins	**64.9%**	65.9%		**63.3%**	64.5%	

Overall, Boardwalk REIT's rental operations results for the third quarter and first nine months of 2010 were slightly lower compared to the same periods in 2009. Rental revenue was essentially flat for the current quarter year-over-year and declined 0.4% for the nine months ended September 30, 2010 compared to the same periods in the prior year. The decrease in rental revenue is mainly attributable to the performance of our properties in the province of Alberta. While occupancy levels increased in the province, this increase was more than offset by the decrease in market rents and the increase in incentives.

Total rental expenses increased 2.9% and 3.0%, respectively, for the three and nine months ended September 30, 2010. In the third quarter and first nine months of 2010 the slight increase in rental expenses is mainly attributable to higher repairs and maintenance resulting from the timing of boiler and fire alarm inspections. Utility costs increased in the current quarter compared to the same period In the prior year as a result of higher electrical and gas prices in the province of Alberta. For the first nine months of 2010, utility costs were lower as a result of lower overall natural gas prices, compared to the same period in 2009. Property taxes marginally decreased 0.3% for the third quarter, but increased 3.0% for the nine months ended September 30, 2010, compared to the same periods last year, primarily due to the timing of property tax rebates received for properties in the cities of Calgary and Edmonton. 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 included in income when they are received.

Overall, operating margins for the current quarter and the first nine months of 2010 were slightly lower at 64.9% and 63.3%, respectively, compared to the 65.9% and 64.5% for the same periods in 2009.

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

BRITISH COLUMBIA RENTAL OPERATIONS

In $000's	**3 months Sept. 2010 (Unaudited)**	3 months Sept. 2009 (Unaudited)	% Change	**9 months Sept. 2010 (Unaudited)**	9 months Sept. 2009 (Unaudited)	% Change
Rental revenue	**$ 2,860**	$ 2,800	2.1%	**$ 8,627**	$ 8,400	2.7%
Rental expenses:						
Operating expenses	**$ 319**	$ 389	(18.2)%	**$ 1,185**	$ 898	31.9%
Utilities	**$ 230**	$ 247	(6.9)%	**$ 879**	$ 918	(4.3)%
Property taxes	**$ 145**	$ 178	(18.3)%	**$ 460**	$ 492	(6.5)%
	$ 694	$ 814	(14.8) %	**$ 2,524**	$ 2,308	9.3%
Net operating income	**$ 2,166**	$ 1,986	9.1%	**$ 6,103**	$ 6,092	0.2%
Operating margins	**75.7%**	70.9%		**70.7%**	72.5%	

Boardwalk REIT's British Columbia portfolio continued to report good results. Rental revenue increased by 2.1% and 2.7% for the three and nine months ended September 30, 2010, respectively, compared to the same periods in the prior year as a result of increased occupancy levels. Operating expenses decreased in the current quarter as a result of lower advertising and bad debt expenses. Operating expenses, however, increased for the first nine months of 2010 as a result of an insurance refund received in the first quarter of 2009 and a 2009 first quarter inventory adjustment that lowered reported operating costs for 2009.

Operating margins for the third quarter of 2010 were 75.7%, an increase from 70.9% for the third quarter of 2009 as a result of decreased rental expenses in all areas. Operating margins for the first nine months of 2010, however, decreased compared to the same period in the prior year, largely a result of certain 2009 adjustments as outlined above.

ALBERTA RENTAL OPERATIONS

In $000's	**3 months Sept. 2010 (Unaudited)**	3 months Sept. 2009 (Unaudited)	% Change	**9 months Sept. 2010 (Unaudited)**	9 months Sept. 2009 (Unaudited)	% Change
Rental revenue	**$ 60,678**	$ 62,546	(3.0)%	**$ 183,136**	$ 189,663	(3.4)%
Rental expenses:						
Operating expenses	**$ 9,391**	$ 9,478	(0.9)%	**$ 30,025**	$ 29,073	3.3%
Utilities	**$ 4,431**	$ 4,075	8.8%	**$ 16,544**	$ 16,176	2.3%
Utilities rebate	**$ –**	$ –	0.0%	**$ –**	$ (372)	–
Property taxes	**$ 5,449**	$ 5,515	(1.2)%	**$ 14,284**	$ 13,323	7.2%
	$ 19,271	$ 19,068	1.1%	**$ 60,853**	$ 58,200	4.6%
Net operating income	**$ 41,407**	$ 43,478	(4.8)%	**$ 122,283**	$ 131,463	(7.0)%
Operating margins	**68.2%**	69.5%		**66.8%**	69.3%	

Boardwalk REIT's Alberta operations for the three and nine months ended September 30, 2010 posted decreased rental revenue of 3.0% and 3.4%, respectively, when compared to the amounts reported in the same periods during fiscal 2009. The reported rental revenue changes are largely the result of lower market rents and increased rental incentives offered despite higher occupancy rates. Alberta occupancy rates for the three and nine months ended September 30, 2010 were 96.2% and 96.3%, respectively, compared to 94.6% and 94.3% for the same periods in the prior year. Operating expenses decreased marginally for the three months ended September 30, 2010, mainly as a result of slightly lower suite maintenance and landscaping expenses for the quarter; however, operating expenses were higher in the first nine months of 2010 compared to the same period in 2009 as a result of higher repairs and maintenance costs relating to the timing of boiler and fire alarm inspections. Utility costs were higher in the third quarter and the first nine months of 2010 as a result of higher electricity costs and natural gas prices compared to the same periods in the prior year. The Trust has entered into a 3-year contract with a utility company to supply the Trust with its electrical power needs for Alberta. The blended rate of this contract is $0.06/kWh.

SASKATCHEWAN RENTAL OPERATIONS

In $000's	**3 months Sept. 2010 (Unaudited)**	3 months Sept. 2009 (Unaudited)	Change	**9 months Sept. 2010 (Unaudited)**	9 months Sept. 2009 (Unaudited)	Change
Rental revenue	**$ 13,945**	$ 13,227	5.4%	**$ 41,416**	$ 38,648	7.2%
Rental expenses:						
Operating expenses	**$ 1,809**	$ 1,611	12.3%	**$ 5,441**	$ 5,225	4.1%
Utilities	**$ 850**	$ 861	(1.3)%	**$ 3,392**	$ 4,010	(15.4)%
Property taxes	**$ 949**	$ 749	26.7%	**$ 2,894**	$ 3,056	(5.3)%
	$ 3,608	$ 3,221	12.0%	**$ 11,727**	$ 12,291	(4.6)%
Net operating income	**$ 10,337**	$ 10,006	3.3%	**$ 29,689**	$ 26,357	12.6%
Operating margins	**74.1%**	75.6%		**71.7%**	68.2%	

Boardwalk REIT's Saskatchewan operations continued to report strong results for the three and nine months ended September 30, 2010 compared to the same periods in fiscal 2009. For the current quarter and first nine months of 2010, overall rental revenue increased by 5.4% and 7.2%, respectively. The increases are mainly the result of strong rental market fundamentals in both Regina and Saskatoon. Rental operating expenses increased by 12.3% for the third quarter of 2010, primarily due to higher building maintenance expenses. Property taxes for the current quarter were higher compared to the third quarter of 2009 as a result of increased property tax assessments in the province. The net result is rental expenses increasing 12.0% for the third quarter compared to the same period last year. Operating expenses decreased by 4.6% for the nine months ended September 30, 2010 compared to the same period in the prior year, mainly as a result of lower utility charges. The Trust locked into a fixed price natural gas contract for its Saskatchewan natural gas consumption in November 2009 after the previous contract expired in October of 2009. This contract expired in October 2010. This physical supply contract was renewed for an additional one-year term commencing November 1, 2010. The previous natural gas contract locked the price of natural gas at $8.28/GJ compared to $4.98/GJ under the contract which expired October 31, 2010, resulting in a decrease in utility charges. The renewed contract locked in price of natural gas is $4.81/GJ. More details of this commitment are reported in Note 16 of the Trust's consolidated financial statements for the three and nine months ended September 30, 2010.

ONTARIO RENTAL OPERATIONS

In $000's	**3 months Sept. 2010 (Unaudited)**	3 months Sept. 2009 (Unaudited)	Change	**9 months Sept. 2010 (Unaudited)**	9 months Sept. 2009 (Unaudited)	Change
Rental revenue	**$ 9,587**	$ 9,450	1.4%	**$ 28,806**	$ 28,330	1.7%
Rental expenses:						
Operating expenses	**$ 1,631**	$ 1,591	2.5%	**$ 4,872**	$ 4,920	(1.0)%
Utilities	**$ 1,728**	$ 1,467	17.8%	**$ 5,211**	$ 4,975	4.7%
Property taxes	**$ 1,508**	$ 1,667	(9.6)%	**$ 4,517**	$ 4,634	(2.5)%
	$ 4,867	$ 4,725	3.0%	**$ 14,600**	$ 14,529	0.5%
Net operating income	**$ 4,720**	$ 4,725	(0.1)%	**$ 14,206**	$ 13,801	2.9%
Operating margins	**49.2%**	50.0%		**49.3%**	48.7%	

Boardwalk REIT's Ontario operations reported a marginal increase in rental revenue for the three and nine months ended September 30, 2010, compared to the same periods last year. Rental expenses increased slightly for the three months ended September 30, 2010, compared to the same period in the prior year, mainly as a result of higher utility costs despite lower property taxes. There was a fixed price natural gas contract in place for Ontario. The fixed price of this contract was $7.65/GJ for 50% of our Ontario usage. This contract expired on October 31, 2010 and was renewed for an additional one-year term at a fixed price of $4.07/GJ. The details of this are reported in Note 16 of the Trust's consolidated financial statements for the three and nine months ended September 30, 2010.

QUEBEC RENTAL OPERATIONS

In $000's	**3 months Sept. 2010 (Unaudited)**	3 months Sept. 2009 (Unaudited)	Change	**9 months Sept. 2010 (Unaudited)**	9 months Sept. 2009 (Unaudited)	Change
Rental revenue	**$ 17,026**	$ 16,386	3.9%	**$ 50,479**	$ 49,050	2.9%
Rental expenses:						
Operating expenses	**$ 3,675**	$ 3,698	(0.6)%	**$ 11,049**	$ 9,673	14.2%
Utilities	**$ 921**	$ 1,221	(24.6)%	**$ 4,650**	$ 5,646	(17.7)%
Property taxes	**$ 1,662**	$ 1,623	2.4%	**$ 5,016**	$ 4,867	3.1%
	$ 6,258	$ 6,542	(4.3)%	**$ 20,715**	$ 20,186	2.6%
Net operating income	**$ 10,768**	$ 9,844	9.4%	**$ 29,764**	$ 28,864	3.1%
Operating margins	**63.2%**	60.1%		**59.0%**	58.8%	

Boardwalk REIT's Quebec operations reported good results, with increases in rental revenue of 3.9% and 2.9% for the three and nine months ended September 30, 2010, respectively, compared to the same periods in the prior year, due to improving market fundamentals in that province. Reported rental expenses for the third quarter of 2010 decreased by 4.3%, but increased for the first nine months of 2010 compared to the same periods in the prior year. Utility costs were lower for the current quarter and first nine months of 2010 compared to the same periods in the prior year, primarily as a result of natural gas credit adjustments received, and was the main driver for the decrease in rental expenses for the current quarter. For the first nine months of 2010, however, higher repair and maintenance more than offset the decrease in utility expenses compared to the same period in 2009. Similar to Ontario, there is currently a fixed natural gas price in Quebec for 50% of the usage in the province. This contract expired on October 31, 2010 and was renewed for an additional one-year term at the same rate as the Ontario renewal contract. Additional details on this supply contract can be found in Note 16 of the Trust's consolidated financial statements for the three and nine months ended September 30, 2010.

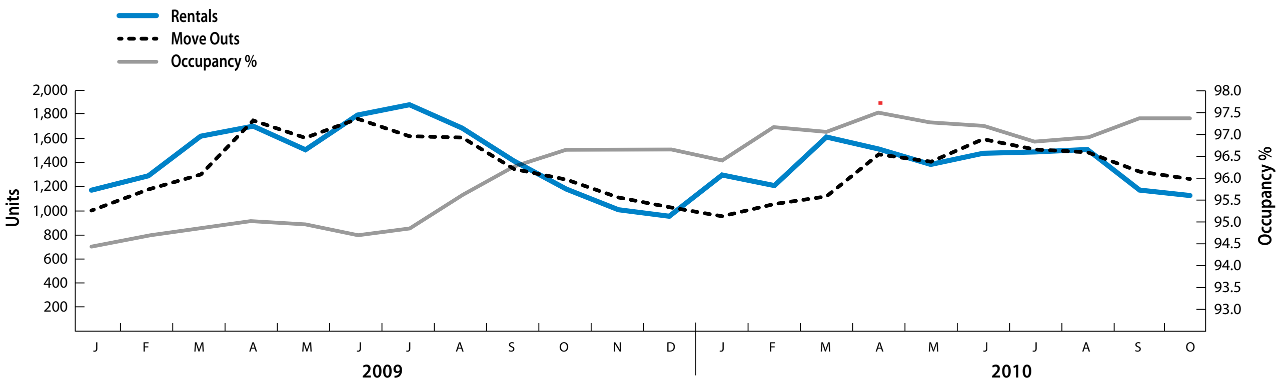
BOARDWALK'S RENTAL STRATEGY

Boardwalk's rental revenue strategy focuses on maximizing rental revenues through actively managing three main variables: occupancy levels, incentives offered and market rents. It is important to note that these variables are in constant flux and may be different between regions and buildings within the same region. The main goal of our strategy is to maximize revenues over the year. In a more competitive market like the one we are in, the Trust locks in rentals on selective suites for future months but does not collect revenue for certain months in the immediate future. What this means is that the Trust may decide to rent a suite today with the Customer not moving in until later in the year. Although the suite is rented, it will not generate revenue until the Customer actually moves in, for example, in October, which corresponds to the next quarter. 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.

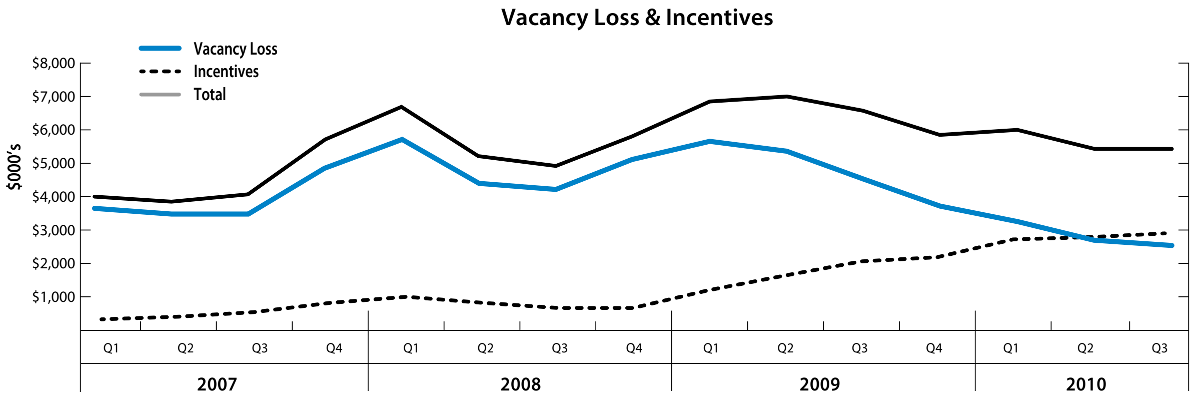
City	Q3 2010	Q3 2009	Q2 2010	Q1 2010
Calgary	97.57%	95.78%	98.59%	98.41%
Edmonton	96.93%	94.91%	97.09%	96.28%
Other Alberta	92.53%	91.39%	93.02%	92.88%
Regina	96.83%	96.87%	97.77%	96.83%
Saskatoon	97.98%	98.12%	97.85%	97.58%
Kitchener	96.76%	97.76%	96.96%	98.58%
London	97.32%	96.33%	97.57%	97.27%
Windsor	96.38%	92.48%	96.34%	96.34%
Montreal	96.37%	96.97%	97.23%	97.29%
Quebec City	97.82%	97.53%	97.47%	98.13%
Gatineau	na	96.46%	na	98.91%
Verdun	98.71%	96.90%	97.96%	96.87%
Vancouver	98.57 %	93.21%	97.99%	98.47%
Victoria	96.38%	98.57%	97.02%	97.92%
Grand Total	97.01%	95.54%	97.29%	96.85%

The third quarter of fiscal 2010 saw the portfolio's overall occupancy rate increase to 97.01% from 95.54% for the same period in the prior year. At this time in the rental cycle, Boardwalk REIT is much more focused on increasing occupancy, as this will result in higher overall revenue being earned. The 92.53% occupancy rate for "Other Alberta" includes Grande Prairie, which continues to experience lower occupancies as a result of a significant decrease in natural gas exploration and development activity. Despite the higher occupancy level in Alberta, however, average monthly rents per suite in the province remain lower in 2010 compared to 2009.

Supply & Demand



Supply and demand, 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. During 2009, the Trust made the decision to adjust downward market rents in selective markets, in particular, Alberta. This strategy was initiated with the intent of increasing occupancy rates in these markets. This strategy continues to be viewed as a success, as we have demonstrated a significant increase in occupancy levels compared to the occupancy rate of 95.54% for the third quarter of 2009, mitigating the negative effects on our revenue from a contracting economy. Boardwalk REIT will continue with this strategy; however, the Trust is now in the position whereby we may see some upward rental adjustments in certain selective markets. The reader is cautioned that adjusting market rental rates is an on-going 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 rental incentives are strong indicators of current and future revenue potential. Depending on specific market conditions, to best manage overall economic rental revenue, the correct balance between rental incentives and vacancy loss is important. The above chart details, on a quarterly basis, rental incentives versus vacancy loss. The reported decrease in vacancy loss while seeing incentives increase, starting in the second quarter of 2009, 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, vacancy levels and suite-selective incentives.

STABILIZED PROPERTY RESULTS

Boardwalk REIT defines a stabilized property as one that the Trust has owned for a period of at least two years. The definition is simply one of term of ownership, and the Trust believes the metric to be the most useful on a comparative basis to the prior year. It is not the intent for the definition to indicate market maturity. At the end of the third quarter of 2010, Boardwalk REIT's entire rental unit portfolio was considered stabilized and consisted of a total of 35,598 units (excluding the 88-unit property in Quebec that sold and closed October 27, 2010). The following compares the stabilized property results for the three and nine months ended September 30, 2010 with the same periods in the prior year.

Sept. 30, 2010 – 3 M	# of Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	5,234	-6.1%	11.6%	-11.7%	17.2%
Edmonton	12,337	-1.4%	-2.8%	-0.6%	36.7%
Other Alberta	2,172	-4.0%	3.7%	-7.6%	5.8%
British Columbia	954	2.1%	-14.8%	9.1%	3.1%
Ontario	4,265	1.8%	3.0%	0.5%	6.8%
Quebec	6,000	3.9%	-1.7%	7.4%	15.5%
Saskatchewan	4,636	5.4%	12.0%	3.3%	14.9%
	35,598 (1)	-0.3%	1.5%	-1.1%	100.0%

(1) Number of apartment units excludes Cote Vertu, an 88-unit property located in St. Laurent, Quebec, which sold and closed October 27, 2010.

Sept. 30, 2010 – 9 M	# of Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	5,234	-6.0%	3.7%	-9.6%	17.6%
Edmonton	12,337	-1.7%	6.3%	-5.5%	36.9%
Other Alberta	2,172	-5.9%	-3.5%	-7.1%	6.0%
British Columbia	954	2.7%	9.3%	0.2%	3.0%
Ontario	4,265	1.8%	0.5%	3.2%	7.0%
Quebec	6,000	2.9%	4.7%	1.7%	14.8%
Saskatchewan	4,636	7.2%	-4.6%	12.6%	14.7%
	35,598 (1)	-0.5%	3.1%	-2.3%	100.0%

(1) Number of apartment units excludes Cote Vertu, an 88-unit property located in St. Laurent, Quebec, which sold and closed October 27, 2010.

For the third quarter of 2010, stabilized revenue decreased by 0.3% compared to the same period in the prior year. Operating expenses increased by 1.5% and overall net operating income decreased by 1.1%. The decrease in reported stabilized revenue was driven mainly by the Trust's Calgary, Alberta operations, which account for approximately 17.2% of the Trust's reported stabilized net operating income for the third quarter of 2010. The majority of the reported increase in rental operating expenses for the three months ended September 30, 2010 was due to higher utility costs, particularly in the province of Alberta.

For the nine months ended September 30, 2010, stabilized revenues decreased by 0.5% over the same period last year. Combined with an increase in operating expenses of 3.1% over the same period last year, this resulted in an overall decrease in net operating income of 2.3%.

Stabilized Revenue Growth	# of Units	Q3 2010 vs. Q2 2010	Q3 2010 vs. Q1 2010	Q3 2010 vs. Q4 2009	Q3 2010 vs. Q3 2009
Calgary	5,234	-1.1%	-2.4%	-5.3%	-6.1%
Edmonton	12,337	-0.6%	-0.3%	-1.4%	-1.4%
Other Alberta	2,172	-2.5%	-0.1%	-2.7%	-4.0%
British Columbia	954	-0.2%	-1.5%	-0.1%	2.1%
Ontario	4,265	-0.2%	-0.3%	-0.4%	1.8%
Quebec	6,000	1.4%	2.1%	2.6%	3.9%
Saskatchewan	4,636	0.8%	2.3%	3.4%	5.4%
	35,598 (1)	-0.2%	0.1%	-0.8%	-0.3%

(1) Number of apartment units excludes Cote Vertu, an 88-unit property located in St. Laurent, Quebec, which sold and closed October 27, 2010.

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. On a sequential basis, stabilized revenues reported in the third quarter of 2010 decreased slightly by 0.2% over Q2 2010, increased by 0.1% compared to Q1 2010, decreased 0.8% compared to Q4 2009 and decreased by 0.3% compared to Q3 2009. As previously highlighted, occupancy levels have increased compared to Q2 2010 as a result of Boardwalk's strategy of reducing market rents to increase occupancy levels. An aggressive approach to this strategy has resulted in a slight decrease in overall rental revenues, despite an increase in the Trust's occupancy rate. The Trust strives toward balancing the optimum level of rental incentives and occupancy rates in order to achieve its revenue maximization strategy. The Trust continues to control operating expenses, in addition to its revenue-maximization strategy. Operating expenses only marginally increased in the third quarter of 2010 compared to the same period in 2009, but increased 3.1% for the nine months of the current year compared to the same period in the prior year due primarily to the timing of boiler and fire alarm inspections.

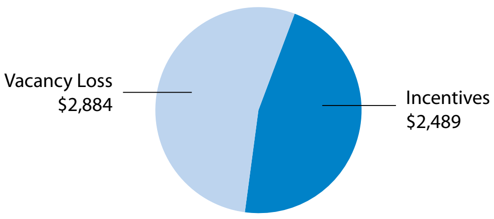
ESTIMATED LOSS-TO-LEASE CALCULATION

Boardwalk REIT's estimated loss-to-lease, representing the difference between estimated market rents and actual occupied rents on September 30, 2010, adjusted for current occupancy levels, totaled $3.5 million on an annualized basis, or $0.07 per outstanding Trust Unit. The estimated loss-to-lease is the direct result of Boardwalk's proactive strategy to reduce rents in Alberta to increase its occupancy levels. The reader should note that the estimated loss-to-lease, calculated at a point in time, is a non-GAAP measure, of which there is no comparable GAAP measure, and that reported market rents can be very seasonal and, as such, will vary from quarter to quarter. The significance of this change could materially affect Boardwalk REIT's "estimated loss-to-lease" amount. The importance of this estimate, however, is that it can be an indicator of future rental performance assuming consistent economic conditions and trends.

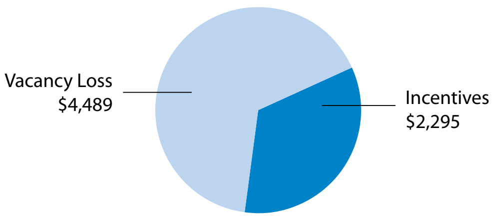
	Sept. 2010 Occupied Rent	Sept. 2010 Market Rent	Mark to Market Per Month	Annualized Mark to Market Adjusted for Vacancies ($000's)	Weighted Average Units	% of Portfolio
Calgary	$ 1,089	$ 1,152	$ 63	$ 3,899	5,310	15%
Edmonton	$ 1,063	$ 1,050	$ (13)	$ (1,881)	12,497	35%
Other Alberta	$ 1,011	$ 1,022	$ 11	$ 235	1,936	5%
Total Alberta	$ 1,065	$ 1,075	$ 10	$ 2,253	19,743	55%
Saskatchewan	$ 1,032	$ 1,028	$ (3)	$ (189)	4,635	13%
Ontario	$ 784	$ 787	$ 3	$ 173	4,265	12%
Quebec	$ 964	$ 970	$ 6	$ 464	6,088	17%
British Columbia	$ 973	$ 1,049	$ 76	$ 847	954	3%
Total Portfolio	$ 1,007	$ 1,016	$ 9	$ 3,548	35,685	100%

The increase in the loss-to-lease for our portfolio, from $3.2 million at June 2010 to $3.5 million at September 2010, was due primarily to the Trust's continued focus strategy to reduce market rent prices in an attempt to lower overall vacancy and increase reported rental revenue. As with prior quarters, Boardwalk REIT continues to focus on the maximization of overall rental revenue by establishing appropriate levels of market rents with certain occupancy level targets, as well as offering suite-selective incentives, when warranted.

Revenue Opportunities



Q3 2010 *(in $000's)*



Q3 2009 *(in $000's)*

As was previously mentioned, the opportunity in the short term will be to significantly reduce the amount of reported vacancy loss while minimizing the amount of suite-specific incentives. Boardwalk will continue to focus on these areas, trying to balance the amount of increased incentives we offer to new and existing Customers with the increased revenue derived from a decrease in the noted vacancy loss. Since vacancy loss is a factor of market rents, as we have adjusted market rents downward, the amount of vacancy loss will also decrease accordingly.

Financing Costs

Financing costs for the third quarter and first nine months of 2010 decreased from the same periods in the prior year, from $27.0 million and $80.0 million, respectively, to $26.3 million and $78.2 million, due primarily to lower interest rates. Boardwalk REIT's overall liquidity as of the date of this report is estimated to be approximately $404.8 million; the details of this will be discussed later in this report. Of this, approximately $206.6 million is represented by cash reported on its September 30, 2010 balance sheet.

As at September 30, 2010, the reported weighted average interest rate on its mortgage and debt portfolio was 4.32% compared to 4.44% at June 30, 2010, 4.49% at March 31, 2010, 4.52% at December 31, 2009 and 4.62% at September 30, 2009. The average term maturity of the mortgage and debt portfolio is approximately 3.4 years. Approximately $110.1 million of secured mortgages is set to mature in the fourth quarter of 2010. Current 5-year renewal interest rates are approximately 2.8%, 167 basis points lower than the weighted average maturing rate of 4.47%.

Subsequent to the end of the third quarter of 2009, as a normal part of Boardwalk's review of its mortgage maturity schedule, the Trust was successful in "blending and extending" its largest mortgage scheduled to mature in 2012. The Trust was able, on a non-dilutive basis, to extend the maturity of this debt for an additional two years. Boardwalk REIT concentrates on multi-family residential real estate; thus, it is able to obtain government-backed insurance through the National Housing Act ("NHA"), which is administered by the Canadian Mortgage and Housing Corporation ("CMHC"). The benefits of purchasing this insurance are twofold.

The first benefit of using CMHC insurance is that Boardwalk REIT can normally obtain lower interest rate spreads on its property financing compared to spreads on conventional mortgage financing, leading to a 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 debt 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 not had any difficulty finding mortgage lenders willing to assume or underwrite additional mortgages under this program.

At September 30, 2010, approximately 99% of Boardwalk REIT's mortgage secured debt was backed by this NHA insurance with a weighted average amortization period of approximately 32 years.

Administration

Administration expenses were $6.3 million and $19.1 million, respectively, for the three and nine months ended September 30, 2010, compared to $6.1 million and $19.9 million for the same period in the prior year. This represents an increase of approximately 2.8% and decrease of 4.2%, respectively, compared to the corresponding periods in 2009.

Deferred Financing Costs Amortization

The amounts reported here relate primarily to the amortization and write-off of CMHC premiums, which are paid as part of its mortgage financing. Under current reporting requirements, if Boardwalk REIT pays off 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 included in earnings in the period that this occurs. In late 2009, the Trust entered into an agreement with the existing mortgage lender of its largest CMHC-secured property, which had an outstanding balance of approximately $216.8 million, to extend the maturity date of these mortgages for an additional two years. As the year 2012 previously had the highest amount of maturing mortgages, the Trust felt it would be prudent to move some of these maturing mortgages to a later period. This early renewal resulted in an early renewal fee of approximately $11 million. The Trust is amortizing this fee paid over the term of the new mortgages and, as such, recorded approximately $1.2 million in additional deferred financing amortization in the first nine months of 2010.

Amortization

The amounts reported as amortization of capital and intangible assets from continuing operations for the three and nine months ended September 30, 2010 were $22.1 million and $64.9 million, respectively, which were consistent with $21.6 million and $64.0 million for the same periods in the prior year.

Real Estate Assets

Dispositions *($000's)*	**3 months ended September 30, 2010**	3 months ended September 30, 2009	**9 months ended September 30, 2010**	9 months ended September 30, 2009
Cash received	**$ 13,113**	$ 499	**$ 57,033**	$ 11,499
Cost of dispositions	**(367)**	–	**(907)**	(21)
Net cash proceeds	**12,746**	499	**56,126**	11,478
Net book value	**7,020**	306	**35,382**	9,988
Gain (loss) on dispositions	**$ 5,726**	$ 193	**$ 20,744**	$ 1,490
Multi-family units sold	**119**	1	**733**	134

During the three months ended September 30, 2010, dispositions consisted of the sale of an 88-unit rental property located in Edmonton, Alberta and the insurance settlement of a 31-unit rental property located in Grande Prairie, Alberta that was previously destroyed by fire. In addition to these dispositions, the nine months ended September 30, 2010 included the sale of a 321-unit rental property located in Gatineau, Quebec that was reported in the first quarter of 2010 and the sales of a 91-unit rental property located in Calgary, Alberta, a 178-unit rental property located in Montreal, Quebec, and two 12-unit rental buildings located in Regina, Saskatchewan that were reported in the second quarter of 2010.

For the third quarter ended September 30, 2009, dispositions consisted of the sale and closing of one unit in a 90-unit property located in Calgary, Alberta that had been converted from a rental property to owner occupied condominium units for sale. This sale represented the final unit of this property. For the nine months ended September 30, 2009, in addition to the final condominium unit sale, dispositions included the sale of a 133-unit rental property located in Surrey, British Columbia that was reported in the second quarter of 2009.

It should be noted that the Trust does not include any gain or loss reported on the sale of any of its assets in the computation of FFO.

Capital Improvements

For the first nine months of fiscal 2010, Boardwalk REIT invested approximately $48.1 million in its properties in the form of project enhancements, an increase of $0.4 million from the $47.7 million invested in the same period in 2009. The current year's expenditures remain relatively consistent, as the Trust continues to be more selective in the capital investments undertaken due to current market conditions.

Included in these amounts is approximately $14.4 million of capitalized on-site wages and salaries, compared to $ 11.0 million for the same period last year. The increase is the direct result of the Trust continuing to internalize work that was previously contracted out to third parties. This amount is an estimate of site personnel costs associated with the completion of capital projects, and is consistent with internal expectations, as a significant portion of the improvements are now performed "in-house".

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 of Adjusted Funds From Operations ("AFFO") that can be distributed to Unitholders.

Maintenance capital includes those expenditures of a capital nature that are not considered to add to productive capacity, 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 more focused on increasing the productivity of the property, with the goal of increasing the FFO generated at that property.

The following chart provides Management's estimate of the two capital expenditure categories:

In $000's except per suite amounts	3 months Sept. 2010	Per Suite	9 months Sept. 2010	Per Suite
Maintenance Capital Expenditures	**$ 4,018**	$ 113	**$ 12,127**	$ 338
Stabilizing and Value Enhancing Capital Expenditures	**$ 15,381**	$ 430	**$ 36,015**	$ 1,002
	$ 19,399	$ 543	**$ 48,142**	$ 1,340

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 as regular distributions an estimated 70.4% of reported FFO and 79.9% of AFFO for the current quarter ended September 30, 2010, and 73.1% of FFO and 83.6% of AFFO for the nine month period ended September 30, 2010.

(000's)	3 months September 2010	9 months September 2010
Funds From Operations (FFO)	**$ 33,608**	**$ 97,196**
Maintenance Capital Expenditures	**$ (4,018)**	**$ (12,127)**
Adjusted Funds From Operations (AFFO)	**$ 29,590**	**$ 85,069**
Unitholder Distributions *	**$ 23,653**	**$ 71,088**
Distribution as a % of FFO	**70.4%***	**73.1%***
Distribution as a % of AFFO	**79.9%***	**83.6%***

*This does not include the $26.3 million special distribution paid by the Trust to Unitholders in Q3 2010.

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).

Unitholders' Equity

The following chart discloses the changes in reported Unitholders' Capital:

Summary of Unitholders' Capital Contributions	Units	Amount
December 31, 2008	53,477,042	$ 256,773
Deferred unit plan	–	389
Units issued for vested deferred units	57,425	1,979
Units purchased and cancelled	(790,000)	(22,756)
December 31, 2009	52,744,467	$ 236,385
Deferred unit plan	–	211
Units issued for vested deferred units	35,799	1,504
Units purchased and cancelled	(215,600)	(8,531)
September 30, 2010	**52,564,666**	**$ 229,569**

In the third quarter of fiscal 2007, Boardwalk REIT filed an application for a Normal Course Issuer Bid (the "First Bid"), which received regulatory approval from The Toronto Stock Exchange on August 10, 2007. The Bid allowed Boardwalk REIT to purchase and cancel up to 4,267,048 Trust Units, representing 10% of the public float of its Trust Units at the time of the TSX approval. The Bid terminated on August 17, 2008.

In August of 2008, Boardwalk REIT filed an application for a Normal Course Issuer Bid (the "Second Bid"), which received regulatory approval from The Toronto Stock Exchange on August 18, 2008. The Second Bid allowed Boardwalk REIT to purchase and cancel up to 4,040,192 Trust Units representing 10% of the public float of its Trust Units at the time of the TSX approval. The Second Bid terminated on August 19, 2009.

Under the Second Bid, the Trust purchased and cancelled, on a cumulative basis, 1,436,000 REIT Units (790,000 in fiscal 2009 and 646,000 in fiscal 2008), representing a total purchase cost of approximately $42.9 million (fiscal 2009 – $22.8 million and fiscal 2008 – $20.1 million), or an average of $29.86 per Trust Unit.

In August of 2009, Boardwalk REIT filed an application for a Normal Course Issuer Bid (the "Third Bid"), which received regulatory approval from The Toronto Stock Exchange on August 24, 2009. The Third Bid allowed Boardwalk REIT to purchase and cancel up to 3,932,211 Trust Units, representing 10% of the public float of its Trust Units at the time of the TSX approval. The Third Bid terminated on August 23, 2010.

Under the Third Bid, the Trust purchased and cancelled 208,400 REIT Units (none in fiscal 2009), representing a total purchase cost of approximately $8.2 million, or an average of $39.45 per Trust Unit.

In August of 2010, Boardwalk REIT filed an application for a Normal Course Issuer Bid (the "Fourth Bid"), which received regulatory approval from The Toronto Stock Exchange on August 18, 2010. The Fourth Bid allows Boardwalk REIT to purchase and cancel up to 3,918,286 Trust Units, representing 10% of the public float of its Trust Units at the time of the TSX approval. The Fourth Bid will terminate on the earlier of August 23, 2011 or at such time as the purchases under the Fourth Bid is complete.

Under the Fourth Bid, the Trust purchased and cancelled, on a cumulative basis, 7,200 REIT Units, representing a total purchase cost of approximately $0.3 million, or an average of $43.16 per Trust Unit.

To date since August 2007, on a cumulative basis, the Trust purchased and cancelled 4,174,047 REIT Units, representing a total purchase cost of approximately $155.3 million, or an average of $37.20 per Trust Unit.

As is reported on the face of the balance sheet, the Trust has Unitholders' Equity (Deficit) of $ (100.8) million. To better allow the reader to review the details of this account, the Trust now includes a separate Consolidated Statement of Unitholders' Equity. As shown on this statement, there is a continued drawdown of reported cumulative income, which is the direct result of the Trust's distributions paid to its Unitholders. The Trust's monthly distribution has two components. The first relates to the distribution of income and the second relates to a return of capital for tax purposes. On an annualized tax basis, it is estimated that about 60% of Boardwalk REIT's distribution will be in the form of a return of capital with the remaining 40% constituting income and capital gains, if any.

As these two components together determine the reported distributions, it was inevitable that the Trust would, over time, distribute amounts in excess of reported cumulative earnings. The Trust moved closer to reporting cumulative distributions being in excess of cumulative earnings at the end of the second quarter of 2007, when it recorded a future tax loss of $111.1 million. The Income Tax Act (Canada) (the "Tax 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 trust which existed prior to November 1, 2006. In addition, the SIFT Legislation will not impose tax on a trust which qualifies as a real estate investment trust ("REIT") as defined in the Tax Act. Based on a detailed review of the SIFT Legislation at the time, it could be interpreted that the Trust will not qualify as a REIT. The future tax liability as a result of the SIFT Legislation is reviewed and adjusted quarterly, as necessary. As at the end of the 2009 fiscal year, this future tax liability was $95.2 million. This future tax liability was revised upwards by $4.6 million to $99.8 million at September 30, 2010, due primarily to changes in the timing differences between accounting and tax asset values.

As a result of Bill C-10, which passed Third Reading in the House of Commons on March 4, 2009, technical amendments proposed in December 2007 were enacted, which clarified the definition of a REIT for Canadian income tax purposes, including the definition of what is considered "rent from real or immoveable properties". However, despite this clarification, further clarification is still needed, particularly as it relates to gains on the disposition of real or immoveable properties and whether such gains retain their characteristics as they flow from one trust entity to another trust. As a result, the previously recorded future income tax liability will continue to be reported by the Trust until further clarity for qualifying as a REIT for Canadian income tax purposes become available. This topic will be discussed in more detail later in the MD&A.

Boardwalk REIT, as was previously noted, calculates its distributions not on net earnings but rather on distributable income (DI). As was previously noted, DI is a non-GAAP measure and we have provided a reconciliation from reported total operating cash flows (which is a GAAP measurement). The basis for this is that, like most other real estate entities, the key determination for these distributions is available cash generated from operations.

Boardwalk REIT has one class of voting securities known as "REIT Units". As at September 30, 2010, there were 48,089,666 REIT Units issued and outstanding. In addition, there are currently 4,475,000 Class "B" Special Voting Units of Boardwalk REIT Limited Partnership ("LP B Units") each of which also has a Special Voting Unit in the REIT. Each LP B Unit is exchangeable for REIT Units 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 52,564,666. Under Canadian GAAP, the LP B Units are included as equity. Under IFRS, the LP B Units may have to be reported as debt in the future. Based on our preliminary review, this reclassification will have no impact on any of Boardwalk's reported debt or equity covenants.

Liquidity and Capital Resources

Liquidity refers to the Trust's ability to generate sufficient cash to fund our on-going operations and capital commitments as well as our 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 buyback and refinancing maturing debt.

Over the past fiscal year, many of our lending partners have suffered losses that were mainly the result of the overall weaker economy and a general erosion of financial strength. As a result, many of these lenders have tightened their lending standards, making access to additional cost-effective debt capital more difficult. Although it is impossible to eliminate this risk, the Trust does significantly mitigate this with the use of NHA mortgage insurance, the benefits of which were discussed in detail earlier. The ability to access this financing product has been very beneficial to the Trust.

The Trust's current liquidity position, as of the date of this report, remains stable as the following table highlights:

Cash position – September 2010	$	206,600,000
Subsequent Committed Additional Financing	$	–
	$	206, 600,000
Committed Revolving Credit Facility Available	$	198, 228,000
Total Available Liquidity	$	404,828,000

In addition to these amounts, the Trust anticipates that, assuming market conditions remain the same, if warranted, the Trust could arrange an additional $66.0 million of net new mortgage financing proceeds to be in place prior to the end of the fiscal year 2010. This would not include any new financing on its portfolio of $201.7 million in unencumbered assets, of which $71.8 million are pledged against the Trust's committed revolving credit facility.

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 all of the $110.1 million of secured debt coming due in the remainder of 2010 (as shown in the table below) has NHA insurance and represents in aggregate approximately 49% (1) of the current estimated values on those individually secured assets. Currently, interest rates for terms five years or less are well below the reported weighted average interest rates we have coming due in 2010 and 2011. 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.

(1) This does not include dispositions which occurred subsequent to September 30, 2010 (See note 19 in the unaudited consolidated financial statements for September 30, 2010).

MORTGAGE AND DEBT SCHEDULE

Year	Principal Outstanding as at Sept. 30, 2010	Weighted Average Interest Rate By Maturity	% of Total
2010	110,110,883	4.47%	4.64%
2011	214,310,277	4.71%	9.03%
2012(1)	580,166,583	4.89%	24.44%
2013	292,610,568	4.51%	12.32%
2014(2)	434,849,568	3.51%	18.32%
2015	403,375,585	3.81%	16.99%
2016	125,873,158	4.66%	5.30%
2017	88,941,990	3.80%	3.75%
2018	6,008,588	6.18%	0.25%
2019	77,634,485	5.09%	3.27%
2020	40,370,606	4.44%	1.69%
Total Principal Outstanding	2,374,252,291	4.32%	100.00%

(1) Includes Principal balance of Unsecured Debenture.

(2) In September 2009, approximately $216.8 million secured by our Nuns' Island Portfolio was extended to a maturity date of October 1, 2014 on an anti-dilutive basis.

In Q3 2009, as part of Boardwalk's normal review of its mortgage maturity schedule, the Trust entered into an agreement with the existing mortgage lender of its largest CMHC-secured property with an outstanding balance of approximately $216.8 million to extend the maturity date for an additional two years. The year 2012 has the highest amount of maturing mortgages. On a non-dilutive basis, the arrangement known as a "blend and extend" extended the maturity of this mortgage from November 1, 2012 to October 1, 2014.

Notwithstanding the Trust's current liquidity situation, Boardwalk REIT's liquidity and access to capital resources were previously constrained by certain tests that were adopted in both its Declaration of Trust and the indenture for its Unsecured Debentures. The most constraining was what is referred to as its Debt-to-Gross Book Value. With this in mind, the Trust recommended and received approval from its Unitholders as well as its Unsecured Debenture Holders, for an interim step of adjusting upward the current basis of this calculation. At its Unitholders meeting in May of 2008 and at the Debenture Holders special meeting dated July 30, 2008, the holders of these instruments approved an additional provisional bump to the calculation of the Trust's Gross Book Value. The additional bump was in the amount of $410 million. The determination was completed in a similar manner to the original one completed in May of 2004 in conjunction with our conversion to a Trust, with one significant difference. In the most recent adjustment, we recommended an adjustment that would only move the Trust to one-half of the estimated enterprise value of its investment assets, an amount the Trust feels is still well below the fair value of its assets. In total, the adjustment of $641 million will improve the Trust's ability to fully implement its strategy.

Boardwalk REIT's financial position better reflects its low leverage, with the overall debt level reported at 61% of Gross Book Value ("GBV"). GBV is a non-GAAP term that is defined in the Trust's DOT. In general, it is determined by taking total reported assets of the Trust, adding back accumulated amortization and making a one-time adjustment in the amount of approximately $641 million ($231 million prior to May 13, 2008 – see Note 13 to the unaudited consolidated financial statements for the three and nine months ended September 30, 2010). The following chart sets out the Trust's recomputed GBV:

Gross Book Value Calculation *($000's)*	**September 2010**	December 2009
Total reported assets	**$ 2,343,554**	$ 2,378,278
Accumulated amortization	**730,152**	677,613
Conversion adjustment	**641,460**	641,460
	$ 3,715,166	$ 3,697,351
Mortgages payable	**$ 2,170,268**	$ 2,145,638
Debentures	**$ 112,116**	$ 111,834
	$ 2,282,384	$ 2,257,472
Debt to GBV	**61%**	61%
DOT Limit	**70%**	70%

With a DOT stipulation not to exceed 70% of Debt-to-Gross Book Value, Boardwalk REIT has the ability to add additional leverage on its existing portfolio of approximately $318.2 million to facilitate the Trust's business and financial strategies.

Currently, Boardwalk REIT has a committed revolving credit facility with a major financial institution with the amount available varying with the value of pledged real estate assets and with a maximum limit not to exceed $200 million and an available limit of $200 million (of which, letters of credit totaling $1.8 million has been issued against it) as at September 30, 2010. The revolving facility requires monthly interest payments and is renewable annually subject to the mutual consent of the lender and the Trust. In the event the committed revolving credit facility is not extended, the drawn-down principal would be due two years later. As at September 30, 2010, no amount of the credit facility was owing and outstanding. For the first nine months of 2010, Boardwalk REIT's overall interest coverage ratio of adjusted EBITDA (i.e. earnings before interest, taxes, depreciation and amortization) to interest expense excluding gains was 2.30 as compared to 2.31 for the same period last year.

Critical Accounting Policies

Boardwalk REIT's accounting policies are described in Note 2 (on page 63 of Boardwalk REIT's 2009 Annual Report) to the consolidated financial statements for the years ended December 31, 2009 and 2008. These statements were prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and with the recommendations of the Real Property Association of Canada ("REALpac"). In applying these policies, in certain cases, it is necessary to use estimates. In determining estimates, Management uses the information available to the Trust at the time.

Note 3 of Boardwalk REIT's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2010 provides an update to Boardwalk REIT's critical accounting policies. No new accounting pronouncements have been issued in the first nine months of 2010 that are expected to have a significant impact on Boardwalk REIT.

FUTURE INCOME TAXES

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 will not qualify as a "real estate investment trust" ("REIT") in accordance with the definition contained in the legislation, which would be exempt from the specified investment flow-through ("SIFT") rules nor remain within certain "normal growth" limits. As such, Boardwalk REIT recorded an estimate of its the future income tax liability at June 30, 2007, and adjusted quarterly, if necessary, recognizing the probability that it would be subject to the tax prescribed by the SIFT rules on January 1, 2011. The Trust adjusted the June 30, 2007 estimate and reported a future income tax liability at December 31, 2007 of $99.9 million, which was revised upward by $0.3 million to $100.2 million at December 31, 2008, revised downward by $5.0 million to $95.2 million at December 31, 2009, and revised upward by $4.6 million to $99.8 million as at September 30, 2010.

On March 4, 2009, Bill C-10 passed Third Reading in the House of Commons, and on March 12, 2009, received Royal Assent, and was therefore considered substantively enacted under Canadian GAAP. This Bill clarifies the definition of and criteria for being a "real estate investment trust" for Canadian income tax purposes, including the definition of what is considered "rent from real or immoveable properties". However, despite clarifying the definition of and criteria for qualifying as a "real estate investment trust", further clarification is still needed within these definitions, particularly as it relates to gains on the dispositions of real or immovable properties, and whether such gains retain their characteristics as they flow from one trust entity to another trust. As a result, the Trust continues to report a future income tax liability until further clarity for qualifying as "real estate investment trust" becomes available. If further clarification is not provided, it is still the belief of management that we will be able to adjust existing policies and/or restructure to qualify as a "real estate investment trust" under the new SIFT rules at January 1, 2011. Management continues to work with industry organizations as well as the Department of Finance on these and other outstanding issues.

FUTURE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Boardwalk REIT monitors new CICA accounting pronouncements to assess the applicability and impact, if any, these new pronouncements may have on the consolidated financial statements and note disclosures. During 2008, the CICA issued three new accounting standards that are effective for the Trust's fiscal year commencing January 1, 2011:

Section 1582 – Business Combinations will replace the current Section 1581 – Business Combinations while Sections 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests will replace the current Section 1600 – Consolidated Financial Statements. These new sections are effective for years beginning on or after January 1, 2011, with earlier adoption permitted. Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners, members or participants. As such, transactions which are now typically accounted for as an asset acquisition will likely come within the scope of a business combination. Finally, acquisition costs are not part of the consideration and, with the exception of Trust Unit issue costs, acquisition-related costs are to be expensed when incurred. With the adoption of these standards, Boardwalk expects that more transactions which are now typically accounted for as an asset acquisition will be considered a business combination and all acquisition related costs will be expensed through the income statement.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the change over date of January 1, 2011 as the date in which all publicly accountable enterprises ("PAEs"), including Boardwalk REIT, will be required to report all interim and annual financial statement information in accordance International Financial Reporting Standards ("IFRS"), which will become Canadian GAAP.

The impact of the adoption of IFRS on the consolidated financial statements of Boardwalk REIT will likely be significant and the Trust continues to develop its convergence and implementation plan in order to transition its financial statement reporting, presentation and disclosure for IFRS to meet the January 1, 2011 deadline. Boardwalk REIT continues the process of evaluating the potential impact of IFRS on its consolidated financial statements. The process will be an on-going one as new standards and recommendations are issued by the International Accounting Standards Board and the AcSB.

The Canadian Securities Administrators issued Staff Notice 52-321, "Early Adoption of International Financial Reporting Standards", which provided issuers with the option to early adopt IFRS effective January 1, 2009. Boardwalk REIT has chosen not to early adopt IFRS standards.

The following table outlines certain elements of the Trust's transition plan to IFRS and an assessment of the related progress. The reader should be aware that as the Trust works through its detailed project plan certain project activities and milestones could change. Given the progress of the project and the outcomes identified, changes in regulation or economic condition at the date of transition or throughout the project could result in changes to the project activities outlined.

KEY ACTIVITY	KEY MILESTONES	STATUS
Accounting Policy and Implementation • Identify differences in Canadian GAAP and IFRS accounting policies. • Select Boardwalk's ongoing IFRS policies. • Assess and quantify the effects of change upon initial and continuous IFRS implementation. • Develop financial statement format under IFRS.	• Detail analysis of IFRS standards and their impact on the Trust's financial statements. • Prepare January 1, 2010 opening balance sheet in accordance with IFRS standards. • Board sign-off of IFRS policies which will be implemented upon transition to IFRS. • Develop action plans to implement policy choices. • Develop mock up financial statements under IFRS which outline disclosure requirements.	• A large portion of the analyses of the relevant IFRS standards has essentially been completed in 2009; however, further analysis on more detailed items within various standards will continue in 2010. • Board sign off of the policy choices to be implemented under IFRS has been completed. • The completion of mock up financial statements is expected to be completed in the fourth quarter of 2010.
Information Technology and Data Systems • IT initiatives required, developed and tested.	• Identify information requirements under IFRS and develop IT initiatives to meet these requirements. • Design and develop these IT initiatives. • Test IT systems to ensure information requirements are met. • Implementation of new systems.	• The identification of systems and information requirements under IFRS was completed in 2008. • The design and development of systems required was essentially completed in 2009. • Testing of new systems has been completed in 2010 and the new systems are operational.
Internal Controls over Financial Reporting and Disclosure • For all IFRS accounting policy changes, assess control design and effectiveness implications. • Document and test process changes.	• Assess material impacts of IFRS standards on entity level, information technology, disclosure and business process controls. • Map and test process and control changes which result from the implementation of IFRS standards.	• Analysis of control issues is essentially completed.
Financial Reporting Expertise • Define and introduce the appropriate level of IFRS expertise for the IFRS transition team, accounting staff, senior management and Audit Committee/Board of Trustees.	• Training for the IFRS transition team to occur on an ongoing basis as required. • Training for accounting staff, Audit Committee and Board on an ongoing basis as required.	• Project team expert resources have been identified and training for the project team members is occurring throughout the project. • Training of accounting staff and Board/Audit Committee is ongoing throughout the project.
Business Activities • Assess impact of transition to IFRS on businesses activities such as hedging, debt covenants, performance measures and compensation arrangements.	• Determine the impact of IFRS policies on various business activities. • Identify changes to structure, Declaration of Trust or other requirements which need to be addressed prior to the transition date.	• Projections of the impact to debt covenants and to the Declaration of Trust have already been completed in 2009 and recalculated based on Boardwalk's IFRS opening balance sheet. Assessment of business activities and documentation requirements continue to be assessed in 2010.
External Communications • Assess the impact of IFRS related accounting policy on external communications including, investor communications, public reporting documents and processes implemented to deal with IFRS queries from the public.	• Assess the initial and ongoing impact the transition to IFRS will have on all public forms of communication. • Disclose the effects of the implementation to the public. • Develop a process to receive and deal with external IFRS inquiries.	• IFRS disclosure in the MD&A will be updated throughout the project in accordance with CSA Staff Notice 52-320. • Individuals involved in the completion of the external communication are part of the IFRS project team.

Boardwalk REIT continues to evaluate and assess the impact of IFRS standards, their differences from Canadian GAAP, and the effects of these differences on the Trust's financial statements. As this convergence project moves through its life cycle and towards the transition date of January 1, 2011, areas are being identified where significant differences from Canadian GAAP may not have initially been considered, but upon further examination, have been identified. One such area exists within IAS 32-Financial Instruments: Presentation. Upon initial examination of this standard, the Trust disclosed in its 2009 Annual Report that Boardwalk expects its REIT Units and LP Class B Units to be treated as equity under IFRS. However, upon further examination, the Trust has now identified that while the REIT Units are still expected to be treated as equity, the LP Class B Units will be treated as a liability. As a result of the LP Units being classified as Debt, any distributions would then be treated as financing costs. In either case, the Trust will continue to be on-side with all of its debt covenants. The Trust continues to evaluate this issue within IAS 32 and its impact on the Trust's financial statements prepared in accordance with IFRS. We continue to evaluate the existing accounting estimates currently used to prepare our financial reporting under Canadian GAAP to determine if any changes may be required that will have a material impact on our financial reporting under IFRS.

SUMMARY OF IMPACT OF ADOPTION OF IFRS – INVESTMENT PROPERTY

Boardwalk has elected to adopt the fair value model at January 1, 2010 in accounting for substantially all of its revenue-producing properties ("Investment Properties").

Boardwalk primarily used the Overall Capitalization Rate method under the Income Approach to fair value its revenue-producing properties. Individual properties were valued using Capitalization Rates in the range of 5.25% to 11.66% applied to stabilized net operating income ("NOI"), resulting in an overall weighted average Capitalization Rate for the portfolio of approximately 6.64%.

Boardwalk's carrying value of Investment Properties is expected to increase from $2.2 billion to $4.1 billion, an increase of approximately $1.9 billion, or approximately 86%, as of January 1, 2010. Total assets are expected to increase from $2.4 billion to $4.4 billion under IFRS. The corresponding adjustment will be recognized in opening retained earnings.

Boardwalk's Adjusted Consolidated Indebtedness to Adjusted Consolidated Gross Book Value ratio, as defined in its trust indentures, is expected to decrease to 52% as of January 1, 2010, based on Boardwalk's election to fair value its Investment Properties in accordance with IFRS compared to Boardwalk's stated Adjusted Consolidated Indebtedness to Adjusted Consolidated Gross Book Value of 61% based on GAAP as at January 1, 2010.

IMPACT OF ADOPTION OF IFRS – INVESTMENT PROPERTY

In connection with the implementation of IFRS, Boardwalk has elected to use the fair value model to report the asset values of its Investment Properties as part of the first time adoption of IFRS. As a result, Boardwalk will initially measure its Investment Properties upon transition to IFRS at its fair value. Under the fair value model, Boardwalk is required to apply the fair value model to all of its Investment Properties. In subsequent reporting periods, changes in the fair value of its Investment Properties are recognized in the profit and loss in the period in which they arise.

The Trust's opening balance sheet will reflect a one-time revaluation of substantially all of Boardwalk's revenue-producing properties to fair value as at January 1, 2010. This will result in a carrying value to its Investment Properties of approximately $4.1 billion, which is approximately $1.9 billion higher than the depreciated cost of $2.2 billion reported under GAAP. Total assets are expected to increase $2.0 billion, from $2.4 billion to $4.4 billion.

The fair value of all of Boardwalk's Investment Properties was derived by a third-party, independent appraiser. The fair value determined under IFRS incorporates allowances for vacancy, inflation, management fees and budgeted property capital expenditures, but does not include any portfolio premium or future capital expenditures that will improve or enhance the property or the related future benefits from these future expenditures. Independently analyzed market based valuation inputs were utilized in the development of stabilized net operating income ("NOI") of the Investment Properties. The fair value was determined by applying a Capitalization Rate to stabilized NOI. The Capitalization Rates were arrived at through an independent analysis of market data of recent transactions within the marketplace. Where an existing property has excess density or is located on a ground lease agreement, the Capitalization Rate was adjusted to appropriately reflect the inherent value of the surplus density or ground lease agreement.

The carrying value of Boardwalk's Investment Properties on its IFRS opening balance sheet will increase by approximately $1.9 billion. The 'Debt to Gross Book Value' calculation as of January 1, 2010, for the purpose of the borrowing restriction under its Declaration of Trust and as a part of its unsecured debt trust indenture, is expected to decrease by approximately 9% to 52% based on IFRS carrying values, compared to the stated leverage ratio of 61% based on current GAAP historical cost as at January 1, 2010.

In addition to the election to adopt the fair value model for its Investment Properties, the Trust's LP Class B and deferred units, which are classified as equity under current GAAP, will need to be classified as financial liabilities under IFRS. However, for the purpose of the Debt to Gross Book Value calculation, the LP B and deferred units will continue to be excluded from the amount of total debt.

VALUATION PROCESS

Boardwalk utilized an external valuation company to conduct an external evaluation of all of its Investment Properties to determine the fair value of the portfolio. In performing the valuation, it was necessary to separate those assets held as Freehold (where the Trust actually owns the land) and Leasehold (where the Trust leases the land). The individual properties were valued using Capitalization Rates ranging from 5.25% to 8.50% on Freehold properties and 6.18% to 11.66% on Leasehold properties. The valuation was based on property type, market characteristics and building specific circumstances, such as properties which have excess density or are subject to ground lease agreements. This has resulted in an overall weighted average Capitalization Rate for the portfolio of approximately 6.64%. Boardwalk's properties were grouped geographically.

The table below provides further details of the range of Capitalization Rates for each geographical area as at January 1, 2010:

City / Town	Range	
Freehold		
Calgary	6.00%	6.75%
Edmonton	6.25%	7.00%
Gatineau	6.25%	6.25%
Grande Prairie	8.00%	8.50%
Kitchener	6.75%	6.75%
London	6.75%	7.00%
Montreal	6.25%	7.50%
Other Alberta	6.25%	8.00%
Quebec	6.25%	7.50%
Regina	6.75%	7.00%
Saskatoon	6.75%	7.00%
Vancouver	5.25%	7.25%
Victoria	5.50%	5.50%
Windsor	7.25%	7.75%
	5.25%	8.50%
Land Lease	6.18%	11.66%

Additional disclosure on the Trust's transition to IFRS and its convergence plan is outlined in Boardwalk REIT's 2009 Annual Report.

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 2009, 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, 2009. 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".

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, 2009, 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 nine months ended September 30, 2010, 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 has been reviewed and updated, if necessary, to ensure they remain effective to provide reasonable assurance regarding the reliability of financial statements and information as Boardwalk transitions to IFRS. Based on management's current assessment, these updates enhance its existing ICFR and do not materially affect or are not reasonably likely to affect its ICFR in fiscal 2010 and 2011, due to Boardwalk REIT's adoption of IFRS. For fiscal year 2010, the Trust will be required to maintain financial information in accordance with two different accounting standards: one in accordance with current Canadian generally accepted accounting principles ("Canadian GAAP") and the other in accordance with IFRS. Accordingly, both the general ledger accounting system and asset tracking system module are currently being updated to accommodate two sets of books. Internal controls exist to ensure the updates to the general ledger accounting system and the asset tracking system module will be operating as intended prior to the new changes "going live". These controls are similar to controls previously designed and in effect when Boardwalk REIT upgrades any of its software applications.

2010 Financial Outlook and Market Guidance

As is customary, on a quarterly basis the Trust reviews its key assumptions used in deriving its public financial guidance. At the end of the third quarter, Boardwalk once again reviewed the key inputs in the determination of this range. Based on this review, we are revising the 2010 FFO Guidance as noted below. We have reduced the higher-end range, mainly due to the current information we have based on present market conditions. The following table summarizes our 2010 Financial Guidance:

Description	Guidance	Q2 2010 Revised Guidance	Q3 2010 Revised Guidance
Acquisitions	No new apartment acquisitions	No new apartment acquisitions	No new apartment acquisitions
Stabilized Building NOI growth	-2.0% to 0%	-3.0% to 0%	-3.0% to 0%
FFO per Trust Unit	$2.45 to $2.60	$2.40 to $2.55	$2.40 to $2.50
DI per Trust Unit	$2.47 to $2.62	$2.42 to $2.57	$2.42 to $2.52

In addition to the above revised financial guidance for 2010, the Trust has assumed the following capital will be invested back into its existing portfolio for the 2010 fiscal year.

Capital Budget	2010 Budget	Per Suite	Nine months ended September 2010	Per Suite
Total Approved	$ 79,000	$ 2,155	$ 48,142	$ 1,340
Maintenance Capital	$ 16,493	$ 450	$ 12,127	$ 338
Stabilizing & Value Added Capital	$ 62,507	$ 1,705	$ 36,015	$ 1,002
	$ 79,000	$ 2,155	$ 48,142	$ 1,340

For the first nine months of 2010, Boardwalk REIT incurred $48.1 million (or $1,340 per apartment unit) of capital improvements.

2011 FINANCIAL PERFORMANCE GUIDANCE

As is customary in Boardwalk's third quarter report, the Trust is providing financial guidance for the upcoming 2011 fiscal year. The following table summarizes management's estimate of FFO and DI for fiscal 2011.

Description	2011 Objectives
Acquisitions	No new apartment acquisitions
Stabilized Building NOI growth	-3% to 1%
FFO per Trust Unit	$2.35 to $2.55

Capital Budget – *in millions $ except per unit*	2011 Budget	Per Unit
Total Approved	$ 79.6	$ 2,231
Maintenance Capital	$ 16.1	$ 1,781
Stabilizing & Value Added Capital	$ 63.5	$ 450
	$ 79.6	$ 2,231

The reported guidance above is based on internal estimates and the reader is cautioned that if the assumptions for these estimates are materially different, it may result in actual results being materially different from our 2011 objectives.

Additional Information

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

Respectfully,

Roberto A. Geremia
President

William Wong
Chief Financial Officer

Consolidated Balance Sheets

(Cdn$ Thousands) (UNAUDITED)

As at	**September 30, 2010**	December 31, 2009
ASSETS		
Revenue producing properties (NOTE 4)	**$ 2,101,644**	$ 2,116,865
Other assets (NOTE 5)	**14,593**	13,908
Mortgages and accounts receivable	**2,526**	3,049
Segregated tenants' security deposits	**12,509**	12,917
Cash and cash equivalents	**206,559**	190,325
Discontinued operations (NOTE 6)	**5,723**	41,214
	$ 2,343,554	$ 2,378,278
LIABILITIES		
Mortgages payable	**$ 2,170,268**	$ 2,114,150
Debentures (NOTES 7 and 11)	**112,116**	111,834
Accounts payable and accrued liabilities	**46,834**	54,627
Refundable tenants' security deposits and other	**16,081**	16,263
Discontinued operations (NOTE 6)	**–**	31,488
	2,345,299	2,328,362
Future income taxes (NOTE 12)	**99,053**	94,956
	2,444,352	2,423,318
UNITHOLDERS' EQUITY (DEFICIT)		
Unitholders' equity (deficit)	**(100,798)**	(45,040)
	$ 2,343,554	$ 2,378,278

Commitments and contingencies (NOTE 16)

Guarantees (NOTE 17)

See accompanying notes to the consolidated financial statements

On behalf of the Trust:

Sam Kolias
Trustee

Al Mawani
Trustee

Consolidated Statements of Earnings and Comprehensive Income

(Cdn$ Thousands, except NUMBER OF UNITS and PER UNIT amounts) *(UNAUDITED)*	**3 months ended Sept. 30, 2010**	3 months ended Sept. 30, 2009	**9 months ended Sept. 30, 2010**	9 months ended Sept. 30, 2009
REVENUE				
Rental revenue	**$ 104,668**	$ 104,741	**$ 313,744**	$ 315,091
EXPENSES				
Operating expenses	**18,755**	18,200	**56,756**	53,839
Utilities	**8,268**	7,765	**31,080**	31,875
Utility rebate and rebate adjustments (NOTE 16)	**–**	–	**–**	(374)
Property taxes	**9,733**	9,766	**27,247**	26,446
	36,756	35,731	**115,083**	111,786
Administration	**6,263**	6,093	**19,087**	19,910
Financing	**26,288**	26,988	**78,156**	79,567
Amortization of deferred financing costs	**1,694**	2,171	**5,160**	4,570
Amortization of capital assets	**22,128**	21,552	**64,926**	63,333
Amortization of intangibles	**–**	–	**–**	671
	93,129	92,535	**282,412**	279,837
Earnings from continuing operations before the following	**11,539**	12,206	**31,332**	35,254
Other income (NOTE 11)	**–**	–	**–**	408
Earnings from continuing operations before income taxes	**11,539**	12,206	**31,332**	35,662
Current income taxes	**–**	–	**–**	3
Future income taxes (recovery) (NOTE 12)	**2,823**	(1,448)	**4,097**	(8,867)
Earnings from continuing operations	**8,716**	13,654	**27,235**	44,526
Earnings from discontinued operations, net of tax (NOTE 6)	**5,593**	830	**21,179**	2,662
Net earnings	**14,309**	14,484	**48,414**	47,188
Other comprehensive income (NOTE 15)	**3**	9	**15**	28
Comprehensive income	**$ 14,312**	$ 14,493	**$ 48,429**	$ 47,216
Basic earnings per unit (NOTE 10)				
– from continuing operations	**$ 0.16**	$ 0.25	**$ 0.52**	$ 0.84
– from discontinued operations	**0.11**	0.02	**0.40**	0.05
Basic earnings per unit	**$ 0.27**	$ 0.27	**$ 0.92**	$ 0.89
Diluted earnings per unit (NOTE 10)				
– from continuing operations	**$ 0.16**	$ 0.25	**$ 0.52**	$ 0.84
– from discontinued operations	**0.11**	0.02	**0.40**	0.05
Diluted earnings per unit	**$ 0.27**	$ 0.27	**$ 0.92**	$ 0.89
Weighted average number of units – fully diluted (NOTE 10)	**52,575,763**	52,818,408	**52,680,403**	53,052,843

See accompanying notes to the consolidated financial statements

Consolidated Statements of Unitholders' Equity (Deficit)

(Cdn$ Thousands, EXCEPT NUMBER OF UNITS) (UNAUDITED)	**9 months ended September 30, 2010**	9 months ended September 30, 2009
Trust units (NOTE 9)		
Balance, beginning of period	**$ 236,385**	$ 256,773
Deferred unit plan (NOTE 8)	**211**	1,029
Units issued for vested deferred units (NOTE 8)	**1,504**	745
Units purchased and cancelled (NOTE 8)	**(8,531)**	(22,756)
Balance, end of period	**$ 229,569**	$ 235,791
Cumulative earnings		
Balance, beginning of period	**$ 203,343**	$ 141,276
Net earnings	**48,414**	47,188
Balance, end of period	**$ 251,757**	$ 188,464
Cumulative distributions to unitholders		
Balance, beginning of period	**$ (484,544)**	$ (389,294)
Regular distributions declared to unitholders (NOTE 10)	**(71,088)**	(71,520)
Special distribution declared to unitholders	**(26,283)**	–
Balance, end of period	**$ (581,915)**	$ (460,814)
Deficit	**$ (330,158)**	$ (272,350)
Accumulated other comprehensive income (loss)		
Balance, beginning of period	**$ (224)**	$ (262)
Other comprehensive income (NOTE 15)	**15**	28
Balance, end of period	**$ (209)**	$ (234)
Total unitholders' equity (deficit)	**$ (100,798)**	$ (36,793)
Units issued and outstanding (NOTE 9)	**52,564,666**	52,711,079

See accompanying notes to the consolidated financial statements

Consolidated Statements Of Cash Flows

(Cdn$ Thousands) (UNAUDITED)	**3 months ended Sept. 30, 2010**	3 months ended Sept. 30, 2009	**9 months ended Sept. 30, 2010**	9 months ended Sept. 30, 2009
Operating activities				
Net earnings	**$ 14,309**	$ 14,484	**$ 48,414**	$ 47,188
(Earnings) from discontinued operations, net of tax	**(5,593)**	(830)	**(21,179)**	(2,662)
Future income taxes (recovery)	**2,823**	(1,448)	**4,097**	(8,867)
Amortization of deferred financing costs	**1,694**	2,171	**5,160**	4,570
Amortization of capital assets	**22,128**	21,552	**64,926**	63,333
Amortization of intangibles	**–**	–	**–**	671
Other income (NOTE 11)	**–**	–	**–**	(408)
	35,361	35,929	**101,418**	103,825
Cash from discontinued operations	**(57)**	1,229	**990**	3,110
Net change in operating working capital (see below)	**1,220**	(353)	**(6,631)**	(8,719)
Total operating cash flows	**36,524**	36,805	**95,777**	98,216
Financing activities				
Issuance of trust units (net of issue costs) (NOTE 9)	**–**	536	**–**	745
Distributions paid to unitholders	**(49,935)**	(23,751)	**(97,398)**	(71,637)
Unit repurchase program (NOTE 9)	**(1,071)**	(5,617)	**(8,531)**	(22,756)
Financing of revenue producing properties	**29,887**	131,380	**107,151**	311,752
Repayment and maturity of debt on revenue producing properties	**(15,092)**	(83,007)	**(79,516)**	(183,975)
Repurchase of debentures (NOTE 11)	**–**	–	**–**	(7,187)
Deferred financing costs incurred	**(4,334)**	(4,602)	**(8,491)**	(10,959)
Bond forward settlement, net of amortization (NOTE 15)	**3**	9	**15**	28
	(40,542)	14,948	**(86,770)**	16,011
Investing activities				
Improvements to revenue producing properties	**(19,399)**	(17,292)	**(48,142)**	(47,749)
Net cash proceeds from sale of properties (NOTE 4)	**14,746**	499	**56,126**	11,478
Additions to corporate technology assets	**(208)**	(278)	**(757)**	(942)
	(4,861)	(17,071)	**7,227**	(37,213)
Net increase (decrease) in cash and cash equivalents	**(8,879)**	34,682	**16,234**	77,014
Cash and cash equivalents, beginning of period	**215,438**	165,566	**190,325**	123,234
Cash and cash equivalents, end of period	**$ 206,559**	$ 200,248	**$ 206,559**	$ 200,248
Supplementary cash flow information:				
Taxes paid	**$ –**	$ –	**$ –**	$ 3
Interest paid	**$ 27,733**	$ 28,848	**$ 80,235**	$ 82,827
Net change in operating working capital:				
Net change in mortgages and accounts receivable	**$ (338)**	$ 503	**$ 523**	$ 3,834
Net change in other assets	**1,195**	1,028	**413**	(279)
Net change in tenants' security deposits	**8**	97	**226**	184
Net change in accounts payable and accrued liabilities	**355**	(1,981)	**(7,793)**	(12,458)
	$ 1,220	$ (353)	**$ (6,631)**	$ (8,719)

See accompanying notes to the consolidated financial statements

Notes To Consolidated Financial Statements

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

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

1. ORGANIZATION OF TRUST

Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") is an unincorporated, open-ended real estate investment trust created pursuant to the Declaration of Trust ("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, and May 18, 2010, 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"), which was acquired on May 3, 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements have been prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and are consistent with those used in the audited consolidated financial statements as at and for the year ended December 31, 2009. These interim financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles ("Canadian GAAP") applicable to annual financial statements and, therefore, should be read in conjunction with the audited consolidated financial statements.

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

The operating results for the three and nine months ended September 30, 2010 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2010 due to seasonal variations in utility costs 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 the quarterly results.

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

3. ACCOUNTING CHANGES

Future Changes in Significant Accounting Policies

Boardwalk REIT monitors new CICA accounting pronouncements to assess the applicability and impact, if any, these new pronouncements may have on the consolidated financial statements and note disclosures. During 2008, the CICA issued three new accounting standards that are effective for the Trust's fiscal year commencing January 1, 2011:

Section 1582 – Business Combinations will replace the current Section 1581 – Business Combinations while Sections 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests will replace the current Section 1600 – Consolidated Financial Statements. These new sections are effective for years beginning on or after January 1, 2011, with earlier adoption permitted. Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners, members or participants. As such, transactions, which are now typically accounted for as an asset acquisition, will likely come within the scope of a business combination. Thus, as a result, acquisition costs are not part of the consideration and, with the exception of Trust Unit issue related costs, acquisition-related costs are to be expensed when incurred. With the adoption of these Standards, Boardwalk expects that more transactions will be considered a business combination and all acquisition related costs will be expensed through the income statement.

International Financial Reporting Standards ("IFRS") – On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed a changeover date of January 1, 2011 as the date in which all publicly accountable enterprises ("PAEs") will be required to adopt IFRS in the preparation of their financial disclosure. At that date, all PAEs, including Boardwalk REIT, will be required to report all interim and annual financial statement information, including comparative information for the prior period, in accordance with IFRS. The impact of the adoption of IFRS on the consolidated financial statements of the Trust will be significant and, as such, the Trust has developed a convergence plan in order to transition its financial statement reporting, presentation and disclosure for IFRS to meet the January 1, 2011 deadline. Boardwalk REIT continues the process of evaluating the potential impact of IFRS on its consolidated financial statements. The process will be an on-going one as new standards and recommendations are issued by the International Accounting Standards Board and AcSB. It is not Boardwalk REIT's intention to early adopt IFRS prior to January 1, 2011.

4. REVENUE PRODUCING PROPERTIES

Acquisitions

During the three and nine months ended September 30, 2010 and 2009, the Trust did not acquire any rental units.

Dispositions

	3 months ended Sept. 30, 2010	3 months ended Sept. 30, 2009	**9 months ended Sept. 30, 2010**	9 months ended Sept. 30, 2009
Cash received	**$ 13,113**	$ 499	**$ 57,033**	$ 11,499
Cost of dispositions	**(367)**	–	**(907)**	(21)
Net cash proceeds	**12,746**	499	**56,126**	11,478
Net book value	**7,020**	306	**35,382**	9,988
Gain on dispositions	**$ 5,726**	$ 193	**$ 20,744**	$ 1,490
Multi-family units sold	**119**	1	**733**	134

Dispositions for the third quarter ended September 30, 2010 consist of the sale of a 88-unit rental property located in Edmonton, Alberta and the insurance settlement of a 31-unit rental property located in Grande Prairie, Alberta that was previously destroyed by fire. For the third quarter ended September 30, 2009, dispositions consisted of the sale and closing of one unit in a 90-unit property located in Calgary, Alberta that had been converted from a rental property to owner occupied condominium units for sale. This sale represented the final unit of this property. In addition to these dispositions, the nine months ended September 30, 2010 included the sale of a 321-unit rental property located in Gatineau, Quebec that was reported in the first quarter of 2010 and the sales of a 91-unit rental property located in Calgary, Alberta, a 178-unit rental property located in Montreal, Quebec, and two 12-unit rental buildings located in Regina, Saskatchewan that were reported in the second quarter of 2010. For the nine months ended September 30, 2009, in addition to the final condominium unit sale, dispositions included the sale of a 133-unit rental property located in Surrey, British Columbia that was reported in the second quarter of 2009.

5. OTHER ASSETS

As at	September 30, 2010	December 31, 2009
Corporate technology assets	**$ 20,054**	$ 19,302
Less: accumulated amortization	**(17,072)**	(16,147)
Head office building	**4,435**	4,406
Less: accumulated amortization	**(1,631)**	(1,482)
Prepaid parts and supplies	**3,205**	2,899
Prepaid property taxes	**2,732**	739
Prepaid and other	**2,870**	4,191
	$ 14,593	$ 13,908

6. DISCONTINUED OPERATIONS

During the third quarter of 2010, the Trust: (i) completed the sale of an 88-unit rental property located in Edmonton, Alberta. This property formed part of our Alberta segment in our segmented information disclosure; (ii) reclassified a revenue producing property consisting of 31 units in Grande Prairie, Alberta, previously destroyed by fire, as discontinued operations as a result of the Trust settling with the insurers and abandoning any plan to rebuild the rental property. This property formed part of our Alberta segment in our segmented information disclosure; and (iii) reclassified a revenue producing property consisting of 88 units in St. Laurent, Quebec as discontinued operations as a result of an unconditional sale to a third party that is scheduled to close subsequent to the quarter-end. This property was previously part of our Quebec segment in our segmented information disclosure.

During the second quarter of 2010, the Trust: (i) completed the sale of a 91-unit rental property located in Calgary, Alberta. This property formed part of our Alberta segment in our segmented information disclosure; (ii) completed the sale of a 178-unit rental property located in Montreal, Quebec. This property formed part of our Quebec segment in our segmented information disclosure; and (iii) completed the sale of two 12-unit rental buildings located in Regina, Saskatchewan. These buildings formed part of our Saskatchewan segment in our segmented information disclosure.

During the first quarter of 2010, the Trust completed the sale of a 321-unit rental property located in Gatineau, Quebec. This property formed part of our Quebec segment in our segmented information disclosure.

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

	3 months ended Sept. 30, 2010	3 months ended Sept. 30, 2009	**9 months ended Sept. 30, 2010**	9 months ended Sept. 30, 2009
Revenue				
Rental revenue	$ 165	$ 2,596	**$ 2,646**	$ 8,329
Expenses				
Revenue producing properties:				
Operating expenses	163	414	**609**	1,595
Utilities	6	162	**328**	1,002
Utility rebate	–	–	**–**	(4)
Property taxes	31	255	**259**	768
Financing costs	22	536	**460**	1,858
Amortization of deferred financing costs	2	27	**52**	100
Amortization of capital assets	74	565	**503**	1,838
	298	1,959	**2,211**	7,157
	(133)	637	**435**	1,172
Gain on dispositions	5,726	193	**20,744**	1,490
Earnings from discontinued operations	$ 5,593	$ 830	**$ 21,179**	$ 2,662

As at	**September 30, 2010**	December 31, 2009
Discontinued Assets		
Properties held for sale	**$ 5,723**	$ 41,214
Discontinued Liabilities		
Mortgages payable	**$ –**	$ 31,488

7. DEBENTURES

On January 21, 2005, Boardwalk REIT completed the issuance of unsecured debentures in a public offering in the aggregate amount of $120 million. The debentures are rated “BBB” with a stable trend by Dominion Bond Rating Services, carry a coupon rate of 5.61% (5.31% prior to July 30, 2008), and will mature on January 23, 2012. Net proceeds of approximately $119 million were used to fund acquisitions, repay operating lines of credit and for general trust purposes. In conjunction with the debenture issue, the Trust also entered into a bond forward contract to hedge the risk of interest rate fluctuations prior to the final pricing of the debenture. The bond forward contract was settled when the debentures were issued for the settlement amount of $0.7 million. The settlement amount is being amortized over the term of the unsecured debentures.

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 (see NOTE 11).

The debenture holders, in a special meeting held July 30, 2008, approved an amendment to the Trust Indenture amending the definition of Gross Book Value (“GBV”) to increase the exchange value asset bump (see NOTE 13) to its existing GBV calculation by an additional $410 million, resulting in a total asset bump of $641 million. In addition, the ”Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) to Consolidated Interest Expense” financial covenant was amended to 1.75 to 1 from 1.50 to 1, and the rate of interest on the debenture was increased to 5.61% from 5.31%, commencing July 30, 2008 until the maturity date of January 23, 2012.

These covenants are discussed in NOTE 14(d).

8. DEFERRED UNIT PLAN

During 2006, the Trust implemented a deferred unit plan. The plan entitles trustees and executives, at the participant's option, to receive deferred units in consideration for trustee fees or a portion of executive cash bonuses, respectively, with the Trust matching the number of units received. The deferred units vest 50% on the third anniversary and 25% on each of the fourth and fifth anniversaries, subject to provisions for earlier vesting in certain events. The deferred units earn additional deferred units for the distributions that would otherwise have been paid on the deferred units (that is, had they instead been issued as Trust Units on the date of grant). Once vested, participants are entitled to receive an equivalent number of Trust Units representing the vesting deferred units and the corresponding additional deferred units. Cash is granted for any fractional units. The deferred unit plan was approved by Unitholders on May 10, 2006 and amended on May 13, 2008, May 13, 2009, and May 18, 2010. The deferred units had a weighted average fair value of $39.42 per unit at the grant date in 2010 (2009 – $31.98). For the three months ended September 30, 2010, total compensation costs of $0.5 million were recognized (2009 – $0.5 million) in income related to executive bonuses and trustee fees under the deferred unit plan, while $1.7 million (2009 – $1.8 million) was recognized on a year-to-date basis.

The status of the outstanding deferred units is as follows:

Summary of Deferred Unit Plan	# of Units Outstanding	# of Units Vested
December 31, 2008	184,865	–
Deferred units granted	62,822	54,317
Additional deferred units earned on units	11,633	3,121
Deferred units converted to Trust Units or cash	(57,438)	(57,438)
December 31, 2009	201,882	–
Deferred units granted	42,762	32,725
Additional deferred units earned on units	9,702	3,764
Deferred units converted to Trust Units or cash	(35,808)	(35,808)
September 30, 2010	**218,538**	**681**

9. UNITHOLDERS' CAPITAL

The Plan of Arrangement (the "Arrangement") to convert Boardwalk Equities Inc. from a share corporation to a real estate investment trust was completed on May 3, 2004. On conversion of Boardwalk Equities Inc. to a trust, Boardwalk Equities Inc. incurred $10.3 million in restructuring costs. Under the Arrangement, the former shareholders of Boardwalk Equities Inc. received Boardwalk REIT Units or Class B Limited Partnership ("LP Class B") Units of a controlled limited partnership of the Trust, Boardwalk REIT Limited Partnership.

The LP Class B Units are non-transferable, except under certain circumstances, but are exchangeable, on a one-for-one basis, into Boardwalk REIT Units at any time at the option of the holder. Prior to such exchange, distributions will be made on the exchangeable units in an amount equivalent to the distributions which would have been made had the Units of Boardwalk REIT been issued. Each LP Class B Unit was accompanied by a Special Voting Unit, which entitles the holder to receive notice of, attend and vote at all meetings of Unitholders. There is no value assigned to the Special Voting Units. The LP Class B Units issued are included in the Unitholders' capital contributions on the balance sheet. The changes in Unitholders' capital contribution are as follows:

Summary of Unitholders' Capital Contributions	Units	Amount
December 31, 2008	53,477,042	$ 256,773
Deferred unit plan (NOTE 8)	–	389
Units issued for vested deferred units (NOTE 8)	57,425	1,979
Units purchased and cancelled	(790,000)	(22,756)
December 31, 2009	52,744,467	$ 236,385
Deferred unit plan (NOTE 8)	–	211
Units issued for vested deferred units (NOTE 8)	35,799	1,504
Units purchased and cancelled (see below)	(215,600)	(8,531)
September 30, 2010	**52,564,666**	**$ 229,569**

In August of 2007, Boardwalk REIT filed an application for a Normal Course Issuer Bid (the "First Bid"), and received regulatory approval from The Toronto Stock Exchange on August 10, 2007. The First Bid allowed Boardwalk REIT to purchase and cancel up to 4,267,048 Trust Units, representing 10% of the public float of its Trust Units at the time of the TSX approval. The First Bid terminated on August 17, 2008.

In August of 2008, Boardwalk REIT filed an application for a Normal Course Issuer Bid (the "Second Bid"), and received regulatory approval from The Toronto Stock Exchange on August 18, 2008. The Second Bid allowed Boardwalk REIT to purchase and cancel up to 4,040,192 Trust Units, representing 10% of the public float of its Trust Units at the time of the TSX approval. The Second Bid terminated on August 19, 2009.

Under the Second Bid, the Trust purchased and cancelled, on a cumulative basis, 1,436,000 REIT Units (790,000 in fiscal 2009 and 646,000 in fiscal 2008), representing a total purchase cost of approximately $42.9 million (fiscal 2009 – $22.8 million and fiscal 2008 – $20.1 million), or an average of $29.86 per Trust Unit (fiscal 2009 – $28.81 per Trust Unit and fiscal 2008 – $31.15 per Trust Unit).

In August of 2009, Boardwalk REIT filed an application for a Normal Course Issuer Bid (the "Third Bid"), and received regulatory approval from The Toronto Stock Exchange on August 24, 2009. The Third Bid allowed Boardwalk REIT to purchase and cancel up to 3,932,211 Trust Units representing 10% of the public float of its Trust Units at the time of the TSX Approval. The Third Bid terminated on August 23, 2010.

Under the Third Bid, the Trust purchased and cancelled, on a cumulative basis, 208,400 REIT Units (none in fiscal 2009), representing a total purchase cost of approximately $8.2 million, or an average of $39.45 per Trust Unit.

In August of 2010, Boardwalk REIT filed an application for a Normal Course Issuer Bid (the "Fourth Bid"), which received regulatory approval from The Toronto Stock Exchange on August 18, 2010. The Fourth Bid allows Boardwalk REIT to purchase and cancel up to 3,918,286 Trust Units, representing 10% of the public float of its Trust Units at the time of the TSX approval. The Fourth Bid will terminate on the earlier of August 23, 2011, or at such time as the purchases under the Fourth Bid are complete.

Under the Fourth Bid, the Trust purchased and cancelled, on a cumulative basis, 7,200 REIT Units, representing a total purchase cost of approximately $0.3 million, or an average of $43.16 per Trust Unit.

To date since August 2007, on a cumulative basis, the Trust has purchased and cancelled 4,174,047 REIT Units, representing a total purchase cost of approximately $155.3 million, or an average of $37.20 per Trust Unit.

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

(a) REIT Units

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

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

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

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

(b) Special Voting Units

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

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

The breakdown of Trust Units of Boardwalk REIT by class is as follows:

	Units	Amount
Boardwalk REIT Units	48,089,666	
Special Voting Units issued to holders of LP Class B Units	4,475,000	
Total Trust Units	52,564,666	$ 229,569

10. DISTRIBUTABLE INCOME AND PER UNIT INFORMATION

Distributable Income Per Unit

Boardwalk REIT makes distributions to Unitholders on a monthly basis on or about the 15th day of the following month. The reported distributable income is defined under the Trust's Declaration of Trust ("DOT"). Under the DOT, as amended and restated, the monthly distributions are determined at the discretion of the Board of Trustees. It is the current policy of the Trust to distribute, at a minimum, its reported taxable income to Unitholders; however, the amount of this distribution is at the absolute discretion of the Board of Trustees, who are authorized to determine and declare a different amount. The reconciliation of distributable income and per unit information begins with total operating cash flows calculated in accordance with Canadian generally accepted accounting principles and is defined in the Declaration of Trust for Boardwalk REIT. However, distributable income and the per unit information are non-GAAP measures that do not have any standardized meaning prescribed by Canadian GAAP and, therefore, unlikely to be comparable to similar measures presented by other real estate companies and trusts.

	3 months ended Sept. 30, 2010	3 months ended Sept. 30, 2009	9 months ended Sept. 30, 2010	9 months ended Sept. 30, 2009
Total operating cash flows	$ 36,524	$ 36,805	$ 95,777	$ 98,216
Net change in operating working capital	(1,220)	353	6,631	8,719
Deduct:				
Deferred financing costs amortization post May 2, 2004	(1,424)	(851)	(4,347)	(2,643)
Amortization of net premium on long-term debt assumed after May 2, 2004	(26)	(26)	(78)	(84)
Distributable income	$ 33,854	$ 36,281	$ 97,983	$ 104,208
Regular distributions declared to unitholders	$ 23,653	$ 23,728	$ 71,088	$ 71,520
Distributable income withheld	$ 10,201	$ 12,553	$ 26,895	$ 32,688
	$ 33,854	$ 36,281	$ 97,983	$ 104,208
Weighted average units outstanding – basic	52,575,082	52,790,066	52,680,173	53,041,412
Weighted average units outstanding – diluted	52,575,763	52,818,408	52,680,403	53,052,843
Distributable income earned per unit – basic	$ 0.64	$ 0.69	$ 1.86	$ 1.96
Distributable income earned per unit – diluted	$ 0.64	$ 0.69	$ 1.86	$ 1.96
Regular distributions declared per unit – basic and diluted	$ 0.45	$ 0.45	$ 1.35	$ 1.35
Regular distributions declared as a % of distributable income	69.9%	65.4%	72.6%	68.6%

Earnings per unit

	3 months ended Sept. 30, 2010	3 months ended Sept. 30, 2009	9 months ended Sept. 30, 2010	9 months ended Sept. 30, 2009
Numerator				
Earnings from continuing operations	$ 8,716	$ 13,654	$ 27,235	$ 44,526
Earnings from discontinued operations	$ 5,593	$ 830	$ 21,179	$ 2,662
Denominator				
Denominator for basic earnings per unit – weighted average units	52,575,082	52,790,066	52,680,173	53,041,412
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion	52,575,763	52,818,408	52,680,403	53,052,843
Earnings per unit from continuing operations				
Basic	$ 0.16	$ 0.25	$ 0.52	$ 0.84
Diluted	$ 0.16	$ 0.25	$ 0.52	$ 0.84
Earnings per unit from discontinued operations				
Basic	$ 0.11	$ 0.02	$ 0.40	$ 0.05
Diluted	$ 0.11	$ 0.02	$ 0.40	$ 0.05

11. OTHER INCOME

During the first quarter of 2009, the Trust purchased and cancelled $7.6 million of unsecured debentures (see NOTE 7) at a discount to their face value. The cost paid by the Trust was $7.2 million, of which $55 thousand related to accrued interest. The remaining difference of $408 thousand between the face value and the discounted purchase price has been included in other income.

12. INCOME TAXES

Boardwalk REIT is a "mutual fund trust" as defined under the Income Tax Act (Canada) and, accordingly, is not taxable on its income to the extent that its 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 *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 will not qualify as a Real Estate Investment Trust ("REIT") in accordance with the definition contained in the legislation, which would be exempt from the specified investment flow-through ("SIFT") rules 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 is adjusted quarterly if necessary, recognizing the probability that it would be subject to the tax prescribed by the SIFT rules on January 1, 2011. The Trust reported a future income tax liability at December 31, 2007 of $99.9 million, which was revised upward by $0.3 million to $100.2 million at December 31, 2008, and revised downward by $5.0 million to $95.2 million at December 31, 2009.

On March 4, 2009, Bill C-10 passed Third Reading in the House of Commons and on March 12, 2009 received Royal Assent, and therefore was considered substantively enacted under Canadian GAAP. This Bill clarifies the definition of and criteria for being a REIT, including the definition of what is considered "rent from real or immoveable properties". However, despite clarifying the definition of and criteria for being a REIT, further clarification is still required on the characteristics of gains on dispositions of real or immoveable properties as it flows through the Trust's organizational structure. While the Trust waits for such further clarification from the Government of Canada, Boardwalk REIT continued to carry forward the previously recorded future income tax liability of $95.2 million as at December 31, 2009, and increased the amount by $4.6 million for the nine months ended September 30, 2010 to $99.8 million due to an increase in the timing differences between accounting and tax asset values.

	3 months ended Sept. 30, 2010	3 months ended Sept. 30, 2009	**9 months ended Sept. 30, 2010**	9 months ended Sept. 30, 2009
Continuing operations	**$ 2,823**	$ (1,448)	**$ 4,097**	$ (8,867)
Total future income taxes (recovery)	**$ 2,823**	$ (1,448)	**$ 4,097**	$ (8,867)

Future income taxes consist of the following:

	3 months ended Sept. 30, 2010	3 months ended Sept. 30, 2009	**9 months ended Sept. 30, 2010**	9 months ended Sept. 30, 2009
Tax expense (recovery) based on expected rate	**$ 171**	$ 5	**$ (230)**	$ (67)
Adjustment to future income tax liability	**2,652**	(1,453)	**4,327**	(8,800)
Future income taxes (recovery)	**$ 2,823**	$ (1,448)	**$ 4,097**	$ (8,867)

The future income tax liability is calculated as follows:

As at	**September 30, 2010**	December 31, 2009
Tax asset related to operating losses	**$ 753**	$ 594
Tax liability related to differences in tax and book basis	**(99,806)**	(95,550)
Future income tax liability	**$ (99,053)**	$ (94,956)

13. CAPITAL MANAGEMENT

The Trust defines capital resources as the aggregate of Unitholders' equity at market value, debt (both secured and unsecured), internally generated funds, amounts available under credit facilities, and 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 provides for a maximum total debt level of up to 70% of Gross Book Value ("GBV"), defined in the DOT as total assets plus accumulated amortization of income properties as recorded by the Trust (and calculated in accordance with Canadian GAAP) and to this amount an additional amount of $641 million (the "Bump") is added as previously approved by the Trust's Unitholders. As a matter of internal policy, the Trust has a target of total debt levels not to exceed 65% of GBV. The following table highlights Boardwalk REIT's existing leverage ratio in accordance with the DOT:

As at	September 30, 2010	December 31, 2009
Total assets	$ 2,343,554	$ 2,378,278
Accumulated amortization on building and non-building assets	730,152	677,613
Exchange value asset bump	641,460	641,460
	$ 3,715,166	$ 3,697,351
Mortgages payable	$ 2,170,268	$ 2,145,638
Unsecured debentures	112,116	111,834
	$ 2,282,384	$ 2,257,472
Adjusted Debt-to-GBV	61%	61%

With a DOT limit not to exceed 70% on Adjusted Debt-to-Gross Book Value, Boardwalk REIT has the ability to add additional debt of approximately $318.2 million (2009 – $330.7 million) to its existing portfolio. Additionally, the Trust's DOT contains provisions that have the effect of limiting capital expended by the Trust.

As outlined in NOTE 14(d), Boardwalk REIT's debenture and committed revolving credit facility agreements contain financial covenants.

Boardwalk REIT's capital resources, comprised of cash on hand, long-term fixed rate debt (both secured and unsecured), Unitholders' capital and amounts available under its committed revolving credit facility, totalled $2.6 billion as at September 30, 2010 (December 31, 2009 – $2.6 billion). Available liquidity as at September 30, 2010 included cash on hand of $206.6 million (December 31, 2009 – $190.3 million) as well as an unused committed revolving credit facility of $198.2 million (December 31, 2009 – $198.2 million). As at September 30, 2010 and 2009, the Trust was in compliance with all covenants in both its DOT and all existing debt facilities.

14. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The Trust's financial instruments consist of mortgages and accounts receivable, tenants' security deposits, cash and cash equivalents, mortgages payable, debentures and accounts payable and accrued liabilities. All of the Trust's financial instruments were classified as either held for trading (cash and cash equivalents), loans and receivables (carried at amortized cost) or other financial liabilities (carried at amortized cost using the effective interest rate method). The fair values of the Trust's financial instruments were determined as follows:

i) The carrying amounts of mortgages and accounts receivable, tenants' security deposits, cash and cash equivalents, and accounts payable and accrued liabilities approximate their fair values due to their short-term nature.

ii) The fair values of the Trust's mortgages payable and debentures are estimates made at a specific point in time, based on relevant market information. These estimates are based on quoted market prices for the same or similar issues or on the current rates offered to the Trust for similar financial instruments subject to similar risks and maturities. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in estimates could significantly affect fair values. The significant financial instruments of Boardwalk REIT and their carrying values as at September 30, 2010 and December 31, 2009 are as follows:

As at	**September 30, 2010**	December 31, 2009
Mortgages and accounts receivable		
Carrying value	**$ 2,526**	$ 3,049
Fair market value	**$ 2,526**	$ 3,049
Mortgages payable and debentures		
Carrying value	**$ 2,282,384**	$ 2,257,472
Fair market value	**$ 2,386,472**	$ 2,309,217

The fair value of the Trust's mortgages payable and debentures exceeded the recorded value by approximately $104.1 million at September 30, 2010 (December 31, 2009 – $51.7 million), due to changes in interest rates since the dates on which the individual mortgages and debentures were last contracted. The fair value of the mortgages payable and debentures have been estimated based on the current market rates for mortgages and debentures with similar terms and conditions. The fair value of the Trust's mortgages payable and debentures is an amount computed based on the interest rate environment prevailing at September 30, 2010 and December 31, 2009, respectively; the amount is subject to change and the future amounts will converge. There are no additional costs or penalties to Boardwalk REIT if the mortgages and debentures are held to maturity.

The fair value hierarchy of financial instruments measured at fair value on the balance sheet is as follows:

As at	**September 30, 2010**			December 31, 2009		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial Assets:						
Cash and cash equivalents	**$ 206,559**	**$ –**	**$ –**	$ 190,325	$ –	$ –

The three levels of the fair value hierarchy are described as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

As at September 30, 2010 and December 31, 2009, the Trust had no embedded derivatives requiring separate recognition.

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

Risk Management

a) Interest rate risk

The Trust is exposed to interest rate risk as a result of its mortgages payable, debentures and credit facilities; however, this risk is minimized through the Trust's current strategy of having the majority of its mortgage payable and debentures in fixed terms 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 National Housing Act ("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 September 30, 2010, the Trust had no amount outstanding on its committed revolving credit facility and, as such, of the Trust's total debt at September 30, 2010, 100% was fixed-rate debt and 0% was floating-rate debt. For the quarter ended September 30, 2010, all else being equal, the increase or decrease in net earnings for each 1% change in market interest rates would be $nil (September 30, 2009 – $nil).

b) Credit risk

The Trust is exposed to credit risk as a result of its mortgages receivable and accounts receivable. This balance is comprised of mortgage holdbacks and refundable mortgage fees, funds held in solicitor's trust accounts, accounts receivable from significant customers and tenant receivables. As at September 30, 2010, no balance relating to mortgage holdbacks, refundable mortgage fees or accounts receivable from significant customers was past due.

In relation to mortgage holdbacks, refundable mortgage fees and funds held in trust, 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), when financing is completed (in the case of refundable mortgage fees) or when funds are transferred to the Trust (in the case of funds held in solicitor's trust accounts), all 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. 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 are reviewed by management on a monthly basis and tenant receivables are considered for impairment on a case-by-case basis. The Trust takes into consideration the tenant's payment history, their credit worthiness and the current economic environment; however, tenant receivable balances exceeding 60 days are typically written off to bad debt expense as the Trust does not utilize an allowance for doubtful accounts. The amount of the loss is recognized in the consolidated statement of earnings and comprehensive income within 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.

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 mortgages receivable and accounts receivable.

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 (including potential asset sales), 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. 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.

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 favour of CMHC.

In accordance with the debenture agreement, the Trust is required to pay semi-annual interest instalments on January 23 and July 23 of each year. The Trust is also required to maintain in good condition, repair and working order all of the properties owned by it or any of its subsidiaries while maintaining property and liability insurance.

The Trust's Unsecured Debenture agreement contains three financial covenants as follows:

i) The Trust will maintain a Consolidated EBITDA, as defined, to Consolidated Interest Expense ratio of not less than 1.75 to 1. As at September 30, 2010, this ratio was 2.30 to 1 (September 30, 2009 – 2.31 to 1) and the Trust was in compliance.

ii) The Trust will not incur or assume any indebtedness unless the quotient obtained by dividing the Adjusted Consolidated Indebtedness by the Adjusted Gross Book Value would be less than or equal to 70%. As outlined in NOTE 13, as at September 30, 2010, this amount was 61% (December 31, 2009 – 61%) and the Trust was in compliance.

iii) The Trust will maintain at all times, an Adjusted Unitholders' Equity of at least $300 million. Adjusted Unitholders' Equity was $1.3 billion as at September 30, 2010 (December 31, 2009 – $1.3 billion) and the Trust was in compliance.

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 (estimated value less prior encumbrances at December 31, 2009 of approximately $206 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 million and an available limit of $200 million as at September 30, 2010. The revolving facility requires monthly interest payments and is renewable annually subject to the mutual consent of the lender and the Trust. In the event the committed revolving credit facility is not extended, the drawn-down principal would be due two years later.

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. As at September 30, 2010, this ratio was 1.85 (December 31, 2009 – 1.73).

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, 2010, this ratio was 1.50 (December 31, 2009 – 1.51) and, as such, the Trust was in compliance.

iii) Total indebtedness of the Trust will not exceed 70% of the GBV of all assets as defined in the DOT. As outlined in NOTE 13, as at September 30, 2010, this ratio was 61% (December 31, 2009 – 61%).

As at September 30, 2010, 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 16, the Trust has commitments to certain utility contracts to reduce the risk of exposure to adverse changes in commodity prices.

15. HEDGING TRANSACTIONS

In the beginning of 2008, the Trust entered into a forward bond transaction (the "Transaction") with a major Canadian financial institution. In total, the Transaction, which comprised of bond forward contracts on specific mortgages set to mature and be renewed in 2008, was for a total nominal amount of $101.6 million with a weighted average term and interest rate of 7.2 years and 3.63%, respectively. Subsequent to entering into this Transaction, the Trust initiated changes to the terms of one of the contracts in the Transaction and negotiated a settlement loss of $100 thousand related to the changes. This contract was assessed to be an ineffective hedge and the settlement loss of $100 thousand was included in financing costs for the quarter ended March 31, 2008. During the second quarter ended June 30, 2008, the remaining bond forward contracts in the Transaction were settled. Except for one of the contracts, all remaining contracts were assessed to be ineffective hedges and the net settlement loss of $168 thousand was included in financing costs for the second quarter. The bond forward contract assessed to be an effective hedge was settled for a loss of $284 thousand, which will be amortized over the term of the new financing. As at September 30, 2010, the unamortized balance is $209 thousand (December 31, 2009 unamortized balance – $224 thousand) as $15 thousand was recognized in income under financing charges for the nine months ended September 30, 2010.

During the first quarter of 2008, the Trust 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 on March 11, 2008. The effective date of the hedge was May 1, 2008 and the agreements will continue to be designated as such until May 1, 2015. Settlements on both the fixed and variable portion of the interest rate swap will occur on a monthly basis. The fixed interest rate is 4.15%, plus a stamping fee of 0.25%, while the total amount of the mortgage debt subject to the interest rate swap is $91.5 million. Hedge accounting has been applied to these agreements in accordance with CICA Handbook section 3865.

The Trust has determined the interest rate swap agreement described above to be an effective cash flow hedge. The effectiveness of the hedging relationship will be reviewed on a quarterly basis and measured at fair value. The portion of the gain or loss on the swap transaction that is determined to be an effective hedge will be recognized in other comprehensive income ("OCI"). The ineffective portion of the hedging gain or loss on the swap transaction will be recognized immediately in net earnings. On recognition of the financial liability of the hedged item on the balance sheet, the associated gains or losses that were recognized in OCI will be reclassified into net earnings in the same period or periods during which the interest payments of the hedged item affected net earnings. However, if all or a portion of the net loss recognized in OCI will not be recovered in one or more future periods, the amount not expected to be recovered will be immediately reclassified into net earnings.

As at September 30, 2010, the interest rate swap agreement was reassessed to be an effective hedge and, consistent with the previous periods, any gains or losses on the interest rate swap agreement were recognized in earnings in the periods during which the interest payments on the hedged items were recognized.

16. COMMITMENTS AND CONTINGENCIES

The Alberta government implemented natural gas rebate program ended March 31, 2009. The rebate program became active when the natural gas consumer price charged by two of the three major gas companies in Alberta exceeded $5.50/GJ for any individual winter usage month. For January through March 2009, Boardwalk REIT was eligible for estimated rebates totalling approximately $0.4 million.

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

A supply contract was negotiated to provide price certainty for natural gas usage in the province of Saskatchewan. The contract covered all of the Trust's natural gas requirements for this province. The contract was for the period from November 1, 2008 to October 31, 2009 and provided the commodity at a price of $8.28/GJ. The Trust also negotiated a new physical supply agreement for Saskatchewan, which covers the period from November 1, 2009 to October 31, 2010 and provides the commodity at a price of $4.98/GJ. This physical supply agreement was renewed for a further one-year term commencing November 1, 2010 to October 31, 2011. The new supply contract provides the commodity at a price of $4.81/GJ.

In addition to the province of Saskatchewan, the Trust entered into a natural gas supply contract for the provinces of Ontario and Quebec. The contract covers between 85% and 95% of the Trust's natural gas requirements for these provinces. The physical supply agreement for Ontario and Quebec covered the period from November 1, 2008 to October 31, 2009 and provided the commodity at a price of $7.68/GJ. Furthermore, an additional supply contract covering the period from November 1, 2009 to October 31, 2010 was negotiated to ensure supply of approximately 50% of the natural gas usage for Ontario and Quebec at a price of $7.65/GJ. This additional supply contract was renewed for a further one-year term commencing November 1, 2010 to October 31, 2011. The new supply contract provides the commodity at a price of $4.07/GJ.

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 three-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.

17. GUARANTEES

In the normal course of business, various agreements may be entered that may contain features that meet the AcG-14 definition of a guarantee. AcG-14 defines a guarantee to be a contract (including an indemnity) that contingently requires an entity to make payments to the guaranteed party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty, (ii) failure of another party to perform under an obligating agreement or (iii) failure of a third party to pay its indebtedness when due.

In connection with the sales of properties, a mortgage assumed by the purchaser may have an indirect guarantee provided to the lender until the mortgage is refinanced by the purchaser. In the event of default by the purchaser, the seller would be liable for the outstanding mortgage balance. Boardwalk REIT's maximum exposure at September 30, 2010 is approximately $2.9 million (December 31, 2009 – $3.1 million). In the event of default by the purchaser, Boardwalk REIT's recourse for recovery includes the sale of the respective building asset. Boardwalk REIT expects that the proceeds from the sale of the building asset will cover, and in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at September 30, 2010 and December 31, 2009, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

18. SEGMENTED INFORMATION

Boardwalk REIT specializes in multi-family residential housing and operates primarily within one business segment in five provinces located in Canada. The following summary presents segmented financial information for Boardwalk REIT's business by geographic location.

	3 months ended Sept. 30, 2010	3 months ended Sept. 30, 2009	**9 months ended Sept. 30, 2010**	9 months ended Sept. 30, 2009
Alberta				
Revenue	**$ 60,678**	$ 62,546	**$ 183,136**	$ 189,663
Expenses				
Operating	**9,391**	9,478	**30,025**	29,073
Utilities	**4,431**	4,075	**16,544**	16,176
Utility rebate	**–**	–	**–**	(372)
Property taxes	**5,449**	5,515	**14,284**	13,323
	19,271	19,068	**60,853**	58,200
Net operating income	**$ 41,407**	$ 43,478	**$ 122,283**	$ 131,463
Saskatchewan				
Revenue	**$ 13,945**	$ 13,227	**$ 41,416**	$ 38,648
Expenses				
Operating	**1,809**	1,611	**5,441**	5,225
Utilities	**850**	861	**3,392**	4,010
Property taxes	**949**	749	**2,894**	3,056
	3,608	3,221	**11,727**	12,291
Net operating income	**$ 10,337**	$ 10,006	**$ 29,689**	$ 26,357
Ontario				
Revenue	**$ 9,587**	$ 9,450	**$ 28,806**	$ 28,330
Expenses				
Operating	**1,631**	1,591	**4,872**	4,920
Utilities	**1,728**	1,467	**5,211**	4,975
Property taxes	**1,508**	1,667	**4,517**	4,634
	4,867	4,725	**14,600**	14,529
Net operating income	**$ 4,720**	$ 4,725	**$ 14,206**	$ 13,801
British Columbia				
Revenue	**$ 2,860**	$ 2,800	**$ 8,627**	$ 8,400
Expenses				
Operating	**319**	389	**1,185**	898
Utilities	**230**	247	**879**	918
Property taxes	**145**	178	**460**	492
	694	814	**2,524**	2,308
Net operating income	**$ 2,166**	$ 1,986	**$ 6,103**	$ 6,092
Quebec				
Revenue	**$ 17,026**	$ 16,386	**$ 50,479**	$ 49,050
Expenses				
Operating	**3,675**	3,698	**11,049**	9,673
Utilities	**921**	1,221	**4,650**	5,646
Property taxes	**1,662**	1,623	**5,016**	4,867
	6,258	6,542	**20,715**	20,186
Net operating income	**$ 10,768**	$ 9,844	**$ 29,764**	$ 28,864
Total				
Net operating income	**$ 69,398**	$ 70,039	**$ 202,045**	$ 206,577
Unallocated revenue*	**$ 572**	$ 332	**$ 1,280**	$ 1,000
Unallocated expenses**	**$ 55,661**	$ 55,887	**$ 154,911**	$ 160,389
Net earnings for the period	**$ 14,309**	$ 14,484	**$ 48,414**	$ 47,188

As at	September 30, 2010	December 31, 2009
Alberta		
Identifiable assets		
Revenue producing properties	**$ 1,264,642**	$ 1,277,539
Mortgages and accounts receivable	**757**	1,166
Tenants' security deposit	**9,110**	9,499
	$ 1,274,509	$ 1,288,204
Saskatchewan		
Identifiable assets		
Revenue producing properties	**$ 162,610**	$ 163,424
Mortgages and accounts receivable	**556**	556
Tenants' security deposits	**2,893**	2,824
	$ 166,059	$ 166,804
Ontario		
Identifiable assets		
Revenue producing properties	**$ 201,021**	$ 202,320
Mortgages and accounts receivable	**92**	191
	$ 201,113	$ 202,511
Quebec		
Identifiable assets		
Revenue producing properties	**$ 371,713**	$ 373,521
Mortgages and accounts receivable	**479**	341
	$ 372,192	$ 373,862
British Columbia		
Identifiable assets		
Revenue producing properties	**$ 95,689**	$ 95,343
Mortgages and accounts receivable	**27**	30
Tenants' security deposits	**505**	483
	$ 96,221	$ 95,856
Total assets		
Identifiable assets	**$ 2,110,094**	$ 2,127,237
Unallocated assets***	**233,460**	251,041
	$ 2,343,554	$ 2,378,278

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

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

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

19. SUBSEQUENT EVENT

On October 27, 2010, the Trust closed and completed the sale of an 88-unit property located in St. Laurent, Quebec for an aggregate purchase price of $7.9 million.