

EXPERIENCED
AND EVOLVING



BOARDWALK REIT ■ 2017 ANNUAL REPORT

Lifestyle

communities

living

centre pointe west

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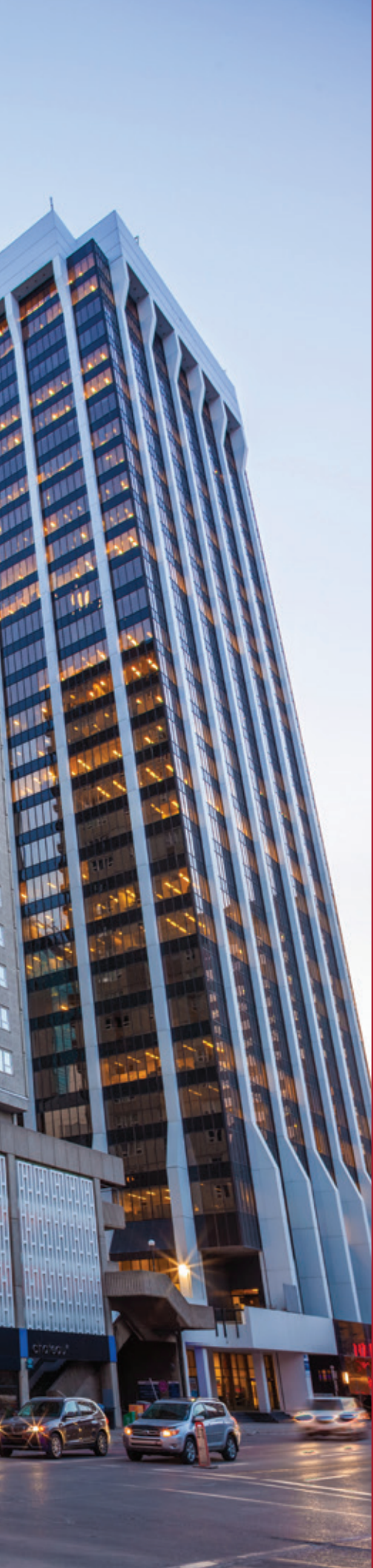
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CORPORATE PROFILE

Boardwalk REIT strives to provide Canada's friendliest communities and currently owns and operates more than 200 communities with over 33,000 residential units totaling over 28 million net rentable square feet. Boardwalk's principal objectives are: to provide its Residents with the best quality communities and superior customer service; providing Unitholders with enhanced returns; increasing the value of its Trust Units through selective acquisitions, dispositions, development; and effective management of its residential multi-family communities. Boardwalk REIT is vertically integrated and is Canada's leading owner/operator of multi-family communities with 1,700 Associates bringing Residents home to properties located in Alberta, Saskatchewan, Ontario, and Quebec.

TSX: BEI.UN





In 2017, we used our experience, to evolve through rebranding, re-positioning and enhancing product quality and service.



Revenue opportunity of over \$70 million or \$1.40 per Trust Unit in the reduction of vacancy loss and incentives'

\$17.9 MILLION

invested in development in 2017

Launch of three new Boardwalk brands: Boardwalk Living; Boardwalk Communities and Boardwalk Lifestyle

OVER 99%

of the Trust's mortgages are CMHC insured

Under Construction: Pines Edge Phase III, Regina; and Brio, Calgary (joint venture with RioCan)

1,775 CLEAR-TITLE APARTMENT UNITS

Net Asset Value, including cash of

\$60.37 PER TRUST UNIT

\$327 MILLION

of available liquidity at the end of 2017

Development pipeline of over

4,000 APARTMENT UNITS

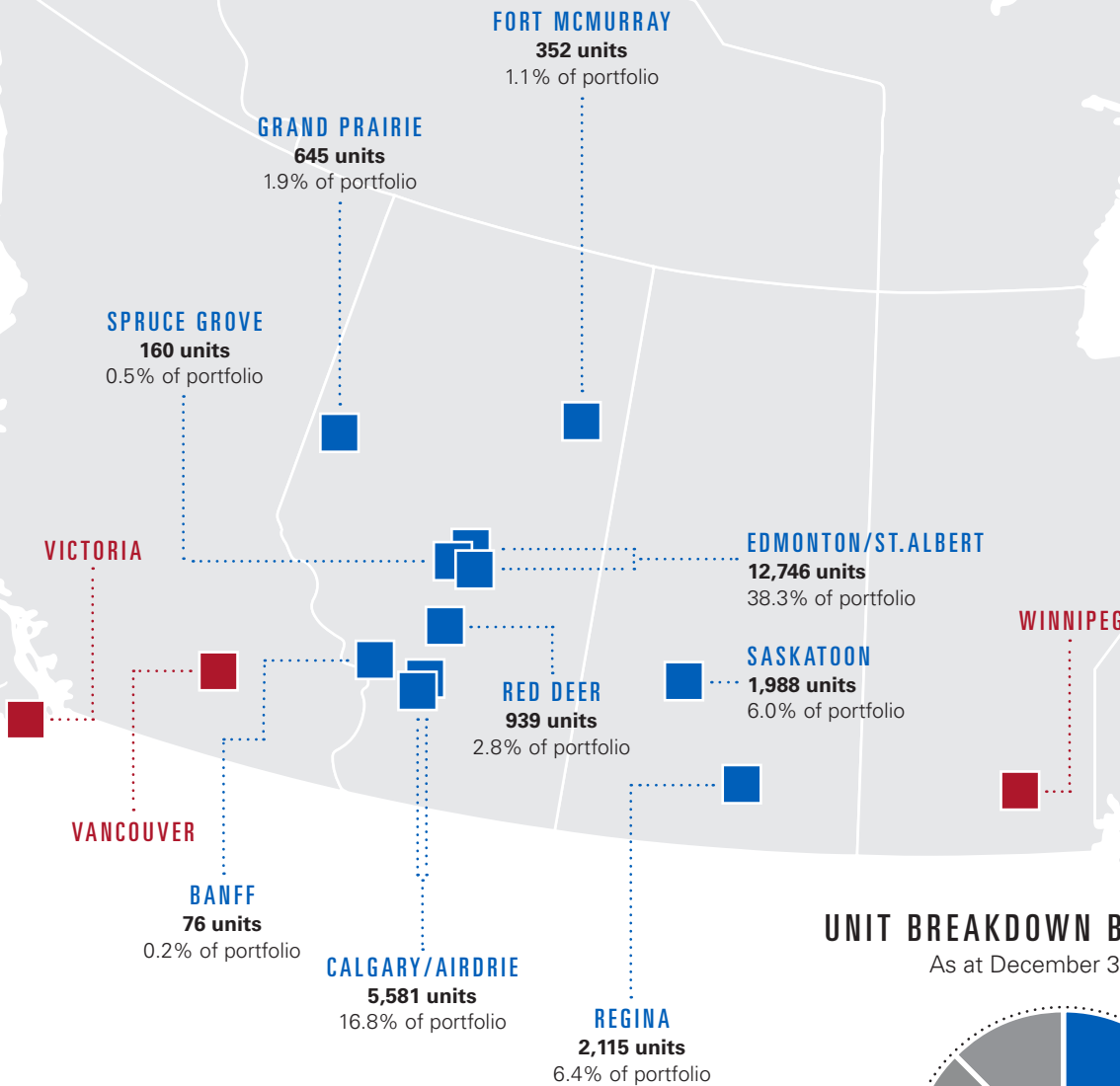
> 25%

management ownership

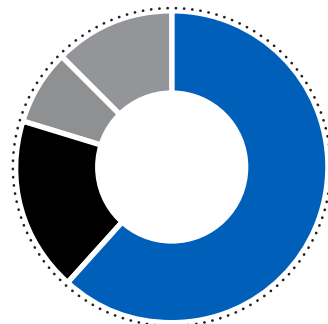
OVER \$107 MILLION

invested in Suite Capital in 2017

OPERATIONS REVIEW



UNIT BREAKDOWN BY PROVINCE
As at December 31, 2017



BOARDWALK CURRENT PORTFOLIO

Boardwalk's current portfolio is concentrated in Western Canada, which has historically provided strong returns in periods of cyclical expansion.

AB 61.7%

QC 18.1%

ON 7.8%

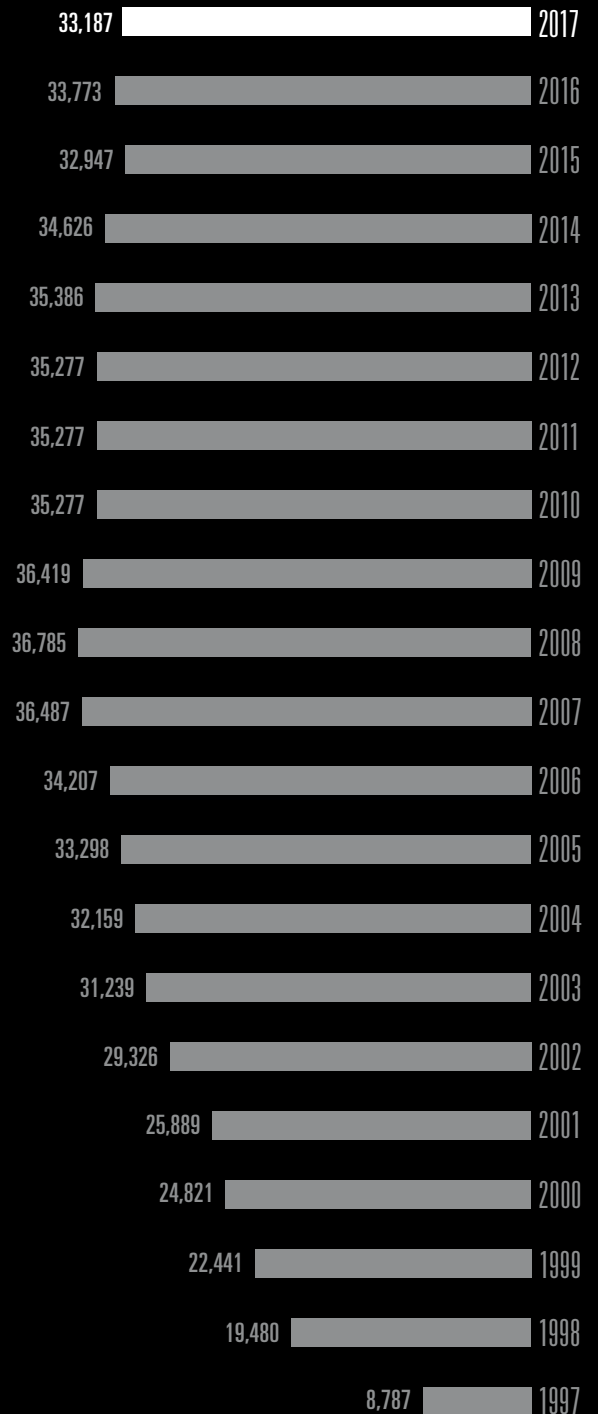
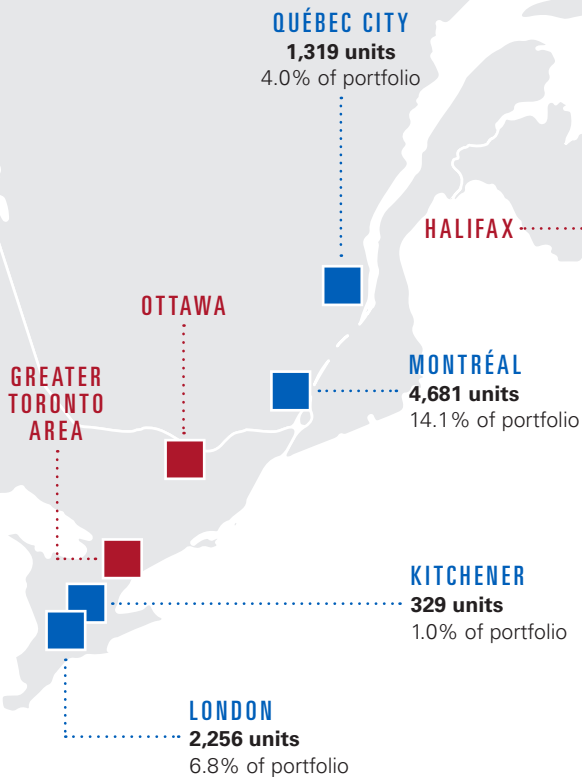
SK 12.4%

Boardwalk REIT

TOTAL NUMBER OF RESIDENTIAL UNITS

LONG-TERM PORTFOLIO DIVERSIFICATION

Boardwalk has identified these key growth markets for long-term expansion to provide both growth and diversification in undersupplied, high-growth markets.



LETTER TO UNITHOLDERS

2017 was a transitional year for Boardwalk. A bottoming of the Western Canadian economy allowed us to further enhance our product quality and service with a focus on utilizing historically high market vacancy rates to renovate and reposition a large number of apartment suites.

This strategy of counter-cyclical investment in our own portfolio was similar to the approach Boardwalk undertook when we began in the 1980s by acquiring and improving multi-family communities through renovation. This counter-cyclical approach required blood, sweat and tears, but allowed us to improve our product quality and service to create significant long-term value as reflected by our track record of value creation.

This strategy of continuous re-investment in the preservation and enhancement of our communities has allowed us to create a company today with a net asset value of over \$60 per Trust Unit in addition to returning over \$25 of cash distributions to our Unitholders since our initial split-adjusted public offering in 1994 of \$0.0625 per share. The current disconnect between our public market valuation and our net asset value offers a unique investment opportunity for our investors to capitalize on an opportunity to partner with our team as we focus in the near-term on recapturing vacancy loss and incentives in our core portfolio, while also preparing to invest in the medium to long term in the acquisition and development of Boardwalk's brand of communities in new, high-growth, undersupplied markets. We believe this will further enhance value to all of our stakeholders.

EVOLVING PRODUCT AND BRAND

The spectrum of rental housing in Canada has expanded over the last few years with rental demand ranging from affordability to high-end luxury. As a result, the ability to offer a more

diverse product will allow Boardwalk to attract a larger demographic to the Boardwalk brand.

At the beginning of 2017, Boardwalk tested a small number of suite renovations to evaluate the demand for large, well-located, high-quality, and high-service renovated apartment homes. Our initial success created excitement across our team to revamp our suite materials and supplies to a higher quality, more durable, and modernized specification. The onset of our renovation program was delayed by the procurement of these revised materials and supplies, which subsequently resulted in a backlog of labour and trade scheduling; this in turn resulted in increased vacancies due to suites being un-rentable for renovation. Today, we are pleased to report over 3,000 suites were renovated in 2017. The majority of these suites were completed in the last six months of 2017 as our production process gained traction. The investment of additional capital and impact of increased vacancy loss of our suite renovations improved throughout the year. The full absorption of these renovated units in the latter quarter of 2017 and first month of 2018, along with a significant improvement of over 300 basis points in our overall occupancy at the end of 2017, reflects the positive long-term benefits that outweigh the short-term sacrifice in higher vacancy. Our high-graded suites and longer lasting specifications (20+ year warranty on flooring as an example), have positioned the Trust to create superior results going forward.

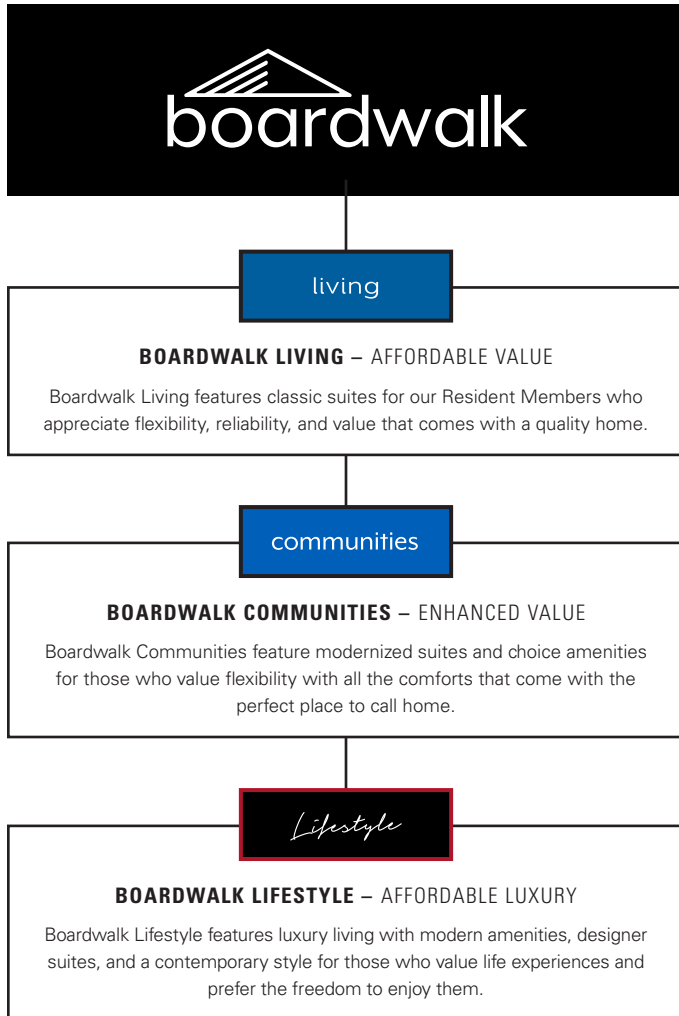


“Building Better Communities”

FROM LEFT TO RIGHT

*William Wong, Chief Financial Officer; Dean Burns, Vice President and General Counsel;
Roberto Geremia, President; Lisa Russell, Senior Vice President, Acquisition and Development;
Van Kolas, Senior Vice President, Quality Control; Sam Kolas, Chief Executive Officer and Chairman of the Board*

To better understand the renovation program and provide Boardwalk with the ability to efficiently target capital investment to maximize returns, we launched three distinct brands under the Boardwalk umbrella:



With three distinct brands offering various price points, value and service, Boardwalk offers a product across the rental spectrum. As demographic, affordability, and demand for rental housing continues to increase, the Trust is well positioned to provide a home that suits all Resident Members.

EVOLVING PORTFOLIO GROWTH

In 2017, Boardwalk provided details of its long-term strategic plan. Resource-based economies such as Alberta and Saskatchewan have historically provided long periods of gains only to be tempered by periods of decline through various economic cycles. Boardwalk has historically taken advantage of this cyclicality by investing and acquiring assets during trough

periods and positioning its communities to outperform during growth cycles. Boardwalk's approach during this cycle has been similar with counter-cyclical investment in suite renovations and new development projects such as our joint-venture development project with RioCan REIT in Calgary, our continued phasing of excess land in Regina, and continued procurement of over 4,000 apartment unit development pipeline in our core markets. As the Western Canadian economy continues its recovery, Boardwalk is beginning to study available density on its existing Ontario and Quebec portfolio and is well-positioned to deliver above-average returns.

With the large level of economic torque upcoming in our core markets, the Trust is focused on maximizing the value of its investments, and recapturing operating income over the short-term by reducing vacancy loss and incentives and improving long-term revenues with better product and service. Over the long-term, the Trust has devised and published a ten to fifteen-year plan to grow its portfolio by ten to fifteen thousand apartment units in undersupplied, high-growth markets which will provide net asset value ("**NAV**") creation and offer diversification amongst its portfolio. Boardwalk's acquisition and development strategy is focused on NAV creation which will be unique to each opportunity, but will, however, include development, strategic partnerships, and acquisitions.

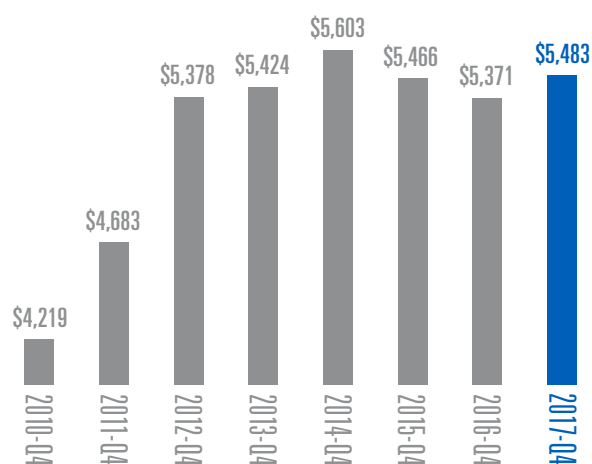
CONTINUED FINANCIAL STRENGTH

One of Boardwalk's key pillars is resilient financial strength. The Trust's strategic decision to fortify its balance sheet in previous cycles to reduce its debt/assets, ladder its debt maturities, ensure strong liquidity, and eliminate renewal risk by using CMHC-insured mortgages, has positioned the Trust to complete counter-cyclical investment without sacrificing balance sheet strength. Despite two challenging years in our core markets, the Trust continues to have low debt, with net debt to assets of 46% and strong liquidity of over \$300 million at the end of 2017.

In addition, over 99% of Boardwalk's outstanding debt is backed by CMHC insurance. Our long-term partnership with CMHC has allowed Boardwalk to continue to provide high-quality, affordable housing to Canadians in our core markets. The benefits of CMHC insurance include access to low-cost financing, with current five- and 10-year interest rates of approximately 2.90% and 3.20%, as well as certainty of debt renewal as the Government of Canada guarantee, through CMHC, remains in force for the full 30- to 40-year amortization of its mortgages.

FAIR VALUE OF INVESTMENT ASSETS, EXCLUDING SOLD PROPERTIES

(in \$ Millions)



In 2017, Boardwalk's Board of Trustees adopted a revised distribution policy to align with Boardwalk's strategic initiatives focused on long-term NAV creation and growth. When balanced with Boardwalk's conservative balance sheet, the new minimum distribution policy allows the Trust to retain a significant amount of cashflow for re-investment and will accelerate the Trust's growth capability going forward.

2018 OUTLOOK

Key macro-economic indicators have identified that a recovery has begun in the Trust's core market of Alberta:

- Positive inter-provincial migration in the second half of 2017, combined with consistent international migration into the province
- Increasing job vacancies in Alberta
- Decreasing unemployment rate
- Stabilizing world oil prices
- New construction of purpose-built rentals has moderated

Boardwalk in 2018, is focused on recapturing revenues and its operating margin. The largest current opportunity for the Trust is the reduction of vacancy loss and incentives which represent approximately \$33 and \$40 million, respectively, or over \$1.40 per Trust Unit in annual FFO combined.

To begin recapturing its revenues, Boardwalk's primary focus in early 2018 is on occupancy, with an already achieved goal of less than 5% vacancy at the end of December of 2017, and a further goal of achieving less than 3% vacancy before the

Financial and Operating Highlights

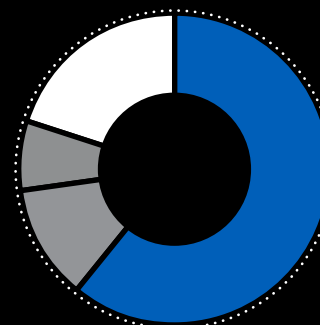
\$423 MILLION
TOTAL REVENUE 2017

AFFO PER TRUST UNIT OF
\$1.68

FFO PER TRUST UNIT OF
\$2.11

NOI BREAKDOWN BY PROVINCE

As at December 31, 2017



spring turnover season. To date, Boardwalk's success in reducing vacancy has been a result of completing previously vacant units that were held for renovation to a much higher standard. By ensuring Boardwalk has ready and available product, and when combined with our best in class service, our team is able to lease new units, and has done a remarkable job of exceeding our initial 5% vacancy goal during the seasonally slower winter rental months. Boardwalk's lease terms with its Resident Members are for twelve months, and when combined with lower vacancy, has positioned the Trust well to reduce incentives going forward

In 2018, Boardwalk will continue to invest in its suite renovation and re-positioning program, however as occupancy increases, it is anticipated these renovations will decrease from the pace undertaken in 2017. We believe our suite renovation program will provide the best returns by improving our brand, balancing our renovation program with natural vacancy, create a scarcity of supply of renovated product, and continue with our production efficiencies, including the procurement of materials from offshore manufacturers and improvement in construction time, have allowed for a lower cost of renovation while also producing a faster turnaround. Overall, we anticipate investing approximately \$40 to \$60 million in our suite renovation and re-positioning program in 2018.

The Trust provides a financial outlook for the upcoming year to enhance transparency in our financial reporting by sharing our own perspectives on the Trust's current position and objectives. Operating performance visibility has improved for 2018 along with improvement in the macro-environment in our core markets, and with the previously announced change to the timing of release of our forward-looking financial guidance which is updated and reported in our quarterly financial statements, conference calls and press releases.

Description	2018 Financial Guidance
STABILIZED BUILDING NOI GROWTH:	2% to 7%
FFO PER TRUST UNIT:	\$2.15 to \$2.35
AFFO PER TRUST UNIT: (BASED ON \$695/YEAR/APT)	\$1.70 to \$1.90

The Trust is estimating stabilized building NOI growth of 2% to 7% in 2018, as the Trust focuses on balancing its renovation program with higher occupancy. As a result, the Trust is anticipating FFO growth in 2018 from the prior year with an estimated range of \$2.15 to \$2.35 per Trust Unit. The investments made throughout 2017 and into 2018 in our communities and in improving our service levels have

positioned Boardwalk to excel in 2018 and beyond.

THANK YOU

Since our inception in 1984, Boardwalk's approach and commitment to our Residents has remained unchanged: to provide our Residents with the best quality communities and superior customer service. Boardwalk continues to offer Resident-friendly programs such as our internal subsidy program (offering rental increase forgiveness to Resident Members who would experience financial hardship as a result of a rental increase), a self-imposed rent protection program (limiting the amount of a rental increase in any given year), and Community engagement and experience opportunities such as family movie nights, wine and cheese events, and many others. Our friendly, community and member-experience focused approach to our operational strategy makes Boardwalk a premier housing option, and when coupled with our strategic initiatives of brand diversification, suite renovations, new partnership/development opportunities and NAV creation focused portfolio growth, will create value for our Unitholders.

Thank you to all of our stakeholders, financial and operating partners for their continued support. A special thanks to CMHC, Boardwalk's largest financial partner, as they continue to provide mortgage insurance products which maintain low interest rates and mitigate renewal risks, all of which allows Boardwalk to continue to provide the best value in rental housing for Canadians.

Thanks also to the Board of Trustees for their discipline, guidance and continued focus on excellence in governance and corporate strategy.

Thank you to our Resident Members for their continued loyalty and engagement in our Boardwalk Community and for calling Boardwalk home.

And lastly, thank you to each of Boardwalk's Associates across Canada for their dedication and commitment to our continued growth and evolution.

Over our 33-year history, we have learned to evolve, successfully creating value for all our stakeholders, and with this timeless evolution, we are positioned, again, to enhance value and growth for all our stakeholders.

Respectfully,

[signed]

Sam Kolia
CHAIRMAN AND CEO

Q & A WITH SAM

Boardwalk's Chief Executive Officer answers some of our Stakeholder's most commonly asked questions.



As we close out 2017 and begin to see the success of our investments made in the year, we have compiled and summarized the most commonly asked questions by our stakeholders through the year.

Our team strives to provide transparency to our stakeholders, and we welcome questions and/or comments from all of our stakeholders.

Why have you made an investment in product quality and service during a cyclical down period?

Boardwalk has always strived to provide the best product quality and service in housing. The investments made in 2017 surpass our previous investment both in quantity and value due to:

- a) The opportunity to utilize cyclically high market vacancy to renovate.
- b) An expansion and diversification of our product offering to include affordable value, enhanced value and affordable luxury.
- c) Regardless of market conditions, Boardwalk will always strive to provide the best product quality and service.

How is Boardwalk positioned for the improving Alberta economy?

Our counter-cyclical investments in 2017 have positioned the Trust to enhance our operating results going forward. In 2017, our total vacancy loss and incentives equated to over \$70 million and represents a large opportunity for Boardwalk to begin recapturing lost revenue as the Alberta economy improves.

Our initial focus is to recapture vacancy loss. Once vacancy is reduced to between two and three percent, the Trust can then begin to reduce incentives. Boardwalk's approach to incentive reduction is bound by its own self-rental rate control, and may take two to three years to recapture these incentives. Boardwalk's long-term strategic plan is to grow the Trust to include other high-growth markets, which will provide additional value creation as well as further geographic diversification for our stakeholders.

Long term strategic plan – what do you see in some of these markets?

As part of our ten to fifteen-year strategic plan, we have identified a number of growth markets which Boardwalk may expand into. Each of these markets represent large markets in Canada, that have a strong labour market, and growing population. The Trust seeks markets which have an under-supply of rental housing and estimate that these factors will allow Boardwalk to create significant value for our stakeholders by investing in great locations within these type of secular growth markets.

We will continue to update our stakeholders on our progress as we create and develop opportunities in these markets.

What is a minimum distribution policy?

In November of 2017, Boardwalk's Board of Trustees adopted a minimum distribution policy. This formal distribution policy allows the Trust to retain a significant amount of cashflow for re-investment. As a Trust, Boardwalk must distribute at least its taxable income to its Unitholders, and this current policy allows for the minimum distribution of at least its annual taxable income – however also providing maximum cashflow to fund future growth projects and opportunities such as our renovation program, new development, and potential acquisitions. As our cashflow improves in our core markets, we are well positioned to begin utilizing free cashflow to once again grow Boardwalk.

We are most excited for what lies ahead. In the near-term, the recapture of our incentives and vacancy loss from the last two years will provide significant year over year growth, while our investment in suite renovations, repositioning, and service have set us up to propel past our previous peak revenues as our core markets are once again entering a state of balance. In addition, our minimum distribution policy will allow us to utilize cashflow as a source of capital to fund further growth for the Trust.

RESIDENT MEMBERS

Boardwalk strives to be Canada's friendliest and preeminent landlord, continually looking for new and innovative ways to build and strengthen long-lasting relationships with its Resident Members.

With superior customer service, high-quality rental apartments and welcoming communities, Boardwalk offers a variety of home options for our current and prospective Resident Members.

Boardwalk is committed to providing quality rental apartments coupled with superior customer service to more than 50,000 Resident Members across four provinces in Canada, which has earned Boardwalk the Recognizing Outstanding Organizations and People in Housing (ROOPH) award for outstanding community partnerships and the Calgary Residential Rental Association Community Service award.

To continue providing the best in customer service, Boardwalk provides Resident Members access to a Customer Call Centre 24 hours a day, 7 days a week, 365 days a year by phone, email, or live chat. In addition, Residents are provided 24-hour on-call maintenance for their buildings and a Maintenance Guarantee that ensures all standard maintenance requests will be completed within 72 hours.

In 2017, Boardwalk's main website: www.bwalk.com received 731,000 visitors and 3.8 million page views, more than 161,000 phone calls; 104,000 emails; and nearly 18,000 live chats were received through the Customer Service Centre.

Ensuring service is consistent and Resident Members are satisfied, automated telephone and online surveys were conducted with Resident Members who had either recently moved into a Boardwalk Community (59% satisfaction), had maintenance work completed (58% satisfaction), or had moved out (decreased to 7,487 compared to 7,613 in 2016), with the most common reason being "personal". Residents transferring to other Boardwalk buildings increased by 1.96% from 2016.

These annual surveys help to quantify Boardwalk's level of customer service and where it can be improved, allowing us to implement immediate changes and effectively respond to the changing needs and priorities of Resident Members.

To further enhance Members experience, Boardwalk actively searches for new ways to connect with Resident Members and has found success through its secure, Resident Member website which offers a "*Lease and Balance*" page to display expected transactions for the coming month; the ability to add multiple images to feedback and contact forms and use of a "*Community Corner*". Through Community Corner, Resident Members have an opportunity to connect online with others living in the same community, as a way of making new friends or utilizing the "*Buy and Sell*" section. As a testament to its success, registration on the Resident Member website increased by 28.6% since 2016. Plans are in place to further develop the website in 2018 to make it an even more convenient and user-friendly way for Residents to connect with Boardwalk's team of Associates and with others living in the community.

Boardwalk continued to publish and distribute its member magazine "*Across the Board*", online and in print, to Resident Members across Canada three times yearly. The magazine features a variety of information including household tips, community stories, city profiles, etc., and offers Resident Members an opportunity to get involved by writing a story of their own. In 2018, Boardwalk will continue to distribute the magazine as it provides an excellent way to connect communities and Resident Members across Canada.



Entrance to Renovated Show Suite at Centre Pointe West



RENOVATED 2-BEDROOM SUITE



LOBBY AT CHATEAU

In addition to superior service and Resident Member focus since its inception in 1999, Boardwalk provides an internally-mandated, self-regulated, rent assistance program (the “**Internal Subsidy Program**”) under which eligible Resident Members who are experiencing financial hardship are offered various methods of rental forgiveness, including reducing or withholding rental increases and subsidizing suites across its portfolio, maximizing its dedicated budget of \$150,000 annually, which fluctuates according to need of its Resident Members.

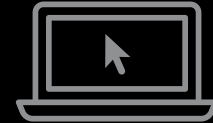
To meet the demand for lifestyle changes amongst our senior citizens, the Trust established Boardwalk Retirement Communities, in many major Canadian Cities, offering a lifestyle free from everyday living responsibilities such as meal preparation, housekeeping and maintenance. As well as offering healthy living, excellent service, superior food, social activities, and the peace of mind that comes with assisted living.

As Boardwalk is always looking for new ways to connect with community, it increased its focus in 2017 on using social media to connect with and engage current and potential new Resident Members, with a presence now on a variety of social media websites, seeing demonstrated and substantial success with its Facebook page with more than 17,000 followers. With the help of social media, Boardwalk also ran its 2017 corporate re-branding campaign, which saw great success in creating positive brand awareness amongst the Community and Resident Members.

Believing that a connected community is the basis for the most fulfilling and rewarding community living experience, Boardwalk invites and encourages Residents to participate in numerous sponsored “Resident Appreciation Events” across Canada. To further enhance to the community experience, Boardwalk added a dedicated team of “Member Experience” Associates to expand the number and frequency of such appreciation events in 2017, including: meet your neighbour parties, movie nights, zoo days, festival tickets, fitness classes, art classes, concerts, picnics, pet days, block parties, family swim days, community resource information sessions, afternoon teas, cocktail parties, sporting events, barbecues, family photo sessions, bowling nights, contests, among others, and more to engage Resident Members in its Golden Foundation.

There is no greater demonstration of the love of community than Associates and Resident Members working side by side to build and better their communities. With over 19,000 Resident Members attending our events in 2017, Boardwalk continues to find that these events foster relationships between Associates and Residents and provide opportunities for Residents to form relationships within their Boardwalk Community.

Connecting with Our Resident Members



RESIDENT MEMBER WEBSITE

A Resident Member specific website offers various services to Residents, including a “*Community Corner*”, “*Buy and Sell*” and a “*Lease and Balance*” page. Registration for the Resident Member-website increased by 28.6% since 2016.



ACROSS THE BOARD

To help promote community and connections, Boardwalk publishes and distributes a Resident Member-focused magazine 3 times a year.



RESIDENT APPRECIATION

Boardwalk encourages a sense of community through various Resident Appreciation Events, such as BBQs, movies, pet days, block parties, contests, cocktail parties and much more.

IN THE COMMUNITY

Boardwalk strives to provide and foster communities that encourage Residents, Associates and Stakeholders to create an environment which local and global relationships can be made, which lead to Boardwalk's goal of better communities.

The resiliency of community leads to Residents choosing Boardwalk as their preferred housing option, resulting in sustainable returns for Unitholders, welcoming homes for Resident Members and a great place to work for Associates.

In 2017, Boardwalk continued its involvement in more than 60 community sponsorships and initiatives across Canada, including: Walk for Wellspring, The Coldest Night of the Year, Hockey Helps the Homeless, blood and food drives, Operation Christmas Child, KidSport, We are One benefit concert, Five Days for the Homeless; seniors and homelessness events/fundraisers, National Housing Day Conference, youth mentor programs, Iron and Frost Gala, Stuff a Suite, Feed the Hungry, Clothesline (72 collection locations and 260,593 lbs donated), community clean-up events and many more.

Boardwalk offers many opportunities for both Associates and Resident Members to get involved in charitable events and is one of the reasons that Boardwalk developed the Boardwalk Angels Program (the "**Angels Program**") for Resident Members. The Angels Program recognizes Boardwalk buildings where Resident Members have been involved in sponsored charitable events, giving back to their community. Boardwalk is pleased to have recognized more than 150 sites in the Angels Program for volunteering for charities, hosting Seniors events and spearheading toy, food bank and blood drives, among many others.

WE Day Alberta ("**WE Day**") is hosted annually by Free the Children to encourage youth to get involved and bring about change in their local and global communities, with a goal to empower youth to become the leaders of tomorrow.

Guided by our Golden Vision to Love Community, Boardwalk is committed to making a meaningful difference by ensuring our youth today are inspired to create positive change and was proud to be a platinum sponsor of WE Day Alberta for the third consecutive year. In addition, Boardwalk offered its young Resident Members an opportunity to attend the event by completing a short entry, including what Community means to them and how they give back locally, nationally and globally.

Boardwalk strongly believes in building better communities and is excited to be part of an event that motivates youth to do the same.

Each year, in partnership with the Community Service Learning Program at the University of Alberta, Boardwalk provides an opportunity to encourage students to give back to their communities and challenge them to create a community initiative in the hopes of receiving *The Boardwalk Learning and Change Award* (a \$10,000 grant, to put their plan into action). From all submissions, three to five projects are selected to be presented in front of a panel of judges.

The grant winner for 2017 was Kenzie Gordon, who in partnership with SACE and the University of Alberta, developed a video game surrounding bystander intervention in situations of violence. The game will be part of Bystander Intervention Training offered by both partners, ensuring young adults are well-informed about what constitutes consent and/or violence in a relationship as well as their rights, giving them the tools to establish healthy relationship patterns that last into their adult lives.



Renovated Resident Lounge

540+ VOLUNTEER HOURS PROVIDED

to various charities across
Canada through Boardwalk's
'Annual Week of Giving' initiative.



COMMUNITY BBQ



EDMONTON PANCAKE BREAKFAST

\$25,000

donation dollars matched
by Boardwalk through
their Charitable Match
Donation Program.



MONTREAL CORPORATE CHALLENGE

Boardwalk strives to ensure that everyone has a place to call home and was involved in many community events across Canada to help end homelessness, including: "Hockey Helps the Homeless" in numerous cities; and "Five Days for the Homeless," held at post-secondary institutions nationally. Additionally, Boardwalk partners with many government and other organizations to provide affordable housing across Canada. These organizations include: Calgary Homeless Foundation; Homeward Trust; London Housing Company; Red Deer Housing; the Mustard Seed; and many others. In total, Boardwalk provides approximately 1,000 affordable housing units to these programs.

In addition to the programs and initiatives listed above, Boardwalk provides Associates with opportunities to give to international communities. Under its "**Homes of Hope**" benefit, in partnership with "Youth With a Mission," Boardwalk sends Associates to Tijuana, Mexico to build homes for families in need; sponsoring three trips in 2017, allowing 94 Associates to travel to Tijuana to build 6 homes.

In December of 2017, Boardwalk hosted its annual Week of Caring, giving Associates the opportunity to volunteer for up to four paid hours at their favorite local charitable organizations, under which Associates collectively gave over 540 hours to their charities of choice, including "**Operation Christmas**

Child", a Samaritan's Purse initiative. During Week of Caring, Resident Members joined Associates in filling 2,033 shoeboxes with gifts for Operation Christmas Child, while others dedicated additional hours at the Operation Christmas Child warehouses, preparing shoeboxes for children in need around the world.

To further support charity organizations, Boardwalk offers Associates the "**Charitable Match Donation Program**". This Program enables Associates to donate a portion of their salary to a specific charitable organization. Boardwalk then matches these donations (up to \$1,000 per Associate, per year). In 2017, Boardwalk matched over \$25 thousand in donations under the Charitable Match Donation Program.

Boardwalk continues to work toward building better communities, both locally and globally, encouraging its Resident Members and Associates to get involved in the communities in which they live and work and to "give where they live." Charitable events held in 2017 continued to demonstrate the resilience of community, and the positive effect that community has on all stakeholders. Strong and lasting communities are best built when we support one another and work together!



LIFESTYLE LAUNCH AT CENTRE POINTE WEST

60+
COMMUNITY
INITIATIVES

were sponsored by Boardwalk
across Canada in 2017.



A Boardwalk Associate at Centre Pointe West

TEAM BOARDWALK

Boardwalk's mission to provide the best quality communities for its Resident Members is achieved through the collaboration of its dedicated team of Associates.

Boardwalk provides Associates with ongoing training, development, education, benefits, advancement opportunities, competitive compensation, frequent communication and opportunities to give back to our local, national and global communities. These efforts foster a strong sense of community engagement while providing an exceptional place for its Associates to work. As a result, Boardwalk has been a past recipient of Waterstone Canada's 10 Most Admired Corporate Cultures (Western Canada).

ASSISTANCE

Working to support Associates in and outside the workplace, Boardwalk has established an internal committee ("**The Rainbow of Hope**" or "**ROH**") in each region that they operate, and are dedicated to raising funds to provide Associates with additional assistance, support and relief during times of need. Wishes are initiated when an Associate contacts The Rainbow of Hope, or have they been nominated for a wish by another Associate. To ensure anonymity and privacy, all personal details are removed from a wish request, which is then presented to, reviewed and granted by volunteer Committee members.

Ensuring enough resources are available within every region, Boardwalk matches dollar-for-dollar, the fundraising efforts for each ROH Committee.

BENEFITS

Conducting regular benefits research and utilizing industry comparisons, Boardwalk ensures that it offers Associates a comprehensive benefits package, including an RRSP Match Program ("**RRSP Match**"). Through the RRSP Match, Associates can opt to have a portion of their salary deposited directly into an RRSP, where Boardwalk will then match a percentage of their contributions, which varies based on an Associate's length of service.

In 2017, Boardwalk dedicated over \$2.8 million for contributions under the RRSP Match and multi-tiered comprehensive benefits programs, in addition to contributing nearly \$2.1 million to comprehensive benefits for Associates.

Boardwalk refers to its Associates as being part of the Boardwalk Family and, by extension, strives to also be supportive of the families of its Associates. To accomplish this, Boardwalk established the *Chairman's Scholarship fund* to help with the cost of post-secondary education for the children of Associates. In 2017, 29 children of Associates were awarded with scholarships, totaling \$236,500.

CHARITABLE MATCHING

Fostering the spirit of giving, Boardwalk encourages Associates to give back to their communities in many ways; one of which is through its Charitable Match Donation Program, where Associates can donate a portion of their salary to a registered charity of their choice that the Trust then matches (up to \$1,000 per Associate, annually). In 2017, Boardwalk matched over \$25,000.

COMMUNICATION

A key component in growing the best team is to ensure information is provided to Associates in a timely matter. With its team spanning across four provinces, Boardwalk has developed and implemented a strategic internal communications program which utilizes numerous communication vehicles, including an intranet (the **"Bistro"**); a secure website Associates can access either from work or home, ensuring every Associate has convenient and easy access to relevant information. The Bistro hosts information regarding Associate Health and Safety, benefits, Human Resources, important announcements and information concerning community events. Additionally, Boardwalk publishes a quarterly, bilingual, internal magazine (the **"Community Chest"**) that relays Health & Safety information, messages from Senior Management, financial updates, community events and features Associate content (i.e. employment milestones, births, weddings and life events) and more, which is distributed to all its Associates across Canada.

Through internal communications, Associates are regularly updated respecting changes in their benefits, including articles and tips for achieving and maintaining optimal physical, emotional and mental well being, as well as updates from their benefits providers.

Boardwalk hosts *The Executive Associate Meetings ("TEAM")* annually for Associates across Canada which provides opportunities for each Associate to connect with members of Senior Management and to receive updates on its operations. TEAM continues to shift its focus towards recognizing and celebrating Boardwalk's family of outstanding Associates, providing Senior Management with the opportunity to acknowledge outstanding and long-term Associates for their continued commitment to providing the best quality communities.

Finally, Site Associates participate in monthly group meetings, during which they meet with Leaders to discuss any concerns and review Boardwalk updates, all of which contribute to Associate communication and engagement.

COMMUNITY INVOLVEMENT

In addition to offering opportunities throughout the year for Associates to be involved in more than 60 community-based initiatives, Boardwalk also hosts an annual *"Week of Caring"*, encouraging Associates to volunteer with a registered charity of their choice for up to four (4) paid work hours during the month of December. In 2017, Associates dedicated 544 volunteer hours during Week of Caring.

COMPENSATION

In striving to provide Associates with a rewarding place to work, Boardwalk encourages Associates to maintain a healthy work-life balance and frequently conducts market research to ensure that Associates are offered competitive compensation packages. In addition, Boardwalk offers a Profit Share Program that rewards Associates for helping to meet and surpass its corporate strategy and goals each year.

DEVELOPMENT AND TRAINING

New associates are introduced to Boardwalk's culture through orientation sessions, including information on Boardwalk's history, mission, vision, values, corporate culture and outlining its Health and Safety Program). Boardwalk then provides a mentorship program, helping Associates continue to develop their skills and improve the level of customer service provided to Resident Members, by ensuring Associates receive additional training specific to their needs and are supported in their positions.

Boardwalk's Customer Service Representative Best Practices Program ("**CSRBPP**"), created and implemented in 2016, currently consists of three types of training: informational brochures, video and role-playing exercises developed using both actual life examples received from Resident Members and feedback from Site Associates. In 2017, Boardwalk found the CSRBPP to be very successful at encouraging Associates to work together to solve problems while learning from each other's experience and expertise. Boardwalk plans to continue to expand the CSRBPP in 2018, including new scenarios for training videos and role-playing exercises to ensure content remains current and relevant.

Continuing to invest in Associate training, development and education, Boardwalk ensures that each Associate is given the opportunity to excel and reach their full potential. In 2017, the Trust invested more than \$148,000 in Associate training and development (books, tuition and membership fees), furthering Associate education, advancing their skills and assist Associates in achieving their goals.

In addition to financial compensation and incentives, Boardwalk ensures opportunities for advancement through its Succession Planning Program, fostering engagement and workplace satisfaction.



ASSOCIATE AND RESIDENTS AT CENTRE POINTE WEST



LOBBY AT ROYAL PARK PLAZA

HEALTH AND SAFETY STANDARDS AND TRAINING

By carrying forward its Zero Injury Campaign, focusing on safe work environments and a goal to eliminate all workplace injuries and illnesses, each Boardwalk Community which accomplishes the Zero Injury goal is rewarded for their commitment to safety by Senior Management through recognition in the *Community Chest*; on *Bistro* and in-person at TEAM luncheons. To ensure that all Associates understand that Health and Safety is a priority and is everyone's responsibility, a Health and Safety component is included in all annual performance reviews. In 2017, 171 Boardwalk Communities remained injury free for the entire year.

An internal Health and Safety audit was conducted in 2017, consisting of three verification methods: documentation reviews; interviews; and site observations. The audit measured and evaluated Boardwalk's Health and Safety Program against standards established by The *Alberta Employment and Immigration – Workplace Partnership* – which yielded a final score of 97%. Areas where Boardwalk excelled were: Management Leadership, Organizational Commitment, Hazard Control, Ongoing Inspections, and Accident/Incident Investigation. Along with identifying areas of excellence, the audit identified areas in the Program where Boardwalk can still improve. Proactively, Boardwalk has already begun implementing improvements based on those results.

Training options (several of which are outlined to your right), ensure Associates receive appropriate knowledge and education for their positions, and they remain safe in the workplace.

- Asbestos Management Plan
- Associate Training
- Bed Bugs
- Bodily Fluids & Dead Animal Cleanup
- Chainsaw Safety
- Communication
- Company Vehicle Safety
- Confined Spaces
- Electrical Safety
- Emergency Response
- Environmental Policy
- Fall Protection
- Firearms / Weapons Found on-site
- First Aid
- Forklift Safety
- Hazard Detection Program
- Hazardous Materials, Storage & Disposal
- Housekeeping
- Incident Reporting
- Indoor Air Quality
- Job Hazard Analysis
- Joint Health & Safety Committee
- Ladder Safety
- Lockout and Tagging
- Material Safety Data Sheets (MSDS)
- Modified Duties
- Monthly Site Safety Inspections
- Mould Remediation
- Needle / Syringe Safety
- Noise Exposure & Hearing Conservation
- Office Ergonomics
- Pandemic Response
- Personal Protective Equipment
- Pesticides
- Pool Safety
- Power Tool Safety
- Respirator Code of Practice
- Right to Refuse Unsafe Work
- Safety Infractions
- Site Safety Meetings
- Slip, Trip & Fall
- Snow Shoveling
- Sun & Heat Protection
- Transportation of Dangerous Goods
- Visitor Policy
- Workplace Hazardous Materials Information Systems (WHMIS) 2015
- Working Alone
- Workplace Violence
- Zero Injury Campaign



POLICY UPDATES

The Province of Ontario adopted significant changes to the *Accessibility for Ontarians with Disabilities Act* (the “**AODA**”) in 2016. In response to those changes, Boardwalk completed a comprehensive examination of its Health and Safety Program, making the necessary adjustments to ensure the Program remains in compliance with the AODA.

RECOGNITION

To celebrate exceptional service and to recognize Associates who go above and beyond and receive a compliment from a Resident Member, Boardwalk continued its “**Bravo Program**”. In 2017, 774 Bravos and 12 Foundation of Excellence Awards (“**FOE Awards**”) were awarded to well-deserving Associates. FOE Awards are given to Associates who have been recognized by their peers for going above and beyond, and living Boardwalk’s Mission, Vision, and Values.

Boardwalk values long-term Associates and offers recognition for those who achieved milestones of three years, five years, 10 years and 20 years with Boardwalk by offering varying rewards, including recognition in the Community Chest, additional vacation days and travel vouchers.

RESULTS

Boardwalk’s efforts to maintain a happy, healthy, and safe work environment for Associate continue to see success. However, in 2017 restructuring and improvement of Boardwalk’s quality and service created slightly higher turnover of 30%, up slightly from 27% in 2016. Additionally, 25% of Associates have chosen to be part of the Boardwalk Family for between five and ten years, while 23% have been with the Boardwalk Family for more than 10 years, resulting in a successful team of experienced, dedicated and passionate Associates who deliver on Boardwalk’s mission, vision and values.

Creating Value for Our Associates

30%

Low associate turnover is a testament to Boardwalk’s team culture

\$148,000

invested in Associate training and development initiatives

23%

of Associates have been with Boardwalk for 10+ years



INTEGRITY IN GOVERNANCE

Integrity is one of Boardwalk's core values and the Trust prides itself on being honest, accountable and transparent to all Stakeholders, and is evident in Boardwalk's corporate reporting.

Excellence in corporate governance has been a foundation over the past 33 years and Boardwalk was proud to be recognized by *The Journal of the Institute of Corporate Directors* for effective communication regarding its transition to International Financial Reporting Standards ("IFRS"), and the winner of the Chartered Professional Accountants of Canada Award of Excellence in Corporate Reporting in each of 2015 and 2016 for the Real Estate sector.

The Trust strives to provide information to stakeholders in a timely manner, following which, open dialogue with stakeholders is encouraged to ensure transparency. The Board of Trustees follows a mandate, as described in their *Statement of Corporate Governance Practices*, which explicitly defines the expectations and limits of both the Board and of Management. This comprehensive statement of governance principles gives both authority and autonomy to the Board through the articulation of key issues, including: specific functions of the Board; Board integrity and independence; Trustee selection; and composition of the Board of Trustees and committees.

As a publicly traded Trust listed on the Toronto Stock Exchange ("TSX"), Boardwalk either meets or exceeds the guidelines set out by the TSX and Canadian Securities Administrators regarding effective corporate governance. Governance of the Trust is based on the mandate of its Board of Trustees, its Code of Business Conduct and its guiding Mission, Vision and Values, which all Associates, Management and Trustees are expected to uphold.

Under the Trust's mandate, a Trustee majority must be independent of Management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with a Trustee's ability to act with a view

to the best interests of the Trust and its Unitholders. Currently, five of the seven Board members are independent. In addition to assuming responsibility for the stewardship of the Trust, the Board of Trustees is specifically charged with:

- Reviewing, discussing and approving the Trust's Strategic Plan which addresses, among other things, opportunities and risks of the business;
- Identifying principal risks (including those risks concerning credit, market, liquidity and operations), in addition to reviewing risk management policies and processes of the Trust's business and ensuring implementation of appropriate systems to manage those risks;
- Reviewing the performance of the CEO and other senior executives of the Trust;
- Creating and maintaining the communication policy of the Trust, including approving the contents of major disclosure documents of the Trust;
- Reviewing policies and programs related to the image of the Trust and ensuring appropriate processes are in place for communicating with all stakeholders;
- Reviewing how the Trust communicates and interacts with analysts and the public to avoid selective disclosure; and
- Managing the integrity of internal controls and management information systems;



Renovated One-Bedroom Suite

The Board of Trustees is also responsible for three committees, each of which is composed solely of outside, independent Trustees:

- the Compensation, Governance and Nominations Committee (the “**CG&NC**”), which is responsible for identifying and evaluating candidates to fill Board vacancies and assessing Board/Committee effectiveness. The CG&NC assists management in devising its strategic goals and priorities;
- the Corporate Development Committee (the “**CDC**”) assists the Board in assessing and evaluating the implementation of the Trust’s strategic plan, investigating and considering the nature and quality of the assets owned by the Trust and ensuring the Board is aware of any matters of concern that may affect the business and strategic position of the Trust; and
- the Audit and Risk Management Committee (the “**ARM Committee**”), which assists the Board in overseeing

integrity of Boardwalk’s financial statements, performance of the external auditors, adequacy and effectiveness of internal controls, and compliance with legal and regulatory matters.

In 2017, Boardwalk REIT was recognized by the Globe and Mail’s annual ‘Board Games’ as one of Canada’s corporate boards who provide governance well beyond the minimum mandatory requirements imposed by regulators, and ranked the Trust in the Top 20 in Canada.

Financial sustainability is attained through the guidance of Boardwalk’s Board of Trustees, Management team and stakeholders. Through valued input and guidance from its Trustees and conservative fiscal management, Boardwalk continues to maintain a strong balance sheet and provide: value to Unitholders; opportunities enhance its net asset value, and continue the Trust’s mandate of “building better communities” which provides happy, safe, and sustainable communities for Boardwalk’s Resident Members and Associates to live and work.



Lobby at Chateau

SUSTAINABILITY

Boardwalk prides itself in its commitment to being sustainable, recognizing sustainability means much more than solely being environmentally conscious.

Boardwalk believes that to excel in its stewardship it must provide sustainable places for Associates to work and Resident Members to live.

Aside from environmental sustainability, Boardwalk strives to be both socially and financially sustainable. Boardwalk works towards social sustainability through its various involvements in community initiatives and projects across its portfolio. This is accomplished through partnerships with community organizations, financial sponsorships and encouraging volunteerism amongst Associates and Resident Members. Boardwalk also aims to bring awareness of, and find solutions to, social issues, with a particular focus on homelessness. As a result, Boardwalk partners with various organizations across Canada to provide affordable housing to those in need, making long strides to be both socially sustainable and a positive influence in local and global communities. Boardwalk is encouraged by its team of Associates, who drive community involvement, and continues to empower its Associates and Resident Members to make a difference.

Environmental impact has been reduced by installing low flow showerheads, toilets, timers and photocells for outdoor lighting; purchasing ENERGY STAR appliances; utilizing energy efficient fixtures, LED lighting, using low VOC paint; replacing and/or upgrading attic insulation, ventilation, roofing, building envelopes, siding and windows. Each of these measures has lowered the amount of energy Boardwalk buildings consume. Installation of high-efficiency domestic hot water systems and

variable frequency drives across the portfolio, allows for better monitoring and regulation of energy consumption and reduced operating costs and emissions. Use of water and gas meters on both high and standard-efficiency systems demonstrates provable effectiveness of these measures, noting that, across Boardwalk's portfolio, carbon emissions have been reduced by one-third of what was previously being produced.

Providing communication, information and updates for Associates and Resident Members electronically resulted in decreased paper use, while encouraging Associates to turn off lights and computers in all offices when not in use and offering recycling programs for cardboard, paper, plastic, scrap metal, computer/printer parts ensures every effort is being made to foster accountability and sustainability.

Financial sustainability and governance is driven through the guidance of Boardwalk's Board of Trustees, Management team and stakeholders. Through the valued input and guidance from each of these groups, Boardwalk continues to maintain a strong balance sheet and conservative fiscal management. Continued financial sustainability provides value to Boardwalk's Unitholders, opportunities to grow and build better local and global communities and to provide Resident Members and Associates with happy, safe, resilient communities in which to live and work.

EXPERIENCED & EVOLVING

Boardwalk is built upon its Golden Foundation

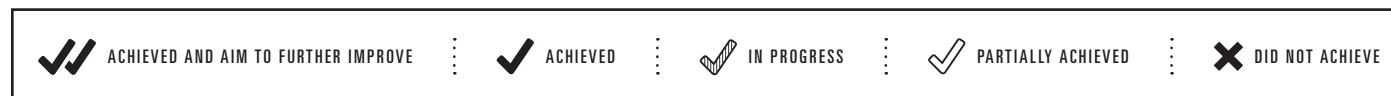


With the guiding mission, “*To serve and provide our Resident Members with quality rental communities*”; Boardwalk persists in exploring excellence and diversity in community, focusing on the benefits it creates for its Associates, Resident Members, Communities and Unitholders. Regardless of economic conditions, Boardwalk is committed to abiding by its Golden Foundation and our friendly, community-living, member experience-driven approach reflects that Boardwalk remains focused on maximizing value for all its stakeholders.

TABLE OF QUALITATIVE AND QUANTITATIVE GOALS AND TARGETS

Each year, Boardwalk sets goals and targets that allow measurement of its strategies and constantly strives to exceed these goals and targets. Boardwalk also acknowledges that it operates in an industry where market conditions are often beyond its control and accepts that exceeding targets is not always possible as it continues to strive to overcome and mitigate obstacles to ensure excellence, wherever and whenever possible.




Though individual interests place varying levels of importance on such objectives, Boardwalk recognizes each is intertwined and vital to its business and believes in transparency and accountability to its goals and targets, desiring that its continued performance encourages discussion between stakeholders. Boardwalk believes its communities are the foundation that continues to drive performance, providing exceptional benefits and opportunities for all its stakeholders.






IMPROVING FOR RESIDENT MEMBERS: WORKING PROACTIVELY TO ENSURE BOARDWALK REMAINS CANADA'S MULTI-FAMILY, RESIDENTIAL LANDLORD OF CHOICE.

2017 Targets	2017 Results	2018 Targets
Continually improve Customer Service.	<ul style="list-style-type: none"> Boardwalk's competitive advantage is due, in large part, to providing excellent service to Resident Members through: <ul style="list-style-type: none"> Boardwalk has implemented the Net Promoter Score as a metric to measure Boardwalk's success in providing the best quality service to our Resident Members; 24-hour, on-call maintenance; 72-hour maintenance guarantee; 24/7/365 Call Centre access (161,486 calls; 104,536 emails; and 17,818 live chats received); Secure, user-friendly Resident Member website (8,747 registered members, up 28.6% from 2016, 40,331 visitors and 666,803 page views); and Positive survey responses: new move-ins 59%; maintenance work 58%; and move-outs 36% (most common reason being "personal"). 	Continually improve the level of Customer Service provided.
Develop innovative ways to further improve long-term relationships with Resident Members.	<ul style="list-style-type: none"> Internal Subsidy Program provides aid to Resident Members in financial hardship. Continued internal rent control mandate. Community partnerships supporting 100 plus charity and community events across Canada. Distributed resident member magazine. New, dedicated community lifestyle team hosted site-specific "pop up" events for Resident Members. Dedicated Seniors living communities Built and fostered lasting relationships with Resident Members by giving back to their communities and meeting our objective of "building better communities". 	Continue to develop innovative ways to further improve long-term relationships with Resident Members.
Respond to the changing priorities of Resident Members.	<ul style="list-style-type: none"> Regular evaluation of Resident Member survey results, making immediate positive changes, more efficiently meeting the evolving needs and priorities of Resident Member. 	Continue to respond to the changing priorities of Resident Members.
Improve and diversify brand offerings, responding changing priorities of Resident Members and the market place.	<p>Creation of new Suite Repositioning Program:</p> <ul style="list-style-type: none"> Created "Living," "Community" and "Lifestyle" brands, diversifying brand offerings; and High-graded suites and buildings with desirable locations, across the portfolio: <ul style="list-style-type: none"> Large-scale renovations initially took a longer-than-expected turnaround time (up to 180 days in some cases); Delays due to procurement/supply chain issues and contract complications; and Higher-than-predicted occupancy. <p>The program has been well received, with all repositioned suites being leased. The learning curve was tempered through ongoing evaluation, resulting in immediate changes being made to the program including:</p> <ul style="list-style-type: none"> Streamlining procurement; Limiting the annual number of renovations under each brand; and Changing the scope and specification of renovations. <p>All resulted in reduced costs, higher efficiencies, shortened turnaround times and lowered vacancy.</p>	Continue to improve and diversify brand offerings, responding changing priorities of Resident Members and the market place.

CARING FOR COMMUNITY: POSITIVELY IMPACTING COMMUNITIES IN WHICH WE OPERATE, AND THE LARGER GLOBAL COMMUNITY.

2017 Targets	2017 Results	2018 Targets
Expand and continue to focus on Community Development to further foster collaboration with Government and Social Services.	 <ul style="list-style-type: none"> Partnerships with 94 organizations across Canada to provide affordable housing to individuals in need. <ul style="list-style-type: none"> Approximately 1,000 units subsidized in 2017 through such partnerships. 	Expand and continue to focus on Community Development, further fostering collaboration with Government and Social Services.
Encouraging corporate and individual contribution to, and involvement in Boardwalk communities to give where we live!	 <ul style="list-style-type: none"> Annual December "Week of Caring" (collectively, 544 volunteer hours donated to charities). Sponsorship of more than 50 charity and community events across the portfolio. Payroll Charitable Deduction Program continued. Continued "Angels" Program (150 communities recognized in 2017 – up from 100 in 2016). 	Continue encouraging corporate and individual contribution to, and involvement in Boardwalk communities to give where we live!
Expand personal and corporate boundaries by taking an active role in the global community.	 <ul style="list-style-type: none"> Continued partnership with Youth with a Mission and Homes of Hope to build homes for families in need in Tijuana, Mexico. <ul style="list-style-type: none"> Three trips and six homes built for families in need in 2017; and 94 Associates/family members participated. Continued support of Samaritan's Purse & Operation Christmas Child programs: <ul style="list-style-type: none"> 2,033 boxes filled by Associates and Resident Members; and Additional volunteer hours dedicated at the charity warehouse preparing shoeboxes for travel to the global community. Continued sponsorship of WE Day, promoting youth empowerment worldwide. 	To expand personal and corporate boundaries by taking an active role in the global community.

OPPORTUNITIES FOR ASSOCIATES: INVESTING IN ASSOCIATE EDUCATION, MENTORSHIP AND FOSTERING SUPPORTIVE, ENGAGING, LONG-TERM EMPLOYMENT.

2017 Targets	2017 Results	2018 Targets
Maintain a corporate culture of on-going, open, two-way dialogue amongst all levels of Associates.	 <ul style="list-style-type: none"> Maintain Associate website, providing Associates easy access to current and relevant: <ul style="list-style-type: none"> Health and Safety documents; Associate Handbook; Human Resources policies; and Upcoming community events. Regular internal focus groups held to identify potential areas of improvement in operations. 	Continue to facilitate a corporate culture of on-going, open, two-way dialogue between all levels of Associates.
Enhance strategic internal communications plan.	 <ul style="list-style-type: none"> Distribute Associate magazine. Hosting of annual TEAM luncheons across Canada. 	Continue to enhance strategic internal communications plan.
Encourage a positive workplace, effectively engaging Associates and encouraging work-life balance.	 <ul style="list-style-type: none"> Routine market research conducted into industry compensation and benefits, including Profit Share, RRSP match, and Charitable Contribution match programs. 	Encourage a positive workplace, effectively engaging Associates and encouraging work-life balance.

OPPORTUNITIES FOR ASSOCIATES (CONTINUED): INVESTING IN ASSOCIATE EDUCATION, MENTORSHIP AND FOSTERING SUPPORTIVE, ENGAGING, LONG-TERM EMPLOYMENT.

2017 Targets	2017 Results	2018 Targets
Constantly adjust internal policy, focusing on changing priorities of Associates while maintaining a balance between Associates, Resident Members, Unitholders and Communities.	✓✓ Ongoing support of long-standing internal ROH committee/charity in each region. Boardwalk matches 100% of fundraising efforts (dollar for dollar) for each Committee.	Continue adjusting internal policy, focusing on changing priorities of Associates, while maintaining a balance between Associates, Resident Members, Unitholders and Communities.
Foster safe, respectful work practices and environments. Further develop Associate training and support.	✓✓ <ul style="list-style-type: none"> Acclimatize new Associates through orientation sessions, with a focus on Boardwalk's history/culture/internal practices, Health and Safety standards and legislations. Mentorship program continued. \$148,000 invested in Associate training and development, books, tuition and member fees. 	Foster safe, respectful work practices and environments. Further develop Associate training and support.
Create a safe work environment by educating Associates and enforcing Health and Safety Procedures.	✓✓ <ul style="list-style-type: none"> Zero Injury Campaign continued: <ul style="list-style-type: none"> 171 sites remained injury free for 2017. Health and Safety objective remains a mandatory component of performance reviews. Internal Health and Safety Audit conducted (97% score). Ongoing monitoring of Health & Safety program, ensuring compliance with all legislations. 	Continue to create a safe work environment by educating Associates and enforcing Health and Safety Procedures.
Strive to constantly enhance ability to attract, support, encourage and recognize high-performing, innovative team members.	✓✓ <ul style="list-style-type: none"> 12 Associates awarded with Foundation of Excellence Awards. 29 post-secondary scholarships awarded over \$235,000 through the Chairman's Scholarship Program. 774 Bravos awarded to Associates. Six Associates with tenure of 20+ years recognized and rewarded. Associate Referral Bonus continued. \$2.1 million contributed to comprehensive benefits package. \$2.8 million dedicated to the RRSP Match and comprehensive group benefits. Over \$25,000 contributed to Charitable Match. 	Strive to constantly enhance ability to attract, support, encourage and recognize high-performing, innovative team members. Support continued through mentor program, including regular and additional training.
Retain long term Associates, and further develop succession planning policy and procedures.	✓✓ <ul style="list-style-type: none"> Mentorship Program ensures Associates are supported and receive additional training. CSR Best Practices Program continued. Succession Planning Program provides opportunities to develop and excel. Associate turnover was 30%: <ul style="list-style-type: none"> 25% have tenure of five to 10 years; and 23% have tenure of more than 10 years. 	Retain long-term Associates by further developing succession plan policy and procedures. Continue and expand Best Practices Program.

STEWARDSHIP OF THE ENVIRONMENT: POSITIVELY IMPACTING THE ENVIRONMENT THROUGH SUSTAINABLE PRACTICES.

2017 Targets	2017 Results	2018 Targets
Increase corporate sustainability by creating opportunities for positive environmental change.	✓✓ <ul style="list-style-type: none"> Installation of high-efficiency, hi-consumption and domestic hot water systems and variable frequency drives as well as continued use of energy star appliances, low-flow showerheads, toilets, low VOC paint, LED lighting, timers and photocells across the portfolio lead to reduced consumption, operating costs and carbon emissions (by two-thirds). Reduced paper use/waste: <ul style="list-style-type: none"> Online availability of investor materials at www.bwalk.com/investors; and Distribution of information to Resident Members and Associates via intranet or secure website. 	Increase corporate sustainability by creating opportunities for positive environmental change.

EXCELLENCE IN CORPORATE GOVERNANCE: PROVIDING FULLY TRANSPARENT, CURRENT CORPORATE INFORMATION TO ALL STAKEHOLDERS AND MEETING OR EXCEEDING EFFECTIVE CORPORATE GOVERNANCE GUIDELINES SET OUT BY THE TSX.

2017 Targets	2017 Results	2018 Targets
Independence of the Board of Trustees.	✓✓ Currently there are seven (7) Trustees, five (5) of whom are independent.	Maintain Board independence.
Further improve transparency and promote open, honest dialogue with Unitholders.	✓✓ <ul style="list-style-type: none"> Corporate documents/webcasts are available online at: www.bwalk.com/investors with links to current and historical materials. Telephone access available to quarterly conference calls (audio recordings accessible following each teleconference). Senior Management and Investor Relations teams are jointly committed to being available to answer and address specific Unitholder questions. 	Continue to improve transparency and promote open, honest dialogue with Unitholders.
Further enhance procedures and systems for the consistent, timely dissemination of corporate and industry information.	✓✓ <ul style="list-style-type: none"> Continued demonstration of success and improvement with quarterly reporting format. Utilizing feedback from all Stakeholders, Boardwalk strives to provide transparent and useful financial documents. Boardwalk ranked inside of the top 20 in Canada amongst Canadian boards in the 2017 Globe and Mail Board Games, highlighting our commitment to corporate governance. 	Further enhance procedures and systems for the consistent, timely dissemination of corporate and industry information.

VALUE FOR UNITHOLDERS: PROVIDING A CONSISTENT, SUSTAINABLE AND ATTRACTIVE INVESTMENT OPTION FOCUSED ON MAINTAINING A STABLE MONTHLY CASH FLOW AND INCREASING OVERALL RETURNS FOR UNITHOLDERS.

2017 Targets	2017 Results	2018 Targets
Realize FFO target of \$2.70 to \$2.90 per Trust Unit.	✗ <ul style="list-style-type: none"> FFO performance in 2017 of \$2.11 was below original target. Financial guidance updated each quarter. Revised financial guidance of \$2.10 to \$2.20 was met in 2017. 2018 financial guidance provided. 	Realize FFO target of \$2.15 to \$2.35.
Stabilized buildings NOI performance of -8% to -3%.	✗ <ul style="list-style-type: none"> Stabilized buildings NOI performance of -15.8%. NOI target revised each quarter. Stabilized NOI performance was slightly above revised guidance of -19% to -17%. 	Stabilized buildings growth of 2% to 7%.
Realize a total return on the REIT units that outperforms the S&P/TSX Composite and the S&P/TSX Capped REIT Indices.	✗ <ul style="list-style-type: none"> Total return of -74% on REIT units, compared to the posted return of 9.9% for the S&P/TSX Capped REIT index. Boardwalk believes that the near-term recapture of incentives and vacancy loss will enhance shareholder return in the short-term. The advancement of the Trust's long-term strategic plan will enhance and provide long-term shareholder value. 	Realize a total return on the REIT units that outperforms the S&P/TSX Composite and the S&P/TSX Capped REIT Indices.
Complete performance enhancing transactions to maximize Unitholder value.	✓✓ <ul style="list-style-type: none"> Joint venture with RioCan REIT to develop a mixed-use tower in Calgary, AB progressing. Continued development of Pines Edge Community on excess land the Trust owns. Invested over \$100 million in 2017 on suite and common area renovations which have provided significant returns, while also positioning Boardwalk to be able to recapture vacancy loss and incentives going forward. Accretive CMHC mortgage renewals, combined with low-cost CMHC financing in 2017. Introduction of new distribution policy to allow for maximum re-investment of cashflow to grow the Trust. 	Complete performance enhancing transactions to maximize Unitholder value.
Transparency and financial disclosure.	✓✓ Through the continued guidance and leadership of the Trust's experienced management, Boardwalk continues to be an industry leader in transparency and financial disclosure. Boardwalk's quarterly financial reports are an excellent source of information for stakeholders and can be found on our investor website: www.BoardwalkREIT.com . As highlighted in its reports, Boardwalk continues to provide stakeholders with financial guidance on a quarterly basis. Boardwalk finds this full transparency provides opportunities for prospective and current Unitholders to adequately evaluate the Trust's long-term value propositions.	Transparency and financial disclosure.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended, December 31, 2017 and 2016

FORWARD-LOOKING STATEMENTS

Caution Regarding Forward-looking Statements:

The terms "Boardwalk," "Boardwalk REIT," the "Trust," "we," "us" and "our" in the following Management's Discussion and Analysis ("MD&A") refer to Boardwalk Real Estate Investment Trust, its consolidated financial position, and results of operations for the twelve months ended December 31, 2017 and 2016. Financial data provided has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). This MD&A is current as of February 26, 2018 unless otherwise stated, and should be read in conjunction with Boardwalk's audited annual consolidated financial statements for the years ended December 31, 2017 and 2016, which have been prepared in accordance with IFRS, together with the MD&A related thereto, copies of which have been filed electronically with securities regulators in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed through the SEDAR web site at www.sedar.com. Historical results and percentage relationships contained in the annual consolidated financial statements and MD&A related thereto, including trends, which might appear, should not be taken as indicative of future operations.

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

Forward-looking Statement Advisory:

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

These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on Boardwalk's current estimates and assumptions, which are subject to risks and uncertainties, including those described in Boardwalk REIT's 2017 Annual Information Form ("AIF") dated February 23, 2018 under the heading "Challenges and Risks," which could cause actual events or results to differ materially from the forward-looking statements contained in this MD&A. Those risks and uncertainties include, but are not limited to, those related to liquidity in the global marketplace associated with current economic conditions, tenant rental rate concessions, occupancy levels, access to debt and equity capital, changes to Canada Mortgage and Housing Corporation rules regarding mortgage insurance, interest rates, joint ventures/partnerships, the relative illiquidity of real property, unexpected costs or liabilities related to acquisitions, construction, environmental matters, uninsured perils, legal matters, reliance on key personnel, Unitholder liability, income taxes, and changes to income tax rules that impair the ability of Boardwalk to qualify for the REIT Exemption (as defined below). Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to, the rental environment compared to several years ago, relatively stable interest costs, access to equity and debt capital markets to fund (at acceptable costs), the future growth program to enable the Trust to refinance debts as they mature, the availability of purchase opportunities for growth in Canada, and the impact of accounting principles under IFRS adopted by the Trust effective January 1, 2011. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance actual results will be consistent with these forward-looking statements. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A.

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

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

EXECUTIVE SUMMARY

BUSINESS OVERVIEW

Boardwalk Real Estate Investment Trust (“Boardwalk REIT”, “Boardwalk” or the “Trust”) is an unincorporated, open-ended real estate investment trust created pursuant to a Declaration of Trust, dated January 9, 2004, and as amended and restated on various dates between May 3, 2004 and May 11, 2017 (the “Declaration of Trust” or “DOT”), under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue producing multi-family residential properties, or interests, initially through the acquisition of assets and operations of Boardwalk Equities Inc. (the “Corporation”).

Boardwalk REIT Units trade on the Toronto Stock Exchange (“TSX”) under the trading symbol ‘BEI.UN’. Boardwalk REIT’s principal objectives are to provide its Unitholders (“Unitholders”) with stable and growing monthly cash distributions, partially on a Canadian income tax-deferred basis, and to increase the value of its units through the effective management of its residential multi-family investment properties and the acquisition and development of additional, accretive properties. As at December 31, 2017, Boardwalk REIT owned and operated in excess of 200 properties, comprised of over 33,000 residential units and totaling over 28 million net rentable square feet. At the end of 2017, Boardwalk REIT’s property portfolio was concentrated in the provinces of Alberta, Saskatchewan, Ontario and Quebec.

At December 31, 2017 and 2016, the fair value of Boardwalk’s Investment Property assets was approximately \$5.7 billion and \$5.6 billion, respectively, which generated a profit of \$91.3 million and \$129.3 million for the years ended December 31, 2017 and 2016 (before insurance settlement proceeds, loss on sale of assets, fair value losses and income taxes). During the years ended December 31, 2017 and 2016, the Trust earned \$107.0 million and \$144.5 million, respectively, of Funds From Operations (“FFO”), or \$2.11 and \$2.84 per Unit on a diluted basis. Adjusted Funds From Operations (“AFFO”) for the years ended December 31, 2017 and 2016 were \$85.3 million and \$126.9, respectively, or \$1.68 and \$2.50 per Unit on a diluted basis.

MD&A OVERVIEW

This MD&A focuses on key areas from the consolidated financial statements and pertains to major known risks and uncertainties relating to the real estate industry, in general, and the Trust’s business, in particular. This discussion should not be considered all-inclusive as it excludes changes that may occur in general economic, political, and environmental conditions. Additionally, other elements may or may not occur, which could affect the organization in the future. To ensure that the reader is obtaining the best overall perspective, this discussion should be read in conjunction with material contained in other parts of Boardwalk REIT’s 2017 Annual Report, the audited consolidated financial statements for the years ended December 31, 2017 and 2016, and the Annual Information Form (“AIF”) dated February 23, 2018, along with all other publicly posted information on the Corporation and Boardwalk REIT. It is not our intent to reproduce information that is located in these other reported documents, but rather to highlight some of the key points and refer you to these documents for more detailed information.

OUTLOOK

The Bank of Canada, in its January 2018 Monetary Policy Report, revised Canada’s real Gross Domestic Product (“GDP”) growth to 3.0% for 2017 and 2.2% from 2.1% for 2018, a positive expectation compared to the 1.4% economic performance for 2016. Analysts are also predicting Alberta will emerge from one of the worst recessions in recent history, with oil prices beginning to show signs of stabilization, and supported by recent approvals of oil pipeline expansions by the federal government and the Keystone XL pipeline project by the U.S. President, notwithstanding the rising U.S. shale oil production and technological improvements and efficiencies to oil extraction partly offsetting OPEC’s rebalancing efforts. Royal Bank of Canada, in its latest provincial outlook report, projected Alberta’s GDP growth for 2017 to 4.1% from 2.9% in June 2017, but revised 2018 to 2.3% due to a projected slower, but more sustainable, recovery in global oil prices. The province is seeing positive population growth from

in-migration, primarily from international immigration. GDP growth for the province of Saskatchewan was revised upward to 2.1% for 2017 from 1.4%, but downward to 2.7% from 2.9% for 2018.

In October 2017, new rules on mortgage lending were introduced which took effect at the beginning of 2018. A new minimum stress test has been introduced for uninsured mortgages (where consumers have a down payment of 20% or greater on their house prices). The minimum qualifying rate will be the greater of the 5-year mortgage rate published by the Bank of Canada or 200 basis points above the mortgage holder's contractual mortgage rate. First-time buyers will be most affected by the new rules as the affordability of home ownership has declined.

In 2017, Boardwalk continued to offer short-term incentives to its new and existing Resident Members in an attempt to increase overall occupancy. Maintaining higher occupancy levels by offering incentives and focusing on excellence in customer service was Boardwalk's key performance strategy for 2017. Canada Mortgage and Housing Corporation ("CMHC") projected vacancy levels for Calgary to be 6.3% for 2017, down from 7.0% for 2016 and Edmonton to be 7.0% for 2017 from 7.1% for the prior year. While the projected vacancy level for Alberta has come down slightly, new rental supply continues to put upward pressure on vacancy levels and downward pressure on rental rates.

During 2016, Boardwalk capitalized on certain strategic initiatives to position itself for a recovery in Western Canada's rental market. Using its strong and healthy balance sheet, Boardwalk acquired four newly built multi-family properties. A total of 747 apartment units were acquired in Calgary and Edmonton, Alberta, at a total cost of \$144.4 million. Boardwalk also moved forward with its development pipeline. Lease up of Pines Edge 1 in Regina, Saskatchewan, launched in February of 2016 and consisting of 79 units, exceeded expectations with full occupancy after four months. Phase 2, consisting of 79 units, started construction in May 2016 and, on June 28, 2017, the Trust received a temporary occupancy permit, allowing it to commence leasing the suites. The Trust has commenced construction of Phase 3, consisting of 71 units, and estimates the building to be completed mid-2018. Boardwalk's development pipeline includes additional projects built on the Trust's excess land density. These developments are in various stages of planning and approval, and will further add newly-constructed assets to the Trust's portfolio.

In November of 2016, Boardwalk announced the formation of a joint venture with RioCan REIT ("RioCan") to build a mixed use retail and residential tower at RioCan's Brentwood Village Shopping Centre. The project will include a twelve-storey tower with approximately 120,000 square feet of residential and 10,000 square feet of retail space that will provide premium rental housing at a desirable location that is along the Calgary Light Rail Transit Line, and in close proximity to the University of Calgary, Foothills Hospital, and McMahon Stadium. The Trust closed on the 50% land purchase from RioCan in November of 2017. Boardwalk looks forward to forming more strategic partnerships as a means of realizing its long-term vision of building better communities.

During 2017, the Trust was able to renew or forward-lock approximately \$289.0 million, or 100%, of 2017 mortgage maturities, with an average term of five years at a weighted average interest rate of 2.20%, a decrease from the average maturing rate on these mortgages, and a further decrease in the Trust's interest expense. In addition, the Trust obtained \$256.9 million of additional mortgage funds. As of February 2018, CMHC-insured five and ten-year mortgage rates were estimated to be 2.90% and 3.20%, respectively. The Trust does, however, take a balanced approach with its mortgage program with a priority to, first, stagger its maturities to limit future interest rate risk, second, capitalize on the current low rate environment by renewing maturities at accretive interest rates, and, third, ensure sufficient liquidity for the Trust's strategic initiatives.

Boardwalk's Long-term Strategic Plan

Boardwalk's long-term strategic plan focuses on continuing to create value for all its stakeholders. In addition to continued investment in its core markets by acquiring newly-built rental product, developing new rental units and reinvesting back into the Trust's existing portfolio, Boardwalk will also be strategically diversifying geographically into new high-growth, but economically stable, rental markets. Alberta and Saskatchewan, Boardwalk's core markets, have historically outperformed the broader rental market and, despite the cyclical decline experienced over the past two years, will continue to provide the Trust with a solid base to grow its property portfolio.

Boardwalk will continue to undertake a counter-cyclical approach to its portfolio by utilizing the recent cyclical downturn to high-grade its portfolio through repositioning efforts as well as from new development on lands the Trust intends to acquire individually, through strategic partnerships or on its own portfolio of excess land.

For the most part, the Trust will be focusing its expansion investment outside Alberta and Saskatchewan, through the acquisition and development of assets in high-growth markets, to allow the Trust to provide its brand of housing into new markets, which will result in Net Operating Income (“NOI”) growth and capital appreciation for its stakeholders.

Boardwalk’s strategic goal is to have a portfolio that is approximately 50% in the high growth markets of Alberta and Saskatchewan (“ABSK”) and 50% in other secularly high growth and undersupplied markets including, but not limited to, the Greater Toronto Area and Vancouver. To accomplish this, the Trust intends to strategically partner, acquire and/or develop, 10,000 to 15,000 apartment units in these secularly high growth, undersupplied markets, while also divesting a small portion of its non-core assets in ABSK. The Trust’s portfolio growth will primarily focus on value creation in major Canadian markets.

The funding for this Strategic Plan will be consistent with its balanced approach of using debt and equity. As will be discussed later in this document, Boardwalk has an adequate level of liquidity to commence the funding of this strategy. In order to balance this approach, its Board of Trustees has agreed to reduce the Trust’s current distribution to Unitholders from its current annual rate of \$2.25 to \$1.00 per Trust unit, commencing with the January 31, 2018 Record Date. This reallocation will increase Boardwalk’s free cash flow allocation towards this strategic strategy by approximately \$63.5 million annually. Built into this strategic plan is Boardwalk’s brand diversification initiative.

Brand Diversification

It is the goal of the Trust to not only diversify geographically, but also to diversify through its brand.

The spectrum of rental housing in Canada has expanded over the last few years, with rental demand seen across the price spectrum from affordability to high-end luxury. As a result, the ability to offer a more diverse product offering will allow Boardwalk to attract a larger demographic to the Boardwalk brand.

Boardwalk Lifestyle – Affordable Luxury

Boardwalk Lifestyle features luxury living with modern amenities, designer suites, and a contemporary style for those who value life experiences and prefer the freedom to enjoy them.

Boardwalk Communities – Enhanced Value

Boardwalk Communities feature modernized suites and choice amenities for those who value flexibility with all the comforts that come with the perfect place to call home.

Boardwalk Living – Affordable Value

Boardwalk Living features classic suites for our Resident’s who appreciate flexibility, reliability, and value that comes with a quality home.

Boardwalk brand diversification, once fully completed, will have about 5% Lifestyle, 43% Communities and 52% Living suites.

Boardwalk’s Branding Initiative

Boardwalk increased its capital allocation to its current building repositioning and rebranding program, creating long-term value while continuing to offer many upgraded affordable communities. Each of the three brands being created will receive a different level of renovations depending on need and anticipated returns. Reported market rents are adjusted upward based on the cost of a suite renovation specification. In some instances, Boardwalk was unable to adjust market rents to achieve its targeted return, particularly for suites in its Boardwalk Living brand, due to current economic conditions. However, Boardwalk was able to achieve its targeted rate of return on an overall basis. Boardwalk believes these renovations will achieve future upward excess market rent adjustments once the economy starts to recover.

‘Boardwalk Lifestyle’, which will exemplify upgraded, luxury suites, will receive the highest level of overall renovations, including significant upgrades to suites and common areas. Additional amenities such as upgraded fitness facilities, wi-fi bars and added

concierge services may be added when appropriate. 'Boardwalk Communities', the Trust's core brand, which will convey enhanced value and will receive major suite upgrades based on need as well as upgrades to existing common areas. Boardwalk's most affordable brand, 'Boardwalk Living', will receive suite enhancements on an as-needed basis, with the focus being on providing affordable units to this demographic segment. In determining a brand that a particular rental community will represent, the Trust looks at a number of criteria, including the building's location, proximity to existing amenities, suite size and suite layout. Once renovations are complete, Boardwalk adjusts the rents on these individual suites with the goal of achieving an 8% return on investment.

The Trust believes these investments will enhance long-term value, however, recognizes the short-term effects of this program, with higher vacancies and incentives. Rebranding and repositioning communities will take time and, as such, construction causes disruption to existing Resident Members and, depending on the level of investment, may result in higher turnover. Towards the end of the year, Boardwalk managed to reduce the vacancy loss associated with suites being renovated, by reducing the time to completion while still lowering the cost of the renovations.

DECLARATION OF TRUST

The investment guidelines and operating policies 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 in the AIF. Some of the main financial guidelines and operating policies set out in the DOT are as follows:

Investment Guidelines

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

Operating Policies

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

Distribution Policy

Boardwalk REIT may distribute to holders of REIT Units on or about each Distribution Date, respectively, such percentage of Funds From Operations for the calendar month then ended as the Trustees determine in their discretion. Distributions will not be less than Boardwalk REIT's taxable income, unless the Trustees, in their absolute discretion, determine another amount. The Board of Trustees reviews the distributions on a quarterly basis, and takes into consideration distribution sustainability and whether there are more attractive alternatives to the Trust's current capital allocation strategy, such as its value-added renovation program, brand diversification initiative, and new construction of multi-family communities in supply-constrained markets.

Compliance with DOT

At December 31, 2017, the Trust was in material compliance with all investment guidelines and operating policies as stipulated in the DOT, as amended. More details will be provided later in this document with respect to certain detailed calculations.

For the year ended December 31, 2017, Boardwalk REIT's overall interest coverage ratio of adjusted EBITDA (i.e. Earnings Before Interest, Taxes, Depreciation and Amortization) to interest expense, excluding distributions on LP B Units and fair value adjustments, was 2.60 (December 31, 2016 – 3.14).

VALUES, VISION AND OBJECTIVES

Boardwalk REIT is a fully-integrated, customer-oriented, multi-family residential real estate owner and property management organization. The Trust was built by focusing on its Values, Vision and Golden Foundation.

A Commitment to Value

Boardwalk REIT's Vision and business strategy are targeted on effectively meeting the needs of our customers, or Resident Members. It is our belief that this focus will result in long-term value creation for all our stakeholders. Our key stakeholders include our Associates, major financial and mortgage partners, including CMHC, strategic operational partners and Unitholders.

Our Vision

Boardwalk REIT's Vision is to continue to be Canada's leading provider of multi-family residential housing. Boardwalk will accomplish this through the continued careful cultivation of internal growth, selective development on excess land density it owns, and a targeted and disciplined acquisition and disposition program.

Golden Foundation

Boardwalk REIT and its Associates operate under a Golden Foundation, which is built on the following objectives:

The Golden Rule: "Treat others as you would like to be treated"

The Golden Goal: "Be Good"

The Golden Vision: "Love Community"

The Golden Mission: "Have Fun"

Our Associates are expected to adhere to the following guiding principles:

We Will:

- Work together in a team environment of mutual respect, trust, and honesty between all Associates and Resident Members;
- Serve our Resident Members' need for an affordable, quality, well-kept home;
- Maintain building exteriors and landscaping, thereby increasing "curb appeal"; have well-kept common areas, and ensure our homes are clean and well maintained;
- Maintain a balance between the needs of our Resident Members, Associates, Unitholders, communities and families;
- Nurture and promote a learning environment where our Associates' skills and capabilities grow with the needs of both the Trust and our Resident Members, and accept that these needs will be consistently evolving and improving the definition of "Rental Communities"; and
- Provide access to and utilize the latest tools and technology to increase the operating efficiency of the Trust as a whole.

We Value:

- *Integrity*
We will be honest, accountable, transparent, respectful, and trusting in our dealings with others, appreciating their views and differences.

- *Teamwork*

We will effectively work as a team, appreciating and benefiting from each other's unique talents and skills in an open environment while recognizing that the team's successes are our successes.

- *Resident Member Service*

We will promptly respond to Resident Member concerns and needs with thoughtfulness, compassion and innovation. We will strive to develop proactive solutions through a support network and a positive service attitude.

- *Social Responsibility*

We will contribute to our communities and encourage our Associates to contribute in ways that reflect our Golden Foundation. We will all practice the Golden Rule of 'treating others in a way we would wish to be treated', and balance our needs with those of others; we will all also model our Golden Goal which is to 'be good', our Golden Mission which shows us how to 'have fun', and our Golden Vision which asks each of us to 'love community'.

- *Our Associates*

We will provide a safe and respectful work environment that attracts, supports, develops, and recognizes high-performing and innovative team members.

Boardwalk believes that by adhering to the above Vision and Values, and implementing strategies consistent with these principles, Boardwalk REIT will produce higher sustainable operating cash flows and a continued appreciation of its property values. The result will be enhanced value for all our stakeholders.

Achieving this goal requires the full integration of our core strategies of focused investing, superior property management, and the implementation and effective use of new technologies. Boardwalk REIT can best achieve this goal by strategically:

- Maximizing Resident Member satisfaction by providing above-average service and accommodation;
- Acquiring select multi-family residential properties;
- Selling properties ("Non-Core") with lower future growth prospects or, on a limited basis and the reinvesting of these funds back into other accretive opportunities;
- Purchasing Trust Units on the open market;
- Enhancing property values, operating returns and cash flows through pro-active management, property stabilization, and capital improvements;
- Reviewing and considering the development of new selective multi-family projects, if the economics support such projects;
- Managing capital prudently while maintaining a conservative financial structure;
- Pursuing opportunities to form selective partnerships, joint ventures, or an exchange of assets; and
- Reinvesting the released equity from asset sales back into the Trust's portfolio to create additional value-added opportunities.

To support our overall operating strategy, it is necessary to:

- Ensure ample capital is available at all times for acquisitions and value-added enhancements;
- Appropriately allocate available capital to existing project enhancement and on-going new acquisitions;
- Utilize appropriate levels of debt leverage;
- Determine and utilize sources with the lowest cost of capital;
- Actively manage our exposure to interest rate and debt renewal risks; and
- Optimize the use of NHA insurance, which is administered by CMHC, to access more cost-effective debt capital.

NON-GAAP FINANCIAL MEASURES

Boardwalk REIT assesses and measures operating results based on performance measures referred to as Funds From Operations (“FFO”), and Adjusted Funds From Operations (“AFFO”). FFO and AFFO are widely accepted supplemental measures of the performance of a Canadian real estate entity; however, are not measures defined by IFRS. In February 2017, REALpac, Canada’s senior national industry association for owners and managers of investment real estate, issued its newest financial best practices White Paper of FFO and AFFO, as well as a White Paper on the new cash flow metric, “Adjusted Cash Flow From Operations” (“ACFO”). FFO, AFFO, and ACFO do not have standardized meanings prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other entities. The IFRS measurement most comparable to FFO and AFFO is Profit and the IFRS measurement most comparable to ACFO is Cash Flow From Operating Activities. We define FFO, after the adoption of IFRS, as income before fair value adjustments, distributions on the LP B Units, gains or losses on the sale of Investment Properties, non-recurring insurance settlements, depreciation, deferred income tax, and certain other non-cash adjustments, if any. The reconciliation from Profit under IFRS to FFO can be found below, under the section titled “Performance Measures.” AFFO is determined by taking the amounts reported as FFO and deducting what is commonly referred to as “Maintenance Capital Expenditures.” Maintenance Capital Expenditures are referred to as expenditures that, by standard accounting definition, are account for as capital in that the expenditure itself has a useful life in excess of the current financial year and also adds or maintains the value of the related assets. A more detailed discussion of this topic will be provided in the “Maintenance of Productive Capacity” section later in this document.

FFO and AFFO, however, should not be construed as an alternative to profit determined in accordance with IFRS as indicators of Boardwalk REIT’s performance. In addition, Boardwalk REIT’s calculation methodology for FFO and AFFO may differ from that of other real estate companies and trusts.

A reconciliation of ACFO to cash flow from operating activities as shown in the Trust’s Consolidated Statements of Cash Flows is also provided below in the section titled, “Review of Consolidated Statement of Cash Flows,” along with added commentary on the sustainability of Boardwalk REIT’s Trust Unit distributions.

INVESTMENT PHILOSOPHY

Throughout Boardwalk REIT’s history, the Trust continuously looked for opportunities to create value for its Unitholders. This is achieved by investing managerial resources and capital in activities that increase FFO per unit, AFFO per unit and ACFO per unit on a sustaining basis and Net Asset Value (“NAV”) per unit. Prior to 2008, the Trust focused on capital improvements of our existing portfolio and through acquisition of additional properties. In 2012, Boardwalk also expanded thorough the development of new apartments on existing land as well as investigated the acquisition of new land for future development projects. In 2017, the Trust adopted a long-term strategic plan, which includes expanding its investments outside of Alberta and Saskatchewan and into high-growth markets, including, but not limited to, the Greater Toronto Area and Vancouver, to allow the Trust to geographically diversify its brand of housing into new, undersupplied markets. Built into this strategic plan is Boardwalk’s brand diversification initiative, which includes suite renovations and upgrading, to create the best long-term value for the Trust’s Unitholders.

Cost of Capital

The Trust’s cost of capital is generally defined as its weighted average cost of raising incremental capital. Investment opportunities are evaluated by comparing their internal rate of return against the Trust’s cost of capital among other metrics. As with most real estate entities, the cost of capital is the combination of the leverage target, the marginal cost of debt, and the marginal cost of equity. As will be discussed in a later section, the Trust currently has access to a lower cost of debt through its access to the NHA insured market. However, even this market has different levels of risk that are mainly priced through the term selected on the related mortgage. That is, the longer the mortgage finance term, the longer the borrower is removing the interest rate risk from the investment. As of February 2018, estimated CMHC-insured five and ten-year mortgage rates were estimated to be 2.90% and 3.20% respectively. The other major component in the cost of capital relates to the marginal cost of equity required for the investment. The determination of this cost has a number of different models and definitions. However, for simplicity purposes,

Boardwalk determines its current cost of equity as the amount of AFFO reported compared to its current market capitalization. For 2017, the Trust reported AFFO per Unit of \$1.68 on a fully diluted basis. When compared to the Trust Unit's market price of \$43.09 as at December 31, 2017, this equates to approximately 3.90% as its cost of equity. Further details of the Trust's cost of capital can be found in Note 28 to the consolidated financial statements for the year ended December 31, 2017.

PERFORMANCE REVIEW OF 2017

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

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

In the past, Boardwalk REIT has generated additional income from the sale of selective Non-Core real estate properties. The sale of these properties is part of Boardwalk REIT's overall operating strategy whereby the equity generated through the sale is then utilized by Boardwalk REIT for the acquisition and/or development of new rental properties, to assist in its property value enhancement program, or for the acquisition of Boardwalk REIT's Trust Units in the public market. The Trust, however, will only proceed with the sale of Non-Core real estate properties if market conditions justify the dispositions and Boardwalk has an alternative use for the net proceeds generated. During the fourth quarter of 2017, the Trust sold 641 units in Regina, Saskatchewan, resulting in a total loss on asset sales of \$1.7 million for the year. As Investment Properties are carried at fair value, a loss on sale arises primarily from the transaction costs related to the sale.

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.

Performance Measures

It continues to be the intention of the Trust to pay out, at a minimum, all taxable income to Unitholders in the form of monthly distributions, unless the Board of Trustees, in its absolute discretion, determines a different amount. For 2017, the Trust distributed \$0.1875 per Trust Unit on a monthly basis (or \$2.25 on an annualized basis). For 2018, the Board has decided to distribute \$0.0834 per Trust Unit on a monthly basis (or \$1.00 on an annualized basis) and redeploy its capital towards long-term value creation, including its suite renovation program, brand diversification initiative, and development of new multi-family units in supply-constrained markets.

For the year ended December 31, 2017, the Trust declared regular distributions of \$114.2 million (inclusive of distributions paid to the LP Class B Unitholders), representing approximately 106.8% of FFO. On a quarterly basis, the Trust's Board of Trustees reviews the current level of distributions and determines if any adjustments to the distributed amount is warranted. On an overall basis, the Trust aims to maintain a consistent and sustainable payout ratio while optimizing its capital allocation strategy, and reviews this with its Board of Trustees.

How Did We Do?

At the beginning of the 2017 fiscal year, certain selective performance targets were set out for fiscal 2017. The assumptions used in these performance targets were reviewed on a quarterly basis and the full-year guidance was adjusted if such assumptions changed. The following table compares our forecasted performance to our actual results in fiscal 2017:

Description	2017 Actual	2017 Revised Objectives (released Q2 2017)	2017 Revised Objectives (released Q4 2016)	2017 Original Objectives (released Q3 2016)
Acquisition of Investment Properties	No new apartment acquisitions	No new apartment acquisitions	No new apartment acquisitions	No new apartment acquisitions
Dispositions of Investment Properties	Sold 641-unit Boardwalk Estates, Regina, Saskatchewan	No dispositions	No dispositions	No dispositions
Development	Phase 2 of Pines Edge, Regina, Saskatchewan – 79 Units	Phase 2 of Pines Edge, Regina, Saskatchewan – 79 Units	Phase 2 of Pines Edge, Regina, Saskatchewan – 79 Units	Phase 2 of Pines Edge, Regina, Saskatchewan – 79 Units
	Continue with Phase 3 of Pines Edge – Regina, Saskatchewan – 71 Units	Continue with Phase 3 of Pines Edge – Regina, Saskatchewan – 71 Units	Continue with Phase 3 of Pines Edge – Regina, Saskatchewan – 71 Units	Continue with Phase 3 of Pines Edge – Regina, Saskatchewan – 71 Units
	Commencement of Brentwood Village joint venture with RioCan, Calgary, Alberta – 162 Units	Commencement of Brentwood Village joint venture with RioCan, Calgary, Alberta – 162 Units	Commencement of Brentwood Village joint venture with RioCan, Calgary, Alberta – 162 Units	Commencement of Brentwood Village joint venture with RioCan, Calgary, Alberta – 162 Units
Stabilized Building NOI Growth	-15.8%	-19% to -17%	-15% to -9%	-8% to -3%
FFO Per Unit	\$2.11	\$2.10 to \$2.20	\$2.30 to \$2.65	\$2.70 to \$2.90
AFFO Per Unit	\$1.68	\$1.68 to \$1.78	\$1.96 to \$2.31	\$2.36 to \$2.56

Both actual FFO and AFFO for fiscal 2017 were within the revised guidance reported as part of the Trust's disclosure for the second quarter of 2017. Lower rental revenue due to lower occupancy, suites not available for rent while undergoing renovation, higher incentives in Western Canada, coupled with increased operating expenses, were the primary drivers of current quarter's financial results being lower than the Trust's 2017 financial guidance.

FFO Reconciliation from 2016 to 2017

The following table shows a reconciliation of changes in FFO from December 31, 2016 to December 31, 2017. It should be noted that FFO, as disclosed in the table below, reflects FFO derived from the Trust's consolidated financial statements prepared in accordance with IFRS. As previously noted, we define the calculation of FFO as net income before fair value adjustments, distributions on the LP Class B Units, gains (losses) on the sale of Investment Properties, depreciation, deferred income taxes, and certain other non-cash items. A more detailed disclosure of the calculation of FFO will be provided later in this report.

FFO Reconciliation	12 Months
FFO Opening – Dec. 31, 2016	\$ 2.84
Net Operating Income ("NOI") from Stabilized Properties	(0.79)
NOI from Unstabilized Properties	0.09
Administration and other	(0.03)
	\$ (0.73)
FFO Closing – Dec. 31, 2017	\$ 2.11

FFO and AFFO Reconciliations

In the following table, Boardwalk REIT provides a reconciliation of FFO (a non-IFRS measure) to profit for the period, its closely related financial statement measurement for the years ended December 31, 2017 and 2016. Adjustments are explained in the notes below, as appropriate:

FFO Reconciliation <i>(In \$000's, except per Unit amounts)</i>	12 Months Dec. 31, 2017	12 Months Dec. 31, 2016	% Change
Profit (loss) for the year	\$ 57,258	\$ (57,440)	
Adjustments			
Proceeds on insurance settlement	(3,162)	-	
Loss on sale of assets	1,678	-	
Fair value losses ⁽¹⁾	35,418	186,681	
Add back distributions to LP Class B Units recorded as financing charges ⁽²⁾	10,069	9,990	
Deferred income tax expense	140	15	
Depreciation expense on property plant & equipment	5,586	5,219	
Funds from operations	\$ 106,987	\$ 144,465	(25.9)%
Funds from operations – per Unit	\$ 2.11	\$ 2.84	(25.7)%

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

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

Overall, Boardwalk REIT earned FFO of \$107.0 million for fiscal 2017 compared to \$144.5 million for the same period in 2016. FFO, on a per Unit fully-diluted basis, for the year ended December 31, 2017, decreased approximately 25.7% compared to the prior year from \$2.84 to \$2.11. The decrease was primarily driven by lower rental revenue due to higher incentives and lower occupancy levels in Alberta and Saskatchewan, coupled with higher rental operating expenses and utility costs.

The following table provides a reconciliation of FFO to AFFO:

<i>(\$000's)</i>	12 Months Dec. 31, 2017	12 Months Dec. 31, 2016
Funds From Operations (FFO)	\$ 106,987	\$ 144,465
Maintenance Capital Expenditures ⁽¹⁾	21,737	17,534
Adjusted Funds From Operations (AFFO)	\$ 85,250	\$ 126,931
FFO per Unit (Trust and LP B Units)	\$ 2.11	\$ 2.84
AFFO per Unit (Trust and LP B Units)	\$ 1.68	\$ 2.50
Unitholder Distributions-Regular (Trust Units and LP B Units)	\$ 114,238	\$ 113,390
Distribution as a % of FFO	106.8%	78.5%
Distribution as a % of AFFO	134.0%	89.3%

(1) Details of the calculation of Maintenance Capital Expenditures can be found in the section titled “Maintenance of Productive Capacity”.

Liquidity

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

Boardwalk defines liquidity to include cash and cash equivalents on hand and any unused committed revolving credit facility, plus any committed secured upfinancings. The Trust's cash position was \$70.8 million at December 31, 2017, compared to \$99.1 million reported on December 31, 2016. As at December 31, 2017, the Trust also had \$199.7 million of unused credit facility (December 31, 2016 – \$194.0 million) and committed secured upfinancing of \$54.3 million, bringing total liquidity to \$324.8 million (December 31, 2016 – \$293.1 million).

New Property Acquisitions and Dispositions

For the year ended December 31, 2017, there were no new investment property acquisitions. On February 28, 2017, the Trust acquired its London Warehouse (which it had previously leased) for a purchase price of \$1.4 million.

In the fourth quarter of 2017, the Trust sold 641 units in Regina, Saskatchewan for \$71.6 million before selling costs. The purchaser assumed the existing first mortgage of \$24.4 million at an interest rate of 2.19% while Boardwalk provided a Vendor-Take-Back mortgage ("VTB") in the amount of \$38.8 million at an annual interest rate of 2.19%.

In 2016, the Trust closed on the purchase of four properties, three located in Edmonton, Alberta and one located in Calgary, Alberta. The newly-built properties totaled 747 units and had a purchase price of \$144.4 million (including transactions costs).

Development

At the end of January 2016, the Trust completed the first phase of construction for a 79-unit, wood frame building on excess land on our property known as Pines of Normanview in Regina, Saskatchewan. The project, named Pines Edge 1, was completed with a total cost of \$13.4 million, below the original budget of \$14.1 million. The four-story building consists of 13 one-bedroom and 66 two-bedroom units with a single level of underground parking. The stabilized un-levered return is estimated to range from 6.50% to 7.00% excluding land. Lease-up of the project began in February of 2016. As of the end of December 2017, the project was over 87% leased.

In 2016, the Trust commenced construction on Phase 2 of the project consisting of 79 rental units. This phase was substantially completed at the end of June 2017 and, once stabilized, is estimated to operate with a stabilized un-levered return range of 6.25% to 6.75%.

Phase 3 of Pines Edge is a similar project, consisting of 71 rental units. Construction has started on Phase 3 and is expected to be completed by mid-2018.

The entire development consists of a total of five (5) phases and will add 364 apartment units to Boardwalk's Regina, Saskatchewan property portfolio when all phases have been completed.

We continue to explore other development opportunities in Regina, Calgary, and Edmonton. Each of these opportunities will be evaluated separately to determine the viability of these projects.

Joint Venture Agreement

In the fourth quarter, Boardwalk and RioCan Real Estate Investment Trust ("RioCan") entered into a joint venture agreement to develop a mixed use tower consisting of an at-grade retail podium totaling approximately 10,000 square feet and a 12-storey residential tower with approximately 130,000 square feet of residential space, totaling approximately 162 apartment units at RioCan's Brentwood Village Shopping Centre in Calgary, Alberta. The development will include two (2) levels of underground parking and will provide premium rental housing minutes from downtown Calgary along the Northwest Light Rail Transit line, while providing close proximity to the University of Calgary, McMahon Stadium and Foothills Hospital. Boardwalk views RioCan as a like-minded partner who shares similar values and goals as its own, namely to maximize the potential of well-located, transit-oriented mixed-use developments that can be constructed to create new communities that residents are proud to call home. The joint venture involves an equal 50% interest in which both RioCan and Boardwalk will provide its best-in-class retail and residential expertise, respectively, to co-develop the asset. To maximize the value of the development, RioCan will manage the retail component and Boardwalk will manage the residential component, each on a cost basis.

The land was 100% owned by RioCan. Pursuant to a purchase and sale agreement dated October 19, 2016 between Boardwalk and RioCan, Boardwalk purchased a 50% interest in the parcel of land on November 23, 2017. The land value was based on the total buildable area and, as such, Boardwalk paid \$3.2 million for its 50% interest. Construction of the project began in Q4 of 2017 of which Boardwalk incurred \$1.6 million in development costs for its 50% interest in fiscal 2017. Subject to the finalization of building plans and specifications, it is estimated that the total construction for the project will be between \$75 million to \$80 million (\$37.5 million to \$40 million per partner).

Financial Performance Summary

At a Glance (In \$000's, except per Unit amounts)

	2017	2016	% Change
Total Assets	\$ 5,865,075	\$ 5,768,613	1.7%
Total Rental Revenue	\$ 422,926	\$ 438,846	(3.6)%
Profit (Loss)	\$ 57,258	\$ (57,440)	199.7%
Total Funds From Operations	\$ 106,987	\$ 144,465	(25.9)%
Profit (Loss) Per Unit	\$ 1.24	\$ (1.24)	199.8%
Funds from Operations Per Unit	\$ 2.11	\$ 2.84	(25.7)%

Total Assets increased from the amounts reported in the prior year, mainly due to an increase in asset value from the Trust's renovation program. Total Rental Revenue decreased by 3.6%, the result of higher incentives and lower occupancy in western Canada. Profit (loss) increased by 199.7% compared to the prior year, due primarily to a significantly smaller fair value loss of \$35.8 million recognized on its investment properties and financial liabilities in 2017 compared to a \$186.7 million loss in 2016.

CONSOLIDATED OPERATIONS AND EARNINGS REVIEW

OVERALL REVIEW

Consolidated Statements of Comprehensive Income (Loss)

Rental Operations

Boardwalk REIT's Net Operating Income Strategy includes a rental revenue strategy that focuses on enhancing overall rental revenues through the balance between market rents, rental incentives, turnovers, and occupancy losses. The application of this rental revenue strategy is ongoing, on a market-by-market analysis, again with the focus on obtaining the optimal balance of these variables given existing market conditions.

<i>(In \$000's, except number of suites)</i>	12 Months Dec. 31, 2017	12 Months Dec. 31, 2016	% Change
Total rental revenue	\$ 422,926	\$ 438,846	(3.6)%
Expenses			
Operating expenses	113,986	97,620	16.8%
Utilities	47,967	44,711	7.3%
Property taxes	44,890	43,416	3.4%
	\$ 206,843	\$ 185,747	11.4%
Net operating income	\$ 216,083	\$ 253,099	(14.6)%
Operating margin	51.1%	57.7%	
Number of suites at December 31	33,187	33,773	

Overall, Boardwalk REIT's rental operations for the year ended December 31, 2017, reported lower results compared to the same period in the prior year, with total rental revenue decreasing 3.6%, driven by higher incentives and vacancy losses mainly in its Western Canada portfolio. Total rental expenses increased 11.4% for the twelve months ended December 31, 2017, compared to 2016, due primarily to higher on-site wages and salaries, repairs and maintenance, advertising expenses, utilities and property taxes.

The Trust continues to track, in detail, the actual work performed by our on-site Associates to assist in the operating effectiveness of its overall operations. This program results in overall lower costs while allowing the Trust greater control over the timing of its capital improvement projects, compared to contracting these same projects out to third parties. As with other estimates used by the Trust, key assumptions used in estimating the amount of salaries and wages to be capitalized are reviewed on a regular basis and, based on this review, Management will adjust the amount allocated to more accurately reflect how many internal resources were directed towards specific capital improvements.

Operating expenses increased by 16.8%, due to increased wages and salaries, building and suite maintenance costs and advertising expenses. Wages and salaries were higher as the Trust invested in additional maintenance, landscaping, cleaning and customer service personnel to enhance and elevate its excellence in customer service program. Repairs and maintenance was higher primarily due to mechanical, electrical, plumbing and preventative maintenance. Higher advertising expenses are a reflection of the softer rental market in Western Canada.

Utility costs increased by 7.3% for the year ended December 31, 2017. The increase is attributable to higher cable costs in Saskatchewan as this province includes new bulk cable and internet services for Boardwalk's Resident Members, coupled with the introduction of a carbon tax levy in Alberta. Fixed price physical commodity contracts have also helped to partially or fully-hedge its exposure to fluctuating natural gas prices. Further details regarding the hedges on natural gas, as well as electricity prices in Alberta, can be found in NOTE 27 to the consolidated financial statements for the year ended December 31, 2017.

The reported increase in property taxes from the prior year period, is mainly attributed to higher overall property tax assessments. The Trust is constantly reviewing property tax assessments and related charges and, where it feels appropriate, will appeal all,

or a portion, of the related assessment. It is not uncommon for the Trust to receive property tax refunds and adjustments; however, due to the uncertainty of the amount and timing of the refunds and adjustments, these amounts are only reported when they are received. Additionally, property taxes have increased due to the 2016 acquisitions.

Overall the operating margin decreased from 57.7% in fiscal 2016 to 51.1% for the twelve months ended December 31, 2017.

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

SEGMENTED OPERATIONAL REVIEW

Alberta Rental Operations

(In \$000's, except number of suites)

	12 Months Dec. 31, 2017	12 Months Dec. 31, 2016	% Change
Total rental revenue	\$ 264,558	\$ 280,333	(5.6)%
Expenses			
Operating expenses	71,615	57,915	23.7%
Utilities	28,127	25,577	10.0%
Property taxes	27,702	27,690	0.0%
	\$ 127,444	\$ 111,182	14.6%
Net operating income	\$ 137,114	\$ 169,151	(18.9)%
Operating margin	51.8%	60.3%	
Number of suites at December 31	20,499	20,499	

Alberta is Boardwalk's largest operating segment, representing 63.5% of total reported net operating income for the year ended December 31, 2017. In addition, Alberta represents 61.8% of total apartment units. Boardwalk REIT's Alberta operations for the year ended December 31, 2017, reported a 5.6% decrease in total rental revenue, when compared to the same period reported in 2016. The reported rental revenue change is the combined effect of higher incentives, lower in-place rents and lower occupancy levels compared to the prior year. Total rental expenses have increased by 14.6% compared to the prior year due to increases in operating expenses and utilities.

Operating expenses increased by 23.7% from the prior year due to increased on-site wages and salaries, building and suite maintenance costs, and advertising.

Reported utilities for the year ended December 31, 2017 were up 10.0% compared to the prior year. The reported increase is mainly the result of the carbon tax introduced by the Alberta Provincial Government in 2017, coupled with higher electricity costs and higher natural gas consumption. Currently, the Trust has two outstanding electricity contracts, one for Southern Alberta and one for Northern Alberta, with two utility companies to supply the Trust with its electrical power needs. The Trust also has four outstanding natural gas contracts to hedge the price of its natural gas usage. More details can be found in NOTE 27 to the consolidated financial statements.

Property taxes were flat compared to the prior year as a result of successful property tax appeals.

Net operating income for Alberta decreased \$32.0 million, or 18.9% for the twelve months ended December 31, 2017. Alberta's operating margins for the year ended December 31, 2017 was 51.8% compared to 60.3% for the same period in 2016.

Saskatchewan Rental Operations

<i>(In \$000's, except number of suites)</i>	12 Months Dec. 31, 2017	12 Months Dec. 31, 2016	% Change
Total rental revenue	\$ 56,378	\$ 58,996	(4.4)%
Expenses			
Operating expenses	12,088	10,835	11.6%
Utilities	9,002	8,475	6.2%
Property taxes	5,632	4,523	24.5%
	\$ 26,722	\$ 23,833	12.1%
Net operating income	\$ 29,656	\$ 35,163	(15.7)%
Operating margin	52.6%	59.6%	
Number of suites at December 31 ⁽¹⁾	4,127	4,689	

(1) Includes 79 units from the Pines Edge 1 development project that was substantially completed in January 2016. Includes 79 units from the Pines Edge 2 development that was substantially completed in June 2017.

For the year ended December 31, 2017, Saskatchewan total rental revenue decreased by 4.4% compared to the prior year. The revenue decrease is mainly due to higher incentives offered in both Regina and Saskatoon. Rental expenses increased by 12.1% for the year ended December 31, 2017, compared to the prior year, primarily due to higher operating expenses, utilities and property taxes.

Operating expenses for the year ended December 31, 2017 increased due mainly to higher on-site wages and salaries and suite maintenance costs.

Utility costs for the year increased from the previous year due primarily to higher cable and internet costs. The program provides Resident Members a more cost-effective alternative to cable and internet service compared to subscribing individually with cable service providers. Additionally, there was an increase in water and sewer costs compared with the prior year. The Trust also has three outstanding contracts to hedge its natural gas price for its Saskatchewan natural gas usage. Details of the hedging contracts can be found in NOTE 27 to the consolidated financial statements for the current period.

Property taxes increased by 24.5% for the year ended December 31, 2017 due to higher property tax assessments and an increase in the reported mill rates.

Reported operating margins for the year ended December 31, 2017 decreased to 52.6% compared to 59.6% reported for the prior year.

Ontario Rental Operations

<i>(In \$000's, except number of suites)</i>	12 Months Dec. 31, 2017	12 Months Dec. 31, 2016	% Change
Total rental revenue	\$ 27,269	\$ 26,430	3.2%
Expenses			
Operating expenses	4,665	4,447	4.9%
Utilities	3,921	4,041	(3.0)%
Property taxes	3,299	3,156	4.5%
	\$ 11,885	\$ 11,644	2.1%
Net operating income	\$ 15,384	\$ 14,786	4.0%
Operating margin	56.4%	55.9%	
Number of suites at December 31	2,585	2,585	

Boardwalk REIT's Ontario operations reported an increase in total rental revenue of 3.2% for the year ended December 31, 2017, compared to the prior year, due to higher occupied rents and occupancy levels. Total rental expenses increased by 2.1% for the twelve months ended December 31, 2017 compared to the prior year, due primarily to increased operating expenses and property taxes.

Operating expenses increased for the year ended December 31, 2017 as compared to the prior year, due to increased on-site wages and salaries.

Utility costs were lower for the twelve months due primarily to savings on electricity costs. The Trust has one outstanding fixed price natural gas contract hedging 50% of its Ontario and Quebec natural gas usage. Details of the contract can be found in NOTE 27 to the consolidated financial statements.

Property taxes were higher for the year ended December 31, 2017 as compared to the prior year, due to higher property tax assessments.

Net operating income increased by 4.0% for the year ended December 31, 2017, as compared to the prior year. Reported operating margins for the year ended December 31, 2017 were 56.4% as compared to 55.9% for the prior year.

Quebec Rental Operations

<i>(In \$000's, except number of suites)</i>	12 Months Dec. 31, 2017	12 Months Dec. 31, 2016	% Change
Total rental revenue	\$ 74,473	\$ 72,865	2.2%
Expenses			
Operating expenses	18,827	17,957	4.8%
Utilities	6,693	6,463	3.6%
Property taxes	8,060	7,893	2.1%
	\$ 33,580	\$ 32,313	3.9%
Net operating income	\$ 40,893	\$ 40,552	0.8%
Operating margin	54.9%	55.7%	
Number of suites at December 31	6,000	6,000	

Boardwalk REIT's Quebec operations reported a total rental revenue increase of 2.2% for the year ended December 31, 2017, compared to the prior year.

Total rental expenses for the year increased by 3.9%, when compared to 2016, mainly due to higher operating expenses, utilities and property taxes.

Operating expenses increased by 4.8%, when compared to 2016 due to increased building maintenance and landscaping costs.

The reported increase of 3.6% in utilities for the twelve months ended December 31, 2017, was due to higher natural gas and electricity expenses. In addition, the Trust had one outstanding fixed price natural gas contract to hedge 50% of its Ontario and Quebec natural gas usage. The details of the natural gas contracts are reported in NOTE 27 of the Trust's consolidated financial statements for the current period.

Property taxes increased 2.1% for the year ended December 31, 2017, compared to the prior year due to higher property tax assessments.

Reported operating margins for the twelve months ended December 31, 2017 decreased from 55.7% to 54.9%.

OPERATIONAL SENSITIVITIES

Net Operating Income Optimization

Boardwalk continues to focus on optimizing its Net Operating Income. This focus requires us to manage not only revenues but also related operating costs, and take both into consideration when determining a service and pricing model. Lowering overall turnover

while maintaining reasonable lease rental rates and a focus on a high quality level of service continue to be the model that has delivered the most stable and long-term income source to date. This strategy is region specific and these variables are in constant flux.

In a more competitive market, the Trust takes a more preventive approach of increasing its offering of suite-specific rental incentives as well as, where warranted, adjusting reported market rents. The higher frequency of these incentives, particularly in Alberta and Saskatchewan, is an attempt by the Trust to keep occupancy levels higher than the overall market. When the market returns to balance, the Trust will be well-positioned to unwind these incentives and increase market rents. It has been our experience that this preemptive approach has resulted in optimizing net operating income.

In addition, in these competitive markets, the Trust approaches future upcoming maturing leases prior to lease maturity with the intent of renewing their lease at this time rather than waiting for term maturity. In select markets, the Trust may also forward-lock future rentals while not collecting revenues for certain months in the immediate future. This means the Trust may decide to rent a suite in December with the Customer not moving in until the following year. Although the suite is rented, it will not generate revenue until the Customer actually moves in, for example, in January, which corresponds to the next fiscal period. The percentages reported as occupancy levels (see table below) represent those occupied units generating revenue for the period noted. The Trust closely monitors 'apartment availability', which represents unoccupied units not generating revenue for the period, after taking into account forward-committed leases. Although occupancy rates provide a good indication of current revenue, apartment availability provides the reader a more relevant indication of future potential revenue. As a result of the acquisitions in the year of newly built assets, portfolio occupancy is on a same store basis.

The Trust believes that when the Net Operating Income Optimization strategy is combined with our new strategic investment program, the outcome will be a more diverse product offering for our Resident Members and greater overall value creation for the Trust. The Trust also understands that the implementation and completion of these strategies will have some short-term consequences, as the timing of these enhancements and extensive renovations are resulting in longer periods of time that suites are not available to be rented, including short-term increases in vacancy losses. It is the Trust's belief, however, that a focus on the longer-term value creation is in the best interest of all stakeholders.

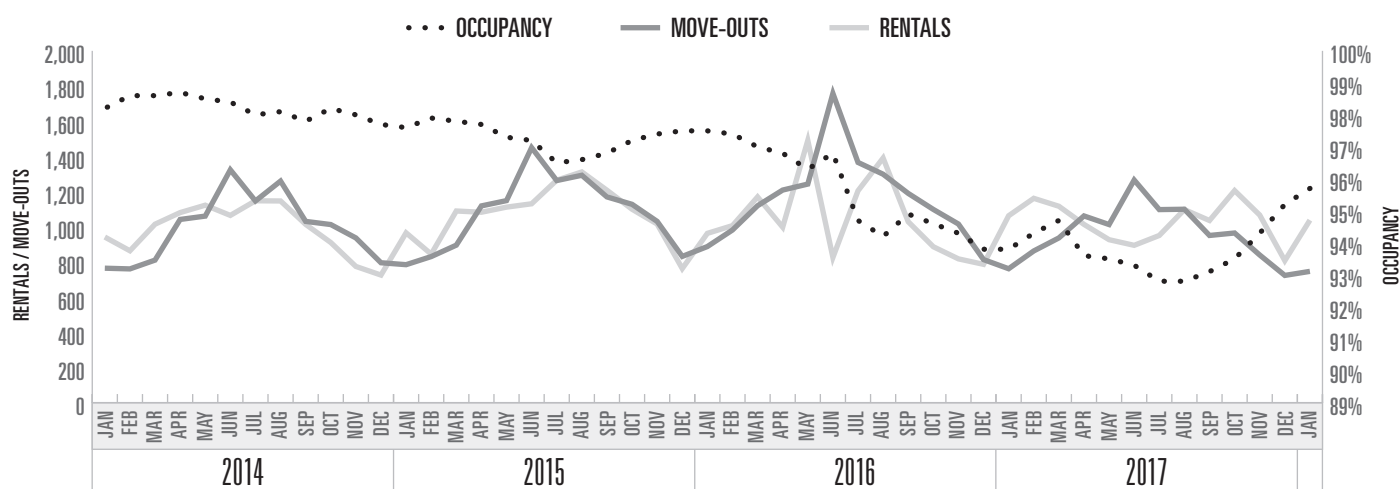
Boardwalk constantly reviews its existing programs, measuring them against resident demand, viability and expected return. Where appropriate, the Trust will make any necessary changes and fine-tuning to them.

Boardwalk REIT's Portfolio Occupancy (Same Store)

City	2017	2016	Q4 2017	Q4 2016
Calgary	92.14%	95.14%	91.12%	92.79%
Edmonton	93.62%	95.31%	94.05%	93.42%
Fort McMurray	93.61%	87.85%	92.35%	95.87%
Grande Prairie	89.97%	90.09%	95.51%	83.77%
Kitchener	97.89%	98.27%	97.87%	98.68%
London	97.72%	98.05%	97.70%	98.15%
Montreal	97.01%	97.61%	96.80%	97.49%
Quebec City	96.23%	95.46%	96.07%	95.60%
Red Deer	88.01%	92.30%	86.08%	87.38%
Regina	93.17%	96.45%	92.76%	96.11%
Saskatoon	92.98%	94.62%	95.66%	91.24%
Verdun	99.05%	98.35%	99.24%	98.69%
Total	94.28%	95.69%	94.37%	94.24%

In fiscal 2017, the Trust reported a year-over-year decrease of 141 basis points in its overall same store occupancy rate, a decline from 95.69% to 94.28%. A softening in the Western Canadian markets contributed to the overall occupancy rate decrease. Boardwalk's overall rental revenue strategy focuses on the Trust balancing the key inputs, including occupancy levels, incentives and existing rental market rates. As a strategy, the Trust is constantly adjusting market rents and incentives based on property-specific demand and supply. Year-over-year, Calgary and Edmonton saw occupancy levels decline by 300 and 169 basis points, respectively, to 92.14% and 93.62%, respectively, as renovated suites took longer-than-anticipated to complete. Similarly, Regina saw occupancy levels decrease to 93.17% in 2017 compared to 96.45% for 2016. Note that Regina does not include the 79-unit Phase 1 new development, which commenced lease-up in February of 2016, nor the 79-unit Phase 2 building substantially completed at the end of June 2017. Including the new developments in the current quarter would result in an occupancy rate of 90.38% for Regina. Saskatoon saw occupancy levels decrease to 92.98% in 2017 compared to 94.62% in 2016.

Supply versus Demand & Impact on Reported Occupancy (Same Store)



The issue of demand and supply, as with any industry, is an important performance indicator for multi-family real estate. The above chart attempts to show the total move-outs (supply) compared to total move-ins (demand) and the resulting impact on reported occupancy relating to our portfolio. The cumulative impact of demand being greater than supply, or vice versa, is the primary driver in the reported occupancy rate. In recent years, Boardwalk focused on maintaining high occupancy levels while optimizing turnover costs. The reader is cautioned that adjusting market rental rates is an ongoing process for the Trust and is consistent with its overall strategy of optimizing overall net operating income; consequently, it will adjust rents upward or downward when it is deemed necessary.

Occupancy Sensitivity

As with all real estate rental operators, Boardwalk REIT's financial performance is sensitive to occupancy rates. Based on the current reported market rents, a 1% annualized change in reported occupancy is estimated to impact overall rental revenue by approximately \$4.2 million, or \$0.08 per Trust Unit on a diluted basis.

STABILIZED PROPERTY RESULTS

Boardwalk defines stabilized property as one that has been owned by the Trust for a period of 24 months or more from the reporting date. Boardwalk REIT's overall percentage of stabilized properties was 97.3% of its total rental unit portfolio as at December 31, 2017, or a total of 32,282 units. The tables below provide a regional breakdown on these properties for fiscal 2017, as compared to fiscal 2016:

Dec. 31 2017 – 12 M	# of Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Edmonton	12,397	(8.0)%	9.5%	(20.3)%	38.1%
Calgary	5,419	(8.7)%	18.4%	(22.9)%	19.1%
Red Deer	939	(12.5)%	28.3%	(41.1)%	1.7%
Grande Prairie	645	(9.2)%	5.4%	(24.3)%	1.2%
Fort McMurray	352	2.4%	(1.2)%	5.3%	1.4%
Quebec	6,000	2.2%	3.9%	0.8%	19.0%
Saskatchewan	3,945	(4.6)%	13.2%	(16.0)%	12.3%
Ontario	2,585	3.2%	2.1%	4.0%	7.2%
	32,282	(5.3)%	10.1%	(15.8)%	100.0%

Stabilized revenue decreased by 5.3% for the year ended December 31, 2017, compared to the prior year. Operating expenses reported for the year increased by 10.1% from 2016, resulting in a NOI decrease of 15.8% compared to the prior year. The decrease in reported stabilized revenue was driven by lower in-place occupied rents and higher incentives in Alberta and Saskatchewan, which accounts for approximately 74% of the Trust's reported stabilized Net Operating Income. Operating expenses increased primarily as a result of higher on-site wages and salaries, repairs and maintenance expenses, advertising, utilities, and property taxes.

Stabilized Revenue Growth	# of Units	Q4 2017 vs Q3 2017	Q4 2017 vs Q2 2017	Q4 2017 vs Q1 2017	Q4 2017 vs Q4 2016
Edmonton	12,397	0.5%	(0.5)%	(1.6)%	(3.2)%
Calgary	5,419	1.2%	(0.2)%	(0.5)%	(2.1)%
Red Deer	939	4.0%	1.2%	(0.2)%	(1.8)%
Grande Prairie	645	7.4%	10.2%	13.4%	13.0%
Fort McMurray	352	-	2.2%	(2.3)%	(1.0)%
Quebec	6,000	1.3%	2.2%	2.7%	3.2%
Saskatchewan	3,945	0.5%	(0.7)%	(1.2)%	(1.9)%
Ontario	2,585	0.4%	2.3%	2.1%	3.3%
	32,282	0.9%	0.5%	(0.1)%	(1.0)%

On a sequential basis, stabilized revenues reported in the fourth quarter of 2017 increased by 0.9% over Q3 2017, increased by 0.5% compared to Q2 2017, decreased by 0.1% compared to Q1 2017 and decreased 1.0% compared to Q4 2016. The increase in the current quarter compared to the two previous quarters is a signal that the market is heading towards a more balanced market. The Trust strives toward balancing the optimum level of market rents, rental incentives and occupancy rates in order to achieve its net operating income optimization strategy.

Estimated Loss-to-lease Calculation

Boardwalk REIT's estimated loss-to-lease, representing the difference between estimated market rents and actual occupied rents in December 2017, and adjusted for current occupancy levels, totaled approximately \$8.4 million on an annualized basis, representing \$0.17 per Unit (Trust & LP B Units). For the most part, Boardwalk REIT's rental lease agreements last no longer than twelve months. By managing market rents and providing suite-specific incentives to our Resident Members, the Trust and all its stakeholders continue to benefit from lower turnover, reduced expenses, and high occupancy. The reader should note estimated loss-to-lease, measured at a point in time, is a non-GAAP measure, and that reported market rents can be very seasonal, and, as such, will vary from quarter to quarter. The significance of this change could materially affect Boardwalk REIT's "estimated loss-to-lease" amount. The importance of this estimate, however, is that it can be an indicator of future rental performance, assuming continuing economic conditions and trends. The reader should also note that it would take significant time for these market rents to be recognized by the Trust due to internal and external limitations on its ability to charge these new market-based rents in the short term.

Same Store	Dec. 2017 Occupied Rent ⁽¹⁾	Dec. 2017 Market Rent ⁽¹⁾	Mark to Market Per Month	Annualized Mark to Market Adjusted for Current Occupancy levels (\$000's)	Weighted Average Apartment Units	% of Portfolio
Edmonton	\$ 1,112	\$ 1,119	\$ 7	\$ 1,004	12,397	38%
Calgary	1,229	1,279	50	3,051	5,419	17%
Red Deer	962	986	24	257	939	3%
Grande Prairie	857	863	6	46	645	2%
Fort McMurray	1,301	1,307	6	26	352	1%
Alberta Portfolio	\$ 1,132	\$ 1,151	\$ 19	\$ 4,383	19,752	61%
Quebec	\$ 1,055	\$ 1,038	\$ (17)	\$ (1,206)	6,000	19%
Saskatchewan ⁽²⁾	1,087	1,092	5	222	3,945	12%
Ontario	912	1,077	165	5,028	2,585	8%
Total Portfolio	\$ 1,095	\$ 1,117	\$ 22	\$ 8,427	32,282	100%

(1) Ancillary rental revenue is included in the calculation of market and occupied rent. Occupied rent and market rent are net of incentives.

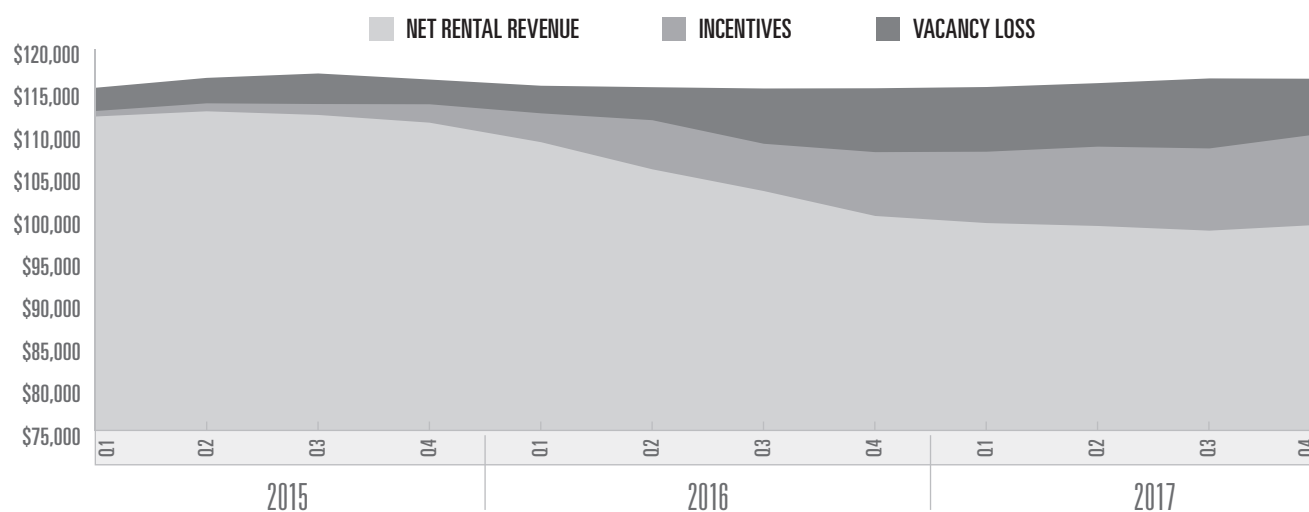
(2) Saskatchewan market rent now includes an increase for cable and internet service.

The decrease in the loss-to-lease for our portfolio, from \$12.3 million at September 2017 to \$8.4 million at December 2017, was due primarily to lower market rents in certain rental markets of Alberta and Saskatchewan and the sale of a 641-unit property in Regina.

In fiscal 2017, as with prior periods, Boardwalk REIT continued to focus on the optimization of all rental revenue, with attention to appropriate levels of market rents and certain occupancy level targets, as well as suite-selective incentives, when warranted.

Vacancy Loss and Incentives

Vacancy loss and rental incentives are strong indicators of current and future revenue performance. Depending on specific market conditions, to best manage overall economic rental revenue, the correct balance between rental incentives and vacancy loss is important. On a quarterly basis, the chart details rental incentives offered versus vacancy loss. Select incentives are continuing in the Calgary, Edmonton, Regina and Saskatoon markets to maintain occupancy levels. Boardwalk REIT will continue to manage its overall revenues through three key revenue variables, notably, market rents, occupancy levels, and suite-selective incentives. The Trust continues to focus on maximizing overall revenues through the management of these key revenue variables.



As was previously mentioned, given a softening of the rental markets, particularly in Alberta and Saskatchewan, and the uncertainty resulting from lower oil prices, Boardwalk's continued focus is on maintaining and increasing, in certain regions, occupancy in the short term by offering various suite-specific incentives in exchange for longer-term leases.

Investing in Our Properties

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

FINANCING COSTS

Financing costs for the year ended December 31, 2017 increased from the same period in the prior year, from \$84.6 million to \$85.8 million, primarily due to the Trust increasing its mortgage financing on renewal while being able to renew maturing mortgages at interest rates below maturing rates. At December 31, 2017, the reported weighted average interest rate of 2.61% was down from the weighted average interest rate of 2.78% at December 31, 2016. Boardwalk REIT has continued to take advantage of historically low interest rates to refinance and renew certain mortgages. The average term to maturity of the Trust's mortgage portfolio is approximately 4.2 years.

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

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

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

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

At December 31, 2017, over 99% of Boardwalk REIT's mortgages were backed by this NHA insurance, with a weighted average amortization period of approximately 31 years.

As was previously noted, the adoption of IFRS has also had an impact on the amount of financing costs reported on the Trust's Consolidated Statement of Comprehensive (Loss) Income. As a result of the Trust's LP Class B Units being classified as financial liabilities in accordance with IAS 32, the corresponding distributions paid to the Unitholders are classified as financing costs under IFRS. The Trust believes these distribution payments do not truly represent "financing charges" as these amounts are only payable if the Trust declares distributions, and only for the amount of any distributions declared, both of which are at the discretion of the Board of Trustees as outlined in the DOT. The total amount of distributions paid to the LP Class B Unitholders for the year ended December 31, 2017, which have been recorded as financing charges, was \$10.1 million (\$10.0 million for the year ended December 31, 2016). Based on this rationale, these amounts have been added back in the calculation of FFO.

The reader should also note that, under IFRS, financing charges are recorded net of interest income the Trust has earned for the period. The total amount of interest income earned for the year ended December 31, 2017 was \$1.7 million, compared to \$1.7 million for the prior year. Interest income will fluctuate depending on the cash on hand in the period. Further details on the Trust's investment of cash on hand using term deposits of 90 days or less can be found in NOTE 11 of the consolidated financial statements.

Amortization of Deferred Financing Costs

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

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

The total amortization of deferred financing costs for the year ended December 31, 2017, was \$5.8 million compared to \$4.9 million recorded for the same period in the prior year. Amortization of deferred financing costs is now included in financing costs.

Interest Rate Sensitivity

Although Boardwalk REIT manages its financing risk in a variety of ways, as discussed later in the MD&A, it is important the reader understands how significant interest rate changes could impact the Trust as a whole. Due to the size of Boardwalk's overall mortgage portfolio, it has been prudent to spread out the maturity of these mortgages over a number of years. In fiscal 2018, the Trust anticipates having approximately \$203.5 million of secured mortgages maturing with a weighted average rate of 2.91%. These maturing rates are above current NHA insured interest rates and the Trust should be able to recognize additional savings upon renewal of these mortgages. If we were to renew these mortgages today with a 5-year term, based upon interactions with possible lenders, the new rate would be approximately 2.90% (as of February 13, 2018).

ADMINISTRATION

Included in administration expenses are costs associated with Boardwalk REIT's centralized administrative functions. The amount reported for the year ended December 31, 2017, which relates to corporate administration from continuing operations, was \$33.4 million, compared to \$33.9 million for the same period in the prior year, a decrease of approximately 1.5% for the year.

For the current and prior comparative periods, Boardwalk REIT allocated certain administration costs between corporate and rental operating expenses. The administration costs allocated to rental operating expenses consist primarily of specific amounts associated with operation-specific staff and related support initiatives. Total administration costs, combining rental operating and corporate, were \$62.2 million for the year ended December 31, 2017, compared to \$57.5 million for the same period in the prior year. The increase in total administration costs of approximately \$4.7 million, or approximately 8.2%, was due primarily to increased wages and salaries as a result of additional operational personnel.

DEPRECIATION

Depreciation recorded on the Consolidated Statements of Comprehensive Income (Loss) is made up of the depreciation of property, plant and equipment.

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

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

The total amount reported as depreciation for the year ended December 31, 2017, was \$5.6 million compared to \$5.2 million recorded for the same period in the prior year.

OTHER INCOME AND EXPENSES

Income Tax Expense

Boardwalk REIT qualifies as a ‘mutual fund trust’ as defined in the Income Tax Act (Canada). The Tax Act also contains legislation affecting the tax treatment of publicly traded trusts and the criteria for qualifying for the real estate investment trust exemption (the “REIT Exemption”), which would exempt Boardwalk REIT from income tax under the SIFT Legislation. For 2016 and 2017 to date, the Trust qualified for the REIT Exemption.

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

LP Class B Units and the Deferred Unit Compensation Plan

The LP Class B Units are non-transferable, except under certain circumstances, but are exchangeable, on a one-for-one basis, into Boardwalk REIT Units at any time at the option of the holder. The LP Class B Units and the deferred unit-based compensation plan are classified as financial liabilities in accordance with IFRS standards, and, as a result, are recorded at their fair value at each reporting date. As at December 31, 2017, the Trust used a price of \$43.09 based on the closing price of the TSX-listed Boardwalk REIT Trust Units to determine the fair value of these financial liabilities at that date. The total fair value of these units recorded on the Consolidated Statements of Financial Position at December 31, 2017, was \$192.8 million, and a corresponding fair value gain of \$24.9 million (year ended December 31, 2016 – fair value loss of \$5.4 million) was recorded on the Consolidated Statements of Comprehensive (Loss) Income for the year ended December 31, 2017.

The deferred unit-based compensation plan had a fair value of \$4.6 million, and a corresponding fair value gain of \$0.6 million (year ended December 31, 2016 – fair value loss of \$0.5 million) was recorded on the Consolidated Statements of Comprehensive (Loss) Income for the year ended December 31, 2017.

FINANCIAL CONDITION

REVIEW OF CONSOLIDATED STATEMENTS OF CASH FLOWS

Operating Activities

Cash Flow from Operations

Boardwalk REIT prepares its financial statements in accordance with International Financial Reporting Standards and with the recommendations of REALpac. REALpac has adopted measurements called Funds From Operations and Adjusted Funds From Operations to supplement profits (or earnings) as measures of operating performance, as well as a cash flow metric called Adjusted Cash Flow From Operations. These measurements are considered to be meaningful and useful measures of real estate operating performance. Boardwalk REIT's presentation of FFO, AFFO and ACFO are materially consistent with the definitions provided by REALpac. These measurements, however, are not necessarily indicative of cash that is available to fund cash needs and should not be considered alternatives to cash flow as a measure of liquidity. FFO, AFFO and ACFO do not represent cash flow from operations as defined by IFRS. Boardwalk REIT considers FFO and AFFO to be appropriate measurements of the performance of a publicly listed multi-family residential entity. In order to facilitate a clear understanding of the combined historical operating results of Boardwalk REIT, management feels FFO and AFFO should be considered in conjunction with profit as presented in the consolidated financial statements. Boardwalk REIT's computation of FFO and AFFO from profit is highlighted above in the section titled, "FFO and AFFO Reconciliations".

A reconciliation of ACFO to cash flow from operating activities as shown in the Consolidated Statements of Cash Flow prepared in accordance with IFRS is highlighted below:

ACFO Reconciliation <i>(In \$000's, except per Unit amounts)</i>	12 Months Dec. 31, 2017	12 Months Dec. 31, 2016	% Change
Cash flow from operating activities	\$ 102,063	\$ 133,687	
Adjustments			
Operating working capital	3,485	788	
Proceeds on insurance settlement	(3,162)	-	
Government grant earned	378	378	
Add back distributions to LP Class B Units recorded as financing charges ⁽¹⁾	10,069	9,990	
Interest paid	79,907	84,256	
Financing costs	(85,763)	(84,634)	
	10	-	
	106,987	144,465	
Maintenance capital expenditures ⁽²⁾	(21,737)	(17,534)	
Adjusted Cash Flow From Operations (ACFO)	85,250	126,931	(32.8)%
ACFO – per Unit	\$ 1.68	\$ 2.50	(32.8)%

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

(2) Details of the calculation of Maintenance Capital Expenditures can be found in the section titled, "Maintenance of Productive Capacity".

The reader is cautioned that Boardwalk REIT's calculation of ACFO may be different from other real estate corporations or REITs and, as such, a straight comparison may not be warranted. For the year ended December 31, 2017, Boardwalk REIT reported total ACFO of \$85.3 million, or \$1.68 per fully diluted Trust Unit. This represented a decrease of approximately 32.8%, compared to \$126.9 million, or \$2.50 per fully diluted Trust Unit, reported for the same twelve months in 2016. The decrease for the year 2017 is

primarily due to lower rental revenue (as a result of higher vacancy losses and increased incentives), higher on-site wages and salaries, repairs and maintenance costs, utilities and property taxes.

For the year ended December 31, 2017, the Trust paid out an estimated 106.8% of FFO and 134.0% of ACFO, compared to 78.5% and 89.3%, respectively, for the same period in 2016. ACFO, in the longer term, is indicative of the Trust's ability to pay distributions to its Unitholders. As regular distributions are funded by the Trust's liquidity, cash flow from operations and mortgage upfinancings tied to investment property capital appreciation, these distributions are reviewed on a quarterly basis by the Board of Trustees to assess whether they are sustainable and whether a reduction is warranted given other effective use of capital. As a result of the review in Q3 2017, the Board decided to reduce distributions from \$2.25 to \$1.00 per unit on an annualized basis, effective for 2018. FFO, AFFO and ACFO are non-GAAP measures that do not have standardized meanings as defined by IFRS and, therefore, may not be comparable to FFO, AFFO and ACFO as presented by other real estate entities.

Financing Activities

Distributions

Boardwalk distributes payments on a monthly basis to its Unitholders. These payments are referred to as regular distributions. The distinct nature and classification of these payments are unique to each trust and the components of these distributions may have differing tax treatments. For the year ended December 31, 2017, the Trust paid regular distributions of \$114.2 million to its Trust and LP Class B Unitholders, compared to \$113.4 million for the same period in 2016. Regular distributions declared for the twelve months ended December 31, 2017 represented a FFO payout ratio of 106.8%, compared to 78.5% for the prior year. Regular distributions (Trust and LP Class B Units) declared in 2017 represented approximately 111.9% of cash flow from operating activities compared to 84.8% for 2016.

The excess of total distributions compared to cash flow from operating activities of 11.9% (or \$12.2 million) for the year ended December 31, 2017 were funded primarily by mortgage upfinancings tied to the capital appreciation of Boardwalk's investment property portfolio. These mortgage upfinancings, for the most part, have been used for major capital upgrades and suite renovations to position the Trust's property portfolio for long-term growth, with a targeted average return of 8% or more on capital invested.

Financing of Revenue Producing Properties

During the twelve months ended December 31, 2017, the financing and refinancing of existing properties totaled approximately \$288.0 million. During the financing and refinancing process, Boardwalk REIT was able to decrease the weighted average interest rate on its mortgage portfolio from 2.78% at December 31, 2016 to 2.61% at December 31, 2017.

Acquisitions

On February 28, 2017, the Trust purchased a warehouse building in London, Ontario, which has been included in Trust's property, plant and equipment, for a purchase price of \$1.4 million.

In 2016, the Trust closed on the purchase of a total of 747 apartment units in Calgary and Edmonton, Alberta, for a total cost of \$144.4 million. All of the acquisitions were paid for with cash on hand.

Due to the nature of multi-family residential real estate, the amount paid for apartment units may vary dramatically based on a number of parameters, including location, type of ownership (free hold versus land lease) and type of construction. As required under IFRS, on acquisition, an analysis is performed on the mortgage debt assumed, if any. The analysis focuses on the interest rates of the debt assumed. If it is determined that the in-place rates are materially below or above market rates, an adjustment is made to the book cost of the recorded asset. No mortgages were assumed in 2017 and 2016 and, therefore, no adjustment for fiscal 2017 or 2016 was made.

Capital Improvements

In Q3 of 2017 the Trust implemented a new investment strategy designed to create long term value. The program is focused around three separate levels of renovations and upgrades: Boardwalk Lifestyle, Boardwalk Communities and Boardwalk Living.

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

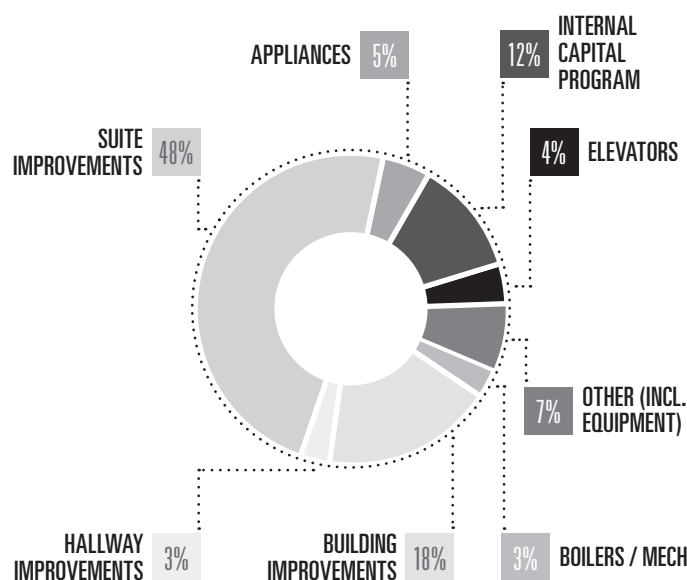
A select few of the Trust's communities will be selected to fall under the Boardwalk Lifestyle brand; although there are a number of criteria used to select these properties, in general, these communities are located in extremely attractive locations and desirable neighborhoods. Rebranding is the highest level of Investment the Trust will place in this community. Investment here will be holistic in nature and include significant enhancement to the exterior. Common areas may not only be refreshed but may also be modernized to include community areas with WiFi bars, barbeque areas and other in demand amenities. The suites in these buildings will be significantly modernized and may include the removal of existing walls and substantial upgrades including all new appliances, upgraded kitchens and extensive flooring, electrical and plumbing upgrades. These communities will be targeted to the more discriminating renter and commonly referred to as a 'renter by choice'.

A number of the Trust's communities will be selected to be repositioned to the Boardwalk Communities category. These communities will also be targeted based on location and will focus in on a modernization program. These communities tend to be located in mature areas near schools, parks, downtown core, shopping and other desirable amenities. Investment in these communities will enhance the already large suite size and will significantly upgrade most aspects of the suite, including new upgraded flooring, all new appliances with modernized kitchens, modern electrical, plumbing and hardware fixtures. Modernization of existing common areas such as hallways and lobbies will also be considered.

The majority of Boardwalk's existing portfolio falls into the Boardwalk Living category. Resident members in this area are looking for value, but tend to be more price sensitive. Again, many of these Boardwalk communities are located in established communities with extensive local amenities. Although Boardwalk's investment in this area will be less significant than in its repositioning and rebranding communities, it will be value focused and thoughtfully targeted with those items that these price sensitive renters appreciate most, such as upgraded flooring, and more modern electrical, plumbing and hardware fixtures.

In 2017, Boardwalk REIT invested approximately \$201.9 million (comprised of \$190.2 million on its stabilized investment properties and \$11.7 million on property, plant and equipment) back into its properties in the form of equipment and project enhancements to upgrade existing suites, common areas, building exteriors and systems, compared to the \$102.5 million (\$97.7 million on its stabilized investment properties and \$4.8 million property, plant and equipment) invested in 2016. The amount of this investment will vary from year-to-year, but increased significantly in 2017 as a result of Boardwalk's suite upgrade and property repositioning initiatives.

A significant part of Boardwalk's capital improvement program relates to projects that are carried out by Boardwalk's Associates. This internal capital program was initiated in 1996 as a way to create more value for the Trust. The Trust recognizes that there are certain efficiencies and economies of scale available from having Boardwalk Associates perform certain capital projects ourselves, or "in-house". This results in the faster execution and greater control of these projects while at the same time eliminating the profit charged by third-party contractors. The Trust focuses on specific projects where there is the largest opportunity for value creation, like flooring and painting. Over the last few years, the Trust has intensified this focus of performing capital projects "in-house" rather than contracting such services. Included in capital improvements is approximately \$24.9 million of on-site wages and salaries that have been incurred towards these projects for 2017, compared to \$19.4 million for 2016.



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 ‘value enhancing capital expenditures’.

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

The following table provides management’s estimate of these expenditure categories:

<i>(in \$000's, except for per suite amounts)</i>	12 Months Dec. 31, 2017	Per Suite	12 Months Dec. 31, 2016	Per Suite
Maintenance Capital Expenditures ⁽¹⁾	\$ 21,737	\$ 655	\$ 17,534	\$ 525
Value Enhancing Capital (including suite upgrades)	180,194	5,430	85,052	2,518
	\$ 201,931	\$ 6,085	\$ 102,586	\$ 3,043

(1) Details of the calculation of Maintenance Capital Expenditures can be found below.

Items reported as capital are determined as investments in assets that have a useful economic life longer than one year. Management has estimated that for fiscal 2017 and 2016, the amount allocated to maintenance capital was approximately \$21.7 million, or \$655 per apartment unit, and \$17.5 million, or \$525 per apartment unit, respectively, with investment in value-enhancing expenditures to its stabilized investment properties totaling \$180.2 million and \$85.1 million, respectively, or \$5,430 and \$2,518 per apartment unit.

The amount allocated to maintenance capital 2017 of approximately \$21.7 million, or \$655 per apartment unit, was higher than the \$525 per apartment unit in 2016.

Maintenance Capital Expenditures (“Maintenance CAPEX”)

Maintenance CAPEX is defined as capital expenditures related to maintaining the existing space of a property. This is in contrast to expenditures related to development or revenue-enhancing activities in nature. Boardwalk’s determination of Maintenance CAPEX is based on an estimated reserve amount per apartment unit rather than on actual amounts and utilizing a three-year rolling average. Boardwalk’s viewpoint is that the categorization of expenditures between maintenance and value-enhancing will be subject to wide variations in professional judgment, especially as it relates to the multi-family real estate asset class. As a result, Boardwalk has determined that a reserve amount based a three-year rolling average and calculated using an annual \$938 per apartment unit for 2017, \$525 per apartment unit for 2016 and \$500 per apartment unit for 2015. Capital budget amounts, revised if necessary, are used to calculate Maintenance CAPEX for the three-year rolling average during the interim quarters, with actual amounts used at year-end. For each of the fiscal periods, the first-year amortization of major capital expenditure categories is taken as a reliable metric of Maintenance CAPEX for the year, since such an amount would have been expended in the first year in any event in lieu of repair and maintenance expenses. The economic useful lives of capital expenditures after the first year are, therefore, deemed to be value-enhancing as these will inevitably benefit higher revenue generation in future years. The three-year rolling average is being applied prospectively, commencing with the current quarter.

For 2017, the reserve amount has been determined to be \$655 per apartment unit on an annualized basis, or \$21.7 million. The Trust's calculation of standardized maintenance capital expenditures per suite is outlined below:

Category	2017 Capital Expenditures (\$000's)	Economic Useful Life (Years)	Maintenance Capital Allocation	Value-added Capital Allocation	2017 Maintenance Capital Expenditures (\$000's, except per Unit amount)
Building Exterior, Grounds & Parking	\$ 34,936	15.0	7%	93%	\$ 2,330
Hallways & Lobbies	6,756	10.0	10%	90%	676
Elevators	6,129	10.0	10%	90%	613
Mechanical & Electrical	7,495	10.0	10%	90%	750
Other – Information Technology	7,384	5.0	20%	80%	1,477
Site Equipment & Vehicles	4,651	5.0	20%	80%	930
Total Common Area	67,351				
Paint & General	31,749	4.0	25%	75%	7,937
Flooring	37,961	8.0	13%	88%	4,745
Cabinets & Counter	21,032	8.0	13%	88%	2,629
Appliances	9,943	8.0	13%	88%	1,243
Suite Mechanical	5,379	4.0	25%	75%	1,345
Furniture, Fixtures & Equipment	981	4.0	25%	75%	245
Total Suites	107,045				
Internal Capital Program	24,889	4.0	25%	75%	6,222
Subtotal	199,285				\$ 31,142
Corporate Capital Expenditures	2,646				
Total Capital Expenditures	201,931				
2017 Cash Flow from Investing Activities					
Improvements to Investment Properties	190,203				
Additions to Property, Plant & Equipment	11,728				
	\$ 201,931				
Apartment Units	33,187				\$ 939
3-year Rolling Average					
2015					\$ 500
2016					525
2017					939
3-year Rolling Average					\$ 655

A similar calculation for 2016 and 2015 maintenance capital expenditures, reconciled to Boardwalk's 2016 and 2015 actual cash flow from investing activities, are also provided below for comparison. In 2016, Boardwalk estimated Maintenance CAPEX to be \$17.5 million, or \$525 per apartment unit for the year, compared to \$17.9 million, or \$530 per apartment unit per year, based on actual capital expenditures for the 2016 year. In 2015, Boardwalk estimated Maintenance CAPEX to be \$17.1 million, or \$500 per apartment unit for the year, compared to \$16.0 million, or \$485 per apartment per year, based on actual expenditures for the 2015 year.

Category	2016 Capital Expenditures (\$000's)	Economic Useful Life (Years)	Maintenance Capital Allocation	Value added Capital Allocation	2016 Maintenance Capital Expenditures (\$000's, except per Unit amount)
Building Exterior, Grounds & Parking	\$ 29,062	15.0	7%	93%	\$ 1,938
Hallways & Lobbies	1,347	10.0	10%	90%	135
Elevators	5,489	10.0	10%	90%	549
Mechanical & Electrical	4,235	10.0	10%	90%	424
Other – Information Technology	3,305	5.0	20%	80%	661
Site Equipment & Vehicles	3,050	5.0	20%	80%	610
Total Common Area	46,488				
Paint & General	8,693	4.0	25%	75%	2,173
Flooring	15,283	4.0	25%	75%	3,821
Cabinets & Counter	6,271	4.0	25%	75%	1,568
Appliances	3,895	4.0	25%	75%	974
Suite Mechanical	606	4.0	25%	75%	152
Furniture, Fixtures & Equipment	245	4.0	25%	75%	61
Total Suites	34,993				
Internal Capital Program	19,379	4.0	25%	75%	4,845
Subtotal	100,860				\$ 17,911
Corporate Capital Expenditures	1,726				
Total Capital Expenditures	102,586				
2016 Cash Flow from Investing Activities					
Improvements to Investment Properties	97,744				
Additions to Property, Plant & Equipment	4,842				
	\$ 102,586				
Apartment Units	33,773				\$ 530
Standardized Maintenance CAPEX Per Unit					\$ 525

Category	2015 Capital Expenditures (\$000's)	Economic Useful Life (Years)	Maintenance Capital Allocation	Value added Capital Allocation	2015 Maintenance Capital Expenditures (\$000's, except per Unit amount)
Building Exterior, Grounds & Parking	\$ 24,959	15.0	10%	90%	\$ 2,496
Hallways & Lobbies	1,858	10.0	10%	90%	186
Elevators	3,984	10.0	10%	90%	398
Mechanical & Electrical	7,082	10.0	10%	90%	708
Other – Information Technology	1,309	5.0	20%	80%	262
Site Equipment & Vehicles	1,390	5.0	20%	80%	278
Total Common Area	40,582				
Paint & General	5,023	3.5	30%	70%	1,507
Flooring	10,207	3.5	30%	70%	3,062
Cabinets & Counter	2,524	3.5	30%	70%	757
Appliances	2,448	3.5	30%	70%	734
Suite Mechanical	679	3.5	30%	70%	204
Furniture, Fixtures & Equipment	98	3.5	30%	70%	29
Total Suites	20,979				
Wage Capitalization	17,860	3.5	30%	70%	5,358
Subtotal	79,421				\$ 15,979
Corporate Capital Expenditures	9,239				
Total Capital Expenditures	88,660				
2015 Cash Flow from Investing Activities					
Improvements to Investment Properties	80,196				
Additions to Property, Plant & Equipment	8,464				
	\$ 88,660				
Apartment Units	32,947				\$ 485
Standardized Maintenance CAPEX Per Unit					\$ 500

Investment Properties

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

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

External appraisals were obtained as follows:

Date	Number of Properties	Aggregate Fair Value	Percentage of Portfolio as of That Date
December 31, 2017	5	575,360	10.1%
September 30, 2017	4	125,232	2.2%
June 30, 2017	5	152,681	2.7%
March 31, 2017	4	99,593	1.8%
December 31, 2016	5	511,224	9.1%
September 30, 2016	5	177,677	3.2%
June 30, 2016	4	82,027	1.5%
March 31, 2016	4	97,993	1.8%

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

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

As at	Dec 31, 2017			Dec 31, 2016		
	Capitalization Rate		Forecasted Total Standardized Net Operating Income	Capitalization Rate		Forecasted Total Standardized Net Operating Income
	Minimum	Maximum		Minimum	Maximum	
Calgary	4.50%	6.00%	\$ 63,390	4.50%	6.00%	\$ 62,802
Edmonton	5.00%	5.50%	120,518	5.00%	5.52%	120,325
Other Alberta	5.75%	7.25%	18,271	5.75%	7.25%	17,920
Kitchener	4.75%	4.75%	2,320	5.25%	5.25%	2,003
London	4.75%	5.00%	14,251	5.25%	5.50%	12,186
Montreal	4.75%	5.75%	5,788	5.00%	5.75%	5,669
Quebec City	5.25%	5.75%	10,250	5.25%	5.75%	10,116
Regina	5.65%	6.20%	19,127	5.65%	6.00%	23,426
Saskatoon	5.75%	6.00%	18,377	5.75%	6.00%	19,127
	4.50%	7.25%	\$ 272,292	4.50%	7.25%	\$ 273,574
Land Lease	4.50%	21.07%	\$ 28,100	4.75%	18.80%	\$ 27,847

Overall portfolio weighted average capitalization rate was 5.29% as at December 31, 2017 and 5.38% as at December 31, 2016.

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

The following tables summarize the sensitivity impact of changes in both cap rates and NOI on the Trust's fair value of its investment properties (excluding development) as at December 31, 2017 and December 31, 2016:

As at December 31, 2017		Net Operating Income				
		-3%	-1%	As Forecasted	+1%	+3%
Capitalization Rate		\$ 291,380	\$ 297,388	\$ 300,392	\$ 303,396	\$ 309,404
-0.25%	5.04%	\$ 102,749	\$ 221,914	\$ 281,497	\$ 341,080	\$ 460,245
Cap Rate As Reported	5.29%	(170,303)	(56,768)	5,676,776	56,768	170,303
+0.25%	5.54%	(418,719)	(310,305)	(256,099)	(201,892)	(93,478)

As at December 31, 2016		Net Operating Income				
		-3%	-1%	As Forecasted	+1%	+3%
Capitalization Rate		\$ 292,378	\$ 298,406	\$ 301,421	\$ 304,435	\$ 310,463
-0.25%	5.13%	\$ 97,001	\$ 214,592	\$ 273,387	\$ 332,183	\$ 449,774
Cap Rate As Reported	5.38%	(168,185)	(56,062)	5,606,174	56,062	168,185
+0.25%	5.63%	(409,806)	(302,664)	(249,093)	(195,522)	(88,381)

Investment properties with a fair value of \$551.1 million as at December 31, 2017 (\$522.9 million – December 31, 2016), are situated on land held under ground (or land) leases.

Investment properties with a fair value of \$948.3 million as at December 31, 2017 (December 31, 2016 – \$770.5 million), are pledged as security against the Trust's committed revolving credit facility. In addition, investment properties with a fair value of \$5.4 billion as at December 31, 2017 (December 31, 2016 – \$5.3 billion), are pledged as security against the Trust's mortgages payable.

For the year ended December 31, 2017, the Trust capitalized \$190.2 million in building improvements (and \$17.9 million in development expenditures) and recorded a fair value loss of \$60.9 million on its financial statements as a result of changes in the fair value of investment properties. Capitalized building improvements represent expenditures that provide future benefits to the Trust for a period greater than twelve months, some of which may not be immediately reflected in the fair value of the investment properties, under IFRS, for the current reporting period.

Investment Property Development

Over the last number of years, there has been a shift in the multi-family apartment environment in Canada. Over this period, Boardwalk has witnessed a significant increase in the market value of rental apartments. This increase has been mainly driven by a significant compression in market capitalization rates, which in turn has been the result of a prolonged low interest rate environment in Canada.

With this increase in the market value of apartments, there has been a significant decrease in the expected returns from existing multi-family assets to a level that warrants a measured allocation of capital to the area of new apartment development, particularly on excess land the Trust currently owns. In 2012, the Trust received development approval from the City of Calgary in Alberta, and commenced construction of a 109-unit four storey, elevatored, wood frame building in the Southwest part of the city. The development was substantially completed on November 7, 2013, and an Occupancy Permit allowing Boardwalk to commence the lease-up of the units was issued by the City of Calgary for the project. The project was completed on time and within budget totaling approximately \$19 million. To assist in the development cost of this property, the Trust had applied for, and received, approval of a grant from the Province of Alberta in the amount of \$7.5 million. In return for this grant, the Trust has agreed to classify 54 of the 109 units as 'affordable', with market rents set at 10% below average market rates for Calgary for a term of 20 years. We estimated the stabilized capitalization rate on this project to be between 6.5% and 7.0%, including an estimated allocation of \$4.25 million, or \$39,000 per apartment unit, for the excess land allocated to this project. In accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance under IFRS, this grant will be recognized in profit or loss on a systematic basis over the periods in which the Trust recognizes revenue from the 54 units classified as

affordable units, resulting in achievable rents being much closer to market rents. For the year ended December 31, 2017 \$378,000 was recognized in profit under rental revenue for this grant (December 31, 2016 – \$378,000).

In October 2014, the Trust commenced the first phase of construction for a 79-unit, wood frame building on excess land on our property known as Pines of Normanview in Regina, Saskatchewan. The project, called ‘Pines Edge 1’, was substantially completed on January 29, 2016 with a total cost of \$13.4 million, below the original budget of \$14.1 million. The four-story building consists of 13 one-bedroom and 66 two-bedroom units with a single level of underground parking. The stabilized capitalization rate is estimated to range from 6.50% to 7.00% excluding land. Lease-up of the project began in February of 2016, and at the end of December 2017, over 87% of the units were leased up. The Trust commenced construction of Phase 2 of Pines Edge in 2016, an identical 79 unit, four-storey wood frame building with construction being substantially complete at the end of June 2017, both on time and on budget. Pines Edge 3, consisting of 71 units, began construction in June of 2017.

It is our intention to continue to investigate further development opportunities, particularly in Alberta and Saskatchewan; however, each future opportunity will require a separate analysis and, depending on the analysis and economic conditions, Boardwalk REIT will determine if additional development projects are warranted. Historically, one of the biggest risks to real estate evaluations is the building of oversupply in a particular market, which results in significant corrections of property values market-wide.

For the year ended December 31, 2017, the Trust expended \$17.9 million on total development costs compared to \$6.2 million for the prior year. Interest costs of \$226,000 were capitalized for the year ended December 31, 2017. (December 31, 2016 – \$69,000).

CAPITAL STRUCTURE AND LIQUIDITY

Liquidity refers to the Trust’s ability to generate, and have available, sufficient cash to fund our ongoing operations and capital commitments as well as its distributions to Unitholders. Generally, distributions are funded from FFO. However, in common with the majority of real estate entities, we rely on lending institutions for a significant portion of capital required to fund mortgage principal payments, capital expenditures, acquisitions, unit buybacks, and repayment of maturing debt. Over the past number of years, Boardwalk has observed a significant increase in borrowing standards of many of our key lending partners as a result of heightened sensitivity to possible weaknesses in the economy.

To mitigate the risk of renewal, the Trust utilizes NHA mortgage insurance, the benefits of which we discussed in detail above. Approximately 99% of Boardwalk REIT’s secured mortgages carry NHA insurance. In volatile times, the ability to access this product was very beneficial to the Trust as a whole.

The Trust’s liquidity position as at December 31, 2017 remains stable as the following table highlights:

(\$000)

Cash position – December 31, 2017	\$	70,834
Subsequent Committed Financing		54,273
Committed Revolving Credit Facility Available		199,750
Total Available Liquidity	\$	324,857

In addition to this, the Trust currently has 1,775 rental apartment units of unencumbered assets, of which 257 units are pledged against the Trust’s committed revolving credit facility. It is estimated under current CMHC underwriting criteria, that the Trust could obtain an additional \$189.3 million of new proceeds from the financing of its current unencumbered assets. Over 99% of Boardwalk REIT’s secured mortgages carry NHA insurance.

The reader should also be aware that of the \$203.5 million of secured mortgages coming due in 2018 (as shown in the table below), all have NHA insurance, and represent in aggregate approximately 46% of current estimated “underwriting” values on those individual secured assets. Interest rates on five and 10-year NHA-insured mortgages at year-end were 2.71% and 2.94%, respectively. The reader, however, is cautioned these rates do fluctuate and, by the time these maturing mortgages are set for renewal, with or without additional financing, interest rates may have changed materially. Even with the NHA insurance program attached to its secured mortgages, the Trust is still susceptible to changes in market interest rates. To address a portion of this risk,

the Trust has forward locked or renewed \$37.8 million, or 19%, of its \$203.5 million of 2018 mortgage maturities. The weighted average contracted interest rate on these renewals is 2.52%, for an average term of four years. These forward locked and renewed mortgages represent an annualized interest savings of approximately \$0.2 million.

Mortgage Schedule

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

Total mortgages payable (net of unamortized transaction costs) on December 31, 2017, were \$2.6 billion, compared to \$2.4 billion reported on December 31, 2016.

Boardwalk REIT's overall weighted average interest rate on its long-term debt has decreased from the prior year. The weighted average interest rate on December 31, 2017 was 2.61% compared to 2.78% on December 31, 2016. To better maintain cost effectiveness and flexibility of capital, Boardwalk REIT continuously monitors short and long-term interest rates. If the environment warrants, the Trust will convert short-term, floating rate debt, if any, to longer term, fixed rate mortgages to reduce interest rate renewal risk.

Year of Maturity	Principal Outstanding as at Dec. 31, 2017	Weighted Average Interest Rate By Maturity	% of Total
2018	\$ 203,518	2.91%	7.6%
2019	546,702	2.50%	20.3%
2020	306,759	2.49%	11.4%
2021	299,896	2.26%	11.1%
2022	463,181	2.73%	17.2%
2023	203,619	2.86%	7.6%
2024	211,283	2.90%	7.9%
2025	288,942	2.63%	10.7%
2026	136,933	2.38%	5.1%
2027	22,464	2.56%	0.8%
2028	7,878	2.90%	0.3%
Total Principal Outstanding	2,691,175	2.61%	100.0%
Unamortized Deferred Financing Costs	(97,195)		
Per Financial Statements	\$ 2,593,980		

Interest Coverage

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

The following table sets out the Trust's interest coverage ratio calculation as at December 31, 2017 and December 31, 2016, based on the most recently completed four fiscal quarters.

As at	Dec. 31, 2017	Dec. 31, 2016
Net operating income	\$ 216,083	\$ 253,099
Administration expenses	(33,402)	(33,947)
Consolidated EBITDA ⁽¹⁾ (12 months ended)	182,681	219,152
Consolidated interest expense (12 months ended)	70,140	69,784
Interest coverage ratio	2.60	3.14
Minimum threshold	1.50	1.50

(1) Earnings before interest, taxes, depreciation and amortization.

For the year ended December 31, 2017, Boardwalk REIT's overall interest coverage ratio of adjusted EBITDA (i.e. Earnings Before Interest, Taxes, Depreciation and Amortization) to interest expense, excluding distributions on LP B Units and fair value adjustments, was 2.60, compared to 3.14 for the year ended December 31, 2016. The reader should note upon the adoption of IFRS standards, the distributions made to the LP Class B Unitholders are now considered financing charges and is the result of the reclassification of these Units as financial liabilities. The calculation of the interest coverage ratio above does not include these distribution payments in the calculation of interest expense.

Unitholders' Equity

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

Summary of Unitholders' Capital Contributions	Units
December 31, 2015	46,847,464
Units issued for vested deferred units	82,165
Units purchased and cancelled	(666,000)
December 31, 2016	46,263,629
Units issued for vested deferred units	74,407
December 31, 2017	46,338,036

Boardwalk REIT has one class of publicly-traded voting securities known as "REIT Units." As at December 31, 2017, there were 46,338,036 REIT Units issued and outstanding. In addition, there were 4,475,000 special voting units issued to holders of "Class B Units" of Boardwalk REIT Limited Partnership ("LP B Units"), each of which also has a special voting unit in the REIT. Each LP B Unit is exchangeable for a REIT Unit on a one-for-one basis at the option of the holder. Each LP B Unit, through the special voting unit, entitles the holder to one vote at any meeting of Unitholders. Accordingly, if all of the LP B Units were exchanged for REIT Units, the total issued and outstanding REIT Units would be 50,813,036. These LP Class B Units are classified as "FVTPL" financial liabilities under IFRS and are recorded at their fair value as liabilities on the Consolidated Statements of Financial Position.

On June 30, 2015, the Trust received regulatory approval for a Normal Course Issuer Bid (the "Bid") to purchase and cancel up to 3,855,766 Trust Units, representing 10% of the public float at the time of the TSX approval. The Bid commenced July 3, 2015, and terminated on July 2, 2016. The Trust's daily purchase pursuant to this Bid was 38,006 Trust Units.

On June 29, 2016, the Trust received regulatory approval for a Normal Course Issuer Bid (the "Bid") to purchase and cancel up to 3,700,292 Trust Units, representing 10% of the public float at the time of the TSX approval. The Bid commenced on July 3, 2016, and terminated on July 2, 2017. The Trust's daily purchases under this Bid was 57,614 Trust Units.

On June 29, 2017, the Trust received regulatory approval for a Normal Course Issuer Bid (the "Bid") to purchase and cancel up to 3,712,403 Trust Units, representing 10% of the public float at the time of the TSX approval. The bid commenced on July 4, 2017, and will terminate on July 3, 2018, or when the Bid is completed. The Trust's daily purchases under this Bid will be limited to 35,909 Trust Units.

During 2016, the Trust purchased and cancelled 666,000 Units at an average purchase cost of \$49.02 per Trust Unit. During 2017, the Trust purchased and awarded 100 Trust Units at a cost of \$40.11 per Trust Unit as a prize under its customer loyalty program.

Equity

Boardwalk has an equity market capitalization of approximately \$2.2 billion based on the Trust Unit closing price of \$43.09 on the Toronto Stock Exchange on December 31, 2017.

Enterprise Value

With a total enterprise value of approximately \$4.8 billion (consisting of total debt of \$2.6 billion and market capitalization of \$2.2 billion) as at December 31, 2017, Boardwalk's total debt is approximately 54% of total enterprise value.

RISKS AND RISK MANAGEMENT

Boardwalk REIT, like most real estate rental entities, is exposed to a variety of risk areas. These areas are categorized between general and specific risks. General risks are the risks associated with general conditions in the real estate sector, and consist mainly of commonly exposed risks that affect the real estate industry. Specific risks focus more on risks uniquely identified with the Trust, such as credit, market, liquidity and operational risks. The following will address each of these risks. In addition, this section should be read in conjunction with the Trust's AIF dated February 23, 2018, where additional risks and their related management are also noted.

GENERAL RISKS

Real Estate Industry Risk: Real estate investments are generally subject to varying degrees of risk depending on the nature of the property. These risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations (such as new or revised residential tenant legislation), the attractiveness of the properties to tenants, competition from others with available space, and the ability of the owner to provide adequate maintenance at an economic cost. Currently, we operate in Canada, in the provinces of Alberta, Saskatchewan, Ontario and Quebec. Neither of Alberta and Saskatchewan is subject to rent control legislation; however, under Alberta legislation, a landlord is only entitled to increase rents once every twelve months. A more detailed discussion on rent controls will follow in a later section.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to service these expenses. Boardwalk REIT's properties are subject to mortgages, which require significant debt service payments. If the Trust were unable or unwilling to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale. Real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. In addition, financial difficulties of other property owners resulting in distress sales may depress real estate values in the markets in which the Trust operates.

Multi-family Residential Sector Risk: Income-producing properties generate income through rent payments made by tenants of the properties. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to us than the existing lease. To mitigate this risk, the Trust does not have any one or small group of significant tenants. The majority of operating leases signed are for a period of twelve months or less. The Trust is dependent on leasing markets to ensure vacant residential space is leased, expiring leases are renewed and new tenants are found to fill vacancies. With the drastic drop in oil prices and speculation that lower oil prices will continue over an extended period of time, the risk of a downturn in the economy has dramatically increased. A disruption in the economy could have a significant impact on how much space tenants will lease and the rental rates paid by tenants. This would affect the income produced by our properties as a result of downward pressure on rents.

Development Risk: Development risk arises from the possibility that completed developments will not be leased on a timely basis or that costs of development will exceed original estimates, resulting in an uneconomic return from the leasing of such space. Boardwalk's construction commitments are subject to those risks usually attributable to construction projects, which include: (i) construction or other unforeseen delays including municipal approvals; (ii) cost overruns; and (iii) the failure of tenants to occupy and pay rent in accordance with existing lease agreements. Construction risks are minimized by utilizing established developers and knowledgeable third-party consultants. In addition, construction is currently being undertaken on excess land the Trust currently owns rather than on undeveloped land purchased from a third party.

Environmental Risks: As an owner and manager of real property, Boardwalk REIT is subject to various Canadian federal, provincial, and municipal laws relating to environmental matters. These laws could encumber us with liability for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect Boardwalk's ability to sell its real estate, or to borrow using real estate as collateral, and could potentially also result in claims or other proceedings against Boardwalk REIT. Boardwalk REIT is not aware of any material non-compliance with environmental laws at any of its properties. The Trust is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties. Boardwalk REIT has formal policies and procedures to review and monitor environmental exposure. The Trust has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and may become more stringent in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on our business, financial condition or results of operation.

Ground Lease Risk: Five of our properties, located in Banff, Calgary, Edmonton, and two in Montreal, are subject to long-term ground (or land) leases and similar arrangements; in each instance, the underlying land is owned by a third party and leased to the Trust. Under the terms of a typical ground lease, the lessee must pay rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements, including taxes, utilities, insurance, maintenance, repairs and replacements. Unless the lease term is extended, the land together with all improvements made will revert to the owner of the land upon the expiration of the lease term. These leases are set to expire between 2028 and 2095. Approximately 10% of the Trust's FFO derives from the properties in its portfolio, which are held as long-term ground leases. The Trust will actively seek to either renew the terms of such leases or purchase the freehold interest in the lands forming the subject matter of such leases prior to the expiry of their terms. However, if the Trust cannot or chooses not to renew such leases, or buy the land of which they form the subject matter, as the case may be, the net operating income and cash flow associated with such properties would no longer contribute to Boardwalk's results of operations and could adversely impact its ability to make distributions to Unitholders. The ground lease for the largest Montreal property, known as the Nuns' Island portfolio, was also subject to a rent revision clause, which commenced on December 1, 2008 (based on a valuation date of March 16, 2008). The rent increases will be phased in on a property-by-property basis through to 2019, and was based on 75% of the land value in its current use. After that revision, the land rent will remain constant thereafter through to 2064. An event of default by us, under the terms of a ground lease, could also result in a loss of the property, subject to such ground lease, should the default not be rectified in a reasonable period of time. The Trust is not aware of any default under the terms of the ground leases.

Competition Risk: Each segment of the real estate business is competitive. Numerous other residential developers and apartment owners compete in seeking tenants. Although it is our strategy to own multi-family properties in premier locations in each market in which we operate, some of the apartments of our competitors may be newer, better located or better capitalized. The existence of alternative housing could have a material adverse effect on our ability to lease space in our properties and on the rents charged or concessions granted, and could adversely affect Boardwalk REIT's revenues and its ability to meet its obligations.

General Uninsured Losses: Boardwalk REIT carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as war or environmental contamination), which are either uninsurable or not economically insurable. Boardwalk REIT currently has insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if it is economical to do so. Should an uninsured or

underinsured loss occur, Boardwalk REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, and would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

Fluctuations of Cash Distributions: Although Boardwalk REIT intends to continue to make distributions, the actual amount of distributions in respect of the REIT Units will depend upon numerous factors, including, but not limited to, the amount of principal repayments, tenant allowances, leasing commissions, capital expenditures and REIT Unit redemptions and other factors that may be beyond the control of Boardwalk REIT. The distribution policy of Boardwalk REIT is established by the Trustees and is subject to change at the discretion of the Trustees. The recourse of Unitholders who disagree with any change in policy is limited and could require such Unitholders to seek to replace the Trustees. Distributions may exceed actual cash available to Boardwalk REIT from time to time because of items such as principal repayments, tenant allowances, leasing commissions, capital expenditures, and redemption of REIT Units, if any. Boardwalk REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. Boardwalk REIT may temporarily fund such items, if necessary, through an operating line of credit in expectation of refinancing long-term debt on its maturity.

Cybersecurity Risk: A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of Boardwalk REIT's information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. As Boardwalk REIT's reliance on technology has increased, so have the risks posed to its systems. Boardwalk REIT's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to Boardwalk's business relationships with its Resident Members/Customers and disclosure of confidential information regarding its Resident Members and Associates. Boardwalk REIT has implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Workforce Availability

Boardwalk's ability to provide services to its existing Customers is somewhat dependent on the availability of well-trained Associates and contractors to service our Customers as well as complete required maintenance and capital upgrades on our buildings. The Trust must also balance requirements to maintain adequate staffing levels while balancing the overall cost to the Trust.

Within Boardwalk, our most experienced Associates are employed full-time; this full-time force is supplemented by additional part-time Associates as well as specific contract services needed by the Trust. We are constantly reviewing existing overall market factors to ensure that our existing compensation program is in-line with existing levels of responsibility and, if warranted, we adjust the program accordingly. We also encourage Associate feedback in these areas to ensure the existing programs are meeting their personal needs.

SPECIFIC RISKS

Credit Risk is the risk of loss due to failure of a contracted Customer to fulfill the obligation of required payments.

For us, one of the key credit risks involves the possibility that our Resident Members will be unable or unwilling to fulfill their lease term commitments. Due to the very nature of the multi-family business, credit risk is not deemed to be very high. The Trust currently has 33,773 rental apartment units. The result of this is that we are not unduly reliant on any one Resident Member or lease. To further mitigate this risk, Boardwalk REIT continues to diversify its portfolio to various major centers across Canada. Further, each of our rental units has its own individual lease agreement, thus Boardwalk REIT has no material financial exposure to any particular Resident Member or group of Resident Members. The Trust continues to utilize extensive screening processes for all potential Resident Members including, but not limited to, detailed credit checks.

Market Risk is the risk that the Trust could be adversely affected due to market changes in product supply, interest rates and regional rent controls.

Our principal exposures to market risk are in the areas of new multi-family housing supply, changes to rent controls, utility price increases, property tax increases, higher interest rates and mortgage renewal risk.

Supply Risk is the risk that the Trust would be negatively affected by the new supply of, and demand for, multi-family residential units in its major market areas.

Key drivers of demand include employment levels, population growth, demographic trends and consumer confidence. Any significant amount of new construction will typically result in an imbalance in supply and cause downward price pressure on rents. No signs of significant new rental construction are currently evident in any of our existing markets. Past studies have shown that in order to economically justify new rental construction in Boardwalk REIT's major markets, an increase in existing rental rates of hundreds of dollars will be necessary. In recent years, however, there has been a change in the multi-family apartment environment in Canada. During this period, we have witnessed a significant increase in the market value of rental apartments. This increase, although somewhat helped by a steady increase in reported market rental rates, has been mainly driven by a significant compression in market capitalization rates, which in turn has been the result of a prolonged low interest rate environment here in Canada. With this increase in the market value of apartments, there has been a significant decrease in the expected returns from the acquisition of existing multi-family rental properties to a level that warrants a measured allocation of capital to the area of new apartment development, particularly on excess land Boardwalk REIT currently owns. Accordingly, the Trust has pursued new apartment development on some of its excess density.

Risk Management for Supply

Our performance will always be affected by the supply and demand for multi-family rental real estate in Canada. The potential for reduced rental revenue exists in the event that Boardwalk REIT is not able to maintain its properties at a high level of occupancy, or in the event of a downturn in the economy, which could result in lower rents or higher vacancy rates. Boardwalk REIT has minimized these risks by:

- Increasing Resident Member satisfaction;
- Diversifying its portfolio across Canada, thus lowering its exposure to regional economic swings;
- Acquiring properties only in desirable locations, where vacancy rates for properties are higher than city-wide averages but can be reduced by repositioning the properties through better management and selective upgrades;
- Holding a balanced portfolio which includes a variety of multi-family building types including high-rise, townhouse, garden and walk-ups, each with its own market niche;
- Maintaining a wide variety of suite mix, including bachelor suites, one, two, three and four-bedroom units;
- Building a broad and varied Resident Member base, thereby avoiding economic dependence on larger-scale tenants;
- Focusing on affordable multi-family housing, which is considered a stable commodity;
- Developing a specific rental program characterized by rental adjustments that are the result of enhanced service and superior product; and,
- Developing regional management teams with significant experience in the local marketplace, and combining this experience with our existing operations and management expertise.

Interest Risk is the combined risk that the Trust would experience a loss as a result of its exposure to a higher interest rate environment (Interest Rate Risk) and the possibility that at the term end of a mortgage the Trust would be unable to renew the maturing debt with either the existing or an additional lender (Renewal Risk).

The Trust continues to manage this risk by maintaining a balanced maturing portfolio with no significant amount coming due in any one particular period. In addition, the majority of Boardwalk REIT's debt is insured with NHA insurance. This insurance allows us to increase the overall credit quality of the mortgage and, as such, enable the Trust to obtain preferential interest rates as well as facilitating easier renewal on its due dates.

The use of NHA insurance also assists Boardwalk REIT in managing its renewal risk. Given the increased credit quality of such debt, the probability of the Trust being unable to renew the maturing debt or transfer this debt to another accredited lending institution is significantly reduced.

In a separate 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 CMHC and be subject to certain restrictive covenants, including limitation on additional debt, payment of distributions in respect of 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 \$250,000 under a Letter of Credit issued in favor of CMHC. If the Trust is non-compliant and not able to remedy, there would be no impact on the renewal of any existing insured mortgages through the full amortization of the financing. However, such non-compliance may impact the Trust from obtaining future insured loans under this program.

To date, the Trust continues to obtain mortgage renewals on term maturing loans, and additional funds, if needed, continue to be available on its investment properties. Although we have seen fluctuations in the quoted interest spread over the corresponding benchmark bonds, the all-in quoted rates, due to a general decline in interest rates, continue to be at levels below the term maturing interest rate and, as such, are accretive to the Trust as a whole.

In 2013, the Canadian government announced it has capped the total amount of insurance that CMHC can have in force at \$600 billion. This decision has primarily affected the amount of portfolio or bulk insurance CMHC offers to banks, and, to date, has had a minimal impact on the renewal of Boardwalk's mortgages, or the cost of secured debt capital. However, there is no assurance the decision to cap the amount of CMHC insurance will not affect mortgages for multi-family residential properties in future periods.

We continue to monitor this situation. Depending on the changes, if any, the Government of Canada places on the NHA insurance product, the impact on the Trust could vary. It is our understanding that this cap would not affect any pre-existing insurance agreements. Over 99% of Boardwalk's secured debt has this insurance on it with an average of 30 years of amortization remaining. The larger risk may be the ability to issue new secured debt under this program at a much lower cost due to the use of this insurance, the proceeds of which the Trust uses to assist in the execution of its overall strategy.

Joint Ventures and Co-ownerships

Boardwalk commenced participating in joint ventures, partnerships and similar arrangements that may involve risks and uncertainties associated with third-party involvement, including, but not limited to, Boardwalk's dependency on partners, co-tenants or co-venturers that are not under our control and that might compete with Boardwalk for opportunities, become bankrupt or otherwise fail to fund their share of required capital contributions, or suffer reputational damage that could have an adverse impact on the Trust. Additionally, our partners might at any time have economic or other business interests or goals that are different than or inconsistent with those of the Trust, and may require Boardwalk to take actions that are in the interest of the partners collectively, but not in Boardwalk's sole best interests. Accordingly, Boardwalk may not be able to favourably resolve issues with respect to such decisions, or the Trust could become engaged in a dispute with any of them that might affect its ability to operate the business or assets in question.

Structural Subordination

Liabilities of a parent entity with assets held by various subsidiaries may result in the structural subordination of the lenders of the parent entity. The parent entity is entitled only to the residual equity of its subsidiaries after all debt obligations of its subsidiaries are discharged. In the event of a bankruptcy, liquidation or reorganization of the Trust, holders of indebtedness of the Trust may become subordinate to lenders to the subsidiaries of the Trust.

Certain subsidiaries of the Trust will provide a form of guarantee pursuant to which the Indenture Trustee will, subject to the Trust Indenture, be entitled to seek redress from such subsidiaries for the guaranteed indebtedness. These guarantees are intended to eliminate structural subordination, which arises as a consequence of the Trust's assets being held in various subsidiaries. Although all subsidiaries, which own material assets, will provide a guarantee, not all subsidiaries of the Trust will provide such a guarantee. In addition, there can be no assurance the Indenture Trustee will, or will be able to, effectively enforce the guarantee.

Rent Control Risk is the risk of the implementation or amendment of new or existing legislative rent controls in the markets Boardwalk REIT operates, which may have an adverse impact on the Trust's operations.

Under Ontario's rent control legislation, commonly known as "rent de-control", a landlord is entitled to increase the rent for existing tenants once every twelve months by no more than the "guideline amount" established by regulation. For the calendar years 2016 and 2017, the guideline amounts have been established at 2.0% and 1.5%, respectively, and for 2018 the guideline amount has been set at 1.8%. Further details on Ontario's Annual Rental Increase Guidelines can be found at <http://www.landlordselfhelp.com/RentIncreaseGuideline.htm>. This adjustment is meant to take into account the income of the building, the municipal and school taxes, the insurance bills, the energy costs, maintenance, and service costs. Landlords may apply to the Ontario Rental Housing Tribunal for an increase above the guideline amounts if annual costs for heat, hydro, water, or municipal taxes have increased significantly, or if building security costs have increased. In April 2017, the Ontario Government introduced legislation that would expand rent control to all rental units. Previously, rent control in Ontario applied only to rental units constructed before November 1, 1991. The new legislation will not have a material impact on Boardwalk, as all of its Ontario properties were built prior to November 1, 1991. When a unit is vacated, however, the landlord is entitled to lease the unit to a new tenant at any rental amount, after which annual increases are limited to the applicable guideline amount. The landlord may also be entitled to a greater increase in rent for a unit under certain circumstances, including, for example, where extra expenses have been incurred as a result of a renovation of that unit.

Under Quebec's rent control legislation, a landlord is entitled to increase the rent for existing tenants once a year for the rent period starting after April 1st of the current year but before April 1st of the following year. There is no fixed rate increase specified by the regulation. Rent increases also take into account a return on capital expenditures (for 2018 this return is 2.4% compared to 2.4% for 2017, 2.5% for 2016, 2.9% for 2015 and 2.6% for 2014), if such expenditures were incurred, and an indexing of the net income of the building. Average rent increase estimates for the period starting after April 1st, 2018 and before April 2nd, 2019, before any consideration for increases to municipal and school taxes as well as capital expenditures, are: -0.9% for electricity heated dwellings, 1.3% for gas heated dwellings, and 12.3% for oil heated dwellings, plus 3.5% to cover the cost of maintenance, service and management contracts.

Presently, rent control legislation does not exist in, and is not planned for, Alberta or Saskatchewan, although in April of 2007, the province of Alberta amended its existing rental legislation.

To manage this risk prior to entering a market where rent controls are in place, an extensive amount of time is spent researching the existing rules, and, where possible, the Trust will ensure it employs Associates who are experienced in working in these controlled environments. In addition, the Trust adjusts forecast assumptions on new acquisitions to ensure they are reasonable given the rent control environment.

Utility and Tax Risk relates to the potential loss the Trust may experience as a result of higher resource prices as well as its exposure to significant increases in property taxes.

Over the past few years, property taxes have increased as a result of re-valuations of municipal properties and their adherent tax rates. For us, these re-valuations have resulted in significant increases in some property assessments due to enhancements, which are not represented on our balance sheet (as such representations are contrary to existing IFRS reporting standards). To address this risk, Boardwalk REIT has compiled a specialized team of property reviewers who, with the assistance of outside authorities, constantly review property tax assessments and, where warranted, appeal them.

Utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. In recent years, water and sewer costs have increased significantly as another form of “taxes” imposed by various municipalities. In addition, the recently introduced Alberta Carbon Tax will increase the costs associated with natural gas usage. Effective January 1st, 2017, an additional \$1.12 per gigajoule (“GJ”) consumed was charged. The rate is set to increase to \$1.65/GJ for 2018. Any significant increase in these resource costs that Boardwalk REIT cannot pass on to the Customer may have a negative material impact on the Trust. To mitigate this risk, the Trust has begun to play a more active role in controlling the fluctuation and predictability of this risk. Through the combined use of financial instruments and resource contracts with varying maturity dates, exposure to these fluctuations has been reduced. In addition to this, the following steps have been implemented:

- Where possible, economical electrical sub-metering devices are being installed, passing on the responsibility for electricity charges to the end Customer.
- In other cases, rents have been, or will be, adjusted upward to cover these increased costs.

Operational Risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process, or from external events. The impact of this loss may be financial loss, loss of reputation, or legal and regulatory proceedings.

The Trust endeavors to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and improvements are implemented, if deemed necessary.

CERTAIN TAX RISKS

Mutual Fund Trust Status

Boardwalk qualified as a mutual fund trust for Canadian income tax purposes. It is the current policy of Boardwalk to annually distribute all of its taxable income to Unitholders and is therefore generally not subject to tax on such amount. In order to maintain its current mutual fund trust status, Boardwalk is required to comply with specific restrictions regarding its activities and the investments held by it. If Boardwalk was to cease to qualify as a mutual fund trust, the consequences could be adverse.

In accordance with the Income Tax Act (Canada) (the “Tax Act”), for fiscal 2016 and 2017, the Trust qualified as a real estate investment trust (“REIT”) for income tax purposes and, as such, was exempted from the specified investment flow-through rules (the SIFT Rules).

A REIT is defined under the SIFT Rules as a trust that is resident in Canada throughout the taxation year and that satisfies all of the following criteria:

- (a) at each time in the taxation year the total fair market value at that time of all non-portfolio properties that are qualified REIT properties held by the trust is at least 90% of the total fair market value at that time of all non-portfolio properties held by the trust;
- (b) not less than 90% of the trust’s gross REIT revenue for the taxation year is from one or more of the following: rent from real or immovable properties, interest, dispositions of real or immovable properties that are capital properties, dividends, royalties, and dispositions of eligible resale properties;

- (c) not less than 75% of the trust's gross REIT revenue for the taxation year is from one or more of the following: rent from real or immovable properties, interest from mortgages, or hypothecs, on real or immovable properties, and dispositions of real or immovable properties that are capital properties;
- (d) at each time in the taxation year an amount, that is equal to 75% or more of the equity value of the trust at that time, is the amount that is the total fair market value of all properties held by the trust each of which is a real or immovable property that is a capital property, an eligible resale property, an indebtedness of a Canadian corporation represented by a bankers' acceptance, a property described by either paragraph (a) or (b) of the definition "qualified investment" in section 204, or a deposit with a credit union; and,
- (e) investments in the trust are, at any time in the taxation year, listed or traded on a stock exchange or other public market.

For this purpose, "real or immovable property" includes a security of any trust, corporation or partnership that itself satisfies the above criteria, but does not include any depreciable property of a prescribed class for which the rate of capital cost allowance exceeds 5%.

If Boardwalk REIT, or any other trust, does not qualify as a real estate investment trust, it will no longer be able to deduct for tax purposes its taxable distributions, and, as such, will be required to pay tax on this amount prior to distribution. Any amount distributed that is determined to be a return of capital would not be subject to this tax.

Existing Tax Filing Positions

Although Boardwalk REIT is of the view that all expenses to be claimed by Boardwalk REIT, the Operating Trust and the Partnership will be reasonable and deductible, that the cost amount and capital cost allowance claims of entities indirectly owned by Boardwalk REIT will have been correctly determined, and that the allocation of the Partnership's income for purposes of the Tax Act among its partners is reasonable, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that the Canada Revenue Agency ("CRA") will agree. If the CRA successfully challenges the deductibility of such expenses or the allocation of such income, the Partnership's allocation of income to the Operating Trust, and indirectly the taxable income of Boardwalk REIT and the Unitholders, may be adversely affected. The extent to which distributions will be tax-deferred in the future will depend in part on the extent to which entities indirectly owned by Boardwalk REIT are able to deduct capital cost allowance relating to the Contributed Assets held by them, which was acquired by Boardwalk REIT on May 3, 2004, pursuant to a Plan of Arrangement under section 193 of the Business Corporations Act (Alberta).

Since the Partnership acquired the relevant properties on a tax-deferred basis, its tax cost in certain properties may be less than their fair market value. Accordingly, if one or more properties are disposed of, the gain recognized by the Partnership may be in excess of that which it would have realized if it had acquired the properties at their fair market values. Immediately prior to the Plan of Arrangement becoming effective, the Corporation transferred the Contributed Assets to the Partnership and received, as consideration therefore, (i) an assumption of all of the indebtedness of the Corporation associated with the Contributed Assets (other than the Retained Debt), (ii) the LP Note, and (iii) a credit to the capital accounts in respect of each of the LP Class B Units and the LP Class C Units, all of which were owned at that time by the Corporation. See "Overview of the Acquisition and the Arrangement Replacing the Corporation as a Public Entity with Boardwalk REIT – Pre-Arrangement Reorganization" in the AIF dated February 16, 2017. The transfer and contribution were effected as a "rollover" under subsection 97(2) of the Tax Act, and the Corporation, based on the advice of legal counsel, is of the view that there is no income tax payable in connection therewith. There can be no assurance that the CRA will not take a contrary view; however, the Corporation has been advised by counsel that, in such event, the CRA would not be successful. If, contrary to this, the CRA successfully challenges the rollover, income tax may be payable by the Corporation in connection with the transfer and contribution of the Contributed Assets at the applicable tax rate on the value of the capital contribution in respect of the LP Class C Units. The Partnership has agreed to indemnify the Corporation for all liabilities incurred by it in connection with the Acquisition and the Arrangement, including the transfer and contribution of the Contributed Assets to the Partnership and any associated tax that might be payable by the Corporation in respect thereof. See "Overview of the Acquisition and the Arrangement replacing the Corporation as a Public Entity with Boardwalk REIT – Ancillary Agreements in Connection with the Arrangement" in the AIF dated February 23, 2018. The amount of such indemnification would be significant and have a material adverse effect on the amount of distributable cash of the Partnership and, consequently, on the distributions of Boardwalk REIT.

RISKS ASSOCIATED WITH DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal control over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While management continues to review the design and effectiveness of our disclosure controls and procedures and internal control over financial reporting, we cannot assure you that our disclosure controls and procedures or internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, particularly material weaknesses, in internal control over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our trust unit price, or otherwise materially adversely affect our business, reputation, results of operation, financial condition or liquidity.

ACCOUNTING AND CONTROL MATTERS

CRITICAL ACCOUNTING POLICIES

The Trust adopted IFRS as its basis of financial reporting, effective January 1, 2011. The significant accounting policies adopted by the Trust are included in NOTE 2 of the notes to the audited Consolidated Financial Statements for the year ended December 31, 2017.

The preparation of the financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates under different assumptions and conditions. In determining estimates, management uses the information available to the Trust at the time. Management reviews key estimates on a quarterly basis to determine their appropriateness. Any change to these estimates is applied prospectively in compliance with IFRS. We believe that the application of judgments and assessments is consistently applied and produces financial information that fairly depicts the results of operations for all periods presented. Boardwalk REIT considers the following policies to be critical in determining the judgments that are involved in the preparation of the consolidated financial statements and the uncertainties that could affect the reported results.

(a) Interest in joint operations

In accordance with IFRS 11 – Joint Arrangements, a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Trust records only its share of the assets, liabilities and share of the revenue and expenses of the joint operation. The assets, liabilities, revenue and expenses of joint operations are included within the respective line items of the consolidated statement of financial position and consolidated statement of comprehensive income (loss).

(b) Investment properties

Investment properties consist of multi-family residential properties held to earn rental income and properties being constructed or developed for future use to earn rental income, and include interests held under long-term operating land leases. Investment properties are measured initially at cost (which is equivalent to fair value). Cost includes all amounts relating to the acquisition (excluding transaction costs related to a business combination as outlined in NOTE 2(g)) and improvement of the properties. All costs associated with upgrading and extending the economic life of the existing facilities, other than ordinary repairs and maintenance, are capitalized to investment property. Included in these costs are internal amounts that are directly attributable to a specific investment property, which are capitalized to the extent that they upgrade or extend the economic life of the asset.

Subsequent to initial recognition, investment properties are recorded at fair value, in accordance with International Accounting Standard (“IAS”) 40 – Investment Property (“IAS 40”). Fair value is determined based on a combination of internal and external processes and valuation techniques. Gains or losses arising from differences between current period fair value and the sum of previously measured fair value and capitalized costs as described above are recorded in profit or loss in the period in which they arise.

Properties owned by the Trust where a significant portion of the property is used for administrative purposes by the Trust are considered “Property, Plant and Equipment” and, therefore, fall within the scope of IAS 16 – Property, Plant and Equipment (“IAS 16”) and are recorded in accordance with that standard. Where part of a building is used for administrative purposes by the Trust, but this portion is considered insignificant, this space is included as part of Investment Property under IAS 40.

Investment properties are reclassified to “Assets Held for Sale” when the criteria set out in IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations (“IFRS 5”) are met (see NOTE 2(ii)).

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Prior to its disposal, the carrying value of the investment property is adjusted to reflect its fair value as outlined in the purchase and sale agreement (as the purchase and sale agreement is the best evidence of fair value). This adjustment shall be recorded as a fair value gain or loss. Any remaining gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Excess land represents land owned by the Trust located contiguous to land included as investment property. The Trust has the ability to develop additional multi-family residential buildings on this land or sell it separately from the Investment Property at a later date. Excess land is held for capital appreciation and, therefore, is treated as Investment Property and recorded in accordance with IAS 40 as outlined above. When determining the fair value of a project with excess land, the capitalization rate used in determining the value is adjusted accordingly.

(c) Properties under development

Properties under development include new development on excess land density or acquired land, re-development or re-positioning of buildings the Trust currently owns that require substantial renovations and incomplete Apartment Units acquired from third parties that will take 12 months or longer to complete. The cost of land, if applicable, and buildings under development or re-development (consisting of development sites, density or intensification rights and related infrastructure) are specifically identifiable costs incurred in the period before construction is complete. Capitalized costs include pre-construction costs essential to the development or re-development of the property, construction costs, borrowing costs directly attributable to the development, real estate taxes and other costs incurred during the period of development or re-development. Additions to investment properties consist of costs of a capital nature and, in the case of properties under development and/or redevelopment, capitalized interest. Directly attributable borrowing costs are also capitalized on land or properties acquired specifically for development or redevelopment when activities necessary to prepare the asset for development or redevelopment are in progress in accordance with IAS 23 – Borrowing Costs (“IAS 23”). Where borrowings are associated with specific developments, the amount capitalized is the total cost incurred on those borrowings.

The capitalization of borrowing costs commences when the activities necessary to prepare an asset for development or redevelopment begins, and continues until the date that substantially all of the construction is complete and all necessary occupancy and related permits have been received, whether or not the space is leased. If the Trust is required, as a condition of a lease, to construct tenant improvements that enhance the value of the property, then capitalization of costs continues until such improvements are completed. Capitalization ceases if there is a prolonged period where development activity is interrupted.

Properties under active development are generally valued at market land values, if applicable, plus costs invested to date. Where significant leasing and construction is in place and the future income stream is reasonably determinable, the valuation methodology used is similar to that of revenue-producing properties, less estimates of future capital outlays, construction and development costs, to determine a net “as-is” market value. Development risks such as planning, zoning, licenses, and building permits are considered in the valuation process. Properties not under active development, such as land parcels held for future

development, are valued based on comparable sales of land. Significant increases (decreases) in construction costs, cost escalation rates and estimated time to complete construction in isolation would result in a significantly lower (higher) fair value for properties under development.

(d) Property, plant and equipment

Tangible assets that are held for use in the production or supply of goods and services, or for administrative purposes, and are expected to be used during more than one period, except when another accounting standard requires or permits a different accounting treatment, are recorded in accordance with IAS 16 using the cost model. IAS 16, therefore, excludes tangible assets that are accounted for in accordance with IAS 40 (see NOTE 2(e)) and IFRS 5 (see NOTE 2(i)).

In accordance with IAS 16, the cost model, after initial recognition of the property, plant and equipment, requires the tangible asset to be carried at its cost less accumulated depreciation and any accumulated impairment losses (see NOTE 2(j)). Depreciation is recognized in a manner that reflects the pattern in which the future economic benefits of the tangible asset are expected to be consumed and realized by the Trust. The amount of depreciation will be charged systematically to the consolidated statement of comprehensive income (loss) and is the cost less residual value of the asset over its useful economic life. IAS 16 also requires that the cost and useful economic life of each significant component of a tangible asset be determined based on the circumstances of each tangible asset. The method of depreciation, residual values and estimates of the useful economic life of a tangible asset, or other property, plant and equipment, are reviewed at each financial year-end and any changes are accounted for as a change in accounting estimate in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”).

Property, Plant and Equipment (“PP&E”) is valued using the cost model under IAS 16. PP&E is categorized into the following classes and their respective useful economic life is used to calculate the amount of depreciation or amortization for each period. Categories of PP&E with the same or similar useful lives are included in the same class.

PP&E Class	PP&E Category (NOTE 5)	Useful Life / Depreciation Rate	Depreciation Method Used
Administrative building	Administrative building	40 years	Straight-line
Site equipment	Site equipment and other assets	15%	Declining balance
Automobiles	Site equipment and other assets	20%	Declining balance
Warehouse assets	Site equipment and other assets	10% to 20%	Declining balance
Corporate assets	Site equipment and other assets	10% to 20%	Declining balance
Computer hardware	Corporate technology assets	35%	Declining balance
Computer software*	Corporate technology assets	35%	Declining balance

* In addition to the purchase of software from external sources, the Trust capitalizes certain programmers’ salaries related to internally developed software applications used in the normal course of operations of Boardwalk REIT. The programmers’ work is directly attributable to software development.

(e) Business combinations

In accordance with IFRS 3 – Business Combinations (“IFRS 3”), the acquisition of an asset or group of assets is recorded as a business combination if the assets acquired and the liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefit. Building and other asset acquisitions, which meet the above definition of a business, are recorded as business combinations and the acquisition method of accounting for these transactions is applied. Building and other asset acquisitions, which do not meet the above definition of a business, are recorded as an asset addition.

The acquisition method requires that an acquirer be identified, a specific acquisition date be determined (which is typically the date on which control changes), all identifiable assets and liabilities assumed, as well as any non-controlling interest in the acquiree, be recognized and measured, and any goodwill or gains from a bargain purchase price are recognized and measured at fair value, including contingent liabilities when these contingent considerations are part of the consideration being transferred. All acquisition costs associated with a transaction identified as a business combination are expensed as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after the assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Trust in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date and is shorter than one year if all information is received) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 – Financial Instruments: Recognition and Measurement, or IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss in the consolidated statement of comprehensive income (loss).

When a business combination is achieved in stages, the Trust's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Trust obtains control) and the resulting gain or loss, if any, is recognized in profit or loss in the consolidated statement of comprehensive (loss) income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Trust reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(f) Assets held for sale and discontinued operations

(i) Assets (or disposal groups) held for sale

Non-current assets and groups of assets and liabilities, which comprise disposal groups, are categorized as assets (or disposal groups) held for sale where the asset (or disposal group) is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable: (a) if management is committed to a plan to achieve the sale, (b) there is an active program to find a buyer, (c) the non-current asset (or disposal group) is being actively marketed at a reasonable price, (d) the sale is anticipated to be completed within one year from the date of classification, and (e) it is unlikely there will be changes to the plan. Where an asset (or disposal group) is acquired with a view to resale, it is classified as a non-current asset (or disposal group) held for sale if the disposal is expected to take place within one year of the acquisition and it is highly likely that the other conditions referred to above will be met within a short period following the

acquisition. Retrospective application is not required; therefore, comparative figures will not be adjusted to reflect non-current assets held for sale. The gains or losses arising on a sale of assets (or disposal groups) that does not meet the definition of discontinued operations will be recognized as part of continuing operations, while the gains or losses arising on a sale of assets (or disposal groups) that meets the definition of discontinued operations will be reported as part of discontinued operations in the consolidated statement of comprehensive income (loss).

(ii) Discontinued operations

An asset or group of assets will be classified as a discontinued operation when it is a component of an entity that has either been disposed of or is classified as held for sale and represents a separate major line of business, it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or it is a subsidiary acquired exclusively with a view to resell. Profits and gains or losses related to the disposal of discontinued operations are measured based on fair value less cost to sell or on the disposal of the assets (or disposal groups) and are presented in the consolidated financial statements on an after-tax basis in accordance with IFRS 5. In addition, retrospective application is required; therefore, comparative figures will be changed to reflect discontinued operations. As an individual building or a group of buildings in a non-core municipal region does not constitute a major line of business, these sales are not treated as discontinued operations.

(g) Impairment of assets

At the end of each reporting period, assets, other than those identified in the standard as not being applicable to IAS 36 – Impairment of Assets (“IAS 36”), such as investment properties recorded at fair value, are assessed for any indication of impairment. Should the indication of impairment exist, the recoverable amount (see below) of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Trust estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is defined as the higher of an asset’s “fair value less cost to sell” and its “value-in-use”. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted.

Where the carrying amount of an asset exceeds the recoverable amount determined, an impairment loss is recognized in the consolidated statement of comprehensive income (loss). After the recognition of an impairment loss, the depreciation charge related to that asset is also revised for the adjusted carrying amount on a systematic basis over the remaining useful life of the asset. Should this impairment loss be determined to have reversed in a future period (with the exception of goodwill), a reversal of the impairment loss is recorded in profit or loss. However, the reversal of an impairment loss will not increase the carrying amount that would have been determined (net of amortization) had no impairment loss been recognized.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The costs of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and third-party transport, handling and other costs directly attributable to the acquisition of goods and materials, less any trade discounts, rebates and other similar items, using the first-in, first-out method of cost assignment. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

(i) Taxation

For fiscal 2016 and 2017, Boardwalk REIT qualified as a “mutual fund trust” as defined under the Income Tax Act (Canada) (the “Tax Act”) and as a Real Estate Investment Trust (“REIT”) eligible for the ‘REIT Exemption’ in accordance with the rules affecting the tax treatment of publicly traded trusts. Accordingly, the Trust is not taxable on its income provided that all of its taxable income is distributed to its Unitholders. This exemption, however, does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax (NOTE 31 summarizes the Trust’s subsidiaries, including its corporate subsidiaries).

Current Tax

The tax currently payable, if any, is based on taxable profit for the year for certain corporate subsidiaries of the Trust. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income (loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Trust’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amounts of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax assets will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability settled, based on tax rates and laws that have been enacted or substantively enacted at the reporting date. In addition, deferred income tax assets and liabilities are measured using the rate that is consistent with the expected manner of recovery (i.e. using the asset versus selling the asset). Where applicable, current and deferred income taxes relating to items recognized directly in equity or comprehensive income (loss) are also recognized directly in equity or comprehensive income (loss), respectively.

(j) Provisions

In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), a provision is a liability of uncertain timing or amount. Provisions are recognized when the entity has a present legal or constructive obligation as a result of past events and when it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discounted rate that reflects current market assessment of the time value of money and the risks and uncertainties specific to the obligation. Provisions are re-measured at each reporting date using the current discount rate. The increase in the provision due to the passage of time is recognized as a financing cost.

(k) Unit-based payments

Equity-settled unit-based payments to employees and Trustees are measured at the fair value of the deferred unit at the grant date and expensed over the vesting period based on the Trust’s estimate of the deferred units that will actually vest. At the end of each reporting period, the Trust revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss prospectively such that the cumulative expense reflects the revised estimate. In accordance with IAS 32 – Financial Instruments: Presentation (“IAS 32”), the deferred units are presented as a liability on the consolidated statement of financial position as the Trust is obliged to provide the holder with REIT Units once the deferred units vest. Under IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”), the deferred units are classified as ‘fair value through profit or loss’ and are measured at each reporting period at fair value with changes in fair value recognized in the consolidated statement of comprehensive income (loss). Fair value of the deferred units is calculated based on the observable market price of Boardwalk REIT’s Trust Units.

(l) Government assistance and grants

The Trust receives government assistance in order to complement and partially assist the Trust's initiatives in providing affordable housing to low income-earning individuals. Government grants are not recognized until there is reasonable assurance that the Trust will comply with the conditions attached to them and that the grants will be received. In accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, grant proceeds will be recognized in profit or loss on a systematic basis over the periods in which the Trust recognizes revenue or incurs expenses.

(m) Revenue recognition

(i) Rental revenue

The Trust has retained substantially all of the risks and benefits of ownership of its investment properties, and, therefore, accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on lease inception date when the tenant occupies their leased space. Rental revenue is recognized systematically over the term of the lease, which is generally not more than twelve months. Any suite specific incentives offered or initial direct costs incurred in negotiating and arranging an operating lease are also amortized over the term of the operating lease. Rental revenue is recorded based on the amount received or to be received in accordance with the operating lease.

(ii) Building sales

The gain or loss from the sale of an investment property is recognized when title passes to the purchaser (control is transferred) upon closing at which time all or substantially all of the funds are receivable, or have been received, and the conditions of the sale have been completed.

(iii) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Trust and the amount of income can be measured reliably. Interest income is accrued on a time basis when earned, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in financing costs in the consolidated statement of comprehensive income (loss).

(iv) Ancillary rental income

Ancillary rental income comprises revenue from coin laundry machines located on the Trust's existing building sites, and income received from telephone and cable providers and is recorded when earned.

(n) Financial instruments and derivatives

Financial instruments and derivatives are accounted for, presented, and disclosed in accordance with IFRS 7 – Financial Instruments: Disclosures ("IFRS 7"), IAS 32 and IAS 39. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial Assets

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. Financial assets are classified as at FVTPL when the financial asset either is held for trading or is designated as at FVTPL.

Financial assets categories are defined and measured as follows:

Classification	Definition	Measurement
FVTPL	Classified as FVTPL when the financial asset is either held for trading or it is designated as at FVTPL as discussed below:	
	Classified as held for trading if: it has been acquired principally for the purpose of selling it in the near term; or, on initial recognition, it is part of a portfolio of identified financial instruments that the Trust manages together, and has a recent actual pattern of short-term profit taking; or, it is a derivative that is not designated and effective as a hedging instrument.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
	Classified as FVTPL upon initial recognition if: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group which is managed and its performance is evaluated on a fair value basis; or it forms part of a contract containing one or more embedded derivatives.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
Held-to-maturity investments	Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Trust has the positive intent and ability to hold to maturity.	Measured at amortized cost using the effective interest method less any impairment. ^{(1) (2)}
Available-for-sale	Non-derivative financial assets that either are designated as available-for-sale or are not classified as (a) loans and receivables; (b) held-to-maturity investments; or (c) financial assets at FVTPL.	Measured at fair value through other comprehensive income.
Loans and receivables	Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.	Measured at amortized cost using the effective interest method less any impairment. ^{(1) (2)}

- (1) The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or where appropriate, a shorter period, to the net carrying amount on initial recognition.
- (2) Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Generally, the carrying amount of the financial asset is reduced by the impairment loss.

Boardwalk REIT's financial assets are as follows:

Financial Asset	Classification	Measurement
Mortgage receivable	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Segregated tenants' security deposits	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost

The Trust derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial Liabilities and Equity

Debt and equity instruments issued are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract

that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Trust are recognized at the proceeds received, net of direct issue costs. Repurchase of Boardwalk REIT's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Trust's own equity instruments. Distributions paid on the Trust's equity instruments subsequent to, declared prior to, and with a record date at or prior to, the reporting date, are recorded as a liability.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Financial liabilities categories are defined and measured as follows:

Classification	Definition	Measurement
FVTPL	Classified as FVTPL when the financial liability is either held for trading or it is designated as at FVTPL as discussed below:	
	Classified as held for trading if: it has been acquired principally for the purpose of repurchasing it in the near term; or, on initial recognition, it is part of a portfolio of identified financial instruments that the Trust manages together and has a recent actual pattern of short-term profit taking; or, it is a derivative that is not designated and effective as a hedging instrument.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
	Classified as FVTPL upon initial recognition if: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial liability forms part of a group which is managed and its performance is evaluated on a fair value basis; or it forms part of a contract containing one or more embedded derivatives.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
Other financial liabilities	All other liabilities.	Measured at amortized cost using the effective interest method. ⁽¹⁾

(1) The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Boardwalk REIT's financial liabilities are as follows:

Financial Liability	Classification	Measurement
Mortgages payable	Other financial liabilities	Amortized cost
LP Class B Units	FVTPL	Fair value
Deferred unit-based compensation	FVTPL	Fair value
Refundable tenants' security deposits	Other financial liabilities	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost

The Trust derecognizes a financial liability when, and only when, the Trust's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivatives

The Trust may enter into a variety of derivative financial instruments to manage its exposure to interest rate risks, including interest rate swaps and bond forward contracts. Further details of derivative financial instruments are disclosed in NOTE 29. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently measured at their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives embedded in host contracts are treated as separate derivatives when their risks and characteristics are not closely related to the host contracts and the host contracts are not measured at FVTPL. For the years ended December 31, 2017 and 2016, the Trust had no embedded derivatives requiring separate recognition.

(o) Cash and cash equivalents

Cash is comprised of bank balances, interest-earning bank accounts and term deposits with maturities of 90 days or less.

(p) Critical judgment in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see NOTE 2(t) below), that have been made in applying the Trust's accounting policies and that have the most significant effect on the reported amounts in the consolidated financial statements:

(i) Income taxes

The Trust applies judgment in determining the tax rates applicable to its corporate subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes related to temporary differences arising from its corporate subsidiaries are measured based on the tax rates that are expected to apply in the year when the asset is realized or the liability is settled. Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

(ii) Leases

The Trust's revenue recognition policy related to leases is described in NOTE 2(p)(i). The Trust makes judgments in determining whether certain leases, in particular tenant leases, as well as leased warehouse space and long-term land leases, which are considered leases under IFRS, where the Trust is the lessor, are operating or finance leases. The Trust has determined that all of its leases are operating leases.

(iii) Investment property and internal capital program

The Trust's accounting policy relating to investment property is described in NOTE 2(e) above. In applying this policy, judgment is applied in determining the extent and frequency of utilizing independent, third-party appraisals to measure the fair value of the Trust's investment property. Additionally, judgment is applied in determining the appropriate classes of investment properties in order to measure fair value. The Trust also undertakes internal capital improvements and upgrades. Such work is specifically identified, and the Trust applies judgment in the estimated amount of directly attributable on-site wages to be allocated to capital improvements and upgrades of its real estate assets.

(iv) Financial instruments

The Trust's accounting policies relating to financial instruments are described in NOTE 2(q). Critical judgments inherent in these policies related to applying the criteria set out in IAS 39 to designate financial instruments into categories (i.e. FVTPL, etc.), assess the effectiveness of hedging relationships (for the Trust's cash flow hedges) and determine the identification of embedded derivatives, if any, in certain hybrid instruments that are subject to fair value measurement.

(v) Basis of consolidation

The consolidated financial statements of the Trust include the accounts of Boardwalk REIT and its wholly-owned subsidiaries, as well as entities over which the Trust exercises control on a basis other than ownership of voting interest within the scope of IFRS 10. Judgment is applied in determining if an entity meets the criteria of control as defined in the accounting standard.

(vi) Deferred unit-based compensation

The Trust applies judgment in determining the best available estimate of the number of deferred units that are expected to vest at each reporting period.

(q) Key accounting estimates and assumptions

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results could differ from estimates.

(i) Investment properties

The choice of valuation method for fair valuing and the critical estimates and assumptions underlying the fair value determination of investment properties are set out in NOTE 4. Significant estimates used in determining the fair value of the Trust's investment properties includes capitalization rates and net operating income (which is influenced by market inflation rates, vacancy rates and standard costs) used in the overall capitalization rate valuation method as well as discount rates and forecasted cash flows used in the discounted cash flow valuation method. A change to any one of these inputs could significantly alter the fair value of an investment property. Please refer to NOTE 4 for sensitivity analysis.

(ii) Property, plant and equipment

The useful economic life of property, plant and equipment for the purposes of calculating depreciation and amortization, as disclosed in NOTE 5 and forecasts of economic factors to determine recoverable amounts for the purpose of determining any impairment of assets, are based on data and information from various sources including industry practice and entity specific history.

(iii) Internal capital program

The Trust's internal capital program is based on internal allocations, including parts, supplies and on-site wages identified as part of a specific upgrade or capital improvement.

(iv) Utility accrual

The amount of utility accrual for charges related to the current or prior year is based on estimates of usage and price for the time period in which invoices have not been received from the utility providers.

(v) Deferred unit-based compensation plan

The compensation costs relating to the deferred unit plan are based on estimates of how many deferred units will actually vest and be exercised.

(vi) Deferred taxes

The amount of the temporary differences between the accounting carrying value of the Trust's assets and liabilities held in various corporate subsidiaries versus the tax bases of those assets and liabilities and the tax rates at which the differences will be realized are outlined in NOTE 16.

APPLICATION OF NEW AND REVISED IFRS AND FUTURE ACCOUNTING POLICIES

Boardwalk REIT monitors new IFRS accounting pronouncements to assess the applicability and impact, if any, these new pronouncements may have on the consolidated financial statements and note disclosures.

(a) Application of new and revised IFRSs

In the current year, the Trust has applied a number of new and revised IFRSs issued by the IASB, and incorporated in the Chartered Professional Accountants of Canada Handbook. The following highlights these changes and the effect, if any, on the Trust's consolidated financial statements.

Standard	Details of Amendment	Impact
Disclosure Initiative (Amendment to IAS 7 – Statement of Cash Flows)	The amendment clarifies that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	The application of this amendment has not resulted in any material impact on the consolidated financial statements of the Trust.
Recognition of Deferred Tax Assets for Unrealized Losses (Amendment to IAS 12 – Income Taxes (“IAS 12”))	<p>The amendments made to IAS 12 clarify the following items:</p> <ul style="list-style-type: none"> ▪ Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the carrying amount is expected to be recovered. ▪ The carrying amount of an asset does not limit the estimation of probable future taxable benefits. ▪ Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. ▪ An entity assesses a deferred tax asset in combination with other deferred tax assets. 	The application of these amendments has not resulted in any material impact on the consolidated financial statements of the Trust.
2014-2016 Cycle		
IFRS 12 – Disclosure of Interests in Other Entities	Provides clarification that the scope of the standard should include interests that are classified as held for sale, held for distribution or as discontinued operations.	This clarification was not applicable for the current year as the Trust did not have any interests classified as held for sale, held for distribution or as discontinued operations.

(b) Future accounting policies

The following accounting standards under IFRS have been issued or revised; however, they are not yet effective, and, as such, have not been applied to these consolidated financial statements:

New or Amended Standards	Summary of Requirements	Possible Impact on Consolidated Financial Statements
IFRS 9 – Financial Instruments (“IFRS 9”)	<p>IFRS 9, published in July 2014, replaces the existing guidance in IAS 39. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.</p> <p>IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.</p>	<p>The Trust has reviewed and assessed the new standard and does not expect it to have a material impact on its consolidated financial statements.</p> <p>The mortgage receivable which is currently being recorded at amortized cost will be recorded at fair value through profit and loss under this revised standard.</p>
IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)	<p>IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 – Revenue (“IAS 18”), IAS 11 – Construction Contracts and IFRIC 13 – Customer Loyalty Programmes.</p> <p>IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.</p>	<p>The Trust is in the final stages of its evaluation of the potential impact of this standard on its consolidated financial statements.</p> <p>The Trust recognizes revenue from the following sources:</p> <ul style="list-style-type: none"> ▪ Rental revenue and other charges based on operating tenant leases, which should not change under IFRS 15, as they are scoped out of IFRS 15 and included in IAS 17 – Leases for fiscal 2018 and IFRS 16 – Leases (which is effective for periods beginning on or after January 1, 2019 and is outlined below). ▪ The Trust has determined that the relevant impact as a result of the adoption of IFRS 15 will be the separation of lease and non-lease components within its lease arrangements to identify revenue streams that fall under the scope of IFRS 15. Specifically, the recovery of costs related to the provision of services is considered a non-lease component and would be within the scope of IFRS 15. In respect of such recovery of services revenue, the Trust has concluded that the pattern of revenue recognition will remain unchanged. However the Trust will be required to disclose the separate components of each revenue stream, including those included within gross leases, in the notes to the consolidated financial statements. ▪ Ancillary rental income comprises revenue from coin laundry machines and income received from telephone and cable providers ▪ Interest income, which will be scoped out of IFRS 15 and addressed under IFRS 9 (as discussed above). <p>Each revenue stream has been assessed under the new standard. Based on the Trust’s assessment, both the recognition of revenue and the measurement of revenue will remain materially the same as under current IFRS. Disclosures will be consistent with the new requirements.</p>

New or Amended Standards	Summary of Requirements	Possible Impact on Consolidated Financial Statements
IFRS 16 – Leases (“IFRS 16”)	<p>IFRS 16 supersedes IAS 17 – Leases and has been established to increase the transparency of lease obligations reported on an entity’s financial report. Under this new standard, entities may be required to report more of their previously disclosed off balance sheet leases on the face of the balance sheet. The standard also provides guidance on the calculation and presentation of the lease obligations.</p> <p>IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted, only if the entity also applies IFRS 15.</p>	<p>The Trust is assessing the potential impact on its consolidated financial statements.</p> <p>It is expected that leases with tenants will be accounted for as operating leases in the same manner they are currently being reported.</p> <p>The Trust has Investment Properties located on land which is leased. Currently, these lease payments are expensed. It is expected that under the new lease standard, a right-of-use asset addition to Investment Property and a lease obligation liability will be recorded along with the corresponding financing charges.</p>
Transfers of Investment Properties (amendments to IAS 40)	<p>Paragraph 57 of IAS 40 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change in use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use.</p> <p>This amendment is effective for annual periods beginning on or after January 1, 2018.</p>	<p>The Trust will ensure these amendments are considered when evaluating/determining its Investment Properties.</p>
Classification and Measurement of Share-based Payment Transactions (Amendment to IFRS 2 – Share-based Payment (“IFRS 2”))	<p>The amendments made to IFRS 2 clarify the following items:</p> <ul style="list-style-type: none"> ▪ In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments. ▪ Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employer’s tax obligation to meet the employer’s tax liability which is then remitted to the tax authority, such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. ▪ A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: <ul style="list-style-type: none"> ◦ the original liability is derecognized; ◦ the equity-settled share-based payment is recognized at the modification date fair value; ◦ any difference in value should be recognized in profit or loss immediately. <p>The amendment is effective for annual periods beginning on or after January 1, 2018.</p>	<p>The Trust has assessed these amendments and does not expect them to have a material impact on its consolidated financial statements.</p>

New or Amended Standards	Summary of Requirements	Possible Impact on Consolidated Financial Statements
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures)	<p>The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, they state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business transaction with an associate or joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.</p> <p>The effective date for this amendment has yet to be determined.</p>	The Trust is assessing the potential impact of these amendments on its consolidated financial statements.

The following interpretation is not expected to have any impact on the Trust's consolidated financial statements:

- IFRIC 22 – Foreign Currency Transactions and Advance Consideration.

Annual Improvements to IFRSs 2014-2016 Cycle

Within the Annual Improvements to IFRSs 2014-2016 Cycle, there were amendments to standards with an effective date of January 1, 2018. None of these standards will have a significant impact on the Trust and, therefore, will not be discussed.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Trust's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Committee ("IFRIC").

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The preparation of this information is supported by a set of disclosure controls and procedures ("DC&P") implemented by management. In fiscal 2017, these controls and procedures were reviewed and the effectiveness of their design and operation was evaluated. This evaluation confirmed the effectiveness of both the design and the operation of disclosure controls and procedures as at December 31, 2017. The evaluation was performed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission ("2013 COSO") control framework (the "2013 Framework") adopted by the Trust and the requirements of National Instrument 52-109 of the Canadian Securities Administrators titled, *Certification of Disclosure in Issuers' Annual and Interim Filings*.

There were no changes made to our disclosure controls and procedures during the year ended December 31, 2017. Boardwalk REIT continues to review the design of disclosure controls and procedures to provide reasonable assurance that material information relating to Boardwalk REIT is properly communicated to certifying officers responsible for establishing and maintaining disclosure controls and procedures, as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

As at December 31, 2017, Boardwalk REIT can confirm the effectiveness of both the design and the operation of its ICFR to provide reasonable assurance regarding the reliability of financial statements and information. Boardwalk REIT may, from time to time, make changes aimed at enhancing their effectiveness and ensuring that our systems evolve with our business. There were

no changes made in our internal controls over financial reporting during the year ended December 31, 2017, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

2018 FINANCIAL OUTLOOK AND MARKET GUIDANCE

As previously noted, the Trust is providing its outlook and financial guidance for the upcoming 2018 fiscal year as part of its year end results. As such, the Trust's 2018 objectives are as follows:

Description	2018 Objectives	2017 Actual
Stabilized Building NOI Growth	2%-7%	-15.80%
FFO Per Unit	\$2.15-\$2.35	\$2.11
AFFO Per Unit	\$1.70 - \$1.90 utilizing a Maintenance CAPEX of \$695/suite/year	\$1.68 utilizing a Maintenance CAPEX of \$655/suite/year

In deriving these forecasts, the Trust has adjusted for the treatment of the LP B Units to be treated as equity (versus debt under IFRS) and their related treatment of the distributions paid (which are classified as financing charges under IFRS).

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

In addition to the above financial guidance for 2018, the Trust's Board of Trustee's has approved the 2018 Capital Budget as follows:

Capital Budget (\$000's)	2018 Budget	Per Suite	2017 Actual	Per Suite
Maintenance Capital	\$ 23,065	\$ 695	\$ 21,737	\$ 655
Value-added Capital (including suite upgrades)	113,229	3,412	180,194	5,430
Total Operational Capital	\$ 136,294	\$ 4,107	\$ 201,931	\$ 6,085
Total Operational Capital	\$ 136,294		\$ 201,931	
Development	30,000		17,888	
Total Capital Investment	\$ 166,294		\$ 219,819	

In total, the Trust expects to invest \$136.3 million (or \$4,107 per apartment unit) on operational capital in 2018 as compared to \$201.9 million (or \$6,085 per apartment unit) actually spent in 2017. The Trust has estimated its Maintenance Capital for 2018 at \$695 per apartment unit per year, compared to \$655 per apartment unit per year, using a three-year rolling average. Additionally, for 2018, Boardwalk is estimating \$30.0 million to be spent on development.

Value Added capital is subject to constant review and will only be invested if the Trust can earn a significant return on this investment.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected financial information should be read in conjunction with "Management's Discussion and Analysis", the audited consolidated financial statements and accompanying notes for the years ended December 31, 2017 and 2016, and the unaudited interim consolidated financial statements of Boardwalk REIT and accompanying notes, both incorporated herein by reference.

The statements of comprehensive income (loss) and financial position information set forth in the following tables has been derived from the audited consolidated financial statements referred to above and the unaudited consolidated financial statements of the Trust for various quarterly interim periods.

Annual Comparative <i>(Cdn\$ Thousands, except per Unit amount)</i>	Twelve Months Ended	
	Dec. 31, 2017	Dec. 31, 2016
Total rental revenue	\$ 422,926	\$ 438,846
Profit (loss)	57,258	(57,440)
Funds from operations	106,987	144,465
Profit (loss) per unit		
– Basic	\$ 1.24	\$ (1.24)
– Diluted	\$ 0.84	\$ (1.24)
Funds from operations per unit		
– Basic	\$ 2.31	\$ 3.12
– Diluted	\$ 2.11	\$ 2.84
Mortgages	2,593,980	2,435,666
Total assets	5,865,075	5,768,613
Number of apartment units	33,187	33,773
Rentable square feet (000's)	28,539	28,924

Quarterly Comparative <i>(Cdn\$ Thousands, except per Unit amount)</i>	Three Months Ended							
	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016
Total rental revenue	\$ 106,307	\$ 105,546	\$ 105,579	\$ 105,494	\$ 106,121	\$ 108,951	\$ 110,406	\$ 113,368
Profit (loss)	(67,766)	44,407	63,429	17,191	(84,687)	(35,518)	6,568	56,197
Funds from operations	26,749	27,014	27,552	25,671	29,601	37,186	38,554	39,124
Profit (loss) per unit								
– Basic	\$ (1.46)	\$ 0.96	\$ 1.37	\$ 0.37	\$ (1.83)	\$ (0.77)	\$ 0.14	\$ 1.21
– Diluted	\$ (1.46)	\$ 0.08	\$ 1.33	\$ 0.26	\$ (1.83)	\$ (1.16)	\$ 0.14	\$ 1.21
Funds from operations per unit								
– Basic	\$ 0.58	\$ 0.58	\$ 0.60	\$ 0.55	\$ 0.64	\$ 0.80	\$ 0.83	\$ 0.84
– Diluted	\$ 0.53	\$ 0.53	\$ 0.54	\$ 0.51	\$ 0.58	\$ 0.73	\$ 0.76	\$ 0.77

Additional Information

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

Respectfully,

[signed]

Roberto A. Geremia
PRESIDENT

[signed]

William Wong
CHIEF FINANCIAL OFFICER

February 26, 2018

MANAGEMENT'S REPORT

To the Unitholders of Boardwalk Real Estate Investment Trust

The accompanying consolidated financial statements and all information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to the consolidated financial statements. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality, and are in accordance with International Financial Reporting Standards appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of consolidated financial statements.

The consolidated financial statements have been further examined by the Board of Trustees and by its Audit and Risk Management Committee which meets regularly with the auditors and management to review the activities of each. The Audit and Risk Management Committee, which comprises of three independent Trustees, reports to the Board of Trustees.

Deloitte LLP, an independent firm of chartered accountants, has been engaged to audit the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provide an independent auditors' opinion.

[signed]

Sam Kolia
CHIEF EXECUTIVE OFFICER

[signed]

Roberto A. Geremia
PRESIDENT

[signed]

William Wong
CHIEF FINANCIAL OFFICER

February 26, 2018

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Boardwalk Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Boardwalk Real Estate Investment Trust, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in unitholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Boardwalk Real Estate Investment Trust as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Deloitte LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

February 22, 2018

Calgary, Alberta

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(CDN \$ THOUSANDS)

As at	Note	Dec. 31, 2017	Dec. 31, 2016
ASSETS			
Non-current assets			
Investment properties	4	\$ 5,688,125	\$ 5,612,568
Property, plant and equipment	5	30,221	24,147
Mortgage receivable	6	38,280	-
Deferred tax assets	16	74	164
		5,756,700	5,636,879
Current assets			
Inventories	7	14,870	7,277
Prepaid assets	8	7,824	9,148
Trade and other receivables	9	5,218	5,502
Segregated tenants' security deposits	10	9,629	10,705
Cash and cash equivalents	11	70,834	99,102
		108,375	131,734
Total Assets		\$ 5,865,075	\$ 5,768,613
LIABILITIES			
Non-current liabilities			
Mortgages payable	12	\$ 2,334,035	\$ 2,091,844
LP Class B Units	13	192,828	217,709
Deferred unit-based compensation	14	2,856	3,219
Deferred tax liabilities	16	55	4
Deferred government grant	17	5,641	6,019
		2,535,415	2,318,795
Current liabilities			
Mortgages payable	12	259,945	343,822
Deferred unit-based compensation	14	1,724	2,762
Deferred government grant	17	378	378
Refundable tenants' security deposits		12,346	13,275
Trade and other payables	15	77,660	68,262
		352,053	428,499
Total Liabilities		2,887,468	2,747,294
Equity			
Unitholders' equity	18	2,977,607	3,021,319
Total Equity		2,977,607	3,021,319
Total Liabilities and Equity		\$ 5,865,075	\$ 5,768,613

See accompanying notes to these consolidated financial statements

On behalf of the Trust:

[signed]

Sam Kolia
TRUSTEE

[signed]

Gary Goodman
TRUSTEE

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(CDN \$ THOUSANDS)

	Note	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
Rental revenue	19	\$ 416,504	\$ 432,140
Ancillary rental income	20	6,422	6,706
Total rental revenue		422,926	438,846
Rental expenses			
Operating expenses		113,986	97,620
Utilities		47,967	44,711
Property taxes		44,890	43,416
Net operating income		216,083	253,099
Financing costs	21	85,763	84,634
Administration		33,402	33,947
Depreciation	22	5,586	5,219
Profit before the undermoted		91,332	129,299
Proceeds on insurance settlement	23	3,162	-
Loss on sale of assets	24	(1,678)	-
Fair value losses	25	(35,418)	(186,681)
Profit (loss) before income tax		57,398	(57,382)
Income tax expense	16	(140)	(58)
Profit (loss) for the year		57,258	(57,440)
Other comprehensive income		-	-
Total comprehensive income (loss)		\$ 57,258	\$ (57,440)

See accompanying notes to these consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

(CDN \$ THOUSANDS)

	Trust Units	Cumulative Profit	Cumulative Distributions to Unitholders	Retained Earnings	Accumulated Other Comprehensive Income	Total Unitholders' Equity
Balance, December 31, 2015	\$ 193,336	\$ 4,151,947	\$ (1,134,545)	\$ 3,017,402	\$ -	\$ 3,210,738
Units issued	4,066	-	-	-	-	4,066
Units purchased and cancelled	(5,659)	(26,987)	-	(26,987)	-	(32,646)
Loss for the year	-	(57,440)	-	(57,440)	-	(57,440)
Total comprehensive loss for the year	-	(57,440)	-	(57,440)	-	(57,440)
Distributions declared to Unitholders	-	-	(103,399)	(103,399)	-	(103,399)
Balance, December 31, 2016	\$ 191,743	\$ 4,067,520	\$ (1,237,944)	\$ 2,829,576	\$ -	\$ 3,021,319
Units issued	3,199	-	-	-	-	3,199
Profit for the year	-	57,258	-	57,258	-	57,258
Total comprehensive income for the year	-	57,258	-	57,258	-	57,258
Distributions declared to Unitholders	-	-	(104,169)	(104,169)	-	(104,169)
Balance, December 31, 2017	\$ 194,942	\$ 4,124,778	\$ (1,342,113)	\$ 2,782,665	\$ -	\$ 2,977,607

See accompanying notes to these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(CDN \$ THOUSANDS)

	Note	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
Operating activities			
Profit (loss) for the year		\$ 57,258	\$ (57,440)
Loss on sale of assets	24	1,678	-
Financing costs	21	85,763	84,634
Interest paid		(79,907)	(84,256)
Fair value losses	25	35,418	186,681
Income tax expense	16	140	58
Income tax paid		-	(43)
Amortization of mortgage receivable discount		(10)	-
Government grant amortization	17	(378)	(378)
Depreciation	22	5,586	5,219
		105,548	134,475
Net change in operating working capital	33	(3,485)	(788)
		102,063	133,687
Investing activities			
Purchase of investment properties	4	-	(144,406)
Improvements to investment properties	4	(190,203)	(97,744)
Development of investment properties	4	(17,888)	(6,167)
Additions to property, plant and equipment	5	(11,728)	(4,842)
Net cash proceeds from sale of investment properties	24	8,232	-
Net change in investing working capital	33	9,418	5,297
		(202,169)	(247,862)
Financing activities			
Distributions paid	33	(104,155)	(149,537)
Unit repurchase program	18	-	(32,646)
Proceeds from mortgage financings		287,996	281,348
Mortgage payments upon refinancing		(32,538)	(56,404)
Scheduled mortgage principal repayments		(60,399)	(54,878)
Deferred financing costs incurred		(18,990)	(11,683)
Net change in financing working capital	33	(76)	61
		71,838	(23,739)
Net decrease in cash		(28,268)	(137,914)
Cash and cash equivalents, beginning of year		99,102	237,016
Cash and cash equivalents, end of year	11	\$ 70,834	\$ 99,102

See accompanying notes to these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended, December 31, 2017 and 2016

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

NOTE 1: ORGANIZATION OF THE TRUST

Boardwalk Real Estate Investment Trust (“Boardwalk REIT” or the “Trust” or the “Entity”) is an unincorporated, open-ended real estate investment trust created pursuant to the Declaration of Trust (“DOT”), dated January 9, 2004, and as amended and restated on various dates between May 3, 2004 and May 11, 2017, under the laws of the Province of Alberta. Boardwalk REIT was created to invest in multi-family residential investment properties or similar interests, initially through the acquisition of the assets and operations of Boardwalk Equities Inc. (the “Corporation”), which was acquired on May 3, 2004. Boardwalk REIT Trust Units are listed on the Toronto Stock Exchange under the symbol ‘BEI.UN’. The registered office of the Trust and its head office operations are located at First West Place, Suite 200, 1501 1st Street SW, Calgary, Alberta, T2R 0W1.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

(b) Basis of presentation

The Trust’s consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. These consolidated financial statements were prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand. The accounting policies set out below have been applied consistently in all material respects. Standards and guidelines not effective for the current accounting period are described in NOTE 3.

Certain comparative figures have been reclassified to conform to the presentation of the current period. Specifically, the amortization of deferred financing costs has been reclassified and included in financing costs, when previously they were reported as part of depreciation and amortization (NOTE 21).

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Trust and its consolidated subsidiaries (see NOTE 31), which are the entities over which Boardwalk REIT has control. Control is achieved when the entity has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Trust reassesses whether or not it controls an investee if facts, circumstances and events indicate that there are changes to one or more of the three elements of control listed above.

In accordance with IFRS 10 – Consolidated Financial Statements (“IFRS 10”), an entity can exercise control on a basis other than ownership of voting interests. When the Trust has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Trust considers all relevant facts and circumstances in assessing whether or not the Trust’s voting rights in an investee are sufficient to give it power. These facts and circumstances can include: the size of the Trust’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders; potential voting rights held by the Trust, other vote holders or other parties; rights arising from contractual arrangements; and any other additional facts or circumstances.

Currently, the Trust has control over all of the subsidiaries reported in the consolidated financial statements (either directly or indirectly) and non-controlling interests either do not exist or are immaterial for the Trust at this time. All intra-group transactions, balances, revenues and expenses eliminate on consolidation.

(d) Interest in joint operations

In accordance with IFRS 11 – Joint Arrangements, a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Trust records only its share of the assets, liabilities and share of the revenue and expenses of the joint operation. The assets, liabilities, revenue and expenses of joint operations are included within the respective line items of the consolidated statement of financial position and consolidated statement of comprehensive income (loss).

(e) Investment properties

Investment properties consist of multi-family residential properties held to earn rental income and properties being constructed or developed for future use to earn rental income, and include interests held under long-term operating land leases. Investment properties are measured initially at cost (which is equivalent to fair value). Cost includes all amounts relating to the acquisition (excluding transaction costs related to a business combination as outlined in NOTE 2(h)) and improvement of the properties. All costs associated with upgrading and extending the economic life of the existing facilities, other than ordinary repairs and maintenance, are capitalized to investment property. Included in these costs are internal amounts that are directly attributable to a specific investment property, which are capitalized to the extent that they upgrade or extend the economic life of the asset.

Subsequent to initial recognition, investment properties are recorded at fair value, in accordance with International Accounting Standard (“IAS”) 40 – Investment Property (“IAS 40”). Fair value is determined based on a combination of internal and external processes and valuation techniques. Gains or losses arising from differences between current period fair value and the sum of previously measured fair value and capitalized costs as described above are recorded in profit or loss in the period in which they arise.

Properties owned by the Trust where a significant portion of the property is used for administrative purposes by the Trust are considered “Property, Plant and Equipment” and, therefore, fall within the scope of IAS 16 – Property, Plant and Equipment (“IAS 16”) and are recorded in accordance with that standard. Where part of a building is used for administrative purposes by the Trust, but this portion is considered insignificant, this space is included as part of Investment Property under IAS 40.

Investment properties are reclassified to “Assets Held for Sale” when the criteria set out in IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations (“IFRS 5”) are met (see NOTE 2(ii)).

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Prior to its disposal, the carrying value of the investment property is adjusted to reflect its fair value as outlined in the purchase and sale agreement (as the purchase and sale agreement is the best evidence of fair value). This adjustment shall be recorded as a fair value gain or loss. Any remaining gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Excess land represents land owned by the Trust located contiguous to land included as investment property. The Trust has the ability to develop additional multi-family residential buildings on this land or sell it separately from the Investment Property at a later date. Excess land is held for capital appreciation and, therefore, is treated as Investment Property and recorded in accordance with IAS 40 as outlined above. When determining the fair value of a project with excess land, the capitalization rate used in determining the value is adjusted accordingly.

(f) Properties under development

Properties under development include new development on excess land density or acquired land, re-development or re-positioning of buildings the Trust currently owns that require substantial renovations and incomplete Apartment Units acquired from third parties that will take 12 months or longer to complete. The cost of land, if applicable, and buildings under development or re-development (consisting of development sites, density or intensification rights and related infrastructure) are specifically identifiable costs incurred in the period before construction is complete. Capitalized costs include pre-construction costs essential to the development or re-development of the property, construction costs, borrowing costs directly attributable to the development, real estate taxes and other costs incurred during the period of development or re-development. Additions to investment properties consist of costs of a capital nature and, in the case of properties under development and/or redevelopment, capitalized interest. Directly attributable borrowing costs are also capitalized on land or properties acquired specifically for development or redevelopment when activities necessary to prepare the asset for development or redevelopment are in progress in accordance with IAS 23 – Borrowing Costs (“IAS 23”). Where borrowings are associated with specific developments, the amount capitalized is the total cost incurred on those borrowings.

The capitalization of borrowing costs commences when the activities necessary to prepare an asset for development or redevelopment begins, and continues until the date that substantially all of the construction is complete and all necessary occupancy and related permits have been received, whether or not the space is leased. If the Trust is required, as a condition of a lease, to construct tenant improvements that enhance the value of the property, then capitalization of costs continues until such improvements are completed. Capitalization ceases if there is a prolonged period where development activity is interrupted.

Properties under active development are generally valued at market land values, if applicable, plus costs invested to date. Where significant leasing and construction is in place and the future income stream is reasonably determinable, the valuation methodology used is similar to that of revenue-producing properties, less estimates of future capital outlays, construction and development costs, to determine a net “as-is” market value. Development risks such as planning, zoning, licenses, and building permits are considered in the valuation process. Properties not under active development, such as land parcels held for future development, are valued based on comparable sales of land. Significant increases (decreases) in construction costs, cost escalation rates and estimated time to complete construction in isolation would result in a significantly lower (higher) fair value for properties under development.

(g) Property, plant and equipment

Tangible assets that are held for use in the production or supply of goods and services, or for administrative purposes, and are expected to be used during more than one period, except when another accounting standard requires or permits a different accounting treatment, are recorded in accordance with IAS 16 using the cost model. IAS 16, therefore, excludes tangible assets that are accounted for in accordance with IAS 40 (see NOTE 2(e)) and IFRS 5 (see NOTE 2(i)).

In accordance with IAS 16, the cost model, after initial recognition of the property, plant and equipment, requires the tangible asset to be carried at its cost less accumulated depreciation and any accumulated impairment losses (see NOTE 2(j)). Depreciation is recognized in a manner that reflects the pattern in which the future economic benefits of the tangible asset are expected to be consumed and realized by the Trust. The amount of depreciation will be charged systematically to the consolidated statement of comprehensive income (loss) and is the cost less residual value of the asset over its useful economic life. IAS 16 also requires that the cost and useful economic life of each significant component of a tangible asset be determined based on the circumstances of each tangible asset. The method of depreciation, residual values and estimates of the useful economic life of a tangible asset, or other property, plant and equipment, are reviewed at each financial year-end and any changes are accounted for as a change in accounting estimate in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”).

Property, Plant and Equipment (“PP&E”) is valued using the cost model under IAS 16. PP&E is categorized into the following classes and their respective useful economic life is used to calculate the amount of depreciation or amortization for each period. Categories of PP&E with the same or similar useful lives are included in the same class.

PP&E Class	PP&E Category (NOTE 5)	Useful Life / Depreciation Rate	Depreciation Method Used
Administrative building	Administrative building	40 years	Straight-line
Site equipment	Site equipment and other assets	15%	Declining balance
Automobiles	Site equipment and other assets	20%	Declining balance
Warehouse assets	Site equipment and other assets	10% to 20%	Declining balance
Corporate assets	Site equipment and other assets	10% to 20%	Declining balance
Computer hardware	Corporate technology assets	35%	Declining balance
Computer software*	Corporate technology assets	35%	Declining balance

* In addition to the purchase of software from external sources, the Trust capitalizes certain programmers' salaries related to internally developed software applications used in the normal course of operations of Boardwalk REIT. The programmers' work is directly attributable to software development.

(h) Business combinations

In accordance with IFRS 3 – Business Combinations (“IFRS 3”), the acquisition of an asset or group of assets is recorded as a business combination if the assets acquired and the liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefit. Building and other asset acquisitions, which meet the above definition of a business, are recorded as business combinations and the acquisition method of accounting for these transactions is applied. Building and other asset acquisitions, which do not meet the above definition of a business, are recorded as an asset addition.

The acquisition method requires that an acquirer be identified, a specific acquisition date be determined (which is typically the date on which control changes), all identifiable assets and liabilities assumed, as well as any non-controlling interest in the acquiree, be recognized and measured, and any goodwill or gains from a bargain purchase price are recognized and measured at fair value, including contingent liabilities when these contingent considerations are part of the consideration being transferred. All acquisition costs associated with a transaction identified as a business combination are expensed as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after the assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Trust in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date and is shorter than one year if all information is received) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 – Financial Instruments: Recognition and Measurement, or IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss in the consolidated statement of comprehensive income (loss).

When a business combination is achieved in stages, the Trust's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Trust obtains control) and the resulting gain or loss, if any, is recognized in profit or loss in the consolidated statement of comprehensive income (loss). Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Trust reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(i) Assets held for sale and discontinued operations

(i) Assets (or disposal groups) held for sale

Non-current assets and groups of assets and liabilities, which comprise disposal groups, are categorized as assets (or disposal groups) held for sale where the asset (or disposal group) is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable: (a) if management is committed to a plan to achieve the sale; (b) there is an active program to find a buyer; (c) the non-current asset (or disposal group) is being actively marketed at a reasonable price; (d) the sale is anticipated to be completed within one year from the date of classification; and (e) it is unlikely there will be changes to the plan. Where an asset (or disposal group) is acquired with a view to resale, it is classified as a non-current asset (or disposal group) held for sale if the disposal is expected to take place within one year of the acquisition and it is highly likely that the other conditions referred to above will be met within a short period following the acquisition. Retrospective application is not required; therefore, comparative figures will not be adjusted to reflect non-current assets held for sale. The gains or losses arising on a sale of assets (or disposal groups) that does not meet the definition of discontinued operations will be recognized as part of continuing operations, while the gains or losses arising on a sale of assets (or disposal groups) that meets the definition of discontinued operations will be reported as part of discontinued operations in the consolidated statement of comprehensive income (loss).

(ii) Discontinued operations

An asset or group of assets will be classified as a discontinued operation when it is a component of an entity that has either been disposed of or is classified as held for sale and represents a separate major line of business, it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or it is a subsidiary acquired exclusively with a view to resell. Profits and gains or losses related to the disposal of discontinued operations are measured based on fair value less cost to sell or on the disposal of the assets (or disposal groups) and are presented in the consolidated financial statements on an after-tax basis in accordance with IFRS 5. In addition, retrospective application is required; therefore, comparative figures will be changed to reflect discontinued operations. As an individual building or a group of buildings in a non-core municipal region does not constitute a major line of business, these sales are not treated as discontinued operations.

(j) Impairment of assets

At the end of each reporting period, assets, other than those identified in the standard as not being applicable to IAS 36 – Impairment of Assets (“IAS 36”), such as investment properties recorded at fair value, are assessed for any indication of impairment. Should the indication of impairment exist, the recoverable amount (see below) of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Trust estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is defined as the higher of an asset’s “fair value less cost to sell” and its “value-in-use.” In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted.

Where the carrying amount of an asset exceeds the recoverable amount determined, an impairment loss is recognized in the consolidated statement of comprehensive income (loss). After the recognition of an impairment loss, the depreciation charge related to that asset is also revised for the adjusted carrying amount on a systematic basis over the remaining useful life of the asset. Should this impairment loss be determined to have reversed in a future period (with the exception of goodwill), a reversal of the impairment loss is recorded in profit or loss. However, the reversal of an impairment loss will not increase the carrying amount that would have been determined (net of amortization) had no impairment loss been recognized.

(k) Inventories

Inventories are measured at the lower of cost and net realizable value. The costs of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and third-party transport, handling and other costs directly attributable to the acquisition of goods and materials, less any trade discounts, rebates and other similar items, using the first-in, first-out method of cost assignment. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

(l) Taxation

For fiscal 2016 and 2017, Boardwalk REIT qualified as a “mutual fund trust” as defined under the Income Tax Act (Canada) (the “Tax Act”) and as a Real Estate Investment Trust (“REIT”) eligible for the ‘REIT Exemption’ in accordance with the rules affecting the tax treatment of publicly traded trusts. Accordingly, the Trust is not taxable on its income provided that all of its taxable income is distributed to its Unitholders. This exemption, however, does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax (NOTE 31 summarizes the Trust’s subsidiaries, including its corporate subsidiaries).

Current Tax

The tax currently payable, if any, is based on taxable profit for the year for certain corporate subsidiaries of the Trust. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income (loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Trust’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amounts of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax assets will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability settled, based on tax rates and laws that have been enacted or substantively enacted at the reporting date. In addition, deferred income tax assets and liabilities are measured using the rate that is consistent with the expected manner of recovery (i.e. using the asset versus selling the asset). Where applicable, current and deferred income taxes relating to items recognized directly in equity or comprehensive income (loss) are also recognized directly in equity or comprehensive income (loss), respectively.

(m) Provisions

In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), a provision is a liability of uncertain timing or amount. Provisions are recognized when the entity has a present legal or constructive obligation as a result of past events and when it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discounted rate that reflects current market assessment of the time value of money and the risks and uncertainties specific to the obligation. Provisions are re-measured at each reporting date using the current discount rate. The increase in the provision due to the passage of time is recognized as a financing cost.

(n) Unit-based payments

Equity-settled unit-based payments to employees and Trustees are measured at the fair value of the deferred unit at the grant date and expensed over the vesting period based on the Trust’s estimate of the deferred units that will actually vest. At the end of each reporting period, the Trust revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss prospectively such that the cumulative expense reflects the revised estimate. In accordance with IAS 32 – Financial Instruments: Presentation (“IAS 32”), the deferred units are presented as a liability on the consolidated statement of financial position as the Trust is obliged to provide the holder with REIT Units once the deferred units vest. Under IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”), the deferred units are classified as ‘fair value through profit or loss’ and are measured at each reporting period at fair value with changes in fair value recognized in the consolidated statement of comprehensive income (loss). Fair value of the deferred units is calculated based on the observable market price of Boardwalk REIT’s Trust Units.

(o) Government assistance and grants

The Trust receives government assistance in order to complement and partially assist the Trust’s initiatives in providing affordable housing to low income-earning individuals. Government grants are not recognized until there is reasonable assurance that the Trust will comply with the conditions attached to them and that the grants will be received. In accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, grant proceeds will be recognized in profit or loss on a systematic basis over the periods in which the Trust recognizes revenue or incurs expenses.

(p) Revenue recognition

(i) Rental revenue

The Trust has retained substantially all of the risks and benefits of ownership of its investment properties, and, therefore, accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on lease inception date when the tenant occupies their leased space. Rental revenue is recognized systematically over the term of the lease, which is generally not more than twelve months. Any suite specific incentives offered or initial direct costs incurred in negotiating and arranging an operating lease are also amortized over the term of the operating lease. Rental revenue is recorded based on the amount received or to be received in accordance with the operating lease.

(ii) Building sales

The gain or loss from the sale of an investment property is recognized when title passes to the purchaser (control is transferred) upon closing at which time all or substantially all of the funds are receivable, or have been received, and the conditions of the sale have been completed.

(iii) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Trust and the amount of income can be measured reliably. Interest income is accrued on a time basis when earned, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in financing costs in the consolidated statement of comprehensive income (loss).

(iv) Ancillary rental income

Ancillary rental income comprises revenue from coin laundry machines located on the Trust's existing building sites, and income received from telephone and cable providers and is recorded when earned.

(q) Financial instruments and derivatives

Financial instruments and derivatives are accounted for, presented, and disclosed in accordance with IFRS 7 – Financial Instruments: Disclosures ("IFRS 7"), IAS 32 and IAS 39. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial Assets

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. Financial assets are classified as at FVTPL when the financial asset either is held for trading or is designated as at FVTPL.

Financial assets categories are defined and measured as follows:

Classification	Definition	Measurement
FVTPL	<p>Classified as FVTPL when the financial asset is either held for trading or it is designated as at FVTPL as discussed below:</p> <p>Classified as held for trading if: it has been acquired principally for the purpose of selling it in the near term; or, on initial recognition, it is part of a portfolio of identified financial instruments that the Trust manages together, and has a recent actual pattern of short-term profit taking; or, it is a derivative that is not designated and effective as a hedging instrument.</p> <p>Classified as FVTPL upon initial recognition if: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group which is managed and its performance is evaluated on a fair value basis; or it forms part of a contract containing one or more embedded derivatives.</p>	<p>Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.</p> <p>Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.</p>
Held-to-maturity investments	Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Trust has the positive intent and ability to hold to maturity.	Measured at amortized cost using the effective interest method less any impairment. ^{(1) (2)}
Available-for-sale	Non-derivative financial assets that either are designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.	Measured at fair value through other comprehensive income.
Loans and receivables	Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.	Measured at amortized cost using the effective interest method less any impairment. ^{(1) (2)}

- (1) The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or where appropriate, a shorter period, to the net carrying amount on initial recognition.
- (2) Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Generally, the carrying amount of the financial asset is reduced by the impairment loss.

Boardwalk REIT's financial assets are as follows:

Financial Asset	Classification	Measurement
Mortgage receivable	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Segregated tenants' security deposits	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost

The Trust derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial Liabilities and Equity

Debt and equity instruments issued are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract

that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Trust are recognized at the proceeds received, net of direct issue costs. Repurchase of Boardwalk REIT's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Trust's own equity instruments. Distributions paid on the Trust's equity instruments subsequent to, declared prior to, and with a record date at or prior to, the reporting date, are recorded as a liability.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Financial liabilities categories are defined and measured as follows:

Classification	Definition	Measurement
FVTPL	Classified as FVTPL when the financial liability is either held for trading or it is designated as at FVTPL as discussed below:	
	Classified as held for trading if: it has been acquired principally for the purpose of repurchasing it in the near term; or, on initial recognition, it is part of a portfolio of identified financial instruments that the Trust manages together and has a recent actual pattern of short-term profit taking; or, it is a derivative that is not designated and effective as a hedging instrument.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
	Classified as FVTPL upon initial recognition if: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial liability forms part of a group which is managed and its performance is evaluated on a fair value basis; or it forms part of a contract containing one or more embedded derivatives.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
Other financial liabilities	All other liabilities.	Measured at amortized cost using the effective interest method. ⁽¹⁾

(1) The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Boardwalk REIT's financial liabilities are as follows:

Financial Liability	Classification	Measurement
Mortgages payable	Other financial liabilities	Amortized cost
LP Class B Units	FVTPL	Fair value
Deferred unit-based compensation	FVTPL	Fair value
Refundable tenants' security	Other financial liabilities	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost

The Trust derecognizes a financial liability when, and only when, the Trust's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivatives

The Trust may enter into a variety of derivative financial instruments to manage its exposure to interest rate risks, including interest rate swaps and bond forward contracts. Further details of derivative financial instruments are disclosed in NOTE 29. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently measured at their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives embedded in host contracts are treated as separate derivatives when their risks and characteristics are not closely related to the host contracts and the host contracts are not measured at FVTPL. For the years ended December 31, 2017 and 2016, the Trust had no embedded derivatives requiring separate recognition.

(r) Cash and cash equivalents

Cash is comprised of bank balances, interest-earning bank accounts and term deposits with maturities of 90 days or less.

(s) Critical judgment in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see NOTE 2(t) below), that have been made in applying the Trust's accounting policies and that have the most significant effect on the reported amounts in the consolidated financial statements:

(i) Income taxes

The Trust applies judgment in determining the tax rates applicable to its corporate subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes related to temporary differences arising from its corporate subsidiaries are measured based on the tax rates that are expected to apply in the year when the asset is realized or the liability is settled. Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

(ii) Leases

The Trust's revenue recognition policy related to leases is described in NOTE 2(p)(i). The Trust makes judgments in determining whether certain leases, in particular tenant leases, as well as leased warehouse space and long-term land leases, which are considered leases under IFRS, where the Trust is the lessor, are operating or finance leases. The Trust has determined that all of its leases are operating leases.

(iii) Investment property and internal capital program

The Trust's accounting policy relating to investment property is described in NOTE 2(e) above. In applying this policy, judgment is applied in determining the extent and frequency of utilizing independent, third-party appraisals to measure the fair value of the Trust's investment property. Additionally, judgment is applied in determining the appropriate classes of investment properties in order to measure fair value. The Trust also undertakes internal capital improvements and upgrades. Such work is specifically identified, and the Trust applies judgment in the estimated amount of directly attributable on-site wages to be allocated to capital improvements and upgrades of its real estate assets.

(iv) Financial instruments

The Trust's accounting policies relating to financial instruments are described in NOTE 2(q). Critical judgments inherent in these policies related to applying the criteria set out in IAS 39 to designate financial instruments into categories (i.e. FVTPL, etc.), assess the effectiveness of hedging relationships (for the Trust's cash flow hedges) and determine the identification of embedded derivatives, if any, in certain hybrid instruments that are subject to fair value measurement.

(v) Basis of consolidation

The consolidated financial statements of the Trust include the accounts of Boardwalk REIT and its wholly owned subsidiaries, as well as entities over which the Trust exercises control on a basis other than ownership of voting interest within the scope of IFRS 10. Judgment is applied in determining if an entity meets the criteria of control as defined in the accounting standard.

(vi) Deferred unit-based compensation

The Trust applies judgment in determining the best available estimate of the number of deferred units that are expected to vest at each reporting period.

(t) Key accounting estimates and assumptions

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results could differ from estimates.

(i) Investment properties

The choice of valuation method for fair valuing and the critical estimates and assumptions underlying the fair value determination of investment properties are set out in NOTE 4. Significant estimates used in determining the fair value of the Trust's investment properties includes capitalization rates and net operating income (which is influenced by market inflation rates, vacancy rates and standard costs) used in the overall capitalization rate valuation method as well as discount rates and forecasted cash flows used in the discounted cash flow valuation method. A change to any one of these inputs could significantly alter the fair value of an investment property. Please refer to NOTE 4 for sensitivity analysis.

(ii) Property, plant and equipment

The useful economic life of property, plant and equipment for the purposes of calculating depreciation and amortization, as disclosed in NOTE 5, and forecasts of economic factors to determine recoverable amounts for the purpose of determining any impairment of assets, are based on data and information from various sources including industry practice and entity specific history.

(iii) Internal capital program

The Trust's internal capital program is based on internal allocations, including parts, supplies and on-site wages identified as part of a specific upgrade or capital improvement.

(iv) Utility accrual

The amount of utility accrual for charges related to the current or prior year is based on estimates of usage and price for the time period in which invoices have not been received from the utility providers.

(v) Deferred unit-based compensation plan

The compensation costs relating to the deferred unit plan are based on estimates of how many deferred units will actually vest and be exercised.

(vi) Deferred taxes

The amount of the temporary differences between the accounting carrying value of the Trust's assets and liabilities held in various corporate subsidiaries versus the tax bases of those assets and liabilities and the tax rates at which the differences will be realized are outlined in NOTE 16.

NOTE 3: APPLICATION OF NEW AND REVISED IFRSS AND FUTURE ACCOUNTING POLICIES

(a) Application of new and revised IFRSs

In the current year, the Trust has applied a number of new and revised IFRSs issued by the IASB, and incorporated in the Chartered Professional Accountants of Canada Handbook. The following highlights these changes and the effect, if any, on the Trust's consolidated financial statements:

Standard	Details of Amendment	Impact
Disclosure Initiative (Amendment to IAS 7 – Statement of Cash Flows)	The amendment clarifies that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	The application of this amendment has not resulted in any material impact on the consolidated financial statements of the Trust.
Recognition of Deferred Tax Assets for Unrealized Losses (Amendment to IAS 12 – Income Taxes ("IAS 12"))	The amendments made to IAS 12 clarify the following items: <ul style="list-style-type: none"> ▪ Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the carrying amount is expected to be recovered. ▪ The carrying amount of an asset does not limit the estimation of probable future taxable benefits. ▪ Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. ▪ An entity assesses a deferred tax asset in combination with other deferred tax assets. 	The application of these amendments has not resulted in any material impact on the consolidated financial statements of the Trust.
2014-2016 Cycle		
IFRS 12 – Disclosure of Interests in Other Entities	Provides clarification that the scope of the standard should include interests that are classified as held for sale, held for distribution or as discontinued operations.	This clarification was not applicable for the current year as the Trust did not have any interests classified as held for sale, held for distribution or as discontinued operations.

(b) Future accounting policies

The following accounting standards under IFRS have been issued or revised; however, they are not yet effective, and, as such, have not been applied to these consolidated financial statements:

New or Amended Standards	Summary of Requirements	Possible Impact on Consolidated Financial Statements
IFRS 9 – Financial Instruments (“IFRS 9”)	<p>IFRS 9, published in July 2014, replaces the existing guidance in IAS 39. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.</p> <p>IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.</p>	<p>The Trust has reviewed and assessed the new standard and does not expect it to have a material impact on its consolidated financial statements.</p> <p>The mortgage receivable which is currently being recorded at amortized cost will be recorded at fair value through profit and loss under this revised standard.</p>
IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)	<p>IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 – Revenue (“IAS 18”), IAS 11 – Construction Contracts and IFRIC 13 – Customer Loyalty Programmes.</p> <p>IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.</p>	<p>The Trust is in the final stages of its evaluation of the potential impact of this standard on its consolidated financial statements.</p> <p>The Trust recognizes revenue from the following sources:</p> <ul style="list-style-type: none"> ▪ Rental revenue and other charges based on operating tenant leases, which should not change under IFRS 15, as they are scoped out of IFRS 15 and included in IAS 17 – Leases for fiscal 2018 and IFRS 16 – Leases (which is effective for periods beginning on or after January 1, 2019 and is outlined below). ▪ The Trust has determined that the relevant impact as a result of the adoption of IFRS 15 will be the separation of lease and non-lease components within its lease arrangements to identify revenue streams that fall under the scope of IFRS 15. Specifically, the recovery of costs related to the provision of services is considered a non-lease component and would be within the scope of IFRS 15. In respect of such recovery of services revenue, the Trust has concluded that the pattern of revenue recognition will remain unchanged. However the Trust will be required to disclose the separate components of each revenue stream, including those included within gross leases, in the notes to the consolidated financial statements. ▪ Ancillary rental income comprises revenue from coin laundry machines and income received from telephone and cable providers ▪ Interest income, which will be scoped out of IFRS 15 and addressed under IFRS 9 (as discussed above). <p>Each revenue stream has been assessed under the new standard. Based on the Trust’s assessment, both the recognition of revenue and the measurement of revenue will remain materially the same as under current IFRS. Disclosures will be consistent with the new requirements.</p>

New or Amended Standards	Summary of Requirements	Possible Impact on Consolidated Financial Statements
IFRS 16 – Leases (“IFRS 16”)	<p>IFRS 16 supersedes IAS 17 – Leases and has been established to increase the transparency of lease obligations reported on an entity’s financial report. Under this new standard, entities may be required to report more of their previously disclosed off balance sheet leases on the face of the balance sheet. The standard also provides guidance on the calculation and presentation of the lease obligations.</p> <p>IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted, only if the entity also applies IFRS 15.</p>	<p>The Trust is assessing the potential impact on its consolidated financial statements.</p> <p>It is expected that leases with tenants shall be accounted for as operating leases in the same manner they are currently being reported.</p> <p>The Trust has Investment Properties located on land which is leased. Currently, these lease payments are expensed. It is expected that under the new lease standard, a right-of-use asset addition to Investment Property and a lease obligation liability shall be recorded along with the corresponding financing charges.</p>
Transfers of Investment Properties (amendments to IAS 40)	<p>Paragraph 57 of IAS 40 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change in use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use.</p> <p>This amendment is effective for annual periods beginning on or after January 1, 2018.</p>	<p>The Trust will ensure these amendments are considered when evaluating/determining its Investment Properties.</p>
Classification and Measurement of Share-based Payment Transactions (Amendment to IFRS 2 – Share-based Payment (“IFRS 2”))	<p>The amendments made to IFRS 2 clarify the following items:</p> <ul style="list-style-type: none"> ▪ In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments. ▪ Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employer’s tax obligation to meet the employer’s tax liability which is then remitted to the tax authority, such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. ▪ A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: <ul style="list-style-type: none"> ◦ the original liability is derecognized; ◦ the equity-settled share-based payment is recognized at the modification date fair value; ◦ any difference in value should be recognized in profit or loss immediately. <p>The amendment is effective for annual periods beginning on or after January 1, 2018.</p>	<p>The Trust has assessed these amendments and does not expect them to have a material impact on its consolidated financial statements.</p>

New or Amended Standards	Summary of Requirements	Possible Impact on Consolidated Financial Statements
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures)	<p>The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, they state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business transaction with an associate or joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.</p> <p>The effective date for this amendment has yet to be determined.</p>	The Trust is assessing the potential impact of these amendments on its consolidated financial statements.

The following interpretation is not expected to have any impact on the Trust's consolidated financial statements:

- IFRIC 22 – Foreign Currency Transactions and Advance Consideration.

Annual Improvements to IFRSs 2014-2016 Cycle

Within the Annual Improvements to IFRSs 2014-2016 Cycle, there were amendments to standards with an effective date of January 1, 2018. None of these standards will have a significant impact on the Trust and, therefore, will not be discussed.

NOTE 4: INVESTMENT PROPERTIES

As at	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
Balance, beginning of year	\$ 5,612,568	\$ 5,540,299
Additions		
Building acquisitions	-	144,406
Building improvements (incl. internal capital program)	190,203	97,744
Development of investment properties	17,888	6,167
Reclass from Property, plant and equipment	-	4,795
Dispositions	(71,648)	-
Fair value losses, unrealized	(60,886)	(180,843)
Balance, end of year	\$ 5,688,125	\$ 5,612,568
Revenue producing properties	\$ 5,676,776	\$ 5,606,174
Properties under development ⁽¹⁾	11,349	6,394
Total	\$ 5,688,125	\$ 5,612,568

(1) On June 28, 2017, a 79-unit development project in Regina, Saskatchewan, with costs totaling \$12.9 million was transferred from development to revenue producing properties. On January 29, 2016, a 79-unit development project in Regina, Saskatchewan, totaling \$13.4 million in costs was transferred from development to revenue producing properties.

On November 23, 2017, the Trust closed on its purchase of a 50% interest in a parcel of land in Calgary, Alberta. The Trust's purchase of its 50% interest totaled \$3.2 million and will be used as part of a joint venture agreement to develop a mixed-use tower. This acquisition has been included as development of investment properties.

On June 7, 2016, the Trust closed on the purchase of a 162-unit property for a purchase price of \$29.6 million. On August 9, 2016, the Trust closed on the purchase of a 165-unit property for a purchase price of \$30.2 million. On August 17, 2016, the Trust closed on the purchase of a 182-unit property for a purchase price of \$33.3 million. All three properties were part of the portfolio of 509 units located in Edmonton, Alberta, which the Trust waived conditions on April 26, 2016. On June 22, 2016, the Trust closed on the purchase of a 238-unit property in Calgary, Alberta for a purchase price of \$51.2 million. All of the acquisitions were paid for with cash on hand.

	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
Acquisitions		
Purchase price	\$ -	\$ 144,190
Transaction costs	-	216
Total cash paid	\$ -	\$ 144,406
Allocation of fair value to investment properties	\$ -	\$ 144,406
Multi-family units acquired	-	747

Subsequent to initial recognition at cost, investment properties are recorded at fair value in accordance with IAS 40. Fair value is determined based on a combination of internal and external processes and valuation techniques. Fair value under IFRS is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment properties are valued on a highest and best use basis. For all of the Trust's investment properties, the current use is considered to be the highest and best use. For the year ended December 31, 2017, there has been no change to the valuation techniques.

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

	Year ended December 31, 2017							
	Balance, Beginning of Year	Building Improvements (incl. Internal Capital Program)	Building Acquisitions	Development of Investment Properties	Reclass from Property, Plant and Equipment	Dispositions	Fair Value Gains (Losses)	Balance, End of Year
Recurring measurements investment properties								
Calgary	\$1,251,968	\$ 50,502	\$ -	\$ 5,794	\$ -	\$ -	\$ (29,626)	\$1,278,638
Edmonton	2,274,320	67,159	-	(4)	-	-	(53,901)	2,287,574
Other Alberta	280,536	17,410	-	-	-	-	(11,185)	286,761
Kitchener	38,160	2,063	-	-	-	-	8,620	48,843
London	231,709	9,994	-	-	-	-	57,781	299,484
Montreal	107,932	1,743	-	-	-	-	4,320	113,995
Quebec City	185,861	3,366	-	-	-	-	(823)	188,404
Regina	397,699	12,233	-	12,098	-	(71,648)	(25,867)	324,515
Saskatoon	321,450	11,640	-	-	-	-	(24,261)	308,829
Land leases	522,933	14,093	-	-	-	-	14,056	551,082
Total	\$5,612,568	\$ 190,203	\$ -	\$ 17,888	\$ -	\$ (71,648)	\$ (60,886)	\$5,688,125

	Year ended December 31, 2016							
	Balance, Beginning of Year	Building Improvements (incl. Internal Capital Program)	Building Acquisitions	Development of Investment Properties	Reclass from Property, Plant and Equipment	Dispositions	Fair Value Gains (losses)	Balance, End of Year
Recurring measurements investment properties								
Calgary	\$1,197,629	\$ 16,351	\$ 51,222	\$ 85	\$ 1,300	\$ -	\$ (14,619)	\$1,251,968
Edmonton	2,279,601	35,977	93,184	11	2,030	-	(136,483)	2,274,320
Other Alberta	285,064	6,483	-	-	412	-	(11,423)	280,536
Kitchener	34,232	1,532	-	-	36	-	2,360	38,160
London	211,999	6,341	-	-	248	-	13,121	231,709
Montreal	104,384	1,780	-	-	-	-	1,768	107,932
Quebec City	183,254	4,463	-	-	-	-	(1,856)	185,861
Regina	398,033	5,281	-	6,071	242	-	(11,928)	397,699
Saskatoon	329,439	3,638	-	-	445	-	(12,072)	321,450
Land leases	516,664	15,898	-	-	82	-	(9,711)	522,933
Total	\$5,540,299	\$ 97,744	\$ 144,406	\$ 6,167	\$ 4,795	\$ -	\$ (180,843)	\$5,612,568

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

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

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

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

The Trust's policy is to recognize transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. As at December 31, 2017, all of the Trust's investment properties were Level 3 inputs. There were no transfers into or out of Level 3 fair value measurements for investment properties held as at December 31, 2017 and December 31, 2016.

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

Date	Number of Properties	Aggregate Fair Value	Percentage of Portfolio as of That Date
December 31, 2017	5	\$ 575,360	10.1%
September 30, 2017	4	\$ 125,232	2.2%
June 30, 2017	5	\$ 152,681	2.7%
March 31, 2017	4	\$ 99,593	1.8%
December 31, 2016	5	\$ 511,224	9.1%
September 30, 2016	5	\$ 177,677	3.2%
June 30, 2016	4	\$ 82,027	1.5%
March 31, 2016	4	\$ 97,993	1.8%

The fair value of the remainder of the Trust's investment property portfolio was determined internally by the Trust using the same assumptions and valuation techniques used by the external valuation professionals. In addition to performing a valuation on a selection of the Trust's properties (and not performing a valuation on all of the Trust's properties) to corroborate the Trust's internal valuation, the Appraisers provided the Trust with a summary of the major assumptions and market data by city in order for the Trust to complete its internal valuations. This summary includes the Appraisers' estimates of Capitalization Rates for each region (city) as well as confirmation of the reasonableness of the assumptions used in determining stabilized net operating income used in calculating fair values.

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

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

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

	Dec. 31, 2017			Dec. 31, 2016		
	Capitalization Rate		Forecasted Total Standardized Net Operating Income	Capitalization Rate		Forecasted Total Standardized Net Operating Income
As at	Minimum	Maximum		Minimum	Maximum	
Calgary	4.50%	6.00%	\$ 63,390	4.50%	6.00%	\$ 62,802
Edmonton	5.00%	5.50%	120,518	5.00%	5.52%	120,325
Other Alberta	5.75%	7.25%	18,271	5.75%	7.25%	17,920
Kitchener	4.75%	4.75%	2,320	5.25%	5.25%	2,003
London	4.75%	5.00%	14,251	5.25%	5.50%	12,186
Montreal	4.75%	5.75%	5,788	5.00%	5.75%	5,669
Quebec City	5.25%	5.75%	10,250	5.25%	5.75%	10,116
Regina	5.65%	6.20%	19,127	5.65%	6.00%	23,426
Saskatoon	5.75%	6.00%	18,377	5.75%	6.00%	19,127
	4.50%	7.25%	\$ 272,292	4.50%	7.25%	\$ 273,574
Land Lease	4.50%	21.07%	\$ 28,100	4.75%	18.80%	\$ 27,847

The overall weighted average Capitalization Rates for fair valuing the Trust's investment properties at December 31, 2017 and 2016 was 5.29% and 5.38% respectively.

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

As at December 31, 2017		Net Operating Income				
		-3%	-1%	As Forecasted	+1%	+3%
Capitalization Rate		\$ 291,380	\$ 297,388	300,392	\$ 303,396	\$ 309,404
-0.25%	5.04%	\$ 102,749	\$ 221,914	281,497	\$ 341,080	\$ 460,245
Cap Rate As Reported	5.29%	(170,303)	(56,768)	5,676,776	56,768	170,303
+0.25%	5.54%	(418,719)	(310,305)	(256,099)	(201,892)	(93,478)

As at December 31, 2016		Net Operating Income				
		-3%	-1%	As Forecasted	+1%	+3%
Capitalization Rate		\$ 292,378	\$ 298,406	301,421	\$ 304,435	\$ 310,463
-0.25%	5.13%	\$ 97,001	\$ 214,592	273,387	\$ 332,183	\$ 449,774
Cap Rate As Reported	5.38%	(168,185)	(56,062)	5,606,174	56,062	168,185
+0.25%	5.63%	(409,806)	(302,664)	(249,093)	(195,522)	(88,381)

Investment properties with a fair value of \$551.1 million (December 31, 2016 – \$522.9 million) are situated on land held under land leases.

Investment properties with a fair value of \$948.3 million (December 31, 2016 – \$770.5 million) are pledged as security against the Trust's committed revolving credit facility. Assets pledged as security for the committed revolving credit facility may also be pledged as security for the Trust's mortgages payable. In addition, investment properties with a fair value of \$5.4 billion (December 31, 2016 – \$5.3 billion) are pledged as security against the Trust's mortgages payable. As at December 31, 2017, there are no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements, except for the fixed-price contract in place for the construction of the new development project in Regina, Saskatchewan and the joint venture project to develop a mixed-use tower in Calgary, Alberta.

For the years ended December 31, 2017 and 2016, investment properties earned rental revenue (excluding ancillary rental income) of \$416.5 million and \$432.1 million, respectively. Direct operating expenses in relation to investment properties were \$206.8 million and \$185.7 million for the years ended December 31, 2017 and 2016, respectively.

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

The carrying amounts of PP&E were as follows:

As at	Dec. 31, 2017			Dec. 31, 2016		
	Cost	Accumulated Depreciation	Carrying Amount	Cost	Accumulated Depreciation	Carrying Amount
Administration building	\$ 6,382	\$ (3,327)	\$ 3,055	\$ 6,186	\$ (3,079)	\$ 3,107
Site equipment and other	49,641	(28,807)	20,834	43,351	(25,629)	17,722
Corporate technology assets	34,286	(27,954)	6,332	29,246	(25,928)	3,318
Total	\$ 90,309	\$ (60,088)	\$ 30,221	\$ 78,783	\$ (54,636)	\$ 24,147

The following table outlines a reconciliation of the carrying amount of PP&E as at December 31, 2017:

	Balance, Beginning of Year	Additions	Reclass to Investment Properties	Disposals	Depreciation	Balance, End of Year
Administration building	\$ 3,107	\$ 196	\$ -	\$ -	\$ (248)	\$ 3,055
Site equipment and other	17,722	6,489	-	(66)	(3,311)	20,834
Corporate technology assets ⁽¹⁾	3,318	5,043	-	(2)	(2,027)	6,332
Total	\$ 24,147	\$ \$11,728	\$ -	\$ (68)	\$ (5,586)	\$ 30,221

(1) Included in computer software for the year ended December 31, 2017 was \$1.1 million of capitalized programmers' salaries related to the internally developed software applications used by the Trust in the normal course of its operations.

The following table outlines a reconciliation of the carrying amount of PP&E as at December 31, 2016:

	Balance, Beginning of Year	Additions	Reclass to Investment Properties	Disposals	Depreciation	Balance, End of Year
Administration building	\$ 3,333	\$ 33	\$ -	\$ -	\$ (259)	\$ 3,107
Site equipment and other	22,679	3,392	(4,795)	-	(3,553)	17,722
Corporate technology assets ⁽¹⁾	3,308	1,417	-	-	(1,407)	3,318
Total	\$ 29,320	\$ 4,842	\$ (4,795)	\$ -	\$ (5,219)	\$ 24,147

(1) Included in computer software for the year ended December 31, 2016 was \$0.6 million of capitalized programmers' salaries related to the internally developed software applications used by the Trust in the normal course of its operations.

NOTE 6: MORTGAGE RECEIVABLE

As part of the disposition outlined in NOTE 24, the Trust issued a vendor take back mortgage to the purchaser in the amount of \$38.8 million. The mortgage receivable requires monthly interest payments and has a maturity date of May 1, 2022. The principal amount of the mortgage must be reduced to \$7.2 million by December 13, 2019, the remainder is due and payable at maturity. The vendor take back mortgage is carried at amortized cost using the effective interest rate method, which resulted in recognizing a discount of \$0.5 million at inception.

As at	Dec. 31, 2017		Dec. 31, 2016	
	Weighted Average Interest	Receivable Balance	Weighted Average Interest	Receivable Balance
Mortgage receivable				
Fixed rate	2.19%	\$ 38,280	-%	\$ -
Total		\$ 38,280		\$ -
Current		\$ -		\$ -
Non-current		38,280		-
		\$ 38,280		\$ -

NOTE 7: INVENTORIES

Inventories consists of parts and supplies and items such as baseboards, carpet and linoleum, which the Trust routinely uses in the maintenance and upgrading of its investment properties. These items are kept on hand so they are readily available for use. When items of inventory are used, they are expensed as part of maintenance expense or they are capitalized to investment properties, depending on the nature of the inventory used and whether or not the useful life of an asset has been extended as a result of its use. The Trust's inventories are as follows:

As at	Dec. 31, 2017	Dec. 31, 2016
Cabinets, appliances, baseboard, carpet, linoleum and other	\$ 14,870	\$ 7,277

NOTE 8: PREPAID ASSETS

The major components of prepaid assets are as follows:

As at	Dec. 31, 2017	Dec. 31, 2016
Prepaid property taxes	\$ 870	\$ 822
Prepaid land leases	2,913	2,886
Prepaid expenses and other	4,041	5,440
	\$ 7,824	\$ 9,148

NOTE 9: TRADE AND OTHER RECEIVABLES

Trade and other receivables consist mainly of mortgage holdbacks, refundable mortgage fees and amounts owed to Boardwalk REIT by tenants, insurers and revenue-sharing business partners and totaled \$5.2 million at December 31, 2017 (December 31, 2016 – \$5.5 million).

As at	Dec. 31, 2017	Dec. 31, 2016
Trade and other receivables	\$ 5,218	\$ 5,281
Mortgage holdbacks and refundable mortgage fees	-	221
	\$ 5,218	\$ 5,502

Refer to NOTE 30(b) for the Trust's exposure to credit risk in relation to its trade and other receivables and how the Trust accounts for past due balances.

NOTE 10: SEGREGATED TENANTS' SECURITY DEPOSITS

Segregated tenants' security deposits are considered restricted cash as they are held in trust bank accounts and subject to the contingent rights of third parties. Restricted cash and deposits totaled \$9.6 million at December 31, 2017 and \$10.7 million at December 31, 2016.

NOTE 11: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash of \$20.8 million and term deposits with maturities of 90 days or less of \$50.0 million (December 31, 2016 – bank indebtedness of \$4.1 million and term deposits of \$103.2 million).

NOTE 12: MORTGAGES PAYABLE

As at	Dec. 31, 2017		Dec. 31, 2016	
	Weighted Average Interest	Debt Balance	Weighted Average Interest	Debt Balance
Mortgage receivable				
Fixed rate	2.61%	\$ 2,593,980	2.78%	\$ 2,435,666
Total		\$ 2,593,980		\$ 2,435,666
Current		\$ 259,945		\$ 343,822
Non-current		2,334,035		2,091,844
		\$ 2,593,980		\$ 2,435,666

Estimated future principal payments required to meet mortgage obligations as at December 31, 2017 are as follows:

	Secured By Investment Properties
12 months ending December 31, 2018	\$ 259,945
12 months ending December 31, 2019	580,765
12 months ending December 31, 2020	327,492
12 months ending December 31, 2021	309,958
12 months ending December 31, 2022	438,167
Subsequent	774,848
	2,691,175
Unamortized deferred financing costs	(97,195)
	\$ 2,593,980

Canada Mortgage and Housing Corporation ("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 CMHC and be subject to certain restrictive covenants, including limitation on additional debt, payment of distributions in respect of 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 currently limited to a one-time penalty payment of \$250,000 under a Letter of Credit issued in favor of CMHC.

During the years ended December 31, 2017 and 2016, the Trust had a committed revolving credit facility with a major financial institution. This credit facility is secured by a first or second mortgage charge on specific real estate assets. The maximum amount available varies with the value of pledged assets to a maximum not to exceed \$200 million and an available limit of \$200 million as at December 31, 2017 (December 31, 2016 – \$200 million). The credit facility requires monthly interest payments and is renewable annually subject to the mutual consent of the lender and the Trust. This credit facility currently has a maturity date of July 27, 2022. In the event the committed revolving credit facility is not extended, the drawn-down principal would be due on the maturity date of the credit agreement.

There was no amount outstanding at December 31, 2017 (December 31, 2016 – \$5.0 million) under this facility, except for Letters of Credit ("LCs") issued and outstanding. The LCs totaled \$0.3 million as at December 31, 2017 (December 31, 2016 – \$6.0 million). As such, approximately \$199.7 million was unused and available from this facility on December 31, 2017 (December 31, 2016 – \$194.0 million). The credit facility carries interest rates ranging from prime to prime plus 1.0% per annum and has no fixed terms of repayment.

The covenants in relation to the credit facility are discussed in NOTE 30(d).

NOTE 13: LP CLASS B UNITS

The LP Class B Units, as defined in NOTE 18, representing an aggregate fair value of \$192.8 million at December 31, 2017 (December 31, 2016 – \$217.7 million), are non-transferable, except under certain circumstances, but are exchangeable, on a one-for-one basis, into Boardwalk REIT Units at any time at the option of the holder. Prior to such exchange, distributions will be made on these exchangeable units in an amount equivalent to the distributions which would have been made had the units been exchanged for Boardwalk REIT Units. Each LP Class B Unit is accompanied by a Special Voting Unit, which entitles the holder to receive notice of, attend, and vote at all meetings of Unitholders. There is no value assigned to the Special Voting Units. The LP Class B Units have been classified as "FVTPL" financial liabilities in accordance with IAS 39. Gains or losses resulting from changes in the fair value at each reporting date are recorded in the consolidated statement of comprehensive income (loss) and are included in NOTE 25.

As at December 31, 2017 and December 31, 2016, there were 4,475,000 LP Class B Units issued and outstanding.

NOTE 14: DEFERRED UNIT-BASED COMPENSATION

Deferred unit-based compensation is comprised of the following:

As at	Dec. 31, 2017	Dec. 31, 2016
Current	\$ 1,724	\$ 2,762
Non-current	2,856	3,219
	\$ 4,580	\$ 5,981

The total of \$4.6 million represents the fair value of the underlying deferred units at December 31, 2017 (December 31, 2016 – \$6.0 million). These units have been classified as “FVTPL” financial liabilities in accordance with IAS 39. Gains or losses resulting from changes in the fair value at each reporting date are recorded in the consolidated statement of comprehensive (loss) income and are included in NOTE 25.

Details of the Deferred Unit-compensation Plan:

During 2006, the Trust implemented a deferred unit-based compensation 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 in consideration for trustee fees or a portion of executive cash bonuses vest immediately while the matching number of units received 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 (i.e. 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 and 2009.

As at December 31, 2017 and 2016, the unexpired deferred units, in whole or in part, were granted as follows:

Deferred Units granted in	Number	Grant Date	Expiry Date	Fair Value at Grant Date
2013	53,206	February, June & December 2013	February, June & December 2013	\$ 3,234
2014	55,098	February, June & December 2014	February, June & December 2014	3,409
2015	55,236	February, June & December 2015	February, June & December 2015	3,094
2016	63,697	February, June & December 2016	February, June & December 2016	3,065
2017	34,858	June & December 2017	June & December 2017	1,614
				\$ 14,416

The initial cost of the deferred unit-based transactions is determined, in accordance with IFRS 2 – Share-based Payments, as the fair value of the units on the grant date. The fair value of each unit granted is determined based on the weighted average observable closing market prices of Boardwalk REIT’s Trusts Units ten trading days preceding the grant date. This initial cost of deferred units in consideration for trustee fees or a portion of executive cash bonuses is expensed immediately while the cost of the matching deferred units is generally expensed over the vesting period as follows, unless earlier vesting is triggered in certain events:

One third of the 50%, which vests in year 3, is recognized in each of years 1, 2 and 3.

One quarter of the 25%, which vests in year 4, is recognized in each of years 1, 2, 3 and 4.

One fifth of the 25%, which vests in year 5, is recognized in each of years 1, 2, 3, 4 and 5.

For the year ended December 31, 2017, total costs of \$2.4 million (December 31, 2016 – \$3.6 million) were recorded in expenses related to executive bonuses and trustee fees under the deferred unit plan.

The status of the outstanding deferred units was as follows:

	# of Units Outstanding	# of Units Vested
Balance, December 31, 2015	201,451	-
Deferred units granted	63,697	70,634
Additional deferred units earned on units	14,224	11,531
Deferred units converted to Trust Units or cash	(82,165)	(82,165)
Balance, December 31, 2016	197,207	-
Deferred units granted	34,858	63,632
Additional deferred units earned on units	8,942	10,775
Deferred units converted to Trust Units or cash	(74,407)	(74,407)
Balance, December 31, 2017	166,600	-

NOTE 15: TRADE AND OTHER PAYABLES

The components of the Trust’s accounts payable and accrued liabilities are as follows:

As at	Dec. 31, 2017	Dec. 31, 2016
Trade payables and accrued liabilities	\$ 63,381	\$ 54,462
Distribution payable	9,527	9,513
Provisions	4,752	4,287
	\$ 77,660	\$ 68,262

As at December 31, 2017 and 2016, the Trust’s most significant provision relates to vacation payable to its employees within each employee’s individual employment agreement. The remaining provisions relate to insignificant legal claims arising from minor tenant injuries. As at December 31, 2017 and 2016, the Trust does not have any material contingent liabilities.

NOTE 16: INCOME TAXES

Current Income Tax

For the year ended December 31, 2017 and 2016, none of the Trust's corporate entities had current tax expense. As such, none of current income tax expense was recorded for the Trust's corporate entities for the year ended December 31, 2017 (December 31, 2016 – \$43 thousand). All other corporate entities either have sufficient tax deductions to offset any taxable income or have operating losses from previous years to apply against any taxable income.

Deferred Income Tax

For fiscal 2016 and 2017, Boardwalk REIT is a "mutual fund trust" as defined under the Income Tax Act (Canada) (the "Tax Act") and as a Real Estate Investment Trust ("REIT") eligible for the "REIT Exemption" in accordance with the rules affecting the tax treatment of publicly traded trusts. Accordingly, the Trust is not taxable on its income provided all of its taxable income is distributed to its Unitholders. This exemption, however, does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax.

The sources of deferred tax balances and movements were as follows:

As at	Dec. 31, 2016	Recognized in Profit (Loss)	Dec. 31, 2017
Deferred tax assets (liabilities) related to:			
Operating losses	\$ 164	\$ (90)	\$ 74
Differences in tax base and carrying amount, net, investment properties and PP&E for corporate entities	-	-	-
Other	(4)	(50)	(55)
Net deferred tax assets (liabilities)	\$ 160	\$ (140)	\$ 19
Deferred tax assets	\$ 164	\$ (90)	\$ 74
Deferred tax liabilities	(4)	(50)	(55)
Net deferred tax assets (liabilities)	\$ 160	\$ (140)	\$ 19

As at	Dec. 31, 2015	Recognized in Profit (Loss)	Dec. 31, 2016
Deferred tax assets (liabilities) related to:			
Operating losses	\$ 192	\$ (28)	\$ 164
Differences in tax base and carrying amount, net, investment properties and PP&E for corporate entities	-	-	-
Other	(17)	13	(4)
Net deferred tax assets (liabilities)	\$ 175	\$ (15)	\$ 160
Deferred tax assets	\$ 192	\$ (28)	\$ 164
Deferred tax liabilities	(17)	13	(4)
Net deferred tax assets (liabilities)	\$ 175	\$ (15)	\$ 160

No current income taxes or deferred income taxes were recognized in equity, other than through profit or OCI, for the years ended December 31, 2017 and 2016.

As at December 31, 2017, wholly owned Canadian corporate subsidiaries have deferred tax assets of \$0.1 million (December 31, 2016 – \$0.2 million) related to operating losses, which expire over the next fourteen to nineteen years. The Trust believes that the future income of these entities will be sufficient to utilize these deferred tax assets prior to their expiration.

The major components of income tax expense include the following:

	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
Current tax expense	\$ 0	\$ 43
Deferred tax expense	140	15
Total income tax expense	\$ 140	\$ 58

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
Profit (loss) before income tax expense	\$ 57,398	\$ (57,382)
(Remove) add profit from non-taxable entities	(14,559)	99,541
Accounting profit subject to tax	42,839	42,159
Deduct management fee charged to corporate entities	(42,125)	(41,403)
Taxable profit	714	756
Weighted average substantively enacted tax rate	26.69%	26.80%
Calculated income tax expense	191	203
Changes to other deferred tax liabilities	(51)	(145)
Total income tax expense	\$ 140	\$ 58

NOTE 17: DEFERRED GOVERNMENT GRANT

In December 2013, the Trust completed the construction of a 109-unit, four storey, elevatored, wood frame building in the southwest part of Calgary, Alberta (the "Project" or "Development"). The Development was constructed on excess land density the Trust currently had on a property known as 'Spruce Ridge'. In conjunction with this Development, the Trust applied for and received a government grant from the Province of Alberta totaling approximately \$7.5 million. In return for this grant, the Trust has agreed to provide 54 of the 109 units at rents to be 10% below the average market rates for Calgary ("affordable units") for a term of 20 years.

Since the \$7.5 million grant did not exceed 65% of the contracted construction costs of the Development, including land value, attributable to the affordable units, no amount of the grant required immediate repayment to the government. However, a portion of the grant is repayable to the Province of Alberta, in proportion to the years remaining in the 20-year term, if the agreement to provide affordable units terminates earlier.

In accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, this grant will be recognized in profit or loss on a systematic basis over the periods in which the Trust recognizes revenue from the 54 units classified as affordable units. For the year ended December 31, 2017, \$378,000 was recognized in profit under rental revenue for this grant (December 31, 2016 – \$378,000).

NOTE 18: UNITHOLDERS' EQUITY

The Plan of Arrangement (the "Arrangement") converting the Corporation to a real estate investment trust was completed on May 3, 2004. Under the Arrangement, the former shareholders of the Corporation received Boardwalk REIT Units or Class B Limited Partnership Units ("LP Class B Units") of a controlled limited partnership of the Trust, Boardwalk REIT Limited Partnership. The interests in Boardwalk REIT are represented by two classes of units: a class described and designated as "REIT Units" and a class described and designated as "Special Voting Units". The LP Class B Units are classified as a financial liability in accordance with IAS 32 and are discussed in NOTE 13.

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

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

The Trust has the following capital securities outstanding:

As at	Dec. 31, 2017	Dec. 31, 2016
REIT Units outstanding, beginning of year	46,263,629	46,847,464
Units issued for vested deferred units	74,407	82,165
Units purchased and cancelled	-	(666,000)
REIT Units outstanding, end of year	46,338,036	46,263,629

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

On June 30, 2015, Boardwalk REIT requested and received regulatory approval for a Normal Course Issuer Bid (a "Bid") (Boardwalk's ninth Bid since its first Bid in August of 2007), which commenced on July 3, 2015 and terminated on July 2, 2016. The Bid allowed Boardwalk REIT to purchase and cancel up to 3,855,766 Trust Units.

On June 29, 2016, Boardwalk REIT requested and received regulatory approval for a Bid (Boardwalk's tenth Bid since its first Bid in August of 2007), which commenced on July 3, 2016 and terminated on July 2, 2017. The Bid allowed Boardwalk REIT to purchase and cancel up to 3,700,292 Trust Units.

On June 29, 2017, Boardwalk REIT requested and received regulatory approval for a Bid (Boardwalk's eleventh Bid since its first Bid in August of 2007), which commenced on July 4, 2017 and terminates on July 3, 2018. The Bid allows Boardwalk REIT to purchase up to 3,712,403 Trust Units and cancel all but 1,200 Trust Units. Up to 1,200 Trust Units will be used to carry out its customer loyalty program.

For the year ended December 31, 2017, Boardwalk REIT purchased and awarded 100 Trust Units at a cost of \$40.11 per Trust Unit as prizes under its customer loyalty program.

For the year ended December 31, 2016, Boardwalk REIT purchased and cancelled the following Trust Units:

Bid Number	Number of Trust Units Purchased and Cancelled	Purchase Cost	Cost per Trust Unit
9/10	666,000	\$ 32,646	\$ 49.02

Since the Trust began utilizing normal course issuer bids in 2007, Boardwalk REIT has purchased and cancelled 6,421,647 Trust Units at a total purchase cost of \$271.9 million, or an average cost of \$42.34 per Trust Unit.

(b) Special Voting Units

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

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

	Units Outstanding Dec. 31, 2017	Monthly Distribution	Units Outstanding Dec. 31, 2016	Monthly Distribution
Boardwalk REIT Units	46,338,036	\$0.1875/unit	46,263,629	\$0.1875/unit
Special Voting Units	4,475,000	N/A	4,475,000	N/A

Monthly distributions and special distributions are determined at the discretion of the Board of Trustees. The Board of Trustees declares distributions to be paid on, or about, the 15th of the month following the record date. Distributions to be paid on the Boardwalk REIT Units with a record date of January 31, 2018 (paid on February 15, 2018) totaled \$3.9 million (\$0.0834 per unit) and have not been included as a liability in the consolidated statement of financial position as at December 31, 2017.

(c) Earnings (loss) per unit

	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
Numerator – basic		
Profit (loss) – basic	\$ 57,258	\$ (57,440)
Distribution declared on LP Class B units	10,069	-
Gain on fair value adjustments on LP Class B Units	(24,881)	-
Numerator – diluted	\$ 42,446	\$ (57,440)
Denominator		
Weighted average units outstanding – basic	46,295,727	46,343,403
Conversion of LP Class B units	4,475,000	-
Weighted average units outstanding – diluted	50,770,727	46,343,403
Earnings (loss) per unit		
– basic	\$ 1.24	\$ (1.24)
– diluted	\$ 0.84	\$ (1.24)

All dilutive elements were included in the calculation of diluted per unit amounts. For the year ended December 31, 2017, all items were dilutive and were included in the calculation of diluted earnings per unit. For the year ended December 31, 2016, all items were anti-dilutive as the conversion of LP Class B Units would have increased the loss per unit. As such, they were excluded from the calculation of diluted loss per unit.

NOTE 19: RENTAL REVENUE

As lessor, the Trust leases residential rental properties under operating leases generally with a term of not more than 12 months and in many cases tenants lease rental space on a month-to-month basis. Rental incentives may be offered as part of a rental agreement and the costs associated with these incentives are amortized over the term of the lease and netted against residential rental revenue. As such, rental revenue represents all revenue earned from the Trust's operating leases and totaled \$416.5 million for the year ended December 31, 2017 (December 31, 2016 – \$432.1 million).

As at December 31, 2017, under its non-cancellable operating leases, Boardwalk REIT was entitled to the following minimum future payments:

	Within 12 Months	2 to 5 Years	Over 5 Years
Operating leases	\$ 224,694	\$ 12,971	\$ 589

NOTE 20: ANCILLARY RENTAL INCOME

Ancillary rental income was comprised of the following:

	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
Revenue from coin laundry machines	\$ 4,349	\$ 4,569
Revenue from telephone and cable providers	2,073	2,137
Total	\$ 6,422	\$ 6,706

NOTE 21: FINANCING COSTS

Financing costs are comprised of interest on mortgages payable, distributions paid to the LP Class B Unitholders, other interest charges and the amortization of deferred financing costs. Financing costs are net of interest income earned. Financing costs total \$85.8 million for the year ended December 31, 2017 (December 31, 2016 – \$84.6 million) and can be summarized as follows:

	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
Interest on secured debt (mortgages payable)	\$ 70,366	\$ 70,148
Interest capitalized to properties under development	(226)	(69)
LP Class B unit distribution	10,069	9,990
Other interest charges	1,507	1,431
Interest income	(1,733)	(1,726)
Amortization of deferred financing costs	5,780	4,860
Total	\$ 85,763	\$ 84,634

For the year ended December 31, 2017, interest was capitalized to properties under development at a weighted average effective interest rate of 2.72%. (December 31, 2016 – 2.91%).

NOTE 22: DEPRECIATION

The components of depreciation were as follows:

	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
Depreciation of property, plant and equipment	\$ 5,586	\$ 5,219
Total	\$ 5,586	\$ 5,219

NOTE 23: PROCEEDS ON INSURANCE SETTLEMENT

Proceeds realized on insurance settlement of \$3.2 million represents funds received or receivable from the Trust's insurance providers relating to two buildings, consisting of a total of 20 apartment units located in Regina, Saskatchewan, that were lost by fire (in 2014 and 2015), which the Trust is not planning to rebuild.

NOTE 24: LOSS ON SALE OF ASSETS AND NET CASH PROCEEDS

On December 14, 2017, the Trust closed on the sale of 641 units in Regina, Saskatchewan, which forms part of the Saskatchewan geographical segment, for the sale price of \$71.6 million. The loss on sale of assets and net cash proceeds were as follows:

	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
Sale price	\$ 71,648	\$ -
Costs of disposition	(1,678)	-
Net proceeds	69,970	-
Net book value	71,648	-
Loss on sale of assets	\$ (1,678)	\$ -
Sale price	\$ 71,648	\$ -
Mortgage receivable issued (NOTE 6)	(38,761)	-
Mortgage discharged on sale	(24,428)	-
Costs of disposition (cash only)	(227)	-
Net cash proceeds	\$ 8,232	-

NOTE 25: FAIR VALUE (LOSSES) GAINS

The components of fair value (losses) gains were as follows:

	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
Investment properties (NOTE 4)	\$ (60,886)	\$ (180,843)
Financial liabilities designated as FVTPL		
Deferred unit-based compensation	587	(468)
LP Class B Units	24,881	(5,370)
Total fair value losses	\$ (35,418)	\$ (186,681)

NOTE 26: OPERATING LEASES

As lessee, the Trust has entered into various lease agreements as part of the normal course of its operations. The following represents the major type of leases the Trust maintains as lessee, all of which qualify as operating leases in accordance with IAS 17 – Leases (“IAS 17”):

(i) Land leases

The Trust has entered into non-cancellable land leases for land related to five of its properties, which sit on land that is not owned by the Trust. Approximate remaining terms of the Trust’s land leases range from 7 to 78 years as at December 31, 2017. Two of the land leases provide for annual rent and one of the land leases provides for annual rent and additional rent based on rental revenue collected.

(ii) Warehouse and office space leases

The Trust has entered into lease agreements for warehouse and some office and data centre space it utilizes but does not own. All of the leasing arrangements related to warehouse space are for one to five years.

As at December 31, 2017, future minimum lease payments related to these leases were as follows:

	Within 12 Months	2 to 5 Years	Over 5 Years
Land leases	\$ 5,283	\$ 20,956	\$ 184,581
Warehouse and office space	1,173	3,983	190
Total future minimum lease payments	\$ 6,456	\$ 24,939	\$ 184,771

The Trust recognized lease expenses of \$7.2 million for the year ended December 31, 2017 (\$6.1 million for the year ended December 31, 2016).

NOTE 27: GUARANTEES, CONTINGENCIES, COMMITMENTS AND OTHER

As discussed in NOTE 26 above, the Trust has five properties that are situated on land leases. One of the land leases situated in Montreal is set to expire in 2028. The Trust is actively seeking to either renew the term of this lease or purchase the freehold interest in the land prior to the expiry of the lease term. However, if the Trust cannot or chooses not to renew the lease, or buy the land, as the case may be, the net operating income and cash flow associated with the property would no longer contribute to Boardwalk's results of operations and could impact its ability to make distributions to Unitholders.

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

Natural Gas:

Area	Usage Coverage	Term	Cost
Alberta	25%	November 1, 2014 to October 31, 2016	\$4.25/ Gigajoule ("GJ")
Alberta	25%	November 1, 2014 to October 31, 2017	\$4.22/GJ
Alberta	25%	November 1, 2016 to October 31, 2018	\$3.08/GJ
Alberta	25%	November 1, 2016 to October 31, 2019	\$3.17/GJ
Alberta	25%	November 1, 2017 to October 31, 2020	\$2.75/GJ
Saskatchewan	50%	November 1, 2014 to October 31, 2017	\$4.53/GJ
Saskatchewan	50%	November 1, 2015 to October 31, 2016	\$3.66/GJ
Saskatchewan	50%	November 1, 2016 to October 31, 2018	\$3.19/GJ
Saskatchewan	50%	November 1, 2017 to October 31, 2020	\$2.84/GJ
Ontario and Quebec	50%	November 1, 2015 to October 31, 2017	\$2.93/GJ

Electrical:

Area	Usage Coverage	Term	Cost
Southern Alberta	100%	October 1, 2010 to September 30, 2017	\$0.06/Kilowatt-hour ("kWh")
Southern Alberta	100%	October 1, 2017 to September 30, 2022	\$0.05/kWh
Northern Alberta	100%	October 1, 2015 to September 30, 2020	\$0.05/kWh

Boardwalk REIT, in the normal course of operations, will become subject to a variety of legal and other claims against the Trust, most of which are minor in nature. Management and the Trust's legal counsel evaluate all claims on their apparent merits, and accrue management's best estimate of the estimated costs to satisfy such claims. Management believes the outcome of claims of this nature at December 31, 2017 will not have a material impact on the Trust.

In the normal course of business, various agreements may be entered into that may contain features that meet the definition of a contingent liability in accordance with IFRS. With the sale of properties in Regina, mortgages totaling \$24.4 million were assumed by the purchaser. The mortgages, with a term maturity of May 1, 2022, have an indirect guarantee provided to the lender by the Trust until these mortgages are renewed or refinanced by the purchaser, whichever occurs sooner. With the BC Property Portfolio sale, mortgage balances totaling approximately \$62.0 million were assumed by the purchaser. One of the three mortgages, with a

term maturity of October 1, 2022 and a mortgage balance of approximately \$21.6 million as at December 31, 2017, assumed by the purchaser has an indirect guarantee provided to the lender by the Trust until this mortgage is renewed or refinanced by the purchaser, whichever occurs sooner. With both guarantees, in the event of default by the purchaser, the Trust would be liable for the outstanding mortgage balance. These guarantees are considered contingent liabilities as payment of the amount will only occur if the purchaser defaults. If the purchaser does not default, the balance is not payable. Boardwalk REIT's maximum exposure at December 31, 2017 is approximately \$46.0 million (December 31, 2016 – \$22.1 million). In the event of default by the purchaser, Boardwalk REIT's recourse for recovery includes the sale of the respective building assets. Boardwalk REIT expects that the proceeds from the sale of the building assets will cover, and most likely exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at December 31, 2017 and 2016, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

NOTE 28: CAPITAL MANAGEMENT AND LIQUIDITY

The Trust defines capital resources as the aggregate of Unitholders' equity at market value, debt (both secured and unsecured), cash flows from operations, and amounts available under credit facilities net of cash on hand. The Trust's capital management framework is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions pursuant to Boardwalk REIT's DOT as well as existing debt covenants and continue building long-term Unitholder value while maintaining sufficient capital contingency. The main components of the Trust's capital allocation are approved by its Unitholders as stipulated in the Trust's DOT and on a regular basis by its Board of Trustees (the "Board") through its annual review of the Trust's strategic plan and budget, supplemented by periodic Board and Board Committee meetings. Capital adequacy is monitored by the Trust by assessing performance against the approved annual plan throughout the year, which is updated accordingly, and by monitoring adherence to investment and debt restrictions contained in the DOT and debt covenants. Boardwalk REIT's DOT, as amended, provides for a minimum interest coverage ratio of 1.5 to 1 calculated on the most recently completed four fiscal quarters. The DOT also defines interest expense to exclude distributions on the LP Class B Units, which under IFRS are considered financing charges.

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

As at	Dec. 31, 2017	Dec. 31, 2016
Net operating income	\$ 216,083	\$ 253,099
Administration expenses	(33,402)	(33,947)
Consolidated EBITDA ⁽¹⁾ (12 months ended)	182,681	219,152
Consolidated interest expense (12 months ended)	70,140	69,784
Interest coverage ratio	2.60	3.14
Minimum threshold	1.50	1.50

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

The Trust employs a broad range of financing strategies to facilitate growth and manage financial risk. The Trust's objective is to reduce its weighted average cost of capital and improve Unitholder distributions through value enhancement initiatives and consistent monitoring of the balance between debt and equity financing. As at December 31, 2017, the Trust's weighted average cost of capital was calculated to be 3.20%.

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

As at	Dec. 31, 2017		Dec. 31, 2016	
	Cost of Capital ⁽¹⁾	Underlying Value ⁽²⁾	Cost of Capital ⁽¹⁾	Underlying Value ⁽²⁾
Liabilities				
Mortgages payable	2.61%	\$ 2,586,198	2.78%	\$ 2,468,840
LP Class B Units	3.90%	192,828	5.14%	217,709
Deferred unit-based compensation	3.90%	4,580	5.14%	5,981
Unitholders' equity				
Boardwalk REIT Units	3.90%	1,996,706	5.14%	2,250,726
Total	3.20%	\$ 4,780,312	3.96%	\$ 4,943,256

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

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

Mortgages payable – These are the mortgages outstanding on the Trust's investment properties. The debt is primarily fixed rate debt and approximately 99% of this debt at December 31, 2017 is insured under the National Housing Act ("NHA") and administered by Canada Mortgage and Housing Corporation ("CMHC"). These financings are typically structured on a loan to appraised value basis between 75-80%. The Trust currently has a level of indebtedness of approximately 46% of the fair value of the Trust's investment properties. This level of indebtedness is considered by the Trust to be within its target.

LP Class B Units – These units are non-transferable, except under certain circumstances, but are exchangeable, on a one-for-one basis, into Boardwalk REIT Units at any time at the option of the holder. Prior to such exchange, distributions will be made on the exchangeable units in an amount equivalent to the distributions which would have been made had the units of Boardwalk REIT been issued. Each LP Class B Unit was accompanied by a Special Voting Unit, which entitles the holder to receive notice of, attend and vote at all meetings of Unitholders. There is no value assigned to the Special Voting Units. The LP Class B Units have been classified as "FVTPL" financial liabilities in accordance with IAS 32. Gains or losses resulting from changes in the fair value at each reporting date are recorded in the consolidated statement of comprehensive (loss) income.

As outlined in NOTE 30(d), Boardwalk REIT's committed revolving credit facility agreements contain financial covenants.

Available liquidity as at December 31, 2017 included cash and cash equivalents on hand of \$70.8 million (December 31, 2016 – \$99.1 million) as well as an unused committed revolving credit facility of \$199.7 million (December 31, 2016 – \$194.0 million). The Trust monitors its ratios and as at December 31, 2017 and December 31, 2016, the Trust was in compliance with all covenants in both its DOT and all existing debt facilities.

NOTE 29: FAIR VALUE MEASUREMENT

(a) Fair value of financial instruments

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

- i) the carrying amounts of trade and other receivables, segregated tenants' security deposits, cash and cash equivalents, refundable tenants' security deposits and trade and other payables approximate their fair values due to their short-term nature.
- ii) the fair values of the Trust's mortgage receivable and mortgages payable are estimates made at a specific point in time, based on relevant market information. These estimates are based on quoted market prices for the same or similar issues or on the current rates offered to the Trust for similar financial instruments subject to similar risks and maturities.
- iii) the fair values of the deferred unit compensation plan and the LP Class B Units are estimates at a specific point in time, based on the closing market price of the REIT Units listed on the Toronto Stock Exchange.
- iv) the fair values of the effective portion of the interest rate swaps, reported as other current liabilities, are estimates at a specific point in time, based on quoted prices in markets that are not active for substantially the same term as the remaining effective portion of the derivatives.

These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in estimates could significantly affect fair values. The significant financial instruments of Boardwalk REIT and their carrying values as at December 31, 2017 and December 31, 2016 are as follows:

As at	Dec. 31, 2017		Dec. 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets carried at amortized cost				
Mortgages receivable	\$ 38,280	\$ 38,280	\$ -	\$ -
Financial liabilities carried at amortized cost				
Mortgages payable	2,593,980	2,586,198	2,435,666	2,468,840
Financial liabilities carried at FVTPL				
LP Class B Units	192,828	192,828	217,709	217,709
Deferred unit-based compensation	4,580	4,580	5,981	5,981

The fair value of the Trust's mortgages payable was lower than the recorded value by approximately \$7.8 million at December 31, 2017 (December 31, 2016 – higher by \$33.2 million), due to changes in interest rates since the dates on which the individual mortgages were last contracted. The fair values of the mortgages payable have been estimated based on the current market rates for mortgages with similar terms and conditions. The fair value of the Trust's mortgages payable is an amount computed based on the interest rate environment prevailing at December 31, 2017 and December 31, 2016, respectively; the amount is subject to change and the future amounts will converge. There are no additional costs or penalties to Boardwalk REIT if the mortgages are held to maturity.

As at December 31, 2017 and December 31, 2016, the Trust had no embedded derivatives requiring separate recognition.

The nature of these financial instruments and the Trust's operations expose the Trust to certain principal financial risks. The main objective of the Trust's risk management process is to properly identify financial risks and minimize the exposure to potential losses arising from those risks. The principal financial risks to which the Trust is exposed are described in NOTE 30.

(b) Assets and liabilities measured at fair value

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

As at	Dec. 31, 2017			Dec. 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Investment properties	\$ -	\$ -	\$ 5,688,125	\$ -	\$ -	\$ 5,612,568
Liabilities						
LP Class B Units	192,828	-	-	217,709	-	-
Deferred unit-based compensation	4,580	-	-	5,981	-	-

The three levels of the fair value hierarchy are described in NOTE 4.

Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. For assets and liabilities measured at fair value as at December 31, 2017 and December 31, 2016, there were no transfers between Level 1, Level 2 and Level 3 assets and liabilities.

NOTE 30: RISK MANAGEMENT

a) Interest rate risk

The Trust is exposed to interest rate risk as a result of its mortgages payable and credit facilities; however, this risk is minimized through the Trust's current strategy of having the majority of its mortgages payable in fixed-term arrangements. As such, the Trust's cash flows are not significantly impacted by a change in market interest rates. In addition, the Trust structures its financings so as to stagger the maturities of its debt, thereby minimizing the Trust's exposure to interest rates in any one year. The majority of the Trust's mortgages are also insured by the 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 December 31, 2017, the Trust had no amount outstanding on its committed revolving credit facility and, as such, of the Trust's total debt at December 31, 2017, 100% was fixed-rate debt and none was floating-rate debt. For the year ended December 31, 2017, all else being equal, the increase or decrease in net earnings for each 1% change in market interest rates would be \$nil (December 31, 2016 – \$50,000).

b) Credit risk

The Trust is exposed to credit risk as a result of its trade and other receivables. This balance is comprised of mortgage holdbacks and refundable mortgage fees, accounts receivable from significant customers and insurers and tenant receivables. As at December 31, 2017 and December 31, 2016, no balance relating to mortgage holdbacks, refundable mortgage fees or accounts receivable from significant customers and insurers was past due.

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

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

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

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

Past due receivables (receivables which are greater than 30 days) are reviewed by management on a monthly basis and tenant receivables are considered for impairment on a case-by-case basis. The Trust takes into consideration the tenant's payment history, their credit worthiness and the current economic environment; however, tenant receivable balances exceeding 60 days are typically written off to bad debt expense as the Trust does not utilize an allowance for doubtful accounts. The amount of the loss is recognized in the consolidated statement of comprehensive (loss) income as part of operating expenses. Subsequent recoveries of amounts previously written off are credited against operating expenses during the period of settlement. As tenant receivables are typically written off after 60 days, none of the balance is considered to be past due by the Trust. For the twelve months ended December 31, 2017, bad debt expense totaled \$4.7 million (twelve months ended December 31, 2016 – \$5.5 million).

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

c) Liquidity risk

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

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

Year of Maturity	Weighted Average Interest Rate	Mortgage Principal Outstanding	Mortgage Interest ⁽¹⁾	Tenants' Security Deposits	Distribution Payable	Trades and Other Payables	Total
2018	2.91%	\$ 203,518	\$ 66,139	\$ 12,346	\$ 9,527	\$ 68,133	\$ 359,663
2019	2.50%	546,702	57,634	-	-	-	604,336
2020	2.49%	306,759	44,493	-	-	-	351,252
2021	2.26%	299,896	36,561	-	-	-	336,457
2022	2.73%	463,181	27,649	-	-	-	490,830
Subsequent	2.71%	871,119	40,724	-	-	-	911,843
		2,691,175	273,200	12,346	9,527	68,133	3,054,381
Unamortized deferred financing costs		(97,195)	-	-	-	-	(97,195)
		\$2,593,980	\$ 273,200	\$ 12,346	\$ 9,527	\$ 68,133	\$2,957,186

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

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 arrearages 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 currently limited to a one-time penalty payment of \$250,000 under a Letter of Credit issued in favor of CMHC. The Trust may also not be able to obtain mortgage loan insurance on new secured mortgages, which may result in higher borrowing costs.

The Trust has a committed revolving credit facility with a major financial institution. This credit facility is secured by a pledge of a group of specific real estate assets (fair value at December 31, 2017 of approximately \$948.3 million). The amount available through the committed revolving credit facility varies with the value of the pledged assets, with a maximum limit not to exceed \$200.0 million and an available limit of \$199.7 million as at December 31, 2017 (December 31, 2016 – \$194.0 million). The revolving facility requires monthly interest payments, is for a five-year term maturing on July 27, 2022, and can be extended annually thereafter, subject to the mutual consent of the lender and the Trust. In the event the committed revolving credit facility is not extended, the drawn-down principal would be due on the maturity date of the credit agreement.

The credit facility contains three financial covenants as follows:

- i) The Trust will maintain an overall Debt Service Coverage Ratio of at least 1.20, calculated on the most recent completed trailing four fiscal quarter basis. As at December 31, 2017, this ratio was 1.40 (December 31, 2016 – 1.76).
- ii) The Trust will maintain a Debt Service Coverage Ratio, specific to the Security Portfolio of at least 1.15 (tested semi-annually). As at December 31, 2017, this ratio was 1.41 (December 31, 2016 – 1.44).
- iii) Total indebtedness of the Trust will not exceed 75% of the Gross Book Value ("GBV") of all assets for the two most recent quarters as defined in the credit agreement. As at December 31, 2017, this ratio was 43.4% (December 31, 2016 – 41.5%).

As at December 31, 2017 and December 31, 2016, the Trust was in compliance with all financial covenants.

e) Utility risk

The Trust is exposed to utility risk as a result of fluctuations in the prices of natural gas and electricity. As outlined in NOTE 27, the Trust has commitments to certain utility contracts to reduce the risk of exposure to adverse changes in commodity prices.

NOTE 31: SUBSIDIARIES

The entities included in the Trust's consolidated financial statements are as follows:

Entity	Type	Relationship
Boardwalk Real Estate Investment Trust ("BREIT")	Trust	Parent
Boardwalk Real Estate Management Ltd.	Corporation	100% owned by BREIT
Top Hat Operating Trust ("TOT")	Trust	100% owned by BREIT
BPCL Holdings Inc. ("BPCL")	Corporation	Meets the principle of control
Boardwalk REIT Limited Partnership ("BLP")	Partnership	A Units are 100% owned by TOT B Units and C Units are 100% owned by BPCL
Boardwalk REIT Properties Holdings (Alberta) Ltd.	Corporation	100% owned by BLP
Boardwalk REIT Quebec Inc.	Corporation	100% owned by BLP
Boardwalk Quebec Trust	Trust	100% owned by BLP
Boardwalk St. Laurent Limited Partnership	Partnership	99.99% owned by Boardwalk Quebec Trust 0.01% owned by 9165-5795 Quebec Inc.
9108-4749 Quebec Inc.	Corporation	100% owned by BLP
9165-5795 Quebec Inc.	Corporation	100% owned by 9108-4749 Quebec Inc.
Nun's Island Trust 1	Trust	100% owned by BLP
Nun's Island Trust 2	Trust	100% owned by BLP
Metropolitan Structures (MSI) Inc.	Corporation	100% owned by BLP
Boardwalk GP Holding Trust	Trust	100% owned by BLP
6222285 Canada Inc.	Corporation	100% owned by BLP
Boardwalk GP Operating Trust	Trust	100% owned by 6222285 Canada Inc.
Boardwalk General Partnership ("BGP")	Partnership	99.99% owned by Boardwalk GP Holding Trust 0.01% owned by Boardwalk GP Operating Trust
Boardwalk REIT Properties Holdings Ltd.	Corporation	100% owned by BGP

BPCL represents the only entity which is not 100% owned by the Trust or one of its subsidiaries. BPCL (formerly called Boardwalk Equities Inc.) was created to accomplish a narrow and well-defined objective, which was to transfer the beneficial interest in the Corporation's assets (the "Assets") pursuant to the Master Asset Contribution Agreement. The Trust does not have any voting interest in BPCL; however, the Trust controls BPCL because the Trust has the decision-making powers to obtain the majority of the benefits of the activities of BPCL and the Trust retains the majority of the residual or ownership risks related to BPCL. Specifically, BLP controls all of the Assets previously held by BPCL, and is responsible for BPCL's debt by guaranteeing the principal and interest owed to the lenders. BLP must make distributions to the LP Class C Units equivalent to the principal and interest owed on BPCL's debt. As beneficial owner of the Assets, BLP has power over BPCL as it can direct their relevant activities (i.e. impose and collect rental income, manage and pay operating costs, etc.) in order to generate cash flows and make distributions on the LP Class C Units. It has exposure, or rights, to variable returns based on its beneficial ownership of the Assets. The Trust controls BPCL, because the Trust has the decision making power to obtain the majority of the benefits from the activities of BPCL. Due to the above, BPCL is part of the Trust's consolidated group.

NOTE 32: RELATED PARTY DISCLOSURES

IAS 24 – Related Party Disclosures requires entities to disclose in their financial statements information about transactions with related parties. Generally, two parties are related to each other if one party controls, or significantly influences, the other party. Balances and transactions between the Trust and its subsidiaries (as outlined in NOTE 31), which are related parties of the Trust, have been eliminated on consolidation and are not disclosed in this note disclosure.

The following outlines the individuals considered key personnel of the Trust:

(a) Trustees

The Trustees of Boardwalk REIT during the year ended December 31, 2017 and up to the date of this report were:

James R. Dewald
Gary Goodman
Arthur L. Havener, Jr.
Sam Kalias
Samantha Kalias
Brian Robinson
Andrea Stephen

(b) Key management personnel

Key management personnel of the Trust during the year ended December 31, 2017 and up to the date of this report were:

P. Dean Burns, General Counsel & Corporate Secretary
Roberto Geremia, President
Sam Kalias, Chief Executive Officer
Van Kalias, Senior VP, Quality Control
Lisa Russell, Senior VP, Corporate Development
William Wong, Chief Financial Officer

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

	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
Short-term benefits	\$ 980	\$ 1,246
Post-employment benefits	56	52
Other long-term benefits	5	5
Deferred unit-based compensation	1,093	1,358
	\$ 2,134	\$ 2,661

In addition, the LP Class B Units are held by Mr. Sam Kolas (Chairman of the Board, Chief Executive Officer and Trustee) and Mr. Van Kolas (Senior Vice President, Quality Control). Under IAS 32 – Financial Instruments: Presentation, the LP B Units issued by a wholly-owned subsidiary of the Trust are considered financial liabilities, and are reclassified from equity to liabilities on the consolidated financial statements. Additionally, as the LP Class B Units are liabilities, all distributions paid (both regular and special) are recorded as a financing charge under IFRS. For the year ended December 31, 2017, distributions on the LP Class B Units totaled \$10.1 million (December 31, 2016 – \$10.0 million). Distributions on the LP Class B Units are made on terms equal to distributions made on Boardwalk REIT Units.

As at December 31, 2017, there was \$839,000 owed to related parties (December 31, 2016 – \$839,000) based on the LP Class B Units distribution outlined above.

NOTE 33: OTHER INFORMATION

(a) Supplemental cash flow information

	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
Net change in operating working capital		
Net change in inventories	\$ (7,593)	\$ (3,251)
Net change in prepaid assets	1,324	(3,183)
Net change in trade and other receivables	284	(272)
Net change in segregated and refundable tenants' security deposits	147	124
Net change in deferred unit-based compensation	2,301	3,645
Net change in trade and other payables	52	2,149
	\$ (3,485)	\$ (788)
Net change in investing working capital		
Net change in trade and other payables	\$ 9,418	\$ 5,297
Net change in financing working capital		
Net change in trade and other payables	\$ (76)	\$ 61
Distributions paid		
Distributions declared	\$ (104,169)	\$ (103,399)
Distributions declared in prior period paid in current period ⁽¹⁾	(8,674)	(54,812)
Distributions declared in current period paid in next period	8,688	8,674
Distributions paid	\$ (104,155)	\$ (149,537)

(1) Included in distributions declared in prior period and paid in current period for the year ended December 31, 2016, is \$46.8 million in relation to a \$1.00 per unit special distribution paid on January 15, 2016 to all Boardwalk REIT Units with a record date of December 31, 2015.

(b) Included in administration costs was \$2.8 million relating to Registered Retirement Savings Plan ("RRSP") matching for the year ended December 31, 2017 (December 31, 2016 – \$2.7 million).

NOTE 34: SEGMENTED INFORMATION

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

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

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

Details of segmented information are as follows:

As at	December 31, 2017					
	Alberta	Saskatchewan	Ontario	Quebec	Corporate	Total
Assets	\$ 3,912,137	\$ 631,162	\$ 349,010	\$ 990,126	\$ (17,360)	\$ 5,865,075
Liabilities	1,797,502	256,136	103,720	472,887	257,223	2,887,468

As at	December 31, 2016					
	Alberta	Saskatchewan	Ontario	Quebec	Corporate	Total
Assets	\$ 3,876,081	\$ 716,127	\$ 270,324	\$ 818,622	\$ 87,459	\$ 5,768,613
Liabilities	1,771,533	275,028	105,743	322,611	272,379	2,747,294

	Year Ended December 31, 2017					
	Alberta	Saskatchewan	Ontario	Quebec	Corporate	Total
Rental revenue	\$ 260,115	\$ 56,004	\$ 26,703	\$ 73,434	\$ 248	\$ 416,504
Ancillary rental income	4,443	374	566	1,039	-	6,422
Total rental revenue	264,558	56,378	27,269	74,473	248	422,926
Rental expenses						
Operating expenses	71,615	12,088	4,665	18,827	6,791	113,986
Utilities	28,127	9,002	3,921	6,693	224	47,967
Property taxes	27,702	5,632	3,299	8,060	197	44,890
Net operating income (loss)	137,114	29,656	15,384	40,893	(6,964)	216,083
Financing costs (a)	54,282	8,648	2,851	10,455	9,527	85,763
Administration	211	(13)	19	107	33,078	33,402
Depreciation (b)	797	178	23	191	4,397	5,586
Profit (loss) before the undernoted	81,824	20,843	12,491	30,140	(53,966)	91,332
Proceeds on insurance settlement	-	-	-	-	3,162	3,162
Loss on sale of assets	-	(1,678)	-	-	-	(1,678)
Fair value (losses) gains	(101,746)	(50,128)	66,401	24,588	25,467	(35,418)
Profit (loss) before income tax	(19,922)	(30,963)	78,892	54,728	(25,337)	57,398
Income tax expense (c)	-	-	-	-	(140)	(140)
Profit (loss) for the year	\$ (19,922)	\$ (30,963)	\$ 78,892	\$ 54,728	\$ (25,477)	\$ 57,258
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss) income	\$ (19,922)	\$ (30,963)	\$ 78,892	\$ 54,728	\$ (25,477)	\$ 57,258
Additions to non-current assets (d)	\$ 138,808	\$ 19,450	\$ 12,112	\$ 15,536	\$ 33,913	\$ 219,819

	Year Ended December 31, 2016					
	Alberta	Saskatchewan	Ontario	Quebec	Corporate	Total
Rental revenue	\$ 275,606	\$ 58,591	\$ 25,903	\$ 71,834	\$ 206	\$ 432,140
Ancillary rental income	4,727	405	527	1,031	16	6,706
Total rental revenue	280,333	58,996	26,430	72,865	222	438,846
Rental expenses						
Operating expenses	57,915	10,835	4,447	17,957	6,466	97,620
Utilities	25,577	8,475	4,041	6,463	155	44,711
Property taxes	27,690	4,523	3,156	7,893	154	43,416
Net operating income (loss)	169,151	35,163	14,786	40,552	(6,553)	253,099
Financing costs (a)	54,713	9,097	2,991	8,429	9,404	84,634
Administration	320	7	42	117	33,461	33,947
Depreciation (b)	622	129	20	206	4,242	5,219
Profit (loss) before the undernoted	113,496	25,930	11,733	31,800	(53,660)	129,299
Fair value (losses) gains	(162,636)	(24,000)	15,481	(9,689)	(5,837)	(186,681)
Profit (loss) before income tax	(49,140)	1,930	27,214	22,111	(59,497)	(57,382)
Income tax expense (c)	-	-	-	-	(58)	(58)
Profit (loss) for the year	\$ (49,140)	\$ 1,930	\$ 27,214	\$ 22,111	\$ (59,555)	\$ 57,440
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss) income	\$ (49,140)	\$ 1,930	\$ 27,214	\$ 22,111	\$ (59,555)	\$ (57,440)
Additions to non-current assets (d)	\$ 209,162	\$ 10,699	\$ 8,415	\$ 19,026	\$ 5,857	\$ 253,159

(a) Financing costs

Financing costs were as follows:

	Year Ended December 31, 2017					
	Alberta	Saskatchewan	Ontario	Quebec	Corporate	Total
Interest on secured debt (mortgages payable)	\$ 50,352	\$ 8,080	\$ 2,586	\$ 9,348	\$ 0	\$ 70,366
Interest capitalized to properties under development	-	(174)	-	-	(52)	(226)
LP Class B unit distribution	-	-	-	-	10,069	10,069
Other interest charges	113	84	39	28	1,243	1,507
Interest income	-	-	-	-	(1,733)	(1,733)
Amortization of deferred financing costs	3,817	658	226	1,079	-	5,780
Total	\$ 54,282	\$ 8,648	\$ 2,851	\$ 10,455	\$ 9,527	\$ 85,763

	Year Ended December 31, 2016					
	Alberta	Saskatchewan	Ontario	Quebec	Corporate	Total
Interest on secured debt (mortgages payable)	\$ 51,168	\$ 8,421	\$ 2,757	\$ 7,802	\$ 0	\$ 70,148
Interest capitalized to properties under development	-	(9)	-	-	(60)	(69)
LP Class B unit distribution	-	-	-	-	9,990	9,990
Other interest charges	144	16	47	28	1,196	1,431
Interest income	-	-	-	(4)	(1,722)	(1,726)
Amortization of deferred financing costs	3,401	669	187	603	-	4,860
Total	\$ 54,713	\$ 9,097	\$ 2,991	\$ 8,429	\$ 9,404	\$ 84,634

(b) Depreciation

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

(c) Income tax expense

This relates to any current and deferred taxes.

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

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

NOTE 35: APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Trustees and authorized on February 22, 2018.

FIVE YEAR SUMMARY

(\$000's, except per Unit and per square foot)

	2013 (IFRS)	2014 (IFRS)	2015 (IFRS)	2016 (IFRS)	2017 (IFRS)
Assets	\$ 5,745,207	\$ 5,778,108	\$ 5,540,299	\$ 5,612,568	\$ 5,688,125
Investment properties	180,476	193,537	293,543	156,045	176,950
Other assets	\$ 5,925,683	\$ 5,971,645	\$ 5,833,842	\$ 5,768,613	\$ 5,865,075
Total assets					
Mortgages payable	\$ 2,261,412	\$ 2,169,499	\$ 2,272,447	\$ 2,435,666	\$ 2,593,980
Other liabilities	364,699	444,145	350,640	311,624	293,433
	\$ 2,626,111	\$ 2,613,644	\$ 2,623,087	\$ 2,747,290	\$ 2,887,413
Deferred income taxes	50	13	17	4	55
Unitholders' equity	3,299,522	3,357,988	3,210,738	3,021,319	2,977,607
Total liabilities and unitholders' equity	\$ 5,925,683	\$ 5,971,645	\$ 5,833,842	\$ 5,768,613	\$ 5,865,075
Trust unit outstanding (000) (including LP B Units)	52,395	51,996	51,322	50,739	50,813
Trust unit price at year-end (\$)	\$ 59.85	\$ 61.54	\$ 47.45	\$ 48.65	\$ 43.09
Market capitalization (\$MM)	3,135.8	3,199.8	2,435.2	2,468.4	2,189.5
Number of rental units	35,386	34,626	32,947	33,773	33,187
Fair value per rental unit (\$000)	162	167	168	166	171
Long-term debt per rental unit (\$000)	64	63	69	72	78
Net rentable square feet (000)	30,022	29,466	28,199	28,924	28,539
Fair value per square foot (\$)	191	196	196	194	199
Long-term debt per square foot (\$)	75	74	81	84	91
Average net rentable SF per unit	848	851	856	856	860
L/T debt weighted average interest rate	3.46%	3.34%	3.01%	2.78%	2.61%

FIVE YEAR SUMMARY

(\$000's, except per Unit)	2013 (IFRS)	2014 (IFRS)	2015 (IFRS)	2016 (IFRS)	2017 (IFRS)
Rental revenue	\$ 446,626	\$ 466,435	\$ 469,209	\$ 432,140	\$ 416,504
Ancillary rental income	6,958	6,810	6,939	6,706	6,422
Total rental revenue	453,584	473,245	476,148	438,846	422,926
Rental expenses					
Operating expenses	89,002	93,969	94,172	97,620	113,986
Utilities	42,121	47,572	46,200	44,711	47,967
Property taxes	38,272	40,091	41,074	43,416	44,890
Net operating income	284,189	291,613	294,702	253,099	216,083
Operating margin	63%	62%	62%	58%	51%
Financing costs	88,818	91,977	85,370	84,634	85,763
Administration	32,202	32,943	33,407	33,947	33,402
Depreciation	11,920	11,933	9,649	5,219	5,586
Profit from continuing operations before the undemoted	151,249	154,760	166,276	129,299	91,332
Proceeds on insurance settlement	-	-	-	-	3,162
Gain (loss) on sale of assets	-	(235)	(6,855)	-	(1,678)
Fair value gains (losses)	174,424	81,126	(130,361)	(186,681)	(35,418)
Profit from continuing operations before income tax (expense) recovery	325,673	235,651	29,060	(57,382)	57,398
Income tax (expense) recovery	(538)	(41)	(212)	(58)	(140)
Profit from continuing operations	325,135	235,610	28,848	(57,440)	57,258
Profit from discontinued operations, net of tax	12,595	11,181	-	-	-
Profit (loss) for the year	337,730	246,791	28,848	(57,440)	57,258
Other comprehensive income	2,149	2,445	1,014	-	-
Total comprehensive income (loss)	\$ 339,879	\$ 249,236	\$ 29,862	\$ (57,440)	\$ 57,258
Earnings per unit – continuing operations – diluted	\$ 5.98	\$ 4.93	\$ (0.40)	\$ (1.24)	\$ 0.84
Earnings per unit – discontinued operations – diluted	\$ 0.24	\$ 0.23	\$ -	\$ -	\$ -
Funds from operations	\$ 168,184	\$ 175,825	\$ 184,852	\$ 144,468	\$ 106,987
Funds from operations per unit – fully diluted	\$ 3.21	\$ 3.37	\$ 3.56	\$ 2.84	\$ 2.11
Interest Coverage Ratio, Continuing operations	3.15	3.37	3.64	3.14	2.60

Fiscal year ended December 31, 2013 has been restated to present discontinued operations consistent with fiscal year ended December 31, 2014.

Fiscal year ended December 31, 2016 has been restated to present deferred financing cost amortization consistent with fiscal year ended December 31, 2017.

2017 QUARTERLY RESULTS

	Q1	Q2	Q3	Q4	Dec. 31, 2017
Rental revenue	\$ 103,951	\$ 103,908	\$ 103,905	\$ 104,740	\$ 416,504
Ancillary rental income	1,543	1,671	1,641	1,567	6,422
Total rental revenue	105,494	105,579	105,546	106,307	422,926
Rental expenses					
Operating expenses	27,371	28,863	29,598	28,154	113,986
Utilities	14,386	11,011	10,266	12,304	47,967
Property taxes	11,074	11,300	11,333	11,183	44,890
Net operating income	52,663	54,405	54,349	54,666	216,083
Financing costs	21,119	21,304	21,674	21,666	85,763
Administration	8,390	8,066	8,178	8,768	33,402
Depreciation and amortization	1,153	1,393	1,559	1,481	5,586
Profit before the undemoted	22,001	23,642	22,938	22,751	91,332
Proceeds on insurance settlement	2,536	474	-	152	3,162
Loss on sale of assets	-	-	-	(1,678)	(1,678)
Fair value gains (losses)	(7,372)	39,369	21,515	(88,930)	(35,418)
Profit (loss) before income tax	17,165	63,485	44,453	(67,705)	57,398
Income tax (expense) recovery	26	(59)	(46)	(61)	(140)
Profit (loss) for the period	17,191	63,426	44,407	(67,766)	57,258
Other comprehensive income	-	-	-	-	-
Total comprehensive income (loss)	\$ 17,191	\$ 63,426	\$ 44,407	\$ (67,766)	\$ 57,258
Earnings (loss) per unit – diluted	\$ 0.26	\$ 1.33	\$ 0.08	\$ (1.46)	\$ 0.84
Funds from operations	\$ 25,671	\$ 27,552	\$ 27,014	\$ 26,749	\$ 106,986
Funds from operations per unit – fully diluted	\$ 0.51	\$ 0.54	\$ 0.53	\$ 0.53	\$ 2.11

2016 QUARTERLY RESULTS

	Q1	Q2	Q3	Q4	Dec. 31, 2016
Rental revenue	\$ 111,590	\$ 108,805	\$ 107,283	\$ 104,462	\$ 432,140
Ancillary rental income	1,778	1,601	1,668	1,659	6,706
Total rental revenue	113,368	110,406	108,951	106,121	438,846
Rental expenses					
Operating expenses	23,227	23,973	24,339	26,081	97,620
Utilities	13,137	9,998	9,455	12,121	44,711
Property taxes	9,940	9,956	11,999	11,521	43,416
Net operating income	67,064	66,479	63,158	56,398	253,099
Financing costs	20,906	21,282	21,247	21,199	84,634
Administration	9,430	9,160	7,242	8,115	33,947
Depreciation and amortization	1,198	1,262	1,328	1,431	5,219
Profit before the undemoted	35,530	34,775	33,341	25,653	129,299
Loss on sale of assets	-	-	-	-	-
Fair value gains (losses)	20,536	(28,122)	(68,900)	(110,195)	(186,681)
Profit (loss) before income tax	56,066	6,653	(35,559)	(84,542)	(57,382)
Income tax (expense) recovery	131	(85)	41	(145)	(58)
Profit (loss) for the period	56,197	6,568	(35,518)	(84,687)	(57,440)
Other comprehensive income	-	-	-	-	-
Total comprehensive income (loss)	\$ 56,197	\$ 6,568	\$ (35,518)	\$ (84,687)	\$ (57,440)
Earnings (loss) per unit – diluted	\$ 1.21	\$ 0.14	\$ (1.16)	\$ (1.89)	\$ (1.70)
Funds from operations	\$ 39,124	\$ 38,554	\$ 37,186	\$ 29,601	\$ 144,466
Funds from operations per unit – fully diluted	\$ 0.77	\$ 0.76	\$ 0.73	\$ 0.58	\$ 2.83

MARKET AND UNITHOLDER INFORMATION

SOLICITORS

Gowling WLG (Canada) LLP

1600, 421 – 7th Avenue SW
Calgary, Alberta T2P 4K9

First West Law

100, 1501 – 1st Street SW
Calgary, Alberta T2R 0W1

BANKERS

Toronto Dominion Bank

100, 421 – 7th Avenue SW
Calgary, Alberta T2P 4K9

AUDITORS

Deloitte LLP

700, 850 – 2nd Street SW
Calgary, Alberta T2P 0R8

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada

Our Transfer Agent can help you with a variety of unitholder related services, including change of address, tax forms, accounts consolidation and transfer of stock.

600, 530 – 8th Avenue SW
Calgary, Alberta T2P 3S8
Telephone: 403-267-6800

INVESTOR RELATIONS

Unitholders seeking financial and operating information may contact:

James Ha

Vice-President, Finance and Investor Relations
Telephone: 403-531-9255
Toll Free: 855-626-6739
Facsimile: 403-531-9565
Web: www.BoardwalkREIT.com
Email: investor@bwalk.com

ONLINE INFORMATION

For an online version of the current and past annual reports, quarterly reports, press releases and other Trust information, please visit our investor website at www.BoardwalkREIT.com.

ANNUAL AND GENERAL MEETING

The Annual and Special Meeting of the Unitholders of Boardwalk REIT will be held at the Calgary Petroleum Club: 319 – 5th Avenue SW, Calgary, Alberta at 3:00pm (MT) on May 15, 2018.

Unitholders are encouraged to attend. Those unable to do so are requested to complete the Form of Proxy and forward it at their earliest convenience.

EXCHANGE LISTINGS

The Toronto Stock Exchange

Symbol: BEI.UN

TRADING PROFILE

TSX: January 1, 2017 to December 31, 2017
High: \$51.18
Low: \$37.96
Year-end Closing Price: \$43.09

MONTHLY DISTRIBUTIONS				
Month	Per unit	Annualized	Record Date	Distribution Date
Jan-17	\$0.1875	\$2.25	31-Jan-17	15-Feb-17
Feb-17	\$0.1875	\$2.25	28-Feb-17	15-Mar-17
Mar-17	\$0.1875	\$2.25	31-Mar-17	17-Apr-17
Apr-17	\$0.1875	\$2.25	28-Apr-17	15-May-17
May-17	\$0.1875	\$2.25	31-May-17	15-Jun-17
Jun-17	\$0.1875	\$2.25	30-Jun-17	17-Jul-17
Jul-17	\$0.1875	\$2.25	31-Jul-17	15-Aug-17
Aug-17	\$0.1875	\$2.25	31-Aug-17	15-Sep-17
Sep-17	\$0.1875	\$2.25	29-Sep-17	16-Oct-17
Oct-17	\$0.1875	\$2.25	31-Oct-17	15-Nov-17
Nov-17	\$0.1875	\$2.25	30-Nov-17	15-Dec-17
Dec-17	\$0.1875	\$2.25	29-Dec-17	15-Jan-18
Jan-18	\$0.0834	\$1.00	31-Jan-18	15-Feb-18
Feb-18	\$0.0834	\$1.00	28-Feb-18	15-Mar-18
Mar-18	\$0.0834	\$1.00	30-Mar-18	16-Apr-18
Apr-18	\$0.0834	\$1.00	30-Apr-18	15-May-18

CORPORATE INFORMATION

EXECUTIVE OFFICE

First West Professional Building
200, 1501 – 1st Street SW
Calgary, Alberta T2R 0W1
Phone: 403-531-9255

BOARD OF TRUSTEES

Sam Kolias

Chairman of the Board
Calgary, Alberta

James Dewald⁽³⁾

Calgary, Alberta

Gary Goodman⁽²⁾

Calgary, Alberta

Arthur Havener⁽¹⁾⁽²⁾⁽³⁾

St. Louis, MO

Samantha Kolias

Calgary, Alberta

Brian Robinson⁽²⁾⁽³⁾

Calgary, Alberta

Andrea Stephen⁽²⁾

Calgary, Alberta

(1) Lead Trustee

(2) Member of the Audit & Risk Management Committee

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

SENIOR MANAGEMENT

Jonathan Brimmell

Vice President, Operations
Ontario and Quebec

Dean Burns

General Counsel and Secretary

Roberto Geremia

President

James Ha

Vice President, Finance and Investor Relations

Bhavnesh Jairam

CIO, Vice President, Technology

Jeff Klaus

Vice President, Development and Acquisitions

Sam Kolias

Chief Executive Officer

Van Kolias

Senior Vice President, Quality Control

Kelly Mahajan

Vice President, Marketing and Customer Service

Helen Mix

Vice President, Human Resources

Lisa Russell

Senior Vice President, Acquisitions & Development

William Wong

Chief Financial Officer



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